

London
Business
School

Financial Statements

2016–2017



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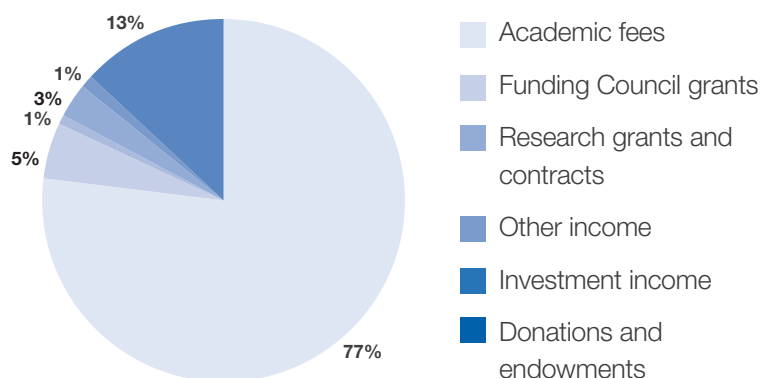
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Summary of financial highlights

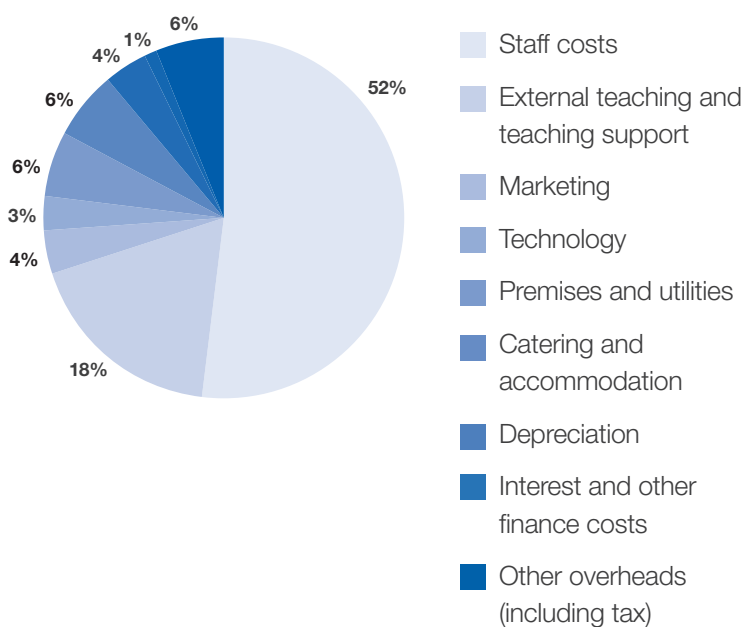
CONSOLIDATED

	2017 £'000	2016 £'000
INCOME		
Academic fees	117,247	113,038
Funding Council grants	7,038	7,019
Research grants and contracts	2,048	1,685
Other income	5,144	5,622
Investment income	1,465	1,517
Donations and endowments	19,120	23,253
Total income	152,062	152,134
EXPENDITURE		
Staff costs	69,720	68,305
Other costs		
External teaching and teaching support	26,173	28,012
Marketing	4,686	4,555
Technology	3,353	3,155
Premises and utilities	8,624	7,969
Catering and accommodation	7,536	7,286
Depreciation	5,445	6,509
Interest and other finance costs	978	680
Other overheads (including tax)	7,472	10,905
Total expenditure	133,987	137,376
Revaluation of property	(20,463)	0
Share of operating surplus of associate company	17	11
Gain on investments	2,463	3,974
Surplus for the year	92	18,743
BALANCE SHEET		
Tangible assets	302,827	261,265
Investments	47,312	51,908
Other current assets	16,448	14,986
Current liabilities	(76,311)	(71,295)
Long-term liabilities	(36,463)	(1,882)
Provisions	(23,693)	(28,590)
Net assets	230,120	226,392
Represented by		
Endowment reserve	51,857	47,678
Restricted reserve	1,840	2,178
Unrestricted reserve	47,558	47,671
Revaluation reserve	128,865	128,865
	230,120	226,392

INCOME 2017



EXPENDITURE 2017



Dean's statement

I have long admired the School and am now honoured to be leading such a world-class institution. The School has gained great momentum under Sir Andrew Likierman's leadership and I look forward to building on that foundation.

Since I started on 1 August 2017, I have been impressed by the combination of academic excellence, London spirit and global mindset at the School. We have rigorous and relevant researchers committed to the success of the School, and professional and dedicated staff with the talent to take us forward. I have been struck by the engagement and ambition of the whole School community. I sense great eagerness to set ambitious aspirations for the future.

The context for business schools today is challenging. As your leader, can I help us see our organisation differently? Could we leverage the ongoing disruption of higher education to assert greater leadership in business education? What will be the inflection(s) that propel us upward?

I'm grateful for the continued support of our governing body members, faculty, staff, students, alumni, and friends. All are crucial to our continuing contribution to individuals, organisations and the societies in which they live and work.

François Ortalo-Magné

Dean

London Business School

Chairman's statement

I have pleasure in presenting the Financial Statement of London Business School for the period ending 31 July 2017.

The School has been extraordinarily successful since it was founded in 1964. It has grown enormously – from two degree programmes in the beginning to ten degree programmes today, and ten times the number of graduates. Executive Education has grown 20-fold and we now have long-term relationships with some of the world's leading companies. The School has also become genuinely global

with students from more than 100 countries and alumni in 150. In this time, government funding has dropped from 80% to 6% and space has become a greater challenge.

We are grateful to Sir Andrew Likierman, who stepped down on July 31st and under whose deanship the School has gained such great momentum in recent years. We have successfully completed our first comprehensive fundraising campaign and secured a wonderful new building for the School in the form of the Sammy Ofer Centre.

Building on this legacy, we are delighted to welcome our new Dean, François Ortalo-Magné, to the School. François joins from the University of Wisconsin-Madison Business School where he was Dean from 2011-2017. He is recognised as a truly innovative thinker with a passion for education and a great commitment to academic research and the quality of the student experience.

Looking ahead, the purchase of the lease for our neighbour on Sussex Place, the Royal College of Obstetricians and Gynecologists, gives us the opportunity to expand our campus further. The building, which we take possession of in December 2019, will provide us with a new entrance on Regent's Park and space to expand and develop the School's facilities.

As we continue to build our impact around the globe, we are privileged to count distinguished faculty members within our community. It is their research and thought-leadership, as well as the continuing success of our alumni around the globe, that help the School achieve its vision to have a profound impact on the way the world does business.

We are fortunate to have so many people – alumni, business organisations and friends alike - support the School and give so freely of their time. Quite simply, we could not manage without them, and I am hugely appreciative of everything they do. Thank you on behalf of the whole School community.

The Hon Apurv Bagri

Chairman of Governing Body

London Business School

Corporate governance statement

The School is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the School has applied the principles set out in the UK Corporate Governance Code (formerly the Combined Code on Corporate Governance) issued by the London Stock Exchange in June 1998 and revised in June 2010 in so far as they relate to Higher Education Institutions. Its purpose is to help the reader of the financial statements understand how these principles have been applied.

The School's Governing Body has adopted the voluntary Higher Education Code of Governance published by the Committee of University Chairs in 2014. The School's practices are consistent with the provisions of the code.

The School's Governing Body is ultimately responsible for the School's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The School's Governing Body comprises lay and academic persons and a student association representative, appointed under the statutes of the School, the majority of whom are non-executive. Vacancies for non-executive members of the Governing Body are advertised publicly and the recruitment procedure takes full account of the School's equality and diversity policies. The role of Chairman of Governing Body is separated from the role of the School's chief executive, the Dean. The role of Treasurer is undertaken by the Associate Dean, Operations. The matters specifically referred to the Governing Body for decision are set out in the statutes of the School. As is the custom, and under the Financial Memorandum with the Higher Education Funding Council for England ("HEFCE"), the Governing Body holds itself responsible for the ongoing strategic direction of the School. It approves major developments and receives regular reports from executive officers on the day-to-day operations of the School's business and its associated companies.

The Governing Body met four times during the 2016-17 financial year. It has five committees: an Audit and Risk Committee, a Finance Committee, an Estates Committee, a Governance and Nominations Committee and a

Remuneration Committee. All of these committees are formally constituted with terms of reference and comprise mainly lay members, one of whom is Chair.

The Audit and Risk Committee's role in corporate governance is to provide a high level review of the internal control arrangements of the School and report on this to the Governing Body. It meets at least three times annually with Internal Auditors present at all meetings, with external auditors attending at least once. The Committee considers the audit findings and recommendations for the improvement of the School's system of internal control, together with management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the School's business and monitors adherence to the regulatory requirements. Senior executives attend meetings of the Audit and Risk Committee, but are not members of the committee. The committee has the option of meeting the external and internal auditors on their own for independent discussions.

The Estates Committee is responsible for the effective oversight of a project to develop Old Marylebone Town Hall, the leasehold for which was acquired by the School in November 2012.

The Finance Committee recommends to the Governing Body the School's annual budget, monitors performance in relation to the approved budgets and advises the Governing Body on the effect of strategic decisions on the financial health of the School. The committee seeks assurance that the financial resources of the School meet its present and future needs. The committee has an Investment Committee reporting to it. This committee is chaired by the Treasurer and reviews and oversees the School's investment portfolio and strategy.

The Governance and Nominations Committee is responsible for making recommendations on the membership of the Governing Body and its committees and for advising the Governing Body on the operation and effectiveness of its corporate governance arrangements.

The Remuneration Committee determines the annual remuneration of senior staff, including the Dean.

The Governing Body is satisfied that there is an ongoing process for identifying, evaluating and managing the School's significant risks, that it has been in place for the year ended 31 July 2017 and up to the date of approval of the financial statements, that it is regularly reviewed by the Governing Body and that accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

Senior management receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms embedded within the operational units. Managers are required to identify and assess risks in their operational units as part of the corporate planning process.

The Dean and the Audit and Risk Committee also receive regular reports from the internal audit services including recommendations for improvement. The Internal Auditors have not reported any significant findings from the audit work which they carried out during the year.

The Audit and Risk Committee's role in the area of risk management consists of a high level review of the arrangements for internal control and the consideration of reports from senior management on risk and control. The Governing Body's agenda also includes a regular item for consideration of risk and control and receives reports thereon from senior management and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its July 2017 meeting an assessment for the year ended 31 July 2017 was carried out upon receipt of documentation from senior management and the Audit and Risk Committee. At its November 2017 meeting, further assurance on risk and control was given to the Governing Body by senior management and the Audit and Risk Committee to enable the annual assessment for the year ended 31 July 2017 to take place. This assessment took into account events since 31 July 2017.

The Governing Body has approved management's assessment of the risks to which the School is exposed. This assessment has identified the types of risk, prioritising

them in terms of potential impact and likelihood of occurrence. As part of the School's risk management process the Governing Body, through its Audit and Risk Committee, has ensured that internal controls are in place, and has satisfied itself that these controls are currently adequate to manage and reduce the risks identified.

Reviewing risk is an ongoing part of the governance of the School. Assessing the risks, managing the risks and ensuring that adequate internal controls are in place will continue to be an ongoing priority of the School's management team and the Governing Body.

Statement of the Governing Body's responsibilities

The Governing Body is responsible for preparing the financial statements in accordance with the requirements of the Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

They are required to prepare group and parent School financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent School and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent School financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent School's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent School or to cease operations, or have no realistic alternative but to do so.

The Governing Body is responsible for keeping adequate accounting records that are sufficient to show and explain the parent School's transactions and disclose with reasonable accuracy at any time the financial position of the parent School and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Governing Body are also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the School's resources and expenditure.

The Governing Body is responsible for the maintenance and integrity of the corporate and financial information included on the School's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

BY ORDER OF THE GOVERNING BODY

Richard Frost

Secretary

30 November 2017

Public benefit statement

London Business School was incorporated by Royal Charter on 8 July 1986. It was granted exempt charity status by the Exempt Charity Order 1996 in force from 1 August 1996. The School's Governing Body has had due regard to the Charity Commission's guidance on public benefit and has taken reasonable steps to ensure that this guidance has been considered in the activities undertaken by the School to deliver its charitable purposes.

The objects of London Business School as set out in its Royal Charter are "to advance education and learning in business and management studies and such other fields as may from time to time be decided upon by the School and to carry out research in said fields of knowledge and learning and publish the useful results of such research".

London Business School's aim is to ensure that its student body is balanced and diverse in terms of background and experience, with all the educational and cultural benefits that this brings. Applications are encouraged from all those with the motivation and academic ability to thrive at the School, whatever their background.

As set out in its Corporate Plan for the five year period to 2021-22 the School is committed to generating endowment and expendable income through fundraising activity to create student scholarships, with the ultimate goal of ensuring that no potential student is prevented from applying for a place on its programmes for financial reasons.

A range of scholarships and bursaries are currently available to degree programme students including specific financial needs bursaries.

The School invests in a Financial Aid function to assist prospective students identify the most suitable form of loan financing.

The School invests in a PhD programme in order to provide a continuing supply of Faculty and to continue to develop management education.

The research produced by the School's Faculty is published in publicly available academic journals and is made available through LBS Research Online, the School's Open Access repository. Working papers by Faculty are also freely available on the School's website. The results of the research carried out by Faculty are disseminated through a series of conferences, seminars, publications and other outreach activities, funded by the School's own resources and its allocation from HEFCE's Higher Education Innovation Fund.

Treasurer's report

Strategy and objectives

The School's vision is to have a profound impact on the way the world does business. It aims to achieve this vision through the research produced and disseminated by its faculty and through the achievements and influence of its degree programme graduates and executive education participants.

Degree Programmes

The School's Master's degree portfolio was expanded with the introduction of the Masters in Financial Analysis programme which launched successfully above target. Student recruitment was largely at or above target.

Financial results for 2016-17 show degree programme fee income of £74million against prior year fee income of £67million. Net contribution was above target.

Reviews of the Masters in Management, Masters in Leadership and Strategy (Sloan) and MBA programmes have been completed.

In the *Financial Times* rankings, the MBA remained in the Top 10. The EMBA-Global rose from fifth to fourth, and the EMBA remained at nineteenth place. The MiF holds 2nd place and the MiM rose from sixth to fourth place. The MBA was ranked first place in the Business Week ranking of non-US programmes.

The Career Centre was largely successful in meeting or exceeding targets for all ranked full-time degree programmes.

Executive Education

The School's open programme revenue remained consistent with the prior year revenue of £20million. Custom programme revenue fell slightly to £21million against prior year revenue of £24million.

The participant net promoter score increased from +69 to +75 for open programmes. The corporate client NPS for custom programmes increased from +78 to +83.

The overall executive education rankings in the *Financial Times* achieved a record fourth place, up two places.

Digital Centre

The School's approach to digital learning continues to focus on establishing its brand and developing and enhancing the digital learner experience.

Activity during 2016-17 has focused on four key areas: establishing and enhancing the digital learning offering; supporting an enriched learner experience; adoption of digital design and delivery within front-facing departments; and supporting core teaching, learning and research activity.

The library successfully relocated to the Sammy Ofer Centre in August 2017.

Regional Strategies

The Global Masters in Management programme, delivered jointly with Fudan School of Management, has continued to act as a focal point for a series of activities in China, including the development of the School's local website and continued engagement with regional clubs.

The Dubai Executive MBA programme has continued to act as the focal point for activities in the Middle East. Work during 2016/17 has centred on 10th Anniversary celebrations.

The Aditya Birla India Centre is the focal point for a range of activities in India including raising faculty awareness of the Centre's role in facilitating and showcasing research and the development of an annual alumni programme and events series.

Research

Work continued in the School's six key research initiatives: the Aditya Birla India Centre, the Centre for Corporate Governance, the Private Equity Institute, the Institute of Innovation and Entrepreneurship, the AQR Asset Management Institute and the Leadership Institute.

The Research and Faculty Office continues to encourage and support faculty in making external grant applications. Two significant European Research Council grants totalling over €5 million are still pending.

The PhD programme had an intake of 14 students in 2016/17. Of the 9 students graduating this year, 7 have obtained academic placements, with 3 receiving offers from schools ranked in the *Financial Times* top 50.

Developing Resources

Faculty

Five new members of faculty were recruited to join the School for the 2017-18 year and five untenured faculty members resigned. The changes in exchange rate post

Brexit contributed to the challenging context of faculty recruitment. The total core faculty headcount increase from 99 to 101 for the 2016-17 year. The number of affiliated and other faculty remained constant at 64. Faculty salaries continue to be benchmarked against main competitors and faculty compensation and existing faculty salary increases remain competitive.

Staff

A review and redesign of the School's career and job frameworks is underway to underpin people processes and inform future approaches to talent and succession planning.

Phase one of the School's new people management system is complete allowing for improved HR records and a new payroll solution. The deployment of the Employee and Manager Self Service (ESS & MSS) was completed on schedule.

Voluntary staff turnover decreased slightly from 20% to an average of 18%.

Infrastructure

Estates and Campus Services

The School continues to increase both the capacity and the quality of its estate. In line with this strategy a new 125 year lease was signed in December 2016 to acquire the lease of 27 Sussex Place (currently the Royal College of Gynaecologists) with agreement to take possession in December 2019.

Sammy Ofer Centre opened with a soft launch in August 2017 and an official opening ceremony on 26 September 2017. An amazing and inspiring Teaching Centre, the Sammy Ofer Centre has been enthusiastically received by our whole community.

A refurbishment of the Taunton Centre is also currently underway. The upgrade and extension to the Fitness Centre started in July 2017 for completion before Christmas 2017. Additional and refurbished study and communal space will be provided for students in addition to improved Career Centre facilities.

The School's carbon management plan is updated every 6 months and emissions are currently forecast to decrease by 19.6% against the 2005 baseline.

IT

The School continues to invest in technology and a key focus in the year has been the delivery of state of the art teaching technologies in the new Sammy Ofer Centre Teaching Centre. In support of the School's strategic objectives, the canvas learning management system has been rolled out across all Degree Programmes, the concept design for online payments has been completed and rolling programmes to enhance the School's CRM system and its website have been introduced.

Elsewhere the School has also continued to provide technology solutions to improve compliance requirements, eg automating grading and assessment and attendance monitoring and to enhance operational efficiencies, eg a new research information system, a new HR management system, new print solution and upgraded access control.

Scope of the financial statements

The consolidated financial statements are prepared in accordance with applicable accounting standards and comprise the results of London Business School; its subsidiary company London Business School Trading Company Limited; its quasi-subsidiaries, the London Business School Anniversary Trust ('the Trust'), the Centre for Management Development Company Limited ('CMD') and Sussex Place Ventures Limited ('SPV'); and its investment in the Global Entrepreneurship Research Association ('GERA'). The consolidated financial statements are referred to as the School's financial statements throughout.

CMD undertakes activities that are more appropriately channelled through a limited company and donates profits to the Trust under gift aid. The Trust in turn donates money to the School to support investment in faculty, research, technology, estates and campus services and fundraising. The financial statements of the Trust have been prepared under the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in 2014 and the Charities Act 2011.

GERA advances education and learning in the field of entrepreneurship practice and policy development including (but not limited to) the provision and conduct of an international programme of research and the dissemination of the results of such research.

Treasurer's report *continued*

Results for the year

A summary of the School's results for the year to 31 July 2017 is as follows:

	2017	2016
	£'000	£'000
Income	152,062	152,134
Expenditure	(133,987)	(137,376)
Share of operating surplus of associate company	17	11
Valuation of property	(20,463)	0
Increase following the gain on investments	2,463	3,974
Surplus for the year after tax	92	18,743
Pension fund actuarial loss	3,636	(6,758)
Increase following the revaluation of properties	0	63,906
Total comprehensive income for the year	3,728	75,891

We are pleased to report that the School has had another positive year having achieved a breakeven position of £0.1million (2016: £18.7million) before property revaluations gains and pension fund actuarial losses.

Income in the year remained constant. Fees from Degree Programmes grew from £67million to £74million; Executive Education open programme revenues remained at £20million; and Executive Education custom programme revenues reduced from £24million to £21million. Income from other sources including HEFCE, research grants, and catering, remained constant at £16million. Donations and endowments reduced from £23million to £19million.

Expenditure in the year reduced by over £3million due largely to the ongoing focus on effective cost management and the renegotiation of a number of significant contracts.

The School's new Teaching Centre, the Sammy Ofer Centre, opened on 1 August 2017. The School recognised an impairment of £20.5million against the final cost to complete to reflect its market valuation at the year end.

Cash and investments

Cash

In 2015-16 the School drew down on the borrowing facility for the first time, to cover commitments for the Sammy Ofer Centre and the new lease for Sussex Place which was agreed in June 2016.

In 2016-17, cash continues to flow in from the highly successful Campaign 1, but, with the opportunity to acquire the lease of 27 Sussex Place (currently the Royal College of Gynaecologists) ahead of Campaign 2, the School entered into a private placement. This takes the form of a 35 year loan in the sum of £35 million.

In addition, to support operations, the School continued to utilise the existing rolling facility and as at 31 July 2017 held borrowings of £45.5million across the two facilities and an actual cash balance of £3.8million.

Investments

The School's investment portfolio is managed by an external fund manager, based on the investment strategy set by the Investment Committee. Returns on funds during the year were in line with market benchmarks. The School also invests in a student loan funding scheme.

Endowment and Investment income remains consistent with the prior year of £1.5million and is included in the income and expenditure account for the year.

The market value of the investment portfolio at the year-end was £47million compared to £51million at last year end, reflecting an underlying gain on revaluation of £2million offset by a net divestment of £8million in the year.

Advancement

Work continues to develop donor relationships and stewardship to position the School for future campaigns.

London Business School is thankful for the generous support of its alumni, friends, corporate and trust donors. We fundraise for initiatives which support our teaching and research, and have an impact on the way the world does business. The Advancement team are responsible for all fundraising activity under the leadership of the Associate Dean for Advancement, and we are grateful to our alumni volunteers who also support our work via Reunion and Class Gift efforts.

No fundraising is outsourced or delivered by third party agencies. The School takes seriously the rights and privacy of our alumni community, friends and organisational donors. We conduct a number of appeals throughout the year all of which have a clear mechanism for opting out. We do not undertake any form of fundraising with the general public. London Business School is registered with The Fundraising Regulator in the UK. During 2016/17 there were no failures to comply with the standards set out by the regulator and no serious complaints received.

Reserves

Reserves have increased from £226million to £231million.

The unrestricted general reserve increased by £1million as a result of the donations received. The endowment reserve increased by £4million as a result of new endowments received in the year

Monitoring performance and principal risks

The School has in place a full risk assessment process. In addition, monthly reporting is produced for senior management to monitor key performance measures around key areas.

These include student, participant and client feedback on teaching and experience in general; graduate recruitment; Degree Programme applications and conversions; executive education participant applications and numbers; financial risks to achieving the budget; and faculty and staff turnover. These allow us to take necessary action as quickly as possible where required during the year.

The future

It continues to be the vision of London Business School to have a profound impact on the way the world does business.

The School has always been restricted in its ability to achieve this vision by its size. It has a smaller faculty and fewer students than many of its competitors. In order to increase the impact it has on the way the world does business it needs to grow, while at the same time continuing to enhance the quality of its research and programmes to maximise their influence and maintain a competitive position at the top of the world rankings.

With the opening of the Sammy Ofer Centre, with its six new large lecture theatres, the School is now well placed to grow its programmes. Aligned growth in faculty will enable the creation of critical mass in each subject area. Continued investment in promoting the brand, and in technology and digital learning, will ensure we are able to continue to enhance the overall experience.

The School will continue to work with the International Alumni Council to build engagement with its global alumni community. Relationships with the School's key stakeholders will continue to be developed to expand the valuable support they provide for its activities.

The School will continue to ensure that the plans for the future provide the School with a robust and sustainable financial model to develop its resources and implement its strategies to realise its vision.

The School's financial strategy continues to target operating break evens with operating cash surpluses; fundraising to support both capital investments and the growth of the School's endowment; supported by borrowing facilities to fund short to medium term cash requirements. As such we continue to monitor our cash flow very closely to ensure we can optimise borrowings and have sufficient resources to fund investments.

Catherine Webster

Treasurer

30 November 2017

Independent auditor's report to the Governing Body of London Business School

We have audited the financial statements of London Business School for the year ended 31 July 2017, which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Cash Flow Statement and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the School's affairs as at 31 July 2017 and of the Group's and School's income and expenditure, gains and losses, and changes in reserves and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Governing Body is responsible for the other information, which comprises the summary of financial highlights, Dean's and Chairman's statements, corporate governance

statement, public benefit statement, and Treasurer's report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Governing Body responsibilities

As explained more fully in their statement set out on page 6, the Governing Body is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent School'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 it either intends to liquidate the group or the parent School or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the School for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the School's Statutes; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Governing Body, in accordance with section 8.4 of the Statutes of the institution. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the School and the Governing Body for our audit work, for this report, or for the opinions we have formed.

Neil Thomas

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL

1 December 2017

Consolidated and School Statement of Comprehensive Income and Expenditure

Year ended 31 July 2017

	Notes	Consolidated		London Business School	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Income					
Academic fees	1	117,247	113,038	96,300	88,812
Funding Council grants	2	7,038	7,019	7,038	7,019
Research grants and contracts	3	2,048	1,685	2,048	1,688
Other income	4	5,144	5,622	14,610	15,775
Investment income	5	1,465	1,517	9	78
Total income before endowments and donations		132,942	128,881	120,005	113,372
Donations and endowments	6	19,120	23,253	19,117	23,638
Total income		152,062	152,134	139,122	137,010
Expenditure					
Staff costs	7	69,720	68,305	61,571	61,265
Other operating expenses	9	57,844	61,882	55,085	55,665
Depreciation	11	5,445	6,509	5,445	6,509
Interest and other finance costs	8	978	680	978	680
Total expenditure		133,987	137,376	123,079	124,119
Surplus before other gains and share of operating surplus of associates					
		18,075	14,758	16,043	12,891
Revaluation of property	11	(20,463)	-	(20,463)	-
Gain on investments	13	2,463	3,974	-	-
Share of operating surplus in associate	14	17	11	-	-
Surplus (Deficit) before tax		92	18,743	(4,420)	12,891
Taxation	10	-	-	-	-
Surplus (Deficit) for the year		92	18,743	(4,420)	12,891
Unrealised surplus on revaluation of land and buildings	11	-	63,906	-	63,906
Actuarial gain/(loss) in respect of pension schemes		3,636	(6,758)	3,636	(6,758)
Total comprehensive income for the year		3,728	75,891	(784)	70,039
Represented by:					
Endowment comprehensive income for the year		4,179	5,642	-	-
Restricted comprehensive income for the year		(338)	(17)	-	-
Unrestricted comprehensive income for the year		(113)	6,360	(784)	6,133
Unrealised revaluation income for the year		-	63,906	-	63,906
		3,728	75,891	(784)	70,039
Surplus for the year attributable to:					
Non controlling interest		17	11	-	-
School		75	18,732	(4,420)	12,891

All items of income and expenditure relate to continuing activities

The notes on pages 24–43 form part of these financial statements.

Consolidated and School Statement of Changes in Reserves

Year ended 31 July 2017

CONSOLIDATED

	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	42,036	2,195	41,311	64,959	150,501
Surplus from the income and expenditure statement	5,642	(17)	13,118	-	18,743
Other comprehensive income	-	-	(6,758)	63,906	57,148
	5,642	(17)	6,360	63,906	75,891
Balance at 1 August 2016	47,678	2,178	47,671	128,865	226,392
Surplus/(deficit) from the income and expenditure statement	4,179	(338)	(3,749)	-	92
Other comprehensive income	-	-	3,636	-	3,636
Total comprehensive income for the year	4,179	(338)	(113)	-	3,728
Balance at 31 July 2017	51,857	1,840	47,558	128,865	230,120

SCHOOL

	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	-	-	21,518	64,959	86,477
Surplus from the income and expenditure statement	-	-	12,891	-	12,891
Other comprehensive income	-	-	(6,758)	63,906	57,148
	-	-	6,133	63,906	70,039
Balance at 1 August 2016	-	-	27,651	128,865	156,516
Surplus from the income and expenditure statement	-	-	(4,420)	-	(4,420)
Other comprehensive income	-	-	3,636	-	3,636
Total comprehensive income for the year	-	-	(784)	-	(784)
Balance at 31 July 2017	-	-	26,867	128,865	155,732

The notes on pages 24–43 form part of these financial statements.

Consolidated and School Balance Sheet

Year ended 31 July 2017

	Notes	Consolidated		London Business School	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets					
Fixed assets	11	302,788	261,226	302,788	261,226
Heritage assets	11	39	39	-	-
Investments	13	46,835	47,678	10	10
Investment in associate	14	477	460	-	-
		<u>350,139</u>	<u>309,403</u>	<u>302,798</u>	<u>261,236</u>
Current assets					
Investments	13	-	3,770	-	-
Stock	15	65	102	60	91
Trade and other receivables	16	11,804	10,659	7,225	6,406
Cash and cash equivalents	22	4,579	4,225	3,684	3,679
		<u>16,448</u>	<u>18,756</u>	<u>10,969</u>	<u>10,176</u>
Current liabilities					
Creditors: amounts falling due within one year	17	<u>(76,311)</u>	<u>(71,295)</u>	<u>(97,879)</u>	<u>(84,424)</u>
Net current liabilities		<u>(59,863)</u>	<u>(52,539)</u>	<u>(86,910)</u>	<u>(74,248)</u>
Total assets less current liabilities		<u>290,276</u>	<u>256,864</u>	<u>215,888</u>	<u>186,988</u>
Creditors: amounts falling due after more than one year	18	<u>(36,463)</u>	<u>(1,882)</u>	<u>(36,463)</u>	<u>(1,882)</u>
Provisions					
Pension provisions	19	<u>(23,693)</u>	<u>(28,590)</u>	<u>(23,693)</u>	<u>(28,590)</u>
Total net assets		<u>230,120</u>	<u>226,392</u>	<u>155,732</u>	<u>156,516</u>
Restricted Reserves					
Income and expenditure reserve – endowment reserve	20	51,857	47,678	-	-
Income and expenditure reserve – restricted reserve	21	1,840	2,178	-	-
		<u>53,697</u>	<u>49,856</u>	-	-
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		47,558	47,671	26,867	27,651
Revaluation reserve		128,865	128,865	128,865	128,865
		<u>176,423</u>	<u>176,536</u>	<u>155,732</u>	<u>156,516</u>
Total reserves		<u>230,120</u>	<u>226,392</u>	<u>155,732</u>	<u>156,516</u>

The financial statements were approved by the Governing Body on 30 November 2017 and were signed on its behalf on that date by:

The Honourable Apurv Bagri
Chairman

François Ortalo-Magné
Dean

The notes on pages 24–43 form part of these financial statements.

Consolidated Cash Flow

Year ended 31 July 2017

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Surplus for the year		92	18,743
Adjustment for non-cash items			
Depreciation	11	5,445	6,509
Gain on investments	13	(2,463)	(3,974)
Loss on write off of assets	11	-	3,423
Loss on revaluation	11	20,463	673
Decrease in stock	15	37	24
(Increase)/Decrease in debtors	16	(1,145)	669
Increase in creditors	17, 18	1,955	3,558
(Decrease)/Increase in pension provision	19	(1,261)	1,034
Share of operating surplus in associate	14	(17)	(11)
Adjustment for investing or financing activities			
Investment income	5	(1,465)	(1,517)
Interest payable	8	978	680
Endowment income	6	(2,078)	(2,864)
Capital Grant income		-	-
Prodigy capital distribution	13	1,076	463
Net cash inflow from operating activities		21,617	27,410
Cash flows from investing activities			
Payments made to acquire fixed assets	11	(67,470)	(68,490)
New non-current asset investments	13	(2,000)	(2,000)
Disposal of current asset investments	13	8,000	10,500
Capital Grant receipts	17	142	165
Investment income	5	1,465	1,517
		(59,863)	(58,308)
Cash flows from financing activities			
Interest paid	8	(978)	(680)
Endowment cash received	6	2,078	2,864
New bank loans	17	37,500	8,000
		38,600	10,184
Increase/(Decrease) in cash and cash equivalents in the year		354	(20,714)
Cash and cash equivalents at beginning of the year	22	4,225	24,939
Cash and cash equivalents at end of the year	22	4,579	4,225

The notes on pages 24–43 form part of these financial statements.

Accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015. The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets and investments. The School is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards.

The preparation of financial statements under FRS102 requires judgements, estimates and assumptions to be made that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are discussed below.

In determining and applying accounting estimates for:

- prepayments and accruals, there are either time or unit criteria which enable the estimate to be a fair assessment;
- pension liabilities and estate valuation, the School has relied upon the judgements of appropriately qualified third party professionals or used assessment tools provided by the pension provider.

(b) Basis of consolidation

The consolidated financial statements include London Business School ("The School") and all its subsidiaries and quasi-subidiaries for the financial year to 31 July. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements also include the School's investment in the Global Entrepreneurship Research Association ("GERA"). The year end date for GERA is 31 December. It differs from that of the School because its main business operation revolves around the 12 month period January to December, which, in

the opinion of the Governing Body, provides a true and fair view of the financial statements. The consolidated statements include the School's share of the operating result of the unaudited interim financial statements of GERA for the period from 1 January to 31 July.

The consolidated financial statements do not include the income and expenditure of the London Business School Students Association as the School does not exert control or dominant influence over policy decisions.

(c) Income recognition

Fee income

Academic fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Scholarships are accounted for gross as expenditure and not deducted from income. Where payments have been received in respect of courses that have not started by the year end are included as course payments in advance within creditors on the balance sheet.

Grant funding

Grant funding including funding council block grant, research grants from government sources, grants (including research grants) from non government sources are recognised as income when the School is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Donations and endowments with donor imposed restrictions are recognised in income when the School is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations and endowments with no restrictions are recognised in income when the School receives the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

There are three main types of donations and endowments identified within reserves:

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the School.
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the School has the power to use the capital.
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Increases or decreases in value arising on the revaluation or disposal of assets are shown as gains/losses on investments on the Consolidated Statement of Comprehensive Income and Expenditure. Increases or decreases relating to the Endowment Reserve are credited/debited to the relevant Endowment Reserve as part of the overall allocation.

(d) Accounting for retirement benefits

The School contributes to two defined benefit schemes and one defined contribution scheme.

The London Business School Staff Pension Scheme (SPS) is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The SPS closed to new members from 1 August 2004 and to current members from 1 August 2010.

The difference between the fair value of the assets held in these pension schemes and the liabilities of these pension schemes, measured on an actuarial basis using the projected unit method, are recognised in the School's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the School is able to recover the surplus either through reduced contributions in the future or

through refunds from the scheme. Changes in these pension schemes' asset or liability arising from factors other than cash contribution by the School are charged to the income and expenditure account.

The institution participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The School contributes to a defined contribution scheme, provided through Scottish Widows. Defined contribution scheme costs are charged to the income and expenditure account as they are incurred.

(e) Operating leases

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

(f) Foreign currency

Transactions in foreign currencies are converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains and losses on translation are reflected in the income and expenditure account.

Accounting policies *continued*

(g) Fixed assets

All fixed assets costing more than £3,000 are capitalised. All assets are stated at cost or in the case of freehold/leasehold at valuation. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

All assets are depreciated in line with their expected useful lives using the straight line method at the following rates:

	Annual rates of depreciation
Land	no depreciation
Freehold buildings	2 %
Leasehold buildings	period of lease
Facility improvements	10 %
Furniture, fittings and equipment	20-25 %
Investment in technology	14-33 %

A full month's depreciation is charged in the month of purchase and no depreciation is charged in the year of disposal. Any gains and losses on disposals of fixed assets are reflected in the income and expenditure account in the year in which they occur. Assets in the course of construction are accounted for at cost and are capitalised as incurred but are depreciated only when the individual asset is operational.

Freehold and long leasehold land and buildings are re-valued on the basis of existing use. This is detailed in note 11.

(h) Heritage assets

The School does not ordinarily capitalise its heritage assets, although it has capitalised a small number of pictures. The cost is disclosed within Fixed assets. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

The artworks located on site currently are from a variety of sources. Some are owned by the School whilst others are on loan. All artwork is insured and the cover annually reviewed.

(i) Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

(j) Investments

Listed investments are included in the balance sheet at market value, where they are publicly quoted. Other investments are held at cost. Investments in associate companies are shown in the consolidated balance sheet at attributable share of net assets.

(k) Stock

Stock is stated at the lower of cost and net realisable value.

(l) Trade and other receivables

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

(m) Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

(n) Trade and other payables

Trade and other payables are recognised initially at transaction price plus attributable transaction costs. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

(o) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the School has at a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic

benefit will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

A contingent liability arises from a past event that gives the School a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the School a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

(p) Capital Grants

Government capital grants are recognised over the periods in which the School recognises the related costs for which the grant is intended to compensate. Where part of the grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

(q) Employment Benefits

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

(r) Taxation

The School is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The School is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

(s) Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the School, are held as a permanently restricted fund which the School must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the School is restricted in the use of these funds.

(t) FRS 102 exemptions

The School has applied the exemptions available under FRS 102 in respect of the following disclosures:

- cash flow statement and related notes; and
- related parties

(u) Going concern

The Governing Body have been provided with detailed financial forecasts and estimates of income, expenditure and cash flows for the period to 31 July 2022, and a high-level forecast of income, expenditure and cash flows for the period to 31 July 2025. Detailed income forecasts and monthly cash flows have been prepared for the period to 31 July 2018. Adequate financing arrangements are in place together with the investment portfolio to mitigate financial risks contained within the projections.

The Governing Body believes that the School is well placed to manage its business risks effectively, despite the current uncertain economic situation. The members of the Governing Body have a reasonable expectation that the School has adequate resources to continue in operational existence for the foreseeable future, and is confident that its future income streams will maintain these resources. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the accounts

for the year ended 31 July 2017

1 Tuition fees and education contracts

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
MBA	29,591	27,920	29,591	27,920
Masters in Management	6,994	6,518	6,994	6,518
Sloan Fellowship	3,230	3,094	3,230	3,094
Executive MBA	17,976	16,676	17,976	16,676
EMBA-Global / Global Asia	6,067	5,202	6,067	5,202
Masters in Finance	7,246	7,421	7,246	7,421
Masters in Financial Analysis	2,480	-	2,480	-
PhD Programme	1,380	1,314	1,380	1,314
Executive Education Open Programmes	19,963	19,592	19,963	19,591
Executive Education Custom Programmes	20,946	24,225	-	-
Other Programme Income	1,374	1,076	1,373	1,076
	<u>117,247</u>	<u>113,038</u>	<u>96,300</u>	<u>88,812</u>

2 Funding body grants

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Recurrent grant				
Higher Education Funding Council	3,356	3,252	3,356	3,252
Capital grant	507	578	507	578
Specific grants				
Higher Education Innovation Fund	3,175	3,189	3,175	3,189
	<u>7,038</u>	<u>7,019</u>	<u>7,038</u>	<u>7,019</u>

3 Research grants and contracts

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Research councils	338	397	338	397
UK charities	258	251	258	251
Government (UK and overseas)	1,352	1,002	1,352	1,002
Other	100	35	100	38
	<u>2,048</u>	<u>1,685</u>	<u>2,048</u>	<u>1,688</u>

4 Other income

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Residences, catering and conferences	1,453	1,634	5,012	5,249
Management Services	-	-	6,598	7,299
Other general income	3,691	3,988	3,000	3,227
	<u>5,144</u>	<u>5,622</u>	<u>14,610</u>	<u>15,775</u>

5 Investment income

	Notes	Consolidated		London Business School	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Investment income on endowments	20	1,141	1,036	-	-
Investment income on restricted reserves	21	13	32	-	-
Other investment income		311	449	9	78
		<u>1,465</u>	<u>1,517</u>	<u>9</u>	<u>78</u>

6 Donations and endowments

	Notes	Consolidated		London Business School	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
New endowments	20	2,078	2,864	-	-
Donations with restrictions	21	15,081	18,253	-	-
Unrestricted donations		1,961	2,136	19,117	23,638
		<u>19,120</u>	<u>23,253</u>	<u>19,117</u>	<u>23,638</u>

All third party donations and endowments are made to the London Business School Anniversary Trust. Donations made from the Anniversary Trust to the School are unrestricted.

Notes to the accounts *continued*

for the year ended 31 July 2017

7 Staff costs

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Wages and salaries	56,823	56,119	49,578	50,067
Social security costs	6,005	5,960	5,594	5,513
Movement on USS provision	(1,929)	479	(1,929)	479
Other pension costs	8,821	5,747	8,328	5,206
Total	<u>69,720</u>	<u>68,305</u>	<u>61,571</u>	<u>61,265</u>
			2017	2016
Emoluments of the Dean			£'000	£'000
Salary			445	442
Benefits			3	3
Pension contributions			10	-
			<u>458</u>	<u>445</u>

Professor Sir Andrew Likierman was Dean for the financial year to 31st July 2017.

Total earnings of higher paid staff (excluding the Dean)

Total earnings include salary and compensation for teaching additional loads as well as receiving payments by a quasi-subsubsidiary; the Centre for Management Development Company Limited, for developing and delivering custom programmes for corporate clients but excludes pensions. Both these elements can be subject to significant variation each year.

Total earnings in the individual bands were as follows:

£100,000 - £109,999: 5, £110,000 - £119,999: 7, £120,000 - £129,999: 12, £130,000 - £139,999: 18, £140,000 - £149,999: 3, £150,000 - £159,999: 1, £160,000 - £169,999: 5, £170,000 - £179,999: 3, £180,000 - £189,999: 3, £190,000 - £199,999: 5, £200,000 - £209,999: 5, £210,000 - £219,999: 5, £220,000 - £229,999: 3, £230,000 - £239,999: 6, £260,000 - £269,999: 2, £270,000 - £279,999: 3, £280,000 - £289,999: 5, £300,000 - £309,999: 3, £310,000 - £319,999: 7, £330,000 - £339,999: 2, £340,000 - £349,999: 2, £350,000 - £359,999: 1, £360,000 - £369,999: 1, £380,000 - £389,999: 1, £390,000 - £399,999: 2, £400,000 - £409,999: 1, £410,000 - £419,999: 1, £460,000 - £469,999: 1, £470,000 - £479,999: 1, £510,000 - £519,999: 1, £530,000 - £539,999: 1, £540,000 - £549,999: 1, £550,000 - 559,999: 1, £650,000 - £659,999: 1, £700,000 - £709,999: 1

For comparison purposes, total earnings in 2015/16 were as follows:

£100,000 - £109,999: 11, £110,000 - £119,999: 3, £120,000 - £129,999: 12, £130,000 - £139,999: 16, £140,000 - £149,999: 4, £150,000 - £159,999: 1, £160,000 - £169,999: 6, £170,000 - £179,999: 8, £180,000 - £189,999: 8, £190,000 - £199,999: 6, £210,000 - £219,999: 5, £220,000 - £229,999: 6, £230,000 - £239,999: 1, £240,000 - £249,999: 2, £250,000 - £259,999: 3, £260,000 - £269,999: 2, £270,000 - £279,999: 4, £280,000 - £289,999: 3, £290,000 - £299,999: 3, £340,000 - £349,999: 2, £350,000 - £359,999: 2, £370,000 - £379,999: 2, £400,000 - £409,999: 1, £430,000 - £439,999: 2, £440,000 - £449,999: 2, £460,000 - £469,999: 1, £480,000 - £489,999: 1, £490,000 - £499,999: 1, £510,000 - £519,999: 1, £520,000 - £529,999: 1, £530,000 - £539,999: 2, £550,000 - £559,999: 1, £570,000 - £579,999: 1, £700,000 - 709,999: 1, £740,000 - £749,999: 1

7 Staff costs continued

	2017	2016
	No.	No.
Average staff numbers (full time equivalent) by major category :		
Academic including research	101	97
Other	657	632
	<u>758</u>	<u>729</u>

Compensation for loss of office payable to a senior post-holder:

Aggregate payment for compensation for loss of office paid to one member of staff earning in excess of £100,000 per annum (2016 : 0)

	2017	2016
	£'000	£'000
Compensation payable recorded within staff costs	<u>30</u>	<u>-</u>

Key management personnel

Key management personnel (members of the Executive Committee) are those persons having authority and responsibility for planning, directing and controlling the activities of the School. Staff costs includes compensation paid to key management personnel.

	2017	2016
	£'000	£'000
Key management personnel compensation	<u>2,694</u>	<u>3,445</u>

	2017	2016
	No.	No.
Key management personnel numbers (full time equivalent)	<u>10.8</u>	<u>13.4</u>

Governing Body Members

The School's Governing Body members are the trustees for charitable law purposes. Due to the nature of the School's operations and the compositions of the Governing Body, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which members of the Governing Body or Senior Management have an interest are detailed in note 28.

8 Interest and other finance costs

	Notes	Consolidated		London Business School	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Loan interest		310	124	310	124
Finance lease interest (including service concession finance charge)	12	-	1	-	1
Net charge on USS pension scheme		205	194	205	194
Net charge on SPS pension scheme	27	463	361	463	361
		<u>978</u>	<u>680</u>	<u>978</u>	<u>680</u>

Notes to the accounts *continued* for the year ended 31 July 2017

9 Analysis of other expenditure by activity

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
External teaching	14,638	14,355	13,484	12,531
Teaching support	4,757	4,387	4,089	4,413
Bought in teaching	6,778	9,270	3,699	2,839
Marketing	4,686	4,555	4,565	4,433
Technology	3,353	3,155	3,306	3,094
Premises and utilities	8,624	7,969	8,530	7,894
Catering and accommodation	7,536	7,286	10,472	9,983
Other overheads	7,472	10,905	6,940	10,478
	<u>57,844</u>	<u>61,882</u>	<u>55,085</u>	<u>55,665</u>

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Other operating expenses include:				
External auditors remuneration in respect of audit services	73	89	54	74
External auditors remuneration in respect of non-audit services	16	35	16	35
Operating lease rentals				
Land and buildings	1,004	981	1,004	981
Other	80	37	80	37
	<u>80</u>	<u>37</u>	<u>80</u>	<u>37</u>

10 Taxation

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Recognised in the statement of comprehensive income				
Current tax				
Current tax expense	-	-	-	-
Adjustment in respect of previous years	-	-	-	-
Current tax expense	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Reduction in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Deferred tax expense	-	-	-	-
Total tax expense	-	-	-	-

11 Fixed assets

CONSOLIDATED	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Service concession arrangements £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Heritage Assets £'000	Total £'000
Cost or valuation								
At 1 August 2016	30,630	143,670	850	9,319	23,967	70,837	39	279,312
Additions	-	-	-	-	-	67,470	-	67,470
Transfers	-	102,067	-	4,889	3,237	(110,193)	-	-
Surplus on revaluation	-	-	-	-	-	-	-	-
Impairment	-	(20,463)	-	-	-	-	-	(20,463)
Disposals	-	-	-	-	-	-	-	-
At 31 July 2017	30,630	225,274	850	14,208	27,204	28,114	39	326,319
Consisting of valuation as at:								
31 July 2017	30,630	225,274	-	-	-	-	-	255,904
Cost	-	-	850	14,208	27,204	28,114	39	70,415
	30,630	225,274	850	14,208	27,204	28,114	39	326,319
Depreciation								
At 1 August 2016	-	-	850	3,468	13,729	-	-	18,047
Charge for the year	240	1,186	-	1,052	2,967	-	-	5,445
Written back on revaluation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 31 July 2017	240	1,186	850	4,520	16,696	-	-	23,492
Net book value								
At 31 July 2017	30,390	224,088	-	9,688	10,508	28,114	39	302,827
At 31 July 2016	30,630	143,670	-	5,851	10,238	70,837	39	261,265

Notes to the accounts *continued*

for the year ended 31 July 2017

11 Fixed assets *continued*

SCHOOL	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Service concession arrangements £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Heritage Assets £'000	Total £'000
Cost or valuation								
At 1 August 2016	30,630	143,670	850	9,319	23,967	70,837	-	279,273
Additions	-	-	-	-	-	67,470	-	67,470
Transfers	-	102,067	-	4,889	3,237	(110,193)	-	-
Surplus on revaluation	-	-	-	-	-	-	-	-
Impairment	-	(20,463)	-	-	-	-	-	(20,463)
Disposals	-	-	-	-	-	-	-	-
At 31 July 2017	30,630	225,274	850	14,208	27,204	28,114	-	326,280
Consisting of valuation as at:								
31 July 2017	30,630	225,637	-	-	-	-	-	256,267
Cost	-	(363)	850	14,208	27,204	28,114	-	70,013
	<u>30,630</u>	<u>225,274</u>	<u>850</u>	<u>14,208</u>	<u>27,204</u>	<u>28,114</u>	<u>-</u>	<u>326,280</u>
Depreciation								
At 1 August 2016	-	-	850	3,468	13,729	-	-	18,047
Charge for the year	240	1,186	-	1,052	2,967	-	-	5,445
Written back on revaluation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 31 July 2017	240	(1,186)	850	4,520	16,696	-	-	23,492
Net book value								
At 31 July 2017	30,390	224,088	-	9,688	10,508	28,114	-	302,788
At 31 July 2016	30,630	143,670	-	5,851	10,238	70,837	-	261,226

At 31 July 2017, freehold land and buildings included £17.1m (2016: £17.1m) in respect of freehold land and is not depreciated. On 31 July 2016 the freehold and long leasehold land and buildings were re-valued at £174.3m on the basis of existing use by Cushman and Wakefield, Chartered Surveyors.

On 31 July 2017 the freehold and long leasehold land and buildings of the Sammy Ofer Centre were re-valued at £81.6m on the basis of existing use by Cushman and Wakefield, Chartered Surveyors.

The School's new Teaching Centre, the Sammy Ofer Centre, opened on 1 August 2017. The School recognised an impairment of £20,463,000 in the comprehensive income and expenditure - surplus before other gains and losses (2016: £673,000). Last year the remainder was credited to the comprehensive income and expenditure as unrealised surplus on revaluation of £63,906,000. This year £NIL.

The School does not ordinarily capitalise its heritage assets. Within the Anniversary Trust one heritage asset has been capitalised, at the value on the date the piece was acquired. In addition, the School has been gifted a number of other items of artwork considered to be heritage assets but has not capitalised these as in aggregate they are not deemed to be of sufficient material value to affect the presentation of the financial statements. The total insurance value of these items is £513,000.

12 Service Concession Arrangements

The School has Balance Sheet arrangements including service concession arrangements.

Movement in Service concession arrangement assets

The asset value of the service concession included in the Balance Sheet as at 31 July 2017 is £nil (2016 : £nil).

Movement in Service concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2017 were £nil (2016 : £nil).

Future commitments

The School has no future commitments in respect of the current assets being used in these service concession arrangements.

13 Investments

CONSOLIDATED	Investments £'000
At 1 August 2016	51,448
Additions	2,000
Disposals	(8,000)
Revaluation	2,463
Capital distribution	(1,076)
At 31 July 2017	<u>46,835</u>

The listed investments have been valued at market value.

Investments consist of:	Consolidated £'000
BlackRock UK Corporate Bond Index Fund	10,206
Charitrak UK Equity Index Fund Inc	10,584
BlackRock GiltTrack Fund Distributing Share Class	9,631
BlackRock Europe Ex-UK Index Fund EUR Fund Flexible Distributing Class	4,082
BlackRock Japan Index Sub Fund USD Distribution	2,036
BlackRock Pacific Index Fund USD Flexible Distributing Class	1,069
BlackRock North American Index Fund USD Flexible Distributing Class	3,487
Prodigy Loan Investment	5,740
	<u>46,835</u>

	2017 £'000	Consolidated 2016 £'000
Endowment Investments	46,835	47,678
Other Investments	-	3,770
	<u>46,835</u>	<u>51,448</u>

SCHOOL	Subsidiary companies £'000
At 1 August 2016	<u>10</u>
At 31 July 2017	<u>10</u>

Notes to the accounts *continued* for the year ended 31 July 2017

13 Investments *continued*

The School's holding in London Business School Trust Company Limited, shown at cost, represents 4 ordinary shares of £1 each, being the total issued share capital of the company. The company continues to be dormant. The Honourable Apurv Bagri, Chairman of Governing Body, holds two shares as nominee for the School. The remaining two shares are held by Sir Andrew Likierman as nominee for the School. None of the other governors had any interest in the share capital of this company.

The School's holding in London Business School Trading Company Limited, shown at cost, represents 10,000 (2016: 10,000) ordinary shares of £1 each, being the total issued share capital of the company.

The quasi-subsiidiary company Sussex Place Ventures Limited has also been included in the consolidated financial statements, together with its subsidiary companies:

Sussex Place (General Partner) Limited

Sussex Place II (General Partner) Limited

Combined London Colleges (General Partner) Limited

Sussex Place (Founder Partner) Limited

The financial statements of all subsidiaries are available from the Secretary, London Business School, Regent's Park, London NW1 4SA.

14 Investment in associates

The School has an investment interest in GERA. GERA was incorporated on 3 February 2005 and is a company limited by guarantee. GERA advances education and learning in the field of entrepreneurship practice and policy development including (but not limited to) the provision and conduct of an international programme of research and the dissemination of the results of such research. GERA is a charitable company. Its financial statements are prepared under the Charities Statement of Recommended Practice. GERA is not funded by restricted grants and has been accounted for under the gross equity method. The School's share of its operating surplus has been recognised in the statement of comprehensive income and expenditure account and the share of the assets has been included in the Balance Sheet. The net assets of GERA total £477,000 (2016: £460,000).

15 Stock

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Finished goods	65	102	60	91
	<u>65</u>	<u>102</u>	<u>60</u>	<u>91</u>

16 Trade and other receivables

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts falling due within one year:				
Other trade receivables	4,663	5,120	1,653	1,722
Other receivables	3,445	2,680	2,799	2,094
Prepayments and accrued income	3,696	2,859	2,694	2,590
Amounts due from subsidiary companies	-	-	79	-
	<u>11,804</u>	<u>10,659</u>	<u>7,225</u>	<u>6,406</u>

17 Creditors: amounts falling due within one year

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts due to subsidiary companies	-	-	25,942	17,799
Service concession arrangements (note 12)	-	-	-	-
Trade payables	4,143	3,396	3,518	2,668
Social security and other taxation payable	2,073	2,193	2,044	2,168
Accruals and deferred income	58,587	56,357	54,942	52,856
Other payables	1,008	1,349	933	933
Bank loan	10,500	8,000	10,500	8,000
	<u>76,311</u>	<u>71,295</u>	<u>97,879</u>	<u>84,424</u>

On 31 July 2014 London Business School entered into a revolving credit facility agreement with HSBC. The loan agreement is for the ten year period to 31 July 2024. As at 31 July 2017 £10,500,000 of the facility had been utilised, to be repaid on 31 August 2017. (31 July 2016 : £8,000,000 due to be repaid on 31 August 2016).

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Donations	860	1,040	-	-
Research grants received on account	7,083	6,304	7,083	6,304
Grant income	448	474	448	474
	<u>8,391</u>	<u>7,818</u>	<u>7,531</u>	<u>6,778</u>

18 Creditors: amounts falling due after more than one year

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Accruals and deferred income	1,463	1,882	1,463	1,882
Unsecured Loans	35,000	-	35,000	-
	<u>36,463</u>	<u>1,882</u>	<u>36,463</u>	<u>1,882</u>

On 17 February 2017 the School entered into an unsecured loan with Metlife Insurance K.K. with a maturity date of 19 February 2052 with a fixed interest rate of 2.75% per annum.

Notes to the accounts *continued* for the year ended 31 July 2017

19 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on SPS Pension £'000	Total Pensions Provisions £'000
At 1 August 2016	11,999	16,591	28,590
Revaluations in 2017	<u>(1,724)</u>	<u>(3,173)</u>	<u>(4,897)</u>
At 31 July 2017	<u>10,275</u>	<u>13,418</u>	<u>23,693</u>

School	Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on SPS Pension £'000	Total Pensions Provisions £'000
At 1 August 2016	11,999	16,591	28,590
Revaluations in 2017	<u>(1,724)</u>	<u>(3,173)</u>	<u>(4,897)</u>
At 31 July 2017	<u>10,275</u>	<u>13,418</u>	<u>23,693</u>

Unwinding of discount is included in additional provisions in line with FRS 102.

Pensions are disclosed in note 27.

20 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2017 Total £'000	2016 Total £'000
Balances at 1 August 2016					
Capital	32,144	13,025	-	45,169	39,703
Accumulated income	<u>-</u>	<u>-</u>	<u>2,509</u>	<u>2,509</u>	<u>2,333</u>
	32,144	13,025	2,509	47,678	42,036
New endowments	1,427	-	651	2,078	2,864
Transfers between Reserves	85	(164)	47	(32)	-
Investment income	99	170	872	1,141	1,036
Expenditure	<u>(96)</u>	<u>(113)</u>	<u>(1,261)</u>	<u>(1,470)</u>	<u>(1,534)</u>
	88	(107)	(342)	(361)	(498)
(Decrease)/increase in market value of investments	<u>2,101</u>	<u>361</u>	<u>-</u>	<u>2,462</u>	<u>3,276</u>
At 31 July 2017	<u>35,760</u>	<u>13,279</u>	<u>2,818</u>	<u>51,857</u>	<u>47,678</u>
Represented by:					
Capital	35,760	13,222	-	48,982	45,169
Accumulated income	<u>-</u>	<u>57</u>	<u>2,818</u>	<u>2,875</u>	<u>2,509</u>
	<u>35,760</u>	<u>13,279</u>	<u>2,818</u>	<u>51,857</u>	<u>47,678</u>

20 Endowment Reserves *continued*

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2017 Total £'000	2016 Total £'000
Analysis by type of purpose:					
Chairs	18,766	-	402	19,168	13,300
Scholarships	13,223	-	1,703	14,926	12,680
Other	3,771	13,279	713	17,763	16,056
	<u>35,760</u>	<u>13,279</u>	<u>2,818</u>	<u>51,857</u>	<u>42,036</u>
Analysis by asset					
Fixed assets				46,835	47,678
Current asset investments				5,022	-
Cash & cash equivalents				-	-
				<u>51,857</u>	<u>47,678</u>

21 Restricted Reserves

Reserves with restrictions are as follows:

	Unspent Capital Grants £'000	Donations £'000	2017 Total £'000	2016 Total £'000
Balances at 1 August 2016	-	2,178	2,178	2,195
New donations	-	15,081	15,081	18,253
Transfers between Reserves		32	32	-
Investment income	-	13	13	32
Expenditure	-	(15,464)	(15,464)	(18,301)
	-	(15,419)	(15,419)	(18,269)
(Decrease)/increase in market value of investments	-	-	-	(1)
At 31 July 2017	<u>-</u>	<u>1,840</u>	<u>1,840</u>	<u>2,178</u>
Analysis of other restricted funds/donations by type of purpose:				
Chairs			26	26
Infrastructure			64	66
Scholarships			982	1,342
Other			768	744
			<u>1,840</u>	<u>2,178</u>

Notes to the accounts *continued* for the year ended 31 July 2017

22 Cash and cash equivalents

	At 1st August 2016 £'000	Cash Flows £'000	At 31st July 2017 £'000
CONSOLIDATED			
Cash and cash equivalents	4,225	354	4,579
	<u>4,225</u>	<u>354</u>	<u>4,579</u>

23 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	Consolidated		London Business School	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Commitments contracted for	33,000	15,100	33,000	15,100
	<u>33,000</u>	<u>15,100</u>	<u>33,000</u>	<u>15,100</u>

2017 commitments relate to the lease signed in December 2016 to acquire the RCOG site with agreement to take possession in December 2019. The School will make additional payments as part of the acquisition. The 2016 commitments relate to building costs of the Sammy Ofer Centre.

24 Contingent liabilities

The School has no contingent liabilities at 31 July 2017 (2016: none).

The School has given written undertakings to support the subsidiary companies at twelve months from the date of approval of these financial statements.

25 Lease obligations

Total rentals payable under operating leases:

	Land and Buildings £'000	2017 Plant and Machinery £'000	Total £'000	2016 £'000
Payable during the year	<u>1,004</u>	<u>80</u>	<u>1,084</u>	<u>1,018</u>
Future minimum lease payments due:				
Not later than 1 year	2,128	89	2,217	1,026
Later than 1 year and not later than 5 years	10,084	161	10,245	2,884
Later than 5 years	<u>668,925</u>	<u>-</u>	<u>668,925</u>	<u>238,207</u>
Total lease payments due	<u>681,137</u>	<u>250</u>	<u>681,387</u>	<u>242,117</u>

During 2015/16 the School entered into a 125 year lease agreement for the main campus buildings, Sussex Place. During 2016/17 the School entered into a 125 year lease agreement for the 27 Sussex Place and a 35 year lease agreement, with an option of a further 60 years for the Sammy Ofer Centre.

26 Events after the reporting period

There were no significant events after the year end.

27 Pension schemes

(a) Pension scheme details

The School makes contributions on behalf of members to two principal pension schemes and one closed scheme. Firstly, the School is a participating institution of the Universities Superannuation Scheme (USS). This is an open defined benefit scheme, with benefits accrued on either a final salary basis or career revalued earnings basis, according to specific membership criteria. The underlying assets of this scheme are managed and governed by the USS Trustee Board, which is an entirely separate entity to the School. Secondly, the School also sponsors a contract-based defined contribution scheme, provided through Scottish Widows. Lastly, the School sponsors a legacy defined benefit pension scheme for staff, the London Business School Pension Scheme, which has been closed to future accrual since 1 August 2010. The assets are held in separate trustee-administered funds.

	2017	2016
	Total	Total
	£'000	£'000
Universities Superannuation Scheme	8,376	5,396
Scottish Widows	<u>445</u>	<u>351</u>
	8,821	5,747
London Business School Pension Scheme	<u>125</u>	<u>422</u>
Total contributions charged to the income and expenditure account	<u>8,946</u>	<u>6,169</u>

Notes to the accounts *continued*

for the year ended 31 July 2017

27 Pension schemes *continued*

(b) USS

Critical accounting judgements

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Pension Costs

The total cost charged to the profit and loss account is £8,376,000 (2016: £5,396,000) as shown in notes 7 and 27a.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	2016
Discount rate	2.57%	3.60%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.20%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality 98% of S1NA ["light"] YoB tables – No age rating

Female members' mortality 98% of S1NA ["light"] YoB tables – Rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

27 Pension schemes *continued*

(c) SPS

The London Business School (the Employer) operates a final salary pension scheme, the London Business School Pension & Assurance Scheme (the Scheme). The Scheme is a Registered Pension Scheme under Chapter 2 of Part IV of the Finance Act 2004.

The Scheme was closed to all future accrual with effect from 1 August 2010.

The assets of the Scheme are held separately from those of the Employer. The value of the insured pensions (£1,583,000) is omitted from both assets and liabilities below for clarity.

	2017	2016
	£'000	£'000
Assets and liabilities at each year end:		
Total market value of assets	16,932	15,316
Present value of liabilities	<u>(30,350)</u>	<u>(31,907)</u>
Deficit	<u>(13,418)</u>	<u>(16,591)</u>
The amounts recognised in the profit and loss:	2017	2016
	£'000	£'000
Net interest on defined benefit liability	463	361
Expenses paid from the Scheme	<u>49</u>	<u>66</u>
Total expense	<u>512</u>	<u>427</u>
The amounts recognised in the statement of comprehensive income and expenditure:	2017	2016
	£'000	£'000
Actual return on assets	1,646	970
Return on assets included in net interest	<u>(428)</u>	<u>(555)</u>
Asset gain	1,218	415
Liability experience gain	71	226
Change of assumptions gain/(loss)	<u>2,237</u>	<u>(7,815)</u>
Remeasurement gain/(loss) in the statement of comprehensive income and expenditure	<u>3,526</u>	<u>(7,174)</u>
Changes in the present value of the defined benefit liabilities:	2017	2016
	£'000	£'000
Opening value of liabilities	31,907	23,586
Interest cost	891	916
	<u>(140)</u>	<u>(184)</u>
Expected value of liabilities at end	32,658	24,318
Liability experience gain	(71)	(226)
Change of assumptions loss/(gain)	<u>(2,237)</u>	<u>7,815</u>
Closing value of liabilities	<u>30,350</u>	<u>31,907</u>

Notes to the accounts *continued*

for the year ended 31 July 2017

27 Pension schemes *continued*

	2017	2016
	£'000	£'000
Changes in the value of the assets:		
Assets at beginning of the year	15,316	14,114
Expected return on assets	428	555
Employer contributions	159	482
Benefits paid	(140)	(184)
Expenses	(49)	(66)
Expected assets at end of the year	15,714	14,901
Gain on Scheme assets	1,218	415
Assets at end of the year	16,932	15,316

	2017	2016
	£'000	£'000
The main actuarial assumptions used to value the liabilities:		
Discount rate	3.00%	2.80%
Price inflation (RPI)	3.50%	3.10%
Price inflation (CPI)	2.50%	2.10%
Future increases to pensions in deferment	2.50%	2.10%
Future increases to pensions in payment	3.40%	3.10%
Mortality table	S1PMA / S1PFA CMI 2012 projection with 1.5% long term rate	PCMA00/ PCFA00, medium cohort projection with 1.5% underpin for males and 1% underpin for females

	2017	2016
	£'000	£'000
The total value of the assets (excluding annuities):		
Equities	41%	44%
Gilts	5%	0%
Bonds	27%	36%
Property	27%	20%
Total	100%	100%

28 Related party transactions

All transactions involving organisations in which members of the Governing Body or Senior Management have an interest, including those identified below, are conducted at arm's length and in accordance with the Schools financial regulations. An updated register of interests of the Governing Body is maintained.

During the year some governors and senior managers earned consultancy fees from a quasi-subsiidiary of the School, the Centre for Management Development Company Limited.

	2017	2016
	£	£
Professor Madan Pillutla	41,000	60,000
Professor Julian Franks	31,000	30,000
Professor Lynda Gratton	4,000	4,000
Professor Henri Servaes	-	34,000

There were no outstanding balances at the end of the year relating to the above individuals (2015/16: none).

In addition to the above, Professor Peterson is a partner of TalentSage LLC. In 2016/17, the School paid £107,000 (2015/16: £69,000) to it for personal assessment services provided during the period Professor Peterson was a member of the Governing Body. At the year end, there was a balance owed to TalentSage LLC of £nil (2015/16: £nil).

The President of the London Business School Students' Association ('LBSSA') is also a member of the Governing Body. During the year, the School made contributions to LBSSA of £340,000 (2015/16: £296,000) and charged LBSSA for catering services amounting to £147,000 (2015/16: £210,000). At the year end, the School was owed an amount of £5,000 from LBSSA (2015/16: £16,000).

The Honourable Apurv Bagri is a Commissioner of the Crown Estates Paving Commission. In 2016/17, the School paid £400,000 (2015/16: £14,000) to the Crown Estates. During the year the School entered into a new lease for 27 Sussex Place, for which a premium of £19m was paid to the Crown Estates. At the year end, there was a balance owed to Crown Estates of £20,000 (2015/16: £nil).

As allowed under FRS8 'Related party transactions', transactions and balances between group entities have not been disclosed as they have been eliminated on consolidation.

Notes to the accounts *continued* for the year ended 31 July 2016

29 Subsidiary undertakings

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the School, are as follows:

Company	Principal Activity	Status
London Business School Trading Company Limited	Provision of the trading activities of the School	100% owned
Global Entrepreneurship Research Association (GERA)	Research and associated educational initiatives in the field of entrepreneurship practice and policy development	Limited by guarantee
London Business School Anniversary Trust	Provision of the charitable purpose of the School	100% owned
Centre for Management Development Company Limited	Provision of education in the field of business studies	100% owned
Sussex Place Ventures Limited	Provision of investment management services to venture capital funds	100% owned
Sussex Place (General Partner) Limited	General partner of a venture capital fund, Regents Park Partners LP	100% owned
Combined London Colleges (General Partner) Limited	General partner of a venture capital fund, Combined London Colleges University Challenge LP	100% owned
Sussex Place (Founder Partner) Limited	Founder partner of venture capital funds, Combined London Colleges University Challenge LP and Regents Park Partners LP.	100% owned
Sussex Place II (General Partner) Limited	Dormant	100% owned
London Business School Trust Company Limited	Dormant	100% owned

30 Connected Charitable Institutions

A number of charitable institutions are administered by or on behalf of the School and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. One of the connected institutions is included as a subsidiary undertaking and one is an associate in these consolidated financial statements; the others are not included in the consolidation since the School does not have control over their activities. The movements in the year on the total funds of all connected institutions, as reported in their own accounts, were as follows:

	Opening balance £'000	Income £'000	Expenditure £'000	Change in market value £'000	Closing balance £'000
Consolidated					
London Business School Anniversary Trust	68,346	20,315	(17,886)	2,445	73,220
Global Entrepreneurship Research Association (GERA)	<u>1,217</u>	<u>849</u>	<u>(774)</u>	<u>-</u>	<u>1,292</u>
Not consolidated					
London Business School Student Association	<u>860</u>	<u>2,141</u>	<u>(2,274)</u>	<u>-</u>	<u>727</u>

London Business School has a quasi-subsiary and connected charity in London Business School Anniversary Trust, the results of which are consolidated within these accounts. The purpose of London Business School Anniversary Trust is to raise funding for the School to support scholarships, permanent chairs and develop the infrastructure of the School, as well as build a to permanent endowment for the School.

GERA is a company limited by guarantee and has no share capital. It is a joint venture between London Business School and Babson College.

London Business School Student Association is a private company limited by guarantee. It was incorporated on 18 February 2011; on 28 March 2011 the company also became a registered charity (number 1140901). The Trustees are the sole members of the charitable company and their liability is limited to £1 in a winding up. The Trustees have control of the Student Association's property and funds. The day-to-day administration and financial management is delegated to the executive members of the Student Association.

Governing Body

(as at 1 October 2017)

The Honourable Apurv Bagri (Chairman)
President & CEO, Metdist Group

HE Amr Al Dabbagh
Chairman and CEO, Al Dabbagh Group

Professor Julian Birkinshaw
(elected 10 October 2016)
Deputy Dean, Programmes
Professor of Strategy & Entrepreneurship

Mr Josh Chakavarty
(appointed 1 August 2017)
Student Association President

Professor Alex Edmans
(elected 10 October 2016)
Professor of Finance

Dame Amelia Fawcett (Deputy Chairman)
Chairman, Hedge Fund Standards Board

Mr Bradley Fried

Mr Richard Frost
Secretary to Governing Body
Secretary, London Business School

Ms Elizabeth Grieg
(appointed 1 July 2017)
Chair, Grieg International AS

Mr Ian Hannam
Founder and Chairman, Hannam & Partners

Mr Chris Havemann
Chairman, RealityMine Ltd

Mr Ho Kwong Ping
(retired 1 July 2017)
Executive Chairman, Banyan Tree Hotels & Resorts

Dr Mo Ibrahim
Chairman and Founder, Mo Ibrahim Foundation

Mrs Ingrid Kwok

Professor Sir Andrew Likierman
(retired 31 July 2017)
Dean, London Business School

Dame Mary Marsh

Ms Fiona du Monceau

Professor David Myatt
(resigned 31 January 2017)
Deputy Dean, Programmes
Professor of Economics, London Business School

Baroness Lucy Neville-Rolfe DBE CMG

Mr Oly Nguyen (retired 31 July 2017)
Student Association President

Professor François Ortalo-Magné
(appointed 1 August 2017)
Dean, London Business School

Professor Madan Pillutla
(appointed 1 August 2016)
Deputy Dean, Faculty Professor of
Organisational Behaviour

Mr David Pyott

Professor Hélène Rey
Professor of Economics, London Business School

Ms Anne Schouw
Associate Director, Advancement, London Business School

Dr Frek Vermeulen
(elected 13 March 2017)
Associate Professor of Strategy and
Entrepreneurship, London Business School

AUDIT & RISK COMMITTEE

Reports to Governing Body

Chair:

Dame Mary Marsh

Members:

Mr Eric Stobart

Mr Chris Havemann

Secretary:

Mrs Clare Kane, Deputy Secretary

In attendance:

Executives:

Professor François Ortalo-Magné, Dean

Mr Richard Frost, School Secretary

Ms Tracy Siu, Director, Finance

ESTATES COMMITTEE

Reports to Governing Body

Chair:

The Hon Apurv Bagri

Members:

Sir John Ritblat

Mr Saeb Eigner

Dame Mary Marsh

In attendance:

Executives:

Professor François Ortalo-Magné, Dean

Secretary:

Mr Richard Frost, School Secretary

FINANCE COMMITTEE

Reports to Governing Body

Chair:

Mr Bradley Fried

Other Non-Executives:

Dame Amelia Fawcett

Dame Lucy Neville-Rolfe

Mr Huw Jenkins

Secretary:

Mrs Helen Oakley, Director of Financial Planning & Analysis

In attendance

Executives:

Professor François Ortalo-Magné, Dean

Ms Catherine Webster, Treasurer

INVESTMENT COMMITTEE

Reports to Finance Committee

Chair:

Ms Catherine Webster, Treasurer

Members:

Professor Stephen Schaefer

Professor Andrew Scott

Professor François Ortalo-Magné, Dean

Secretary:

Mrs Helen Oakley, Director of Financial Planning & Analysis

GOVERNANCE & NOMINATIONS COMMITTEE

Reports to Governing Body

Chair:

The Hon Apurv Bagri

Members:

Professor François Ortalo-Magné, Dean

Dame Mary Marsh

Mr Chris Havemann

Mr K P Ho

Secretary:

Mr Richard Frost, School Secretary

REMUNERATION COMMITTEE

Reports to Governing Body

Chair:

The Hon Apurv Bagri

Members:

Professor François Ortalo-Magné, Dean

Mr Bradley Fried

Mr Ian Hannam

Ms Ingrid Kwok

Secretary:

Mr Tariq Ahmed, Director Human Resources

TREASURER

Ms Catherine Webster, Treasurer & Associate
Dean, Operations

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Internal Auditor

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