



Financial Statements

2014 - 2015



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Summary of financial highlights

	2015 £'000	2014 £'000
INCOME		
Academic fees	111,622	103,281
Funding Council grants	7,600	7,599
Research grants and contracts	1,608	1,577
Other income	8,662	8,381
Endowment and investment income	1,347	1,094
Gain on revaluation of properties	-	1,074

Total income	<u>130,839</u>	<u>123,006</u>
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EXPENDITURE

Staff costs	64,909	59,865
Other costs		
External teaching and teaching support	26,277	24,226
Marketing	5,320	5,272
Technology	2,937	2,639
Premises and utilities	6,801	6,483
Catering and accommodation	7,331	7,245
Depreciation	5,981	4,386
SPS pension scheme charges	237	109
Other overheads (including tax)	10,744	9,241

Total expenditure	<u>130,537</u>	<u>119,466</u>
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Share of operating surplus of associate company	5	85
Surplus for the year transferred from accumulated income in endowment funds	1,334	1,326

Surplus for the year	<u>1,641</u>	<u>4,951</u>
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BALANCE SHEET

Tangible assets	139,441	120,262
Investments	10,827	15,490
Endowment assets	46,059	36,785
Current assets	36,308	35,276
Current liabilities	(56,696)	(52,265)
Long-term liabilities and provisions	(9,675)	(7,895)

Net assets	<u>166,264</u>	<u>147,653</u>
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Represented by

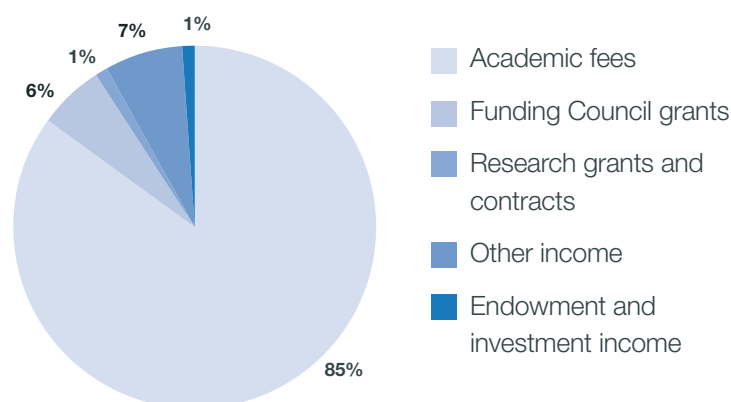
Expendable and permanent endowments	46,059	36,785
General reserves	27,327	25,125
Pension reserve	(9,472)	(7,500)
Revaluation reserve	64,959	64,959
Deferred capital grants	37,391	28,284
	<u>166,264</u>	<u>147,653</u>

OTHER KEY STATISTICS

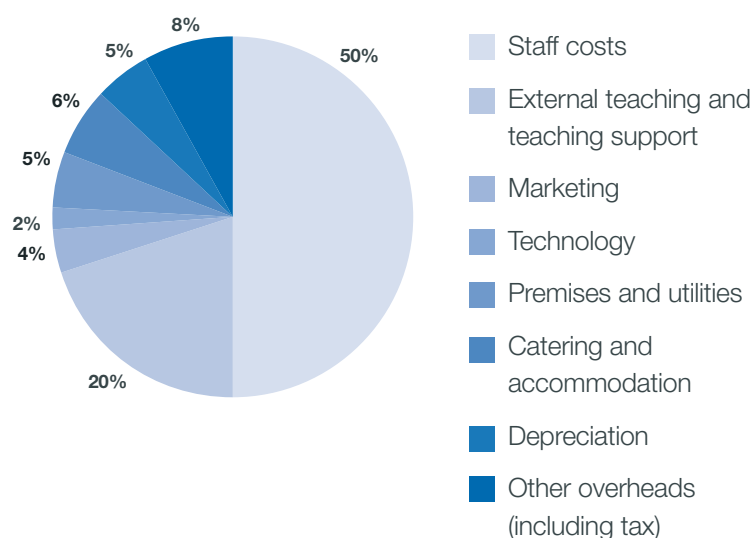
Net movement in cash funds for the year	<u>5,463</u>	<u>7,978</u>
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Capital expenditure during the year	<u>25,160</u>	<u>10,023</u>
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INCOME 2015



EXPENDITURE 2015



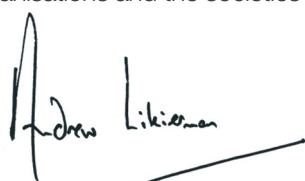
Dean's statement

As the School celebrated its 50th anniversary, we took the opportunity to look back on what has been achieved and our May 2015 Reunion celebration saw more than 1000 alumni returning to campus. But as ever, our main focus is on the future and among the notable features of the year were:

- Recognition by others of our quality – we were rated number one business school in Europe by the *Financial Times* and among the top schools in the world in several rankings;
- We launched two new research institutes: one on Asset Management (with global investment management firm AQR) and one on Leadership;
- We recruited the first intake for our new Global Masters in Management programme with Fudan University in Shanghai;
- We launched a new pre-experience Masters in Financial Analysis, with the first cohort due to start in September 2016;
- The main works on the Sammy Ofer Centre are 40% complete and we're due to finish in 2016;
- We appointed an Associate Dean of Digital Learning and launched our first Massive Online Open Course (MOOC).

In support of our vision and our community, we reached £91 million and 75,000 volunteer hours pledged to date towards our goals of £100 million and 100,000 hours by 2018. The fundraising campaign will allow us to secure the space that is essential for the growth of our programmes. We are also seeking to enhance our scholarship provision to enable the brightest and best students to study here. We're supporting the faculty to enable them to continue to deliver intellectual leadership. And we're investing in our technological infrastructure to help us achieve all these objectives in innovative ways.

The vitality of our global community enables the spirit of the London Business School to exist beyond its physical campus. I'm grateful for the continued support of our alumni, students, staff, faculty, governing body members, and friends. All are crucial to our continuing contribution to individuals, organisations and the societies in which they live and work.



Professor Sir Andrew Likierman
Dean
London Business School

Chairman's statement

I have pleasure in presenting the Financial Statement of the School for the period ending 31 July 2015.

The School has been extraordinarily successful since it was founded in the 1960s. At that time it was supported by the government, but that support has been reduced to minimal proportions. Growth and a larger endowment are therefore important to sustain the School's activities.

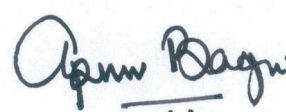
To accommodate its physical growth, the School has acquired the Old Marylebone Town Hall – now The Sammy Ofer Centre – a few minutes' walk from the main campus, and renovations are underway to transform it into a world-class teaching and learning space. This magnificent building will provide expansion room for the foreseeable future.

We are privileged to have faculty of the highest order at the School. Through their research and thought-leadership, they help the School achieve its vision to have a profound impact on the way the world does business. To retain and attract them, we must be able to offer competitive packages, faculty Chairs and money for research.

Also contributing to the School's impact are our alumni around the globe. We therefore need to attract the best students and, in order to do so, we must compete with other schools on the scholarships that we offer.

In all this, the School needs to maintain the high standards which have helped make it a global leader in business education.

We are fortunate to have so many people – alumni, faculty 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 had regard to the voluntary Governance Code of Practice contained in the Guide for Members of Higher Education Governing Bodies in the UK issued by the Committee of University Chairs in 2009. The School's practices are consistent with the provisions of the code with the exception of the fact that the Governing Body's Statement of Primary Responsibilities is not published in the School's annual report.

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, 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 2014-15

financial year. It has six committees: an Audit and Risk Committee, a Campaign 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 and at least once a year with external auditors to discuss 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 Campaign Committee is responsible for the leadership and promotion of the School's fundraising campaign.

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 2015 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 2015 meeting an assessment for the year ended 31 July 2015 was carried out upon receipt of documentation from senior management and the Audit and Risk Committee. At its November 2015 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 2015 to take place. This assessment took into account events since 31 July 2015.

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

In accordance with the School's Charter and Statutes of Incorporation, the Governing Body is responsible for the administration and management of the affairs of the School, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Governing Body is responsible for ensuring that proper accounting records are kept that disclose at any time, and with reasonable accuracy, the financial position of the School, to enable it to ensure that the financial statements are prepared in accordance with the School's Charter of Incorporation, the Statement of Recommended Practice "Accounting for Further and Higher Education" and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the governors of the School, the Governing Body, through its designated office holder, is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the School and of the surplus or deficit and cashflows for that year.

Financial statements are published on the School's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the School's website is the responsibility of the Governing Body. The Governing Body's responsibility also extends to the ongoing integrity of the financial statements contained therein.

In relation to the preparation of the 2014-15 financial statements, the Governing Body has ensured that:

- suitable accounting policies have been selected and applied consistently;
- judgements and estimates have been made that are reasonable and prudent;
- applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- the School has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the School and prevent and detect fraud;
- secure the economic, efficient and effective management of the School's resources and expenditure.

The key elements of the School's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cashflow budgets;
- regular reviews of academic performances and monthly reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, being subject to formal detailed appraisal and review according to established approval levels;
- comprehensive financial regulations, detailing financial controls and procedures;

- a professional internal audit function whose annual programme is approved by the Audit and Risk Committee.

The Audit and Risk Committee, on behalf of the Governing Body, has reviewed the effectiveness of the system of internal control operated by the School and its subsidiaries and quasi-subsidiaries. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

BY ORDER OF THE GOVERNING BODY

Richard Frost

Secretary

24 November 2015

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 2019-20 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 also awards Government 'Access For Learning' grant funding.

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. 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.

The School's values – communal, courageous, engaged, eclectic and ambitious – underpin all aspects of its work and drive the development of a culture that fully supports the achievements of its vision.

Achieving the vision – Degree Programmes

The School's masters degree programme portfolio remained broadly consistent with the previous year with an increase to the Masters in Management (MiM) intake target. Recruitment to programmes was at or above target with the exception of the part-time Masters in Finance (MiF) the MiM and the EMBA-Global Asia programmes.

Development of the Global MiM programme, a dual degree with Fudan University, was completed and recruited to target for a September 2015 start. Proposals to introduce a pre-experience Masters in Financial Analysis in September 2016 were approved.

In the *Financial Times* rankings, the MBA rose from third to second place. The Executive MBA (EMBA) Global fell from third to fifth place and the EMBA fell from twentieth to twenty-fifth place. The MiF remained unchanged at first place. The MiM entered at tenth place.

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

Achieving the vision – Executive Education

The School's open programme revenue was £19.8 million against prior year revenue of £17.6 million. Custom programme revenue was £27.1 million against prior year revenue of £24.1 million and also exceeded target.

Teaching ratings increased from an average of 4.51 to 4.52 for open programmes and from 4.45 to 4.5 for custom programmes.

Executive education rankings in the *Financial Times* fell from thirteenth to seventeenth for open programmes and rose from ninth to fourth for custom programmes. The overall executive education ranking rose from eighth to fifth. Open enrolment programmes are fourth and customer programmes sixth in the 2013 biannual Business Week on-

US ranking. The next Business Week executive education ranking will be published in November 2015

Following the review of general management programmes last year, the new Senior Executive, Transition into General Management and Leading Teams for Emerging Leaders programmes were successfully launched. A review of the finance, accounting and economics open programmes is due to be completed in Autumn 2015.

Achieving the vision - Research

Work continued to develop the School's four key research initiatives: the Aditya Birla India Centre, the Centre for Corporate Governance, the Collier Institute of Private Equity, and the Deloitte Institute of Innovation and Entrepreneurship. In January, the School partnered with AQR Capital to create the AQR Asset Management Institute. Work continued to support the development of the new Leadership Institute.

A number of external research grant applications were successful, including two significant European Research Council awards totalling €1.9 million.

The Research and Faculty Office continued to lead work to enhance the School's research infrastructure. The School maintained a strong position in the REF exercise to assess the quality and impact of UK higher education institutions' research, with 55% of its research output receiving the top 4* rating. Work to introduce a new research information system focused on developing an open access repository by April 2016, as required by HEFCE for the next research assessment exercise.

The PhD programme admitted a cohort of 11 students against a target intake of 17, reducing the overall number of doctoral students from 82 to 81. Of the 12 students graduating this year, ten have obtained academic placements, with five receiving offers from schools ranked in the *Financial Times* top 50. A review of the PhD programme was completed in April and recommendations will be implemented in 2015-16.

Developing Resources

Faculty

One new member of faculty was recruited to join the School for the 2015-16 year, compared with nine in 2014-15. Four members of faculty left the School by the end of the year, of whom two took up posts at other schools, one left the School's tenure track and one retired. The total core faculty headcount has therefore decreased to 101 in 2015-16. In 2015-16, there will also be four new adjunct faculty.

Treasurer's report *continued*

Staff

Voluntary staff turnover increased from 16% to 18% against a target of 20%.

A new e-recruitment system was introduced as well as a new approach to staff learning and development which encourages staff to take more responsibility for managing their own professional learning. The learning and development portfolio was revised to include MOOCs (Massive Open Online Course) and improved online resources.

The School recognises the strategic importance of a diverse workforce. The equality objectives were updated to add gender orientation and gender reassignment to its existing objectives focused on the protected characteristics of gender, disability, age and ethnicity. The Chair of the Diversity Working Group conducted a cross-School campaign to raise the profile of equality and diversity issues.

The School has identified that a particular focus on change management will be required for continued successful growth and enhancement of quality.

Estates and Campus Services

The School has an estates master plan in place to increase the capacity and quality of its estate. In line with this plan work continued on the Sammy Ofer Centre with the completion of the project scheduled for winter 2016. A design for the restoration of Sussex Place is in progress. Smaller scale projects to convert Lorne Close into office accommodation, upgrade the Huntsworth Mews properties office accommodation, refurbish E Wing, provide a new purpose-built Incubator Unit in House 36 and renew the quad walkways were completed.

The School's 2014-15 carbon emissions increased by 7% against the previous year as a result of the occupation of Lorne Close and delays to the move of the data centre and installation of the voltage optimiser in the Taunton building. This brings overall emissions to 7% below the 2005 baseline against a project reduction of 18% in the School's carbon management plan and a sector target of 43% by 2020.

During the year the School spent £16.9 million on the Sammy Ofer Centre (£4.1 million in 2013/14) and a further £5 million (£1.7 million in 2013/14) on fabric and plant maintenance replacement and refurbishment across the whole campus.

IT and Library

The final elements of infrastructure projects to migrate to an outsourced data centre and introduce a new unified communications and telephony system were completed. Deployment of a new smart-card enabled access control system throughout the campus commenced. The lecture theatre technology refresh programme was completed with all spaces now upgraded to digital technology.

Planning and delivery of key business solutions projects included work on the London.edu website launch and monthly cycle of improvements, B2C sales programme and CRM system enhancements, learning management solution pilot and rollout programme, Darden electives bidding system, the Estates Services and Management System and an open access institutional repository for faculty research papers.

A review of the library service was undertaken, benchmarking against US competitors and higher education sector developments. A revised library service model and content strategy was agreed which will focus on digital resources and electronic delivery.

During the year the School invested £3.3 million (£4.2 million in 2013/14) in technology.

Advancement

The School has embarked on a major campaign to raise £100 million. During the year total gross committed fundraising income was £27.3 million against a target of £19.2 million. The overall campaign total reached £91.6 million against the £100 million target.

Stakeholders

In October, the overall numbers taking part in the worldwide alumni celebrations exceeded target. The new executive education alumni scheme was launched in November and the past participant scheme is on schedule for Autumn 2015. The alumni initiative to raise 100,000 volunteer hours has recorded over 75,000 hours to date.

The Governing Body extended Sir Andrew Likierman's appointment as Dean to July 2017. Recruitment of his successor will start in 2015-16.

Work continued to engage the Global Advisory Council and Office of Distinguished Friends with the aim of recognising the commitment of their memberships to the School and co-ordinating the support they provide for its activities.

Key initiatives

The project to provide a single source virtual learning environment for both degree programmes and executive education progressed with the selection and piloting of a new learning management platform. The technology is expected to provide a flexible central hub from which the School's digital learning capabilities can be developed.

A new Associate Dean of Digital Learning joined the School in January to lead the development of a digital technology strategy, working with faculty to innovate teaching using approaches such as MOOCs and blended learning.

The School celebrated its 50th anniversary in 2014-15. The anniversary was launched at the worldwide alumni celebrations in October, with further events taking place throughout the year. 50 greatest impact stories and illustrations from *FT* cartoonist Banx were commissioned and published.

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 March 2005 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.

Results for the year

A summary of the School's results for the year to 31 July 2015 is as follows:

	2015 £'000	2014 £'000
Income	130,839	123,006
Expenditure	(130,537)	(119,466)
Share of operating surplus of associate company	<u>5</u>	<u>85</u>
Surplus for the year after tax	<u>307</u>	<u>3,625</u>
Endowment funds	1,334	1,326
Surplus for the year retained within general reserves	<u>1,641</u>	<u>4,951</u>
Surplus for the year after tax	307	3,625
Pension fund actuarial loss	(2,192)	(2,363)
Endowments	18,578	15,480
Increase following the revaluation of investments	3,076	1,052
Increase following the revaluation of properties	-	32,815
Transfer to deferred capital gains	<u>(10,265)</u>	<u>(7,685)</u>
Total recognised gains for the year	<u>9,504</u>	<u>42,924</u>

Operating results

We are pleased to report that the School has had another excellent year having achieved an operating surplus of £1.6 million (2014: £5.0 million).

The reduction in the operating surplus year on year is largely due to an increase in depreciation and a prior year gain on revaluation of properties which takes place every 3 years.

Income in the year grew by £7.8 million (6%). Fees from Degree Programmes grew from £62 million to £65 million; Executive Education open programme revenues rose from £18 million to £20 million; and Executive Education custom programme revenues from £24 million to £27 million. Income from other sources, HEFCE, research, donations, catering, etc remained constant at £19 million.

Expenditure in the year grew by around £11 million (9%), Faculty and staff costs increased from £60 million to £65 million (8%), representing a significant proportion of School expenditure. The increase is due to the increased number of staff and faculty during the year, which has risen from an average of 721 to 749 employees to support growth.

Treasurer's report *continued*

Reserves

Reserves have increased by £0.2 million to £82.8 million. General reserves increased by £2.2 million as a result of both the operating result and the inclusion of unrealised gains on the unrestricted share of the investment portfolio.

Expendable and Permanent Endowments have increased as a result of £18.6 million in new endowments, of which £9.7 million (relating to donations received for the Sammy Ofer Centre) was transferred to deferred capital grants in addition to those amounts released to fund operating expenditure.

The Pension Reserve increased from £ (7.5) million to £ (9.5) million following an update to the interim valuation of the School Pension Scheme.

The Revaluation Reserve remained at £65 million in accordance with a revaluation of the Schools properties as at 31st July 2014.

Investment portfolio

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.

Endowment and Investment income increased to £1.3 million from £1 million and is included in the income and expenditure account for the year.

The market value of the investment portfolio at the year end was £53 million compared to £50 million at last year end, reflecting a gain on revaluation of £3 million.

An additional £1.5 million was invested by the School into a student loan funding scheme.

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. We continue to ensure that our plans for the future provide the School with a robust financial model to underpin the achievement of that vision.

We continue to build on the progress already made in terms of revenue growth, student and participant experience and promoting the London Business School brand.

We continue to invest in increasing the capacity of the School's campus and provide for state of the art facilities, including technology, so that we can grow and remain at the top of the world rankings.

We continue to invest in our stakeholders, in our fundraising and in delivering our campaign as the pace at which the School can invest depends upon continuing to attract large gifts.

We continue to monitor our cash flow very closely as we need to ensure we have sufficient resources to fund investment decisions. Sammy Ofer Centre is our largest investment, is now under construction, and has payment commitments totalling £49 million in 2015/16. Whilst we do have significant cash reserves of £25 million at 31 July 2015 we do now also have access to a borrowing facility of £30 million to complement fundraising.

Significant plans are underway to grow our Degree Programme portfolio when the new facilities open. In this context effective management of operating costs remains key, and the School will retain its focus on ensuring that it has sufficient resources to achieve its goals.

Catherine Webster

Treasurer

24 November 2015

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

We have audited the group and School financial statements (the "financial statements") of London Business School for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and School Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with the Charters and Statutes of the School. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to it 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 Governing Body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and auditor

As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 8 to 9 the Governing Body is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and School's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information

that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and School as at 31 July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements*.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by 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;
- 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; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014-15 financial statements* have been met.

Neil Thomas
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL

30 November 2015

Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and investments, and in accordance with applicable United Kingdom accounting standards, applicable United Kingdom law and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of London Business School ("The School") and its subsidiary and quasi-subsidiary undertakings for the financial year to 31 July. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. 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 financial statements of London Business School Students Association as the School has no control or dominant influence over policy decisions and therefore it is considered to be a separate entity.

(c) Grants

Grants receivable for the normal operation of the School are credited to the income and expenditure account in the period in which they are receivable.

Grants which are applied to acquire tangible fixed assets are credited to deferred capital grants when received and released to the income and expenditure account over the useful lives of the relevant assets. Grants which are applied to acquire land are credited to the income and expenditure account in the year the land is acquired.

Research grants are credited to the research grants and contracts account for the relevant project. Income is recognised when received and matched against corresponding expenditure for each project. Any balances on such projects comprising of unexpended amounts are deferred from revenue and recorded in accruals and deferred income on the balance sheet. Any expenditure awaiting reimbursement is treated as a prepayment until reimbursement is received.

(d) Fee income

Academic fee income includes all amounts receivable in respect of courses completed at the year end and the relevant proportion for those still in progress at the year end.

Any amounts received in respect of courses that have not started by the year end are included as course payments received in advance.

(e) Charitable donations accounting and income recognition

Restricted charitable donations are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred to achieve the specified objectives.

Unrestricted donations are recognised in the financial statements when the donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

New restricted donations retained for the benefit of the School are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised as other income in the income and expenditure account.

Where charitable donations are to be retained for the benefit of the School as specified by the donors, these are accounted for as endowments. There are three main types:

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 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;

3. Restricted expendable endowments – the donor has specified a particular objective and the School can convert the donated sum into income.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the objectives of the endowment is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses are retained within the endowment in the balance sheet.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets are accounted for in the balance sheet by debiting or crediting the endowment asset and crediting or debiting the endowment fund and reporting in the statement of total recognised gains and losses.

(f) Foreign currencies

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 at the balance sheet date, and the gains and losses on translation are reflected in the income and expenditure account.

(g) Pensions

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 the SPS and the liabilities of the SPS, 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 the SPS asset or liability arising from factors other than cash contribution by the School are charged to the income and expenditure account or the statement of total recognised gains and losses in accordance with FRS17 "Retirement Benefits".

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is 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 FRS 17 "Retirement 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.

Defined contribution scheme costs are charged to the income and expenditure account as they are incurred.

(h) Contingent liabilities and assets

A contingent liability exists in relation to the pension valuation recovery plan, since the company is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the company is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet.

(i) 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. 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 %

Accounting policies *continued*

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.

(j) Heritage assets

The School does not ordinarily capitalise its heritage assets as the total value of such assets owned by the School is not considered sufficiently material to influence the presentation of the financial statements. The works located on site currently are from a variety of sources. Some are owned by London Business School whilst others are on loan from private individuals and corporations. All artwork is insured and the level of cover reviewed on an annual basis by the School's art curator.

(k) Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account as incurred.

(l) Investments

Endowment asset investments and other fixed asset investments are included in the balance sheet at market value. Other investments are held at cost. Investments in associate companies are shown in the consolidated balance sheet at attributable share of net assets.

(m) Stock

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

(n) Taxation status

The School is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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.

(o) Leases

Operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

(p) Provisions

Provisions are recognised when the School has 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.

(q) Funds

The following types of funds are maintained:

- Endowments: these are recorded as either expendable or permanent in accordance with the wishes of the donor. Permanent endowments require the capital to be maintained in perpetuity with the benefit of the return on capital being available to the School to allocate. Expendable endowments can be expended but are restricted for specific use.
- Pension reserve: in accordance with FRS 17 "Retirement Benefits", the liability attributed to the SPS defined benefit scheme is shown as a separate fund. As the scheme is currently in deficit this is a negative reserve. No designation of general funds to meet the pension commitments at the balance sheet date is in place as the School anticipates meeting such commitments through future cash flows.
- Revaluation reserve: this represents the value of revalued freehold and long leasehold land and buildings.
- General reserve: where the funds are not restricted as to use but may be applied for any purposes within the School's charter.

(r) 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 2020, 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 2016. 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.

(s) Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. 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. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities, certificates of deposit and loan stock held as part of the School's treasury management activities. They exclude endowment investments.

Consolidated income and expenditure account

for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
INCOME			
Academic fees	1	111,622	103,281
Funding Council grants	2	7,600	7,599
Research grants and contracts		1,608	1,577
Other income	3	8,662	8,381
Endowment and investment income	4	1,347	1,094
Gain on revaluation of properties	9	-	1,074
Total income		<u>130,839</u>	<u>123,006</u>
EXPENDITURE			
Staff costs	6	64,909	59,865
Other operating expenses	7	59,647	55,215
Depreciation	9	5,981	4,386
Total expenditure		<u>130,537</u>	<u>119,466</u>
Surplus after depreciation of tangible fixed assets and before tax		302	3,540
Share of operating surplus of associate company	11	5	85
Taxation	8	-	-
Surplus after depreciation of tangible fixed assets and tax		307	3,625
Surplus for the year transferred from accumulated income in endowment funds	16	1,334	1,326
Surplus for the year retained within general reserves		<u>1,641</u>	<u>4,951</u>

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

Consolidated statement of total recognised gains and losses

for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Surplus for the year after tax		307	3,625
New endowments	16	18,578	15,480
Pension fund actuarial loss	26	(2,192)	(2,363)
Increase following the revaluation of properties	9	-	32,815
Increase following the revaluation of investments		3,076	1,052
Transfer to deferred capital grants	16,23	(10,265)	(7,685)
Total recognised gains for the year		<u>9,504</u>	<u>42,924</u>

Reconciliation of total reserves

for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Opening reserves and endowments	17	119,369	76,443
Total recognised gains for the year		<u>9,504</u>	<u>42,926</u>
Closing reserves and endowments	17	<u>128,873</u>	<u>119,369</u>

Consolidated statement of historical cost surplus and deficits

for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Surplus for the year before tax		307	3,625
Difference between a historical cost depreciation charge and the actual depreciation charge for the year, calculated on the revalued amount		<u>359</u>	<u>(185)</u>
Historical cost surplus for the year before tax		<u>666</u>	<u>3,440</u>
Taxation	8	-	-
Historical cost surplus for the year after tax		<u>666</u>	<u>3,440</u>

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

Balance sheets

as at 31 July 2015

	Notes	Consolidated		London Business School	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
FIXED ASSETS					
Tangible assets	9	139,441	120,262	139,402	120,223
Other investments	10	10,378	15,046	10	91
Investment in associate company	11	449	444	-	-
		<u>150,268</u>	<u>135,752</u>	<u>139,412</u>	<u>120,314</u>
ENDOWMENT ASSETS	12	46,059	36,785	-	-
CURRENT ASSETS					
Stock		126	208	114	191
Debtors	13	11,243	15,592	6,851	10,369
Cash at bank and in hand		24,939	19,476	24,078	19,370
		<u>36,308</u>	<u>35,276</u>	<u>31,043</u>	<u>29,930</u>
Creditors: amounts falling due within one year	14	(56,696)	(52,265)	(60,405)	(50,867)
Net current liabilities		<u>(20,388)</u>	<u>(16,989)</u>	<u>(29,362)</u>	<u>(20,937)</u>
Total assets less current liabilities		<u>175,939</u>	<u>155,548</u>	<u>110,050</u>	<u>99,377</u>
Creditors: amounts falling due after more than one year	15	(203)	(395)	(203)	(316)
Net assets excluding pension liability		<u>175,736</u>	<u>155,153</u>	<u>109,847</u>	<u>99,061</u>
Net pension liability	26	(9,472)	(7,500)	(9,472)	(7,500)
Net assets including pension liability		<u>166,264</u>	<u>147,653</u>	<u>100,375</u>	<u>91,561</u>
ENDOWMENTS					
Expendable	16	6,419	5,692	-	-
Permanent	16	39,640	31,093	-	-
Reserves					
General		27,327	25,125	7,497	5,818
Pension	26	(9,472)	(7,500)	(9,472)	(7,500)
Revaluation		64,959	64,959	64,959	64,959
Total	17	<u>128,873</u>	<u>119,369</u>	<u>62,984</u>	<u>63,277</u>
Deferred capital grants	23	37,391	28,284	37,391	28,284
Total funds		<u>166,264</u>	<u>147,653</u>	<u>100,375</u>	<u>91,561</u>

Approved by the Governing Body and authorised for issue on 24 November 2015.

The Honourable Apurv Bagri
Chairman

Professor Sir Andrew Likierman
Dean

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

Consolidated cash flow statement

for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Net cash inflow from operating activities	18	12,297	8,127
Returns on investments and servicing of finance	19	1,143	906
Capital expenditure and financial investment	20	(7,977)	(1,055)
Management of liquid resources	21	-	-
Increase in cash in the year		<u>5,463</u>	<u>7,978</u>
Reconciliation of net cash flow to investment in net funds			
Increase in cash in the year		5,463	7,978
Cash outflow from liquid resources		-	-
Movement in net funds in the year		5,463	7,978
Net funds at 1 August		<u>19,476</u>	<u>11,498</u>
Net funds at 31 July	22	<u>24,939</u>	<u>19,476</u>

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

Notes to the financial statements

31 July 2015

1 Academic fees

	Notes	2015 £'000	2014 £'000
MBA		26,745	25,153
Masters in Management		4,837	4,300
Sloan Fellowship		3,072	2,897
Executive MBA		16,554	15,678
EMBA-Global / Global Asia		4,713	4,657
Masters in Finance		7,646	7,635
PhD Programme		1,086	1,241
Executive Education Open Programmes		19,823	17,595
Executive Education Custom Programmes		27,146	24,125
		<u>111,622</u>	<u>103,281</u>

2 Funding council grants

		2015 £'000	2014 £'000
Mainstream teaching funds		55	133
Mainstream research funds		3,619	3,575
Higher Education Innovation Fund		3,134	3,134
Released from deferred capital grants			
Buildings	23	311	331
Equipment	23	481	426
		<u>7,600</u>	<u>7,599</u>

3 Other income

		2015 £'000	2014 £'000
Donations received		20,899	17,872
Less: endowments retained in reserves	16	<u>(18,578)</u>	<u>(15,480)</u>
Donations income		2,321	2,392
Released from deferred capital grants	23	501	644
Catering and accommodation		2,453	2,590
Other general income		3,387	2,755
		<u>8,662</u>	<u>8,381</u>

4 Endowment and investment income

	Notes	2015 £'000	2014 £'000
Income from expendable endowments	16	-	3
Income from permanent endowments	16	810	496
Other investment income		439	518
Other interest received		98	77
		<u>1,347</u>	<u>1,094</u>

5 Governors' remuneration

The governors of the School do not receive any remuneration for their services as governors and no expenses were paid. Those among them who also hold academic or executive posts within the School are remunerated for their services in line with the School's normal practice.

6 Staff costs

		2015 £'000	2014 £'000
Wages and salaries		54,100	49,619
Social security costs		5,362	5,034
Other pension costs		5,807	5,565
SPS pension contribution less current service cost		(360)	(353)
		<u>64,909</u>	<u>59,865</u>
Emoluments of the Dean		2015 £'000	2014 £'000
Salary		375	365
Benefits		3	1
Contribution in lieu of pension		53	-
Subtotal		<u>431</u>	<u>366</u>
Pension		-	53
		<u>431</u>	<u>419</u>

Notes to the financial statements *continued*

31 July 2015

6 Staff costs *continued*

Average staff numbers by major category

	2015	2014
	Numbers	Numbers
Academic including research	102	108
Other	647	613
	<u>749</u>	<u>721</u>

The number of staff reported above is the average over each year on a FTE basis.

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-subsidiary; 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: 14, £110,000 - £119,999: 3, £120,000 - £129,999: 20, £130,000 - £139,999: 10,
 £140,000 - £149,999: 2, £150,000 - £159,999: 4, £160,000 - £169,999: 11, £170,000 - £179,999: 9,
 £180,000 - £189,999: 3, £190,000 - £199,999: 3, £200,000 - £209,999: 1, £210,000 - £219,999: 6,
 £220,000 - £229,999: 3, £230,000 - £239,999: 4, £240,000 - £249,999: 4, £250,000 - £259,999: 1,
 £260,000 - £269,999: 4, £270,000 - £279,999: 1, £280,000 - £289,999: 4, £300,000 - £309,999: 1,
 £310,000 - £319,999: 4, £320,000 - £329,999: 2, £330,000 - £339,999: 1, £340,000 - £349,999: 1,
 £370,000 - £379,999: 1, £390,000 - £399,999: 1, £420,000 - £429,999: 1, £470,000 - £479,999: 2,
 £490,000 - £499,999: 1, £500,000 - £509,999: 2, £510,000 - £519,999: 1

For comparison purposes, total earnings in 2013/14 were as follows:

£100,000 - £109,999: 11, £110,000 - £119,999: 6, £120,000 - £129,999: 20, £130,000 - £139,999: 7,
 £140,000 - £149,999: 2, £150,000 - £159,999: 6, £160,000 - £169,999: 12, £170,000 - £179,999: 7,
 £180,000 - £189,999: 6, £190,000 - £199,999: 3, £200,000 - £209,999: 5, £210,000 - £219,999: 2,
 £220,000 - £229,999: 4, £230,000 - £239,999: 5, £240,000 - £249,999: 4, £250,000 - £259,999: 4,
 £270,000 - £279,999: 3, £280,000 - £289,999: 3, £290,000 - £299,999: 1, £300,000 - £309,999: 2,
 £320,000 - £329,999: 1, £330,000 - £339,999: 2, £340,000 - £349,999: 3, £350,000 - £359,999: 1,
 £370,000 - £379,999: 1, £400,000 - £409,999: 2, £430,300 - £439,999: 1, £480,000 - £489,999: 1,
 £490,000 - £499,999: 2, £570,000 - £579,999: 1, £580,000 - £589,999: 1

	2015	2014
	£'000	£'000
Compensation for loss of office to senior staff earning in excess of £100,000 per annum	<u>-</u>	<u>-</u>

7 Other operating expenses

	2015 £'000	2014 £'000
External teaching	13,212	12,412
Teaching support	4,737	4,269
Bought in teaching	8,328	7,545
Marketing	5,320	5,272
Technology	2,937	2,639
Premises and utilities	6,801	6,483
Catering and accommodation	7,331	7,245
Other overheads	10,744	9,241
SPS pension scheme charges	<u>237</u>	<u>109</u>
	<u>59,647</u>	<u>55,215</u>

During the year the School incurred statutory audit fees of £83,805 (2014: £82,815) and audit related assurance fees of £15,341 (2014: £62,025).

8 Taxation

	2015 £'000	2014 £'000
UK corporation tax at 20.67% (2014: 22.3%)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Notes to the financial statements *continued*

31 July 2015

9 Tangible assets

CONSOLIDATED	Land and Buildings		Assets in course of construction	Facility improvements	Furniture and equipment	Total
	Freehold	Long leasehold				
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2014	33,265	60,000	17,918	4,826	15,087	131,096
Additions	-	49	24,551	79	481	25,160
Transfers	-	-	(11,019)	-	-	(11,019)
Transfer from AICC	-	2,918	-	2,590	5,511	11,019
At 31 July 2015	<u>33,265</u>	<u>62,967</u>	<u>31,450</u>	<u>7,495</u>	<u>21,079</u>	<u>156,256</u>
Depreciation						
At 1 August 2014	-	-	-	2,056	8,778	10,834
Charge for the year	415	2,600	-	706	2,260	5,981
At 31 July 2015	<u>415</u>	<u>2,600</u>	<u>-</u>	<u>2,762</u>	<u>11,038</u>	<u>16,815</u>
Net book value						
Balance at 31 July 2015	<u>32,850</u>	<u>60,367</u>	<u>31,450</u>	<u>4,733</u>	<u>10,041</u>	<u>139,441</u>
Balance at 31 July 2014	<u>33,265</u>	<u>60,000</u>	<u>17,918</u>	<u>2,770</u>	<u>6,309</u>	<u>120,262</u>

On 31 July 2014 the freehold and long leasehold land and buildings were re-valued at £95.3 million on the basis of existing use value by Deloitte, Chartered Surveyors. This includes £2m for one property which is currently recorded under assets in the course of construction.

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 £496,000.

9 Tangible assets *continued*

SCHOOL	Land and Buildings		Assets in course of construction	Facility improvements	Furniture and equipment	Total
	Freehold	Long leasehold				
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2014	33,265	60,000	17,918	4,826	15,048	131,057
Additions	-	49	24,551	79	481	25,160
Transfers	-	-	(11,019)	-	-	(11,019)
Transfer from AICC	-	2,918	-	2,590	5,511	11,019
At 31 July 2015	33,265	62,967	31,450	7,495	21,040	156,217
Depreciation						
At 1 August 2014	-	-	-	2,056	8,778	10,834
Charge for the year	415	2,600	-	706	2,260	5,981
At 31 July 2015	415	2,600	-	2,762	11,038	16,815
Net book value						
Balance at 31 July 2015	32,850	60,367	31,450	4,733	10,002	139,402
Balance at 31 July 2014	33,265	60,000	17,918	2,770	6,270	120,223

Long leasehold land and buildings comprise assets that are the subject of a restricted use covenant. Under the terms of this covenant the land and buildings may only be used for educational purposes.

If these assets were carried at historical cost less depreciation, their carrying value at the balance sheet date would have been as follows:

	2015	2014
	£'000	£'000
Freehold	14,211	14,542
Long leasehold	12,110	9,406
Facility improvements	10,044	10,142
	<u>36,365</u>	<u>34,090</u>

Notes to the financial statements *continued*

31 July 2015

10 Other investments

CONSOLIDATED

	Other investments total £'000
At 1 August 2014	15,046
Increase in market value	781
Divestment	<u>(5,449)</u>
At 31 July 2015	<u>10,378</u>

SCHOOL

	Subsidiary companies total £'000
At 1 August 2014	91
Change in investment	<u>(81)</u>
At 31 July 2015	<u>10</u>

Refer to note 12 for further details on investment portfolio.

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. Sir John Ritblat, 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 (2014: 91,304) ordinary shares of £1 each, being the total issued share capital of the company.

The quasi-sub subsidiary 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.

11 Investments 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 income and expenditure account.

12 Endowment assets

Endowment investments are those investments held within the portfolio which represent restricted funds held within the Anniversary Trust. Both endowment and other investments are held in a combined portfolio within the Anniversary Trust. They are managed by Blackrock Asset Management Ireland Limited. They are shown in the balance sheet at market value. Other investments are held at cost.

	Notes	2015 £'000	2014 £'000
Market value as at 31 July			
Endowments		46,059	36,785
Other Investments	10	10,378	15,046
		<u>56,437</u>	<u>51,831</u>
Book cost		<u>43,138</u>	<u>41,608</u>

Investments are held in the following funds:

	2015 £'000	2014 £'000
UK equities	12,454	12,360
Corporate bonds	13,982	12,999
Fixed interest bonds	12,951	12,209
Overseas equities	13,770	12,513
Liquidity funds	-	-
	<u>53,157</u>	<u>50,081</u>
Other investments – Prodigy	3,280	1,750
	<u>56,437</u>	<u>51,831</u>

Investments held that represented a holding greater than 5% of the total investment held:

	2015 £'000	2014 £'000
BlackRock UK Corporate Bond Index Fund	13,982	12,999
BlackRock GiltTrack Fund Dist	12,951	12,209
Charittrak UK Equity Index Fund Inc	12,454	12,360
BlackRock Europe Ex-UK Index Fund EUR Fund Flexible Distributing Class	5,007	4,663
BlackRock North American Index Fund USD Flexible Distributing Class	4,947	4,270
BlackRock Japan Index Sub Fund USD Distribution	2,554	2,215

Movement in endowment assets

	2015 £'000	2014 £'000
At 1 August	36,785	32,510
New endowments invested	18,578	15,480
Increase in market value of investments	2,295	556
Transfer to deferred capital grants	(10,265)	(7,685)
Transfer to unrestricted reserves	-	(2,750)
Decrease in cash balance held for endowment funds	(1,334)	(1,326)
At 31 July	<u>46,059</u>	<u>36,785</u>

Notes to the financial statements *continued*

31 July 2015

13 Debtors

	Consolidated		School	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade debtors	7,516	10,937	2,663	4,497
Prepayments and accrued income	2,296	3,400	1,937	2,360
Amounts owed by subsidiary undertakings	-	-	1,481	2,713
Other debtors	1,431	1,255	770	799
	<u>11,243</u>	<u>15,592</u>	<u>6,851</u>	<u>10,369</u>

14 Creditors: amounts falling due within one year

	Consolidated		School	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts owed to subsidiary undertakings	-	-	7,967	2,097
Course payments received in advance	22,791	23,740	22,791	23,740
Trade creditors	5,873	3,082	5,160	2,453
Social security and other taxation	1,724	2,026	1,677	2,006
Accruals and deferred income	25,594	22,370	22,509	19,885
Other creditors	714	1,047	301	686
	<u>56,696</u>	<u>52,265</u>	<u>60,405</u>	<u>50,867</u>

15 Creditors: amounts falling due after more than one year

	Consolidated		School	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Accruals and deferred income	<u>203</u>	<u>395</u>	<u>203</u>	<u>316</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 the year end the facility had not been utilised.

16 Endowments

	Unrestricted permanent £'000	Restricted permanent £'000	Restricted expendable £'000	2015 Total £'000	2014 Total £'000
At 1 August 2014					
Capital	11,406	19,687	5,280	36,373	32,032
Accumulated Income	<u>-</u>	<u>-</u>	<u>412</u>	<u>412</u>	<u>478</u>
	11,406	19,687	5,692	36,785	32,510
New Endowments	-	6,278	12,300	18,578	15,480
Investment Income	283	527	-	810	499
Expenditure	-	(99)	(2,086)	(2,185)	(1,748)
Increase in market value of investments	701	1,594	-	2,295	555
Transfers to deferred capital grants	-	-	(10,265)	(10,265)	(7,685)
Transfer to unrestricted reserves	-	-	-	-	(2,750)
Other transfers	<u>(283)</u>	<u>(454)</u>	<u>778</u>	<u>41</u>	<u>(76)</u>
At 31 July 2015	<u>12,107</u>	<u>27,533</u>	<u>6,419</u>	<u>46,059</u>	<u>36,785</u>
Represented by:					
Capital	12,107	27,533	6,052	45,692	36,373
Accumulated income	<u>-</u>	<u>-</u>	<u>367</u>	<u>367</u>	<u>412</u>
	<u>12,107</u>	<u>27,533</u>	<u>6,419</u>	<u>46,059</u>	<u>36,785</u>
Analysis by type of purpose:					
Chair funds	-	13,222	106	13,328	10,711
Scholarship funds	-	11,082	2,912	13,994	8,346
Infrastructure funds	-	-	64	64	232
Other funds	<u>12,107</u>	<u>3,229</u>	<u>3,337</u>	<u>18,673</u>	<u>17,496</u>
	<u>12,107</u>	<u>27,533</u>	<u>6,419</u>	<u>46,059</u>	<u>36,785</u>

Chair funds comprise monies received from various donors to fund a chair in their name at London Business School.

Scholarship funds comprise monies received to support scholarships to students.

Infrastructure funds comprise monies received, to be expended for specific buildings projects.

Other funds comprise monies received for any other specified purpose.

All permanent endowments are represented by investments.

Notes to the financial statements *continued*

31 July 2015

16 Endowments *continued*

Surplus for the year transferred from accumulated income in endowment funds:

	2015	2014
	£'000	£'000
Expenditure	(2,144)	(1,825)
Investment income	810	499
Surplus for the year	<u>(1,334)</u>	<u>(1,326)</u>

Major endowments

Major funds are classified as any funds with a balance greater than £1m at the end of the year.

Restricted permanent and expendable endowments include ten major individual funds.

The movements on these funds for the year were as follows:

	The Adecco Chair	The Tony and Maureen Wheeler Chair in Entrepreneurship	The Donald Gordon Chair in Entrepreneurship	The Birla Centre
	£'000	£'000	£'000	£'000
At 1 August 2014	2,449	2,732	3,279	3,555
New endowments	-	-	-	-
Investment income	54	60	72	75
Expenditure	(54)	(64)	(59)	(238)
Other transfers	-	-	-	-
Increase in market value of investment	149	165	202	175
At 31 July 2015	<u>2,598</u>	<u>2,893</u>	<u>3,494</u>	<u>3,567</u>

	LBS Endowment General	The Vodafone Group Foundation Scholarships - The Sir Christopher Gent Awards	Dubai Chair in Innovation Scholarship
	£'000	£'000	£'000
At 1 August 2014	11,262	2,247	1,342
New endowments	-	-	-
Investment income	280	48	29
Expenditure	(280)	(50)	(12)
Other transfers	-	-	-
Increase in market value of investment	692	136	77
At 31 July 2015	<u>11,954</u>	<u>2,381</u>	<u>1,436</u>

	Deloitte	The Charles Handy Chair	SARI Foundation
	£'000	£'000	£'000
At 1 August 2014	701	-	-
New endowments	270	2,000	3,000
Investment income	20	19	29
Expenditure	(20)	-	-
Other transfers	-	-	-
Increase in market value of investment	59	123	184
At 31 July 2015	<u>1,030</u>	<u>2,142</u>	<u>3,213</u>

17 Reserves and endowments

CONSOLIDATED	Expendable endowments	Permanent endowments	General reserves	Pension reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2014	5,692	31,093	25,125	(7,500)	64,959	119,369
Net movement	727	8,547	2,202	(1,972)	-	9,504
At 31 July 2015	<u>6,419</u>	<u>39,640</u>	<u>27,327</u>	<u>(9,472)</u>	<u>64,959</u>	<u>128,873</u>

SCHOOL	Expendable endowments	Permanent endowments	General reserves	Pension reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2014	-	-	5,818	(7,500)	64,959	63,277
Net movement	-	-	1,679	(1,972)	-	(293)
At 31 July 2015	<u>-</u>	<u>-</u>	<u>7,497</u>	<u>(9,472)</u>	<u>64,959</u>	<u>62,984</u>

18 Reconciliation of operating surplus / (deficit) to net cash flow from operating activities

	Notes	2015 £'000	2014 £'000
Surplus / (deficit) after depreciation of tangible fixed assets and before tax		302	3,540
Depreciation	9	5,981	4,386
Gain on revaluation of properties		-	(1,074)
Deferred capital grants released	23	(1,293)	(1,401)
Pension contribution less current service cost	26	(354)	(366)
Decrease / (increase) in stock		82	(95)
Decrease / (increase) in debtors		4,316	(5,031)
Increase in creditors		4,373	9,153
Endowment and investment income	4	(1,347)	(1,094)
Interest payable	7	237	109
Net cash inflow from operating activities		<u>12,297</u>	<u>8,127</u>

Notes to the financial statements *continued*

31 July 2015

19 Returns on investments and servicing of finance

	2015	2014
	£'000	£'000
Income from endowments	810	499
Interest received	570	516
Interest paid	<u>(237)</u>	<u>(109)</u>
Net cash inflow from returns on investments and servicing of finance	<u>1,143</u>	<u>906</u>

20 Capital expenditure and financial investment

	Notes	2015	2014
		£'000	£'000
Purchase of tangible fixed assets	9	(25,160)	(10,023)
New endowments received	16	18,578	15,480
Cash movement on investments		-	130
Deferred capital grants received	23	135	108
Purchase of investments		<u>(1,530)</u>	<u>(6,750)</u>
Net cash outflow from capital expenditure and financial investment		<u>(7,977)</u>	<u>(1,055)</u>

21 Management of liquid resources

	2015	2014
	£'000	£'000
Withdrawal of deposits	<u>-</u>	<u>-</u>

22 Analysis of change in net funds

	At 1 August	Cash flow	At 31 July
	2014		2015
	£'000	£'000	£'000
Cash at bank and in hand	<u>19,476</u>	<u>5,463</u>	<u>24,939</u>
Net funds	<u>19,476</u>	<u>5,463</u>	<u>24,939</u>

23 Deferred capital grants

	Consolidated and School		
	HEFCE £'000	Other £'000	Total £'000
At 1 August 2014			
Buildings	1,120	24,786	25,906
Equipment	2,195	183	2,378
Total	<u>3,315</u>	<u>24,969</u>	<u>28,284</u>
Cash received			
Building	-	10,265	10,265
Equipment	135	-	135
Total	<u>135</u>	<u>10,265</u>	<u>10,400</u>
Released to income and expenditure			
Buildings	(311)	(496)	(807)
Equipment	(481)	(5)	(486)
Total	<u>(792)</u>	<u>(501)</u>	<u>(1,293)</u>
At 31 July 2015			
Buildings	809	34,555	35,364
Equipment	1,849	178	2,027
Total	<u>2,658</u>	<u>34,733</u>	<u>37,391</u>

24 Capital commitments

Capital expenditure amounting to £53.2 million was contracted for at 31 July 2015 (2013: £4.2 million).

25 Lease commitments

	Land and buildings 2015 £'000	Land and buildings 2014 £'000	Plant and machinery 2015 £'000	Plant and machinery 2014 £'000
Annual rentals under operating lease commitments are as follows:				
Expiring within 1 year	45	-	-	23
Expiring within 2-5 years	79	304	37	37
Expiring in more than 5 years	293	218	-	-
	<u>417</u>	<u>522</u>	<u>37</u>	<u>60</u>

Notes to the financial statements *continued*

31 July 2014

26 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.

Key assumptions and summary data are as follows

	USS	SPS
Latest actuarial valuations	31 March 2011	1 August 2012
Assumptions		
Investment return (per annum)	6.1%	5.4%
Salary scale increases (per annum)	4.4%	4.2%
Pension increases in payment (per annum)	2.6%	3.6%
RPI price inflation (per annum)	3.4%	3.1%
CPI price inflation (per annum)	2.6%	2.1%
	<hr/>	<hr/>
Actuarial valuation data	£million	£'000
Market value of assets	32,434	10,032
Market value of past service liabilities	(35,344)	(18,459)
Deficit of assets	(2,910)	(8,427)
Proportion of members' accrued benefits covered by assets	92%	54%
	<hr/>	<hr/>
Contribution rates	USS	SPS
Employer's rate for the period 1 August to 30 September 2009	14.0%	17.6%
Employer's rate for the period 1 October 2009 to 31 July 2010	16.0%	17.6%
Employer's rate for the period 1 August 2010 to 31 July 2015	16.0%	N/A
	<hr/>	<hr/>
Pension cost		
The total pension cost for the School for the year ended was:		
	2015	2014
	£'000	£'000
Contributions to USS defined benefit scheme	5,193	4,991
Contributions to SPS defined benefit scheme	425	425
Contributions to defined contribution scheme	189	149
	<hr/>	<hr/>
	5,807	5,565
	<hr/>	<hr/>

26 Pension schemes *continued*

(b) USS – FRS 17

The School participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). The company 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 FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the profit and loss account is £5.2 million (2014: £5.0 million). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme's financial statements.

The 2014 valuation has recently been finalised and the audit process is in progress. Therefore the latest available audited triennial actuarial valuation of the scheme was at 31 March 2011 ("the valuation date"), which was carried out using the projected unit method. The 2014 valuation indicates that the employer contributions will increase to 18% from 1 April 2016.

The 2011 valuation was the second 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 £32.4 billion and the value of the scheme's technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS 17 liability numbers have been produced for the using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

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	S1NA ["light"] YoB tables – No age rating
Female members' mortality	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 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 65 (years)	28.6	27.6

	2015	2014
Existing benefits		
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

Notes to the financial statements *continued*

31 July 2015

26 Pension schemes *continued*

(c) SPS – FRS 17

For the SPS scheme FRS17 was adopted in full for the first time for the year ending 31 July 2006. The administrators of the SPS scheme have identified the School's assets and liabilities to arrive at the present value of FRS 17 liabilities and assets as follows:

The main actuarial assumptions used to value the liabilities at the balance sheet date are:

	31st July 2015	31st July 2014
Discount rate for liabilities	3.9%	4.8%
Price inflation (RPI)	3.5%	3.5%
Price inflation (CPI)	2.5%	2.5%
Future increases to pensions in deferment	2.5%	2.5%
Future increases to pensions in payment	3.4%	3.4%
Mortality table	PCMA00/PCFA00, year of birth, medium cohort projection with 1.5% underpin for males and 1% for females	PCMA00/PCFA00, year of birth, medium cohort projection with 1.5% underpin for males and 1% for females
Expected return on assets	5.4%	5.7%

Value of liabilities and resulting deficit:

	31st July 2015 £'000	31st July 2014 £'000
Total market value of assets	14,114	12,737
Present value of liabilities	(23,586)	(20,237)
Net pension liability	<u>(9,472)</u>	<u>(7,500)</u>

Changes in the fair value of scheme assets are as follows:

	31st July 2015 £'000	31st July 2014 £'000
Opening value of assets	12,737	11,522
Expected return	734	700
Asset gain	372	226
Contributions (employer)	425	425
Benefits paid	(83)	(77)
Expenses paid from the Scheme	(71)	(59)
Closing value of assets	<u>14,114</u>	<u>12,737</u>

26 Pension schemes *continued*

The total value of the assets is divided between the main asset classes as follows:

	31st July 2015 £'000	31st July 2014 £'000
Equities	6,069	5,604
Bonds	4,940	4,331
Property	3,105	2,802
Total	<u>14,114</u>	<u>12,737</u>

Changes in the present value of the defined benefit liabilities are:

	31st July 2015 £'000	31st July 2014 £'000
Opening value of liabilities	20,237	16,915
Interest cost	868	810
Experience gain	15	(196)
Change of assumptions loss / (gain)	2,549	2,785
Benefits paid	(83)	(77)
Closing value of liabilities	<u>23,586</u>	<u>20,237</u>

The amounts recognised in the income and expenditure account are:

	31st July 2015 £'000	31st July 2014 £'000
Interest on liabilities	868	810
Expected return on assets	(734)	(700)
Expenses paid from the Scheme	71	59
Total expense	<u>205</u>	<u>169</u>

The amounts recognised in the statement of recognised gains and losses are:

	31st July 2015 £'000	31st July 2014 £'000
Actual return less expected return on pension scheme assets	372	226
Experience (losses) / gains arising on the scheme liabilities	(15)	196
Changes in assumptions underlying the present value of the scheme liabilities	(2,549)	(2,785)
Total recognised (loss) / gain	<u>(2,192)</u>	<u>(2,363)</u>

Notes to the financial statements *continued*

31 July 2015

26 Pension schemes *continued*

History of experience of gains and losses

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Total market value of assets	14,114	12,737	11,522	10,032	9,461
Present value of liabilities	<u>(23,586)</u>	<u>(20,237)</u>	<u>(16,915)</u>	<u>(18,459)</u>	<u>(13,868)</u>
Deficit	<u>(9,472)</u>	<u>(7,500)</u>	<u>(5,393)</u>	<u>(8,427)</u>	<u>(4,407)</u>
Experience gain / (loss) on liabilities	(15)	196	97	(595)	162
Experience gain / (loss) on assets	372	226	772	(173)	335

27 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-subsiary of the School, the Centre for Management Development Company Limited.

	2015 £	2014 £
Professor Randall Peterson	-	59,500
Professor Madan Pillutla	43,000	63,000
Professor Andrew Scott	91,000	91,000
Professor Stephen Schaefer	2,500	-
Professor Julian Franks	-	19,000
Professor Lynda Gratton	25,000	30,000

The only outstanding balances at the end of the year relating to the above individuals were amounts of £20,400 (2013/14: £9,500) payable to Professor Scott and £nil (2013/14: £14,000) payable to Professor Pillutla.

In addition to the above, Professor Peterson is a partner of TalentSage LLC. In 2014/15, the School paid £85,000 (2013/14: £58,000) to it for personal assessment services provided during the period Professor Peterson was a member of the Governing Body. At the year end, no balance was outstanding with TalentSage LLC (2013/14: £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 £244,000 (2013/14: £239,000) and charged LBSSA for catering services amounting to £210,000 (2013/14: £102,000). At the year end, the School owed an amount of £3,000 to LBSSA (2013/14: debtor £20,000).

27 Related party transactions *continued*

Sir John Ritblat, Chairman, Delancey Real Estate Asset Management Advisory Board of Delancey Real Estate Asset Management (“DREAM”). In 2014/15, the School paid £nil (2013/14: £132,000) to DREAM for services provided to lead the development of the main campus and the acquisition of new teaching facilities in the local area. At the year end, there were no balances outstanding.

Nigel Andrews is a member of the board of American Friends of London Business School (AFLBS). The entity’s main objective is to serve the purpose of furthering the welfare of London Business School and to expend funds to support the educational programmes of the School. The board authorise transfers of donations to the School on a regular basis throughout the year. During the year, AFLBS transferred £1,078,000 to the School (2013/14: £942,000).

The Honourable Apurv Bagri is a Commissioner of the Crown Estates Paving Commission. In 2014/15, the School paid £19,000 (2013/14: £44,000) to the Crown Estates for the lease of the main campus site at Sussex Place. At the year end, there was a balance owed to Crown Estates of £4,500 (2013/14: £nil).

The Honourable Apurv Bagri is also Chairman of the Royal Parks. In 2014/15, the School paid £1,000 (2013/14: £nil) to the Royal Parks for administration fees. At the year end, there were no balances outstanding.

Periodically in the year several members of the Governing Body made donations to the School. These donations were made to a controlled subsidiary of the School and were used to meet the objectives of the entity.

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

Connected Charitable Institutions

Charities with income over £100,000:

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 permanent endowment for the School.

The movement in the year on the funds held by London Business School Anniversary Trust was as follows:

Balance at 31 July 2014 £’000	Donations and grants 2015 £’000	Investment Income 2015 £’000	Gain on investments 2015 £’000	Expenditure 2015 £’000	Balance at 31 July 2015 £’000
55,727	21,560	1,438	3,078	(17,104)	64,699

Governing Body

(as at 1 October 2015)

The Honourable Apurv Bagri (Chairman)

President & CEO, Metdist Group

HE Amr Al Dabbagh

Chairman and CEO, Al Dabbagh Group

Ms Mollie Amkraut (appointed 1 August 2015)

Student Association President
MBA 2016

Mr Nigel D T Andrews

(retired 11 November 2014)

Non-Executive Chairman, Old Mutual Asset Management

Mr John Connolly

Chairman, AMEC plc and Chairman, G4S plc

Mr Saeb Eigner (retired 31 January 2015)

Chairman, Lonworld Group

Dame Amelia Fawcett

Chairman, Guardian Media Group

Professor Julian Franks

Professor of Finance
London Business School

Mr Richard Frost

Secretary to Governing Body

Secretary, London Business School

Professor Lynda Gratton

Professor of Management Practice in
Organisational Behaviour

London Business School

Ms Kristine Grigsby (retired 31 July 2015)

Student Association President
MBA 2015

Mr Ian Hannam

Founder and Chairman, Hannam & Partners

Mr Chris Havemann

CEO, Rated People Ltd

Mr Ho Kwon Ping

Executive Chairman, Banyan Tree Hotels & Resorts

Mr António Horta-Osório

CEO, Lloyds Banking Group plc

Dr Mo Ibrahim

Chairman and Founder, Mo Ibrahim Foundation

Mrs Ingrid Kwok

Mr Peter Johnson (retired 19 March 2015)

Senior Admissions Manager – Masters in Finance
London Business School

Professor Sir Andrew Likierman

Dean

London Business School

Dame Mary Marsh

Mr Nigel Morris

Managing Partner, Ffestiniog Company LLC

Professor David Myatt

(appointed 1 August 2015)

Deputy Dean, Programmes

Professor of Economics

London Business School

Baroness Lucy Neville-Rolfe DBE CMG

Professor Randall Peterson

Professor of Organisational Behaviour

London Business School

Mr David Pyott (appointed 1 May 2015)

Professor Hélène Rey

Professor of Economics

London Business School

Professor Stephen Schaefer

Deputy Dean, Faculty

Professor of Finance

London Business School

Ms Anne Schouw (appointed 20 March 2015)

Associate Director, Advancement

London Business School

Professor Andrew Scott (retired 31 July 2015)

Deputy Dean, Programmes

MBA 2008 Term Chair, Professor of Economics

London Business School

AUDIT & RISK COMMITTEE

Reports to Governing Body

Chair:

Dame Mary Marsh

Members:

Mr Eric Stobart

Mr Chris Havemann

Secretary:

Ms Helen Uglow, Deputy Secretary

In attendance:

Executives:

Professor Sir Andrew Likierman, Dean

Mr Richard Frost, School Secretary

Ms Tracy Siu, Director, Finance

CAMPAIGN COMMITTEE

Reports to Governing Body

Chair:

The Hon Apurv Bagri

Vice Chairs:

Mr Nigel Andrews

Mr Roger Carlsson

Mr Ian Hannam

Dr Mo Ibrahim

Mr Huw Jenkins

Professor Randall Peterson

Professor Andrew Scott

Members:

Mr Jeremy Asher

Mr Garvin Brown

Mr Stephen Forsyth

Mr David Kotler

Mr Paul Taylor

Mr Martin Wise

Mr Flavio Figueiredo

Ms Peggy Czyzak-Dannenbaum

Mr David Thorp

Mr Navin Valrani

Mr Aditya Talwar

Mr John Vermilye

In attendance:

Executives:

Professor Sir Andrew Likierman, Dean

Ms Susie Balch

Ms Nina Bohn

ESTATES COMMITTEE

Reports to Governing Body

Chair:

The Hon Apurv Bagri

Members:

Sir John Ritblat

Mr John Connolly

Mr Saeb Eigner

Dame Mary Marsh

In attendance:

Executives:

Professor Sir Andrew Likierman, Dean

Secretary:

Mr Richard Frost, School Secretary

FINANCE COMMITTEE

Reports to Governing Body

Chair:

Mr John Connolly

Other Non-Executives:

Dame Amelia Fawcett

Dame Lucy Neville-Rolfe

Mr Huw Jenkins

Professor Hélène Rey

Secretary:

Mr Greg Vartoukian, Director of Financial Planning

& Analysis

In attendance:

Executives:

Professor Sir Andrew Likierman, Dean

Ms Catherine Webster, Treasurer

INVESTMENT COMMITTEE

Reports to Finance Committee

Chair:

Ms Catherine Webster, Treasurer

Members:

Professor Stephen Schaefer

Professor Andrew Scott

Professor Sir Andrew Likierman, Dean

Secretary:

Mr Greg Vartoukian, Director of Financial Planning

& Analysis

GOVERNANCE & NOMINATIONS COMMITTEE

Reports to Governing Body

Chair:

The Hon Apurv Bagri

Members:

Professor Sir Andrew Likierman, Dean

Dame Mary Marsh

Professor Lynda Gratton

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 Sir Andrew Likierman, Dean

Mr John Connolly

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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