Financial Statements

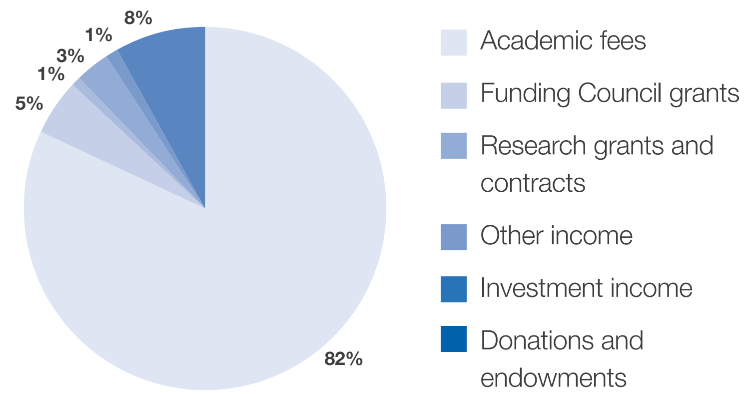
2017–2018

Contents

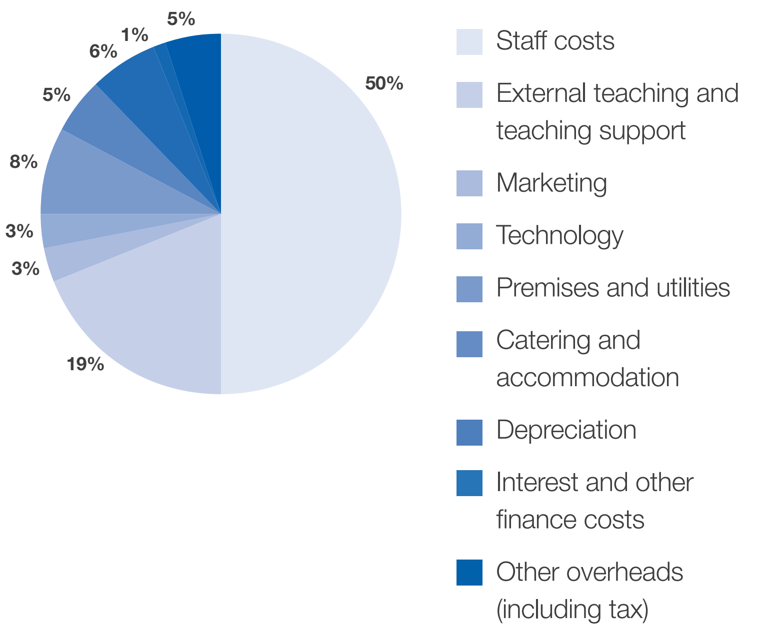
Summary of financial highlights

CONSOLIDATED	2018 £'000	2017 £'000
INCOME		
Academic fees	128,849	117,247
Funding Council grants	7,926	7,038
Research grants and contracts	1,888	2,048
Other income	4,811	5,144
Investment income	1,260	1,465
Donations and endowments	11,780	19,120
Total income	**156,514**	**152,062**
EXPENDITURE		
Staff costs	73,864	69,720
Other costs		
External teaching and teaching support	27,350	26,173
Marketing	4,628	4,686
Technology	3,879	3,353
Premises and utilities	11,814	8,624
Catering and accommodation	8,044	7,536
Depreciation	8,673	5,445
Interest and other finance costs	2,184	978
Other overheads (including tax)	7,047	7,472
Total expenditure	**147,483**	**133,987**
Revalutaion of property	3,455	(20,463)
Share of operating surplus of associate company	(37)	17
Gain on investments	1,121	2,463
Surplus for the year	**13,570**	**92**
BALANCE SHEET		
Tangible assets	350,691	302,827
Investments	48,723	47,312
Other current assets	15,092	16,448
Current liabilities	(107,709)	(75,451)
Long-term liabilities	(39,153)	(36,463)
Provisions	(21,063)	(23,693)
Net assets	**246,581**	**230,980**
Represented by		
Endowment reserve	53,324	51,857
Restricted reserve	2,582	2,700
Unrestricted reserve	61,810	47,558
Revaluation reserve	128,865	128,865
	246,581	**230,980**

INCOME 2018



EXPENDITURE 2018



Chairman and Dean's message

We are pleased to present the Financial Statements of London Business School for the period ending 31 July 2018.

The School community had much to celebrate in the 2017-2018 academic year. We welcomed talented staff into all areas of our business. Our Executive Education programmes transformed more than 10,000 executives and contributed record revenues to the School. In July, we graduated over 1,300 students across our degree programmes. Sammy Ofer Centre became an integral part of our London campus and its restoration created a new icon for the City of Westminster.

We set three priorities to build on our success and focus our efforts – to elevate the LBS brand, harness the power of digital and increase our relevance globally. These priorities are already being turned into action and will enable us to deliver on our purpose: to have a profound impact on the way the world does business and the way business impacts the world.

We recruited 11 new faculty members, 10 of them at the assistant professor level, including five women. During the year we were able to increase the size of our incoming MBA class by more than 60 students without a drop in quality or diversity and have launched a new Masters in Analytics and Management (MAM), an exciting addition to our already successful Early Careers portfolio. This is a first step in our broader effort to infuse more analytics into our teaching and our research.

Plans for the development of the Royal College of Obstetricians and Gynaecologists building are underway. This latest addition to our London campus will provide us with new entrance on Regent's Park and the opportunity to shape our spaces in support of our strategy. We will take possession of the site in December 2019.

Over the past 12 months, we have witnessed first-hand the commitment and hard work that everyone brings to ensuring our success – combined with the great energy and positivity that continues to attract talent to our School. We are grateful for the continued support of our governing body members, faculty, staff, students, alumni and friends.

We look forward to achieving great things together in the year ahead.

The Hon Apurv Bagri
Chairman of Governing Body
London Business School

François Ortalo-Magné
Dean
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 's Governing Body has adopted the voluntary Higher Education Code of Governance published by the Committee of University Chairs in 2014 and revised in 2018. The School's practices are consistent with the provisions of the code.

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

The School's Governing Body comprises lay and academic persons and a student association representative, appointed under the statutes of the School, the majority of whom are non-executive. Vacancies for non-executive members of the Governing Body are advertised publicly and the recruitment procedure takes full account of the School's equality and diversity policies. The role of Chairman of Governing Body is separated from the role of the School's chief executive, the Dean. The role of Treasurer is undertaken by the Associate Dean, Operations. The matters specifically referred to the Governing Body for decision are set out in the statutes of the School. As is the custom, and under the terms and conditions of funding for higher education institutions issued by the Office for Students, 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 2017-18 financial year. It has four committees: an Audit and Risk Committee, a Finance Committee, a Governance and Nominations Committee and a Remuneration Committee. An Estates Committee was active until December 2017. All of these committees are formally constituted with terms of reference and comprise mainly lay members, one of whom is Chair.

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

The Estates Committee was 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 committee was disbanded in December 2017 following completion of the project.

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 2018 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 2018 meeting an assessment for the year ended 31 July 2018 was carried out upon receipt of documentation from senior management and the Audit and Risk Committee. At its November 2018 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 2018 to take place. This assessment took into account events since 31 July 2018.

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

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

Statement of the Governing Body's responsibilities

The Governing Body is responsible for preparing the financial statements in accordance with the terms and conditions of funding for higher education institutions issued by the Office for Students and applicable law and regulations.

The Governing Body is required to prepare group and parent School financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions for funding of higher education institutions further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education. The Governing Body is required to prepare financial statements that give a true and fair view of the state of affairs of the group and parent School and of their income and expenditure, gains and losses and changes in reserves for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent School's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent School or to cease operations, or have no realistic alternative but to do so.

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

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

BY ORDER OF THE GOVERNING BODY

Richard Frost
Secretary
29 November 2018

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 2022-23 the School is committed to generating endowment and expendable income through fundraising activity to create student scholarships, with the ultimate goal of ensuring that no potential student is prevented from applying for a place on its programmes for financial reasons.

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

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

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

The research produced by the School's Faculty is published in publicly available academic journals and is made available through LBS Research Online, the School's Open Access repository. Working papers by Faculty are also freely available on the School's website. The results of the research carried out by Faculty are disseminated through a series of conferences, seminars, publications and other outreach activities, funded by the School's own resources and its allocation from the Office for Students' 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 and the way business impacts the world. 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 engages with its key stakeholders – faculty, students, participants, alumni and the business community – on its platform in support of the achievement of its vision and its aspiration to be the pre-eminent business school of tomorrow.

Degree Education and Career Centre

Student recruitment for the School's Master's degree portfolio continues to be largely at or above target as in previous years. Whilst no new programmes or streams were added the size of the entering classes increased by 2.5% across the existing portfolio as a whole.

Financial results for 2017-18 show degree programme fee income of £79million against prior year fee income of £74million. Net contribution increased compared with the prior year.

In the Financial Times rankings, the MiF rose from 2nd to 1st place and the full time MBA and MiM programmes ranked 4th. The Executive MBA programme rose from 19th to 18th place, the EMBA Global Americas & Europe remained in 4th place and the EMBA Global Asia ranked 2nd. In the 2018 Times Higher Education's business and economics ranking London Business School ranked 4th out of 200 international universities

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

Executive Education

Open programme revenue grew to £21million against prior year revenue of £20million. Custom programme revenue increased to £27million against prior year revenue of £21million.

The corporate client net promoter score (NPS) for custom programmes achieved +72 against a target of +70. The participant NPS for open programmes met its target of +70. The overall executive education rankings in the Financial Times maintained its 4th place position.

Two new Open programmes were launched successfully, *Exploiting Disruption in a Digital World* and *Certificates in Management & Finance*.

Digital Centre – Learning Innovation

The School's approach to digital learning continues to focus on establishing its brand, developing and enhancing the digital learner experience and the adoption of digital design and delivery across Degree Programmes and Executive Education.

Activity has continued to focus on : establishing and enhancing the digital learning offering; supporting an enriched learner experience; adopting digital design and delivery within front-facing departments; and supporting core teaching, learning and research activity.

The year saw rapid growth for digital activity across the School. The learning innovation team increased, strengthening digital capabilities and introducing a learning design team to support faculty with learning and teaching. The Learning and Teaching Innovation hub portal launched, providing a repository of resources for faculty.

A third pre-programme course *Finance Foundation* launched and the existing *Data Analytics* pre-programme enhanced.

Global Priorities

The School carried out a review of its global priorities to identify key regions and countries to support the recruitment of students and participants for programmes and act as a focal point for a forthcoming fundraising campaign. Work continues to focus strategic intent for priority countries, driving collaboration and co-ordination of activities to deliver increased value for the School.

Research

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

The Research and Faculty Office continues to encourage and support faculty in making external grant applications. Two significant European Research Council grants totalling over €2 million are still pending decision. In the year, faculty were also successful in securing funding from Innovate UK, the Engineering and Physical Sciences Research Council (EPSRC), and the Bank of England. Research grants worth a total of £0.3million were awarded in the year.

The PhD programme had an intake of 16 students in 2017-18. Of the ten students graduating this year, academic placements have included Stockholm School of Economics, Duke University, Manchester Business School, Berkeley, INSEAD and the Bank of England.

Developing Resources

The School is committed to shifting gear on inclusion, embracing the diversity of its community, enabling every individual to participate and to contribute their best.

Faculty

Eleven new members of faculty were recruited to join the School for the 2018-19 year and six untenured faculty members resigned. In line with the School's aim of improving the gender mix, five of the new assistant professors were women. Total core faculty headcount remained at 101 in the 2017-18 year.

The number of affiliated and other faculty decreased from 64 to 56. Faculty salaries continue to benchmark against main competitors and faculty compensation and existing faculty salary increases remain competitive.

Staff

Voluntary staff turnover decreased slightly from 18% to an average of 17% for the academic year continuing a year on year positive trend. Vacancies averaged 38 against a headcount of 671. Roles filled in the year totalled 279 including internal moves and cover.

The implementation of a key change in relation to the School's pay process following a detailed review and multiple consultations across the School took place.

Other key initiatives included phase two of Project Connect, the School's new people management system which is now complete, the creation of a People Manager Hub to showcase the work on the School's job family framework and the introduction of 'Focus Sessions' to replace the previous annual appraisal process.

In line with the requirements of the Committee of University Chairs (CUC) *Higher Education Senior Staff Remuneration code*, an annual remuneration report is available on the School's website.

Infrastructure

Campus Services and Developments

Investment to both increase the capacity and the quality of the estate continues.

The opening of the Sammy Ofer Centre in September 2017 and the resulting new multi-site servicing strategy was the focus for the beginning of the year. The ongoing refurbishment of the Taunton Centre continues and the new upgraded and extended Fitness Centre opened in there in the year. Upgrades to the loading bay, some lecture theatres, Linhope House, 17 Linhope Street and Laing House were also completed.

Significant progress with the Carbon Management Plan resulted in a 24.3% absolute (42.6% relative) reduction against the 2005 base year, inclusive of the increase in energy use from the Sammy Ofer Centre. The School is on track to achieve its 43% reduction target by 2021.

A new 125 year lease to acquire 27 Sussex Place from the Royal College of Obstetricians and Gynaecologists (RCOG) was signed in December 2016. Planning is now underway to take possession in December 2019.

IT

The School continues to make significant investments in technology.

As with Campus Services and Developments, the start of the year focused primarily on supporting the new state of the art teaching technologies in the new Sammy Ofer Centre.

In support of the School's strategic objectives the School's learning management system has continued to develop to improve the user experience and a new Alumni engagement and fundraising platform has been procured and implemented as part of a wider ongoing strategy to improve how Alumni can engage with the School. The School's website is under development and investment continues in CRM technology and marketing automation.

The School has also continued to invest in strengthening its compliance requirements and has provided technology solutions in the year to ensure compliance with new legislation on data protection (GDPR) and to improve its cyber security posture.

Treasurer's report *continued*

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 associate 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 "Charities SORP (FRS102)" issued in 2014 and the Charities Act 2011.

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

Results for the year

A summary of the School's results for the year to 31 July 2018 is as follows:

	2018 £'000	2017 £'000
Income	156,514	152,062
Expenditure	(147,483)	(133,987)
Share of operating (loss) / surplus of associate company	(37)	17
Revaluation of property	3,455	(20,463)
Increase following the gain on investments	1,121	2,463
Surplus for the year after tax	**13,570**	**92**
Pension fund actuarial gain	2,031	3,636
Total comprehensive income for the year	**15,601**	**3,728**

We are pleased to report that the School has had an excellent year having achieved a surplus for the year after tax of £14million (2017: £0.1million) before pension fund actuarial gains.

Income in the year grew by £5million from £152million to £157million. Fees from Degree Programmes grew from £74million to £79million; Executive Education open programme revenues increased from £20million to £21million; and Executive Education custom programme revenues increased from £21million to £27million . Income from other sources including HEFCE, research grants, and catering, remained at £18million. Donation cash has reduced from £19million to £12million as the School is between fundraising campaigns.

Expenditure in the year increased by £13million. Of this £7 million was due to the expected increased cost of running the new building – the Sammy Ofer Centre – with the remaining £6 million broadly in line with revenue growth representing inflationary and salary cost increases across the whole School.

Cash

As at 31 July 2018 the School held an actual cash balance of £4million compared to an opening cash balance of £5million.

The School increased the drawdown on its existing revolving credit facility agreement of £40million with HSBC, entered into in July 2014, from £11million to £30million, in addition to its £35m note purchase agreement with MetLife, giving total borrowings at the year end of £65 million.

Investments

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

Endowment and investment income remains consistent with the prior year at £1million and is included in the income and expenditure account for the year

The market value of the investment portfolio at the year-end was £48million compared to £47million at last year-end reflecting a small net gain on revaluation in the year.

Advancement

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

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

No fundraising is outsourced to, or delivered by, third party agencies. The School takes seriously the rights and privacy of our alumni community, friends and organisational donors.

We conduct a number of appeals throughout the year all of which have a clear mechanism for opting out. We do not undertake any form of fundraising with the general public. London Business School is registered with The Fundraising Regulator in the UK. During the year there were no failures to comply with the standards set out by the regulator and no serious complaints received.

Reserves

Reserves have increased from £231 million to £247 million.

The unrestricted general reserve increased by £14million as a result of the donations received. The endowment and restricted reserves increased by £1million from new endowments and restricted gifts received in the year.

Monitoring performance and principal risks

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

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

The future

The School's financial strategy continues to target annual operating break evens with operating cash surpluses; fundraising to support both capital investments and the growth of the School's endowment supported by borrowing facilities to fund short to medium term cash requirements.

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

As such significant capital investment has largely focused in recent years on acquiring and developing new buildings. Following the opening of the Sammy Ofer Centre in the summer of 2017, the School is now well placed to grow its programmes and is already looking ahead to taking possession of 27 Sussex Place, in December 2019. The exciting opportunities offered by this acquisition, to open up the enlarged Sussex Place to bring the community together, allow us to position the School, within London, as the school of choice.

Aligned growth in faculty will enable the creation of critical mass in each subject area. Continued investment in elevating the brand, in harnessing the power of digital, in increasing the School's relevance globally and in continuing to invest in technology will ensure we can compete and are able to continue to enhance the overall experience.

The School will continue to work with the International Alumni Council to build engagement with its global alumni community. Relationships with the School's key stakeholders are key to expand valuable support to help deliver the vision for an exciting future ahead.

The School will continue to ensure that the plans for the future provide the School with a robust and sustainable funding model to have sufficient resources to fund investments to implement its strategies.

Catherine Webster

Treasurer

29 November 2018

Independent auditor’s report to the Governing Body of London Business School (the “institution”)

Opinion

In our opinion, London Business School’s group financial statements and parent financial statements (the “Financial Statements”):

- give a true and fair view of the state of the group’s and of the parent’s affairs as at 31 July 2018 and of the group’s and of the parent institution’s income and expenditure, gains and losses, changes in reserves and of the group’s cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law); and
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education and the requirements of the Office for Students’ (“OfS’s”) Accounts direction (OfS 2018.26).

We have audited the financial statements, included within the Financial Statements (the “Annual Report”), which comprise the Consolidated and London Business School Balance Sheets as at 31 July 2018; the Consolidated and School Statement of Comprehensive Income and Expenditure, the Consolidated and School Statement of Changes in Reserves, and the Consolidated Cash Flow for the year then ended, the Accounting Policies and the notes to the financial statements, which include other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the Governing Body’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and parent’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent’s ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Financial Statements other than the financial statements and our auditors’ report thereon. The Governing Body is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Governing Body for the financial statements
As explained more fully in the Statement of the Governing Body's responsibilities set out on page 8, the Governing Body is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the group and parent institution's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Governing Body as a body in accordance with the Charters and Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the OfS and Research England Audit Code of Practice issued under the Further and Higher Education Act 1992 (as amended).

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's statutes; and
- funds provided by the Higher Education Funding Council for England, the OfS and Research England have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 November 2018

Consolidated and School Statement of Comprehensive Income and Expenditure
Year ended 31 July 2018

		Consolidated		London Business School	
	Notes	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Income					
Academic fees	1	128,849	117,247	102,077	96,300
Funding Council grants	2	7,926	7,038	7,926	7,038
Research grants and contracts	3	1,888	2,048	1,888	2,048
Other income	4	4,811	5,144	15,730	14,610
Investment income	5	1,260	1,465	14	9
Total income before endowments and donations		**144,734**	**132,942**	**127,635**	**120,005**
Donations and endowments	6	11,780	19,120	16,821	19,117
Total income		**156,514**	**152,062**	**144,456**	**139,122**
Expenditure					
Staff costs	7	73,864	69,720	65,697	61,571
Other operating expenses	9	62,762	57,844	59,186	55,085
Depreciation	11	8,673	5,445	8,673	5,445
Interest and other finance costs	8	2,184	978	2,224	978
Total expenditure		**147,483**	**133,987**	**135,780**	**123,079**
Surplus before other gains and share of operating surplus of associates		**9,031**	**18,075**	**8,676**	**16,043**
Revaluation of property	11	3,455	(20,463)	3,455	(20,463)
Gain on investments	13	1,121	2,463	-	-
Share of operating (loss)/surplus in associate	14	(37)	17	-	-
Surplus/(Deficit) before tax		**13,570**	**92**	**12,131**	**(4,420)**
Taxation	10	-	-	-	-
Surplus/(Deficit) for the year		**13,570**	**92**	**12,131**	**(4,420)**
Actuarial gain in respect of pension schemes		2,031	3,636	2,031	3,636
Total comprehensive income for the year		**15,601**	**3,728**	**14,162**	**(784)**
Represented by:					
Endowment comprehensive income for the year		1,467	4,179	-	-
Restricted comprehensive income for the year		(118)	(338)	-	-
Unrestricted comprehensive income for the year		14,252	(113)	14,162	(784)
		15,601	**3,728**	**14,162**	**(784)**
Surplus for the year attributable to:					
Non controlling interest		(37)	17	-	-
School		**13,607**	**75**	**12,131**	**(4,420)**

All items of income and expenditure relate to continuing activities

The notes on pages 24–45 form part of these financial statements.

Consolidated and School Statement of Changes in Reserves

Year ended 31 July 2018

CONSOLIDATED

	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	*Restricted* £'000	*Unrestricted* £'000	£'000	£'000
Balance at 1 August 2016	**47,678**	**3,038**	**47,671**	**128,865**	**227,252**
Surplus from the income and expenditure statement	4,179	(338)	(3,749)	-	92
Other comprehensive income	-	-	3,636	-	3,636
	4,179	(338)	(113)	-	3,728
Balance at 1 August 2017	**51,857**	**2,700**	**47,558**	**128,865**	**230,980**
Surplus/(deficit) from the income and expenditure statement	1,467	(118)	12,221	-	13,570
Other comprehensive income	-	-	2,031	-	2,031
Total comprehensive income for the year	1,467	(118)	14,252	0	15,601
Balance at 31 July 2018	**53,324**	**2,582**	**61,810**	**128,865**	**246,581**

SCHOOL

	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	*Restricted* £'000	*Unrestricted* £'000	£'000	£'000
Balance at 1 August 2016	**-**	**-**	**27,651**	**128,865**	**156,516**
Surplus from the income and expenditure statement	-	-	(4,420)	-	(4,420)
Other comprehensive income	-	-	3,636	-	3,636
	-	-	(784)	-	(784)
Balance at 1 August 2017	**-**	**-**	**26,867**	**128,865**	**155,732**
Surplus from the income and expenditure statement	-	-	12,131	-	12,131
Other comprehensive income	-	-	2,031	-	2,301
Total comprehensive income for the year	-	-	14,162	-	14,162
Balance at 31 July 2018	**-**	**-**	**41,029**	**128,865**	**169,894**

The notes on pages 24–45 form part of these financial statements.

Consolidated and School Balance Sheet
Year ended 31 July 2018

		Consolidated		London Business School	
			Restated*		Restated*
	Notes	2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Non-current assets					
Fixed assets	11	350,652	302,788	350,652	302,788
Heritage assets	11	39	39	-	-
Investments	13	48,283	46,835	10	10
Investment in associate	14	440	477	-	-
		399,414	350,139	350,662	302,798
Current assets					
Stock	15	115	65	108	60
Trade and other receivables	16	11,401	11,804	4,410	8,027
Cash and cash equivalents	23	3,576	4,579	3,441	3,684
		15,092	16,448	7,959	11,771
Current liabilities					
Creditors: amounts falling due within one year	17	(107,709)	(75,451)	(128,511)	(98,681)
Net current liabilities		(92,617)	(59,003)	(120,552)	(86,910)
Total assets less current liabilities		306,797	291,136	230,110	215,888
Creditors: amounts falling due after more than one year	18	(39,153)	(36,463)	(39,153)	(36,463)
Provisions					
Pension provisions	19	(21,063)	(23,693)	(21,063)	(23,693)
Total net assets		246,581	230,980	169,894	155,732
Restricted Reserves					
Income and expenditure reserve – endowment reserve	21	53,324	51,857	-	-
Income and expenditure reserve – restricted reserve	22	2,582	2,700	-	-
		55,906	54,557	-	-
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		61,810	47,558	41,029	26,867
Revaluation reserve		128,865	128,865	128,865	128,865
		190,675	176,423	169,894	155,732
Total reserves		246,581	230,980	169,894	155,732

* The comparatives have been restated to better reflect the nature of the transaction – refer to notes 16 and 17 for further details.

The financial statements were approved by the Governing Body on 29 November 2018 and were signed on its behalf on that date by:

The Honourable Apurv Bagri
Chairman

François Ortalo-Magné
Dean

The notes on pages 24–45 form part of these financial statements.

Consolidated Cash Flow
Year ended 31 July 2018

	Notes	2018 £'000	Restated* 2017 £'000
Cash flow from operating activities			
Surplus for the year		13,570	92
Adjustment for non-cash items			
Depreciation	11	8,673	5,445
Deferred Capital grants released	2	(461)	(507)
Gain on investments	13	(1,121)	(2,463)
(Surplus)/Loss on revaluation	11	(3,455)	20,463
(Increase)/Decrease in stock	15	(50)	37
(Increase)/Decrease in debtors	16	313	(1,145)
Increase/(Decrease) in creditors	17, 18	7,697	(2,238)
(Decrease) in pension provision	19	(1,193)	(1,261)
Share of operating loss/(surplus) in associate	14	37	(17)
Adjustment for investing or financing activities			
Investment income receivable	5	(1,260)	(1,465)
Interest payable	8	2,184	978
Endowment income	6	(2,038)	(2,078)
Net cash inflow from operating activities		22,896	15,841
Cash flows from investing activities			
Payments made to acquire fixed assets	11	(44,766)	(62,770)
New non-current asset investments	13	(4,820)	(2,000)
Disposal of current asset investments	13	3,000	8,000
Prodigy capital distribution	13	1,493	1,076
Capital Grant receipts	17	157	142
Investment income	5	1,350	1,465
		(43,586)	(54,087)
Cash flows from financing activities			
Interest paid	8	(1,601)	(978)
Endowment cash received	6	2,038	2,078
New bank loans	17	19,250	37,500
		19,687	38,600
(Decrease)/Increase in cash and cash equivalents in the year		(1,003)	354
Cash and cash equivalents at beginning of the year	23	4,579	4,225
Cash and cash equivalents at end of the year	23	3,576	4,579

* The comparatives have been restated to better reflect the nature of the transaction.

The notes on pages 24–45 form part of these financial statements.

Accounting policies

(a) Basis of preparation

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

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

In determining and applying accounting estimates for:

- prepayments and accruals, there are either time or unit criteria which enable the estimate to be a fair assessment;
- pension liabilities and estate valuation, the School has relied upon the judgements of appropriately qualified third party professionals or used assessment tools provided by the pension provider. Refer to notes 11 and 28 for further details.

(b) Basis of consolidation

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

The consolidated financial statements also include the School's investment in the Global Entrepreneurship Research Association ("GERA"). The year end date for GERA is 31 December. It differs from that of the School because its main business operation revolves around the 12 month period January to December, which, in the opinion of the Governing Body, provides a true and fair view of the financial statements. The consolidated statements include the School's share of the operating result of the unaudited interim financial statements of GERA for the period from 1 January to 31 July.

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

(c) Income recognition

Fee income

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

Grant funding

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

Donations and endowments

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

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

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

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

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

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

(d) Accounting for retirement benefits

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

i) 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 this pension scheme and the liabilities of the pension scheme, 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 pension schemes' asset or liability arising from factors other than cash contribution by the School are charged to the income and expenditure account.

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

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

(e) Operating leases

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

(f) Foreign currency

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

Accounting policies *continued*

(g) Fixed assets

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

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

	Annual rates of depreciation
Land	no depreciation
Freehold buildings	2 %
Leasehold buildings	period of lease
Plant and machinery	20 %
Furniture, fittings and equipment	10-33 %

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

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

(h) Heritage assets

The School does not ordinarily capitalise its heritage assets due to the difficulty associated with valuing them, although it has capitalised a small number of pictures where they could easily be valued. The cost is disclosed within Fixed assets. Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

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

(i) Service Concession Arrangements

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

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

(j) Investments

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

(k) Stock

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

(l) Trade and other receivables

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

(m) Cash and cash equivalents

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

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

(n) Trade and other payables

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

(o) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the School has at a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

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

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

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

(p) Capital Grants

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

(q) Employment Benefits

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

(r) Taxation

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

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

(s) Reserves

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

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

(t) FRS 102 exemptions

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

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

(u) Going concern

The Governing Body have been provided with detailed financial forecasts and estimates of income, expenditure and cash flows for the period to 31 July 2023, 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 2019. Adequate financing arrangements are in place together with the investment portfolio to mitigate financial risks contained within the projections.

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

Notes to the accounts
for the year ended 31 July 2018

1 Tuition fees and education contracts

	Consolidated		London Business School	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
MBA	31,583	29,591	31,583	29,591
Masters in Management	7,385	6,994	7,385	6,994
Sloan Fellowship	3,779	3,230	3,779	3,230
Executive MBA	19,286	17,976	19,286	17,976
EMBA-Global / Global Asia	5,844	6,067	5,844	6,067
Masters in Finance	8,077	7,246	8,077	7,246
Masters in Financial Analysis	2,702	2,480	2,702	2,480
PhD Programme	1,499	1,380	1,499	1,380
Executive Education Open Programmes	21,257	19,963	21,257	19,963
Executive Education Custom Programmes	26,772	20,946	-	-
Other Programme Income	665	1,374	665	1,373
	128,849	117,247	102,077	96,300

2 Funding body grants

	Consolidated		London Business School	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Recurrent grant				
Office for Students	21	-	21	-
Higher Education Funding Council	2,182	3,356	2,182	3,356
Research England	1,109	-	1,109	-
Capital grant releases	461	507	461	507
Specific grants				
Higher Education Innovation Fund	4,153	3,175	4,153	3,175
	7,926	7,038	7,926	7,038

3 Research grants and contracts

	Consolidated		London Business School	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Research councils	305	338	305	338
UK charities	10	258	10	258
Government (UK and overseas)	1,278	1,352	1,278	1,352
Other	295	100	295	100
	1,888	2,048	1,888	2,048

4 Other income

	Consolidated 2018 £'000	Consolidated 2017 £'000	London Business School 2018 £'000	London Business School 2017 £'000
Residences, catering and conferences	1,391	1,453	5,663	5,012
Management Services	-	-	7,457	6,598
Other general income	3,420	3,691	2,610	3,000
	4,811	5,144	15,730	14,610

5 Investment income

	Notes	Consolidated 2018 £'000	Consolidated 2017 £'000	London Business School 2018 £'000	London Business School 2017 £'000
Investment income on endowments	21	1,247	1,141	-	-
Investment income on restricted reserves	22	-	13	-	-
Other investment income		13	311	14	9
		1,260	1,465	14	9

6 Donations and endowments

	Notes	Consolidated 2018 £'000	Consolidated 2017 £'000	London Business School 2018 £'000	London Business School 2017 £'000
New endowments	21	2,038	2,078	-	-
Donations with restrictions	22	7,590	15,081	-	-
Unrestricted donations		2,152	1,961	16,821	19,117
		11,780	19,120	16,821	19,117

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

Notes to the accounts *continued*
for the year ended 31 July 2018

7 Staff costs

	Consolidated		London Business School	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	59,674	56,823	52,387	49,578
Social security costs	6,451	6,005	6,085	5,594
Movement on USS provision	(1,193)	(1,929)	(1,193)	(1,929)
Other pension costs	8,932	8,821	8,418	8,328
Total	73,864	69,720	65,697	61,571

Average staff numbers (full time equivalent) by major category :	2018 No.	2017 No.
Academic including research	101	101
Other	700	657
	801	758

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

	2018 £'000	2017 £'000
Key management personnel compensation	3,167	2,694

	2018 No.	2017 No.
Key management personnel numbers (full time equivalent)	10.8	10.8

Senior staff pay (excluding the Dean)
Senior staff pay includes the full-time equivalent basic salary of all staff earning in excess of £100,000. It does not include compensation for teaching additional loads, payments by a quasi-subsidiary (the Centre for Management Development Company Limited), pensions or staff who were employed for part of the year but would have received salary in these bands in a full year.

7 Staff costs *continued*

Senior staff pay in the individual bands were as follows:

	2017/18	2016/17		2017/18	2016/17
£100,000 - £104,999	3	4	£235,000 - £239,999	3	2
£105,000 - £109,999	4	5	£240,000 - £244,999	0	3
£110,000 - £114,999	2	1	£245,000 - £249,999	5	6
£115,000 - £119,999	1	3	£250,000 - £254,999	4	4
£120,000 - £124,999	3	2	£255,000 - £259,999	1	1
£125,000 - £129,999	1	3	£260,000 - £264,999	1	1
£130,000 - £134,999	1	5	£265,000 - £269,999	3	1
£135,000 - £139,999	3	7	£270,000 - £274,999	6	2
£140,000 - £144,999	1	10	£275,000 - £279,999	3	1
£145,000 - £149,999	6	8	£280,000 - £284,999	0	4
£150,000 - £154,999	5	2	£285,000 - £289,999	2	1
£155,000 - £159,999	6	0	£290,000 - £294,999	4	1
£160,000 - £164,999	6	0	£295,000 - £299,999	1	0
£165,000 - £169,999	0	1	£300,000 - £304,999	2	2
£170,000 - £174,999	0	2	£305,000 - £309,999	2	0
£175,000 - £179,999	3	6	£310,000 - £314,999	1	0
£180,000 - £184,999	1	8	£315,000 - £319,999	1	1
£185,000 - £189,999	6	7	£325,000 - £329,999	1	3
£190,000 - £194,999	7	1	£335,000 - £339,999	0	1
£195,000 - £199,999	3	2	£340,000 - £344,999	0	1
£200,000 - £204,999	3	3	£345,000 - £349,999	2	0
£205,000 - £209,999	2	2	£350,000 - £354,999	1	0
£210,000 - £214,999	2	1	£355,000 - £359,999	1	1
£215,000 - £219,999	1	2	£360,000 - £364,999	1	0
£220,000 - £224,999	2	1	£365,000 - £369,999	1	0
£225,000 - £229,999	2	2	£375,000 - £379,999	0	1
£230,000 - £234,999	1	3	£380,000 - £384,999	1	0

Compensation for loss of office:

Aggregate payment for compensation for loss of office paid to 13 members of staff (2017 : 22)

	2018 £'000	2017 £'000
Compensation payable recorded within staff costs	355	426

Emoluments of the Dean	2018 £'000	2017 £'000
Salary	422	445
Benefits	3	3
Pension contributions	76	10
	501	458

François Ortalo-Magné was Dean for the financial year to 31st July 2018, replacing Sir Andrew Likierman on 1 August 2017. The Dean participates in a salary sacrifice arrangement for pension contributions. During the year, the salary sacrifice amount was £34,000 and this is included within the salary figure above.

Notes to the accounts *continued*
for the year ended 31 July 2018

7 Staff costs *continued*

In line with the previous Deans of the School, the current Dean is provided with accommodation within one of the School's buildings, as a non-taxable benefit, to enable better and more effectual performance of duties.

Due to the restrictive covenants of the building's lease and the requirement for the accommodation to be used for School business, it is not possible to rent out the accommodation and therefore there is no cost of lost opportunity to the School. Using the current rent of the campus would give rise to a value of £8,000 for the Dean's accommodation, which would be further reduced once the usage for School business is taken into account. The market rent for a similar sized property in the immediate area without the restrictions noted above would range from £65,000 to £125,000 per annum.

Operating costs associated with the residence (i.e. utilities and cleaning services) total £3,000 and this is included within the emoluments section.

In considering the remuneration for our Dean, we take into consideration the CUC Code and the point that "remuneration must take into account the context in which the institution operates." The context for our institution and in particular for our Dean is a global one. We welcome students from all around the world and our student body is made up of 116 nationalities, additionally we have 58 different nationalities amongst our non-faculty staff and 84% of our renowned faculty are international. We are in direct competition with the other premium Business Schools in the United States and where possible they are the ones we benchmark against when considering the Dean's remuneration.

The Dean's basic salary is 10.5 times (2017: 10.4 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Dean's total remuneration, including the taxable and non taxable benefits noted above is 12.8 times (2017: 13.5 times) the median pay of staff. This has been calculated including the midpoint of the non-taxable benefits noted above and the median total remuneration is calculated on a full-time equivalent basis for the total remuneration paid to its staff.
Pay ratio information does not include agency staff as FTE equivalent information is not readily available to the School for this employment type.

Governing Body Members
The School's Governing Body members are the trustees for charitable law purposes. Due to the nature of the School's operations and the compositions of the Governing Body, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which members of the Governing Body or Senior Management have an interest are detailed in note 29.

8 Interest and other finance costs

		Consolidated		London Business School	
		2018	2017	2018	2017
	Notes	£'000	£'000	£'000	£'000
Loan interest		1,590	310	1,630	310
Net charge on USS pension scheme		190	205	190	205
Net charge on SPS pension scheme	28	404	463	404	463
		2,184	978	2,224	978

9 Analysis of other expenditure by activity

	Consolidated		London Business School	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
External teaching	14,439	14,638	13,349	13,484
Teaching support	4,565	4,757	3,975	4,089
Bought in teaching	8,346	6,778	3,640	3,699
Marketing	4,628	4,686	4,458	4,565
Technology	3,879	3,353	3,744	3,306
Premises and utilities	11,814	8,624	11,773	8,530
Catering and accommodation	8,044	7,536	11,429	10,472
Other overheads	7,047	7,472	6,818	6,940
	62,762	57,844	59,186	55,085

	Consolidated		London Business School	
	2018	2017	2018	2017
Other operating expenses include:	£'000	£'000	£'000	£'000
External auditors remuneration in respect of audit services	73	73	49	54
External auditors remuneration in respect of non-audit services	4	16	4	16
Operating lease rentals				
Land and buildings	2,094	1,004	2,094	1,004
Other	87	80	87	80

10 Taxation

	Consolidated		London Business School	
	2018	2017	2018	2017
Recognised in the statement of comprehensive income	£'000	£'000	£'000	£'000
Current tax				
Current tax expense	-	-	-	-
Adjustment in respect of previous years	-	-	-	-
Current tax expense	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Reduction in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Deferred tax expense	-	-	-	-
Total tax expense	-	-	-	-

Notes to the accounts *continued*
for the year ended 31 July 2018

11 Fixed assets

CONSOLIDATED	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Service concession arrangements £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Assets for Future Use £'000	Assets in the Course of Construction £'000	Heritage Assets £'000	Total £'000
Cost or valuation									
At 1 August 2017	30,630	225,274	850	14,208	27,204	-	28,114	39	326,319
Additions	3,072	2,303	-	1,499	4,069	33,326	8,813	-	53,082
Transfers	120	227	-	1,533	7,073	21,886	(30,839)	-	-
Surplus on revaluation	-	2,226	-	-	-	-	-	-	2,226
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(1,590)	(9,477)	-	-	-	(11,067)
At 31 July 2018	33,822	230,030	850	15,650	28,869	55,212	6,088	39	370,560
Consisting of valuation as at:									
31 July 2018	30,630	227,543	-	-	-	-	-	-	258,173
Cost	3,192	2,487	850	15,650	28,869	55,212	6,088	39	112,387
	33,822	230,030	850	15,650	28,869	55,212	6,088	39	370,560
Depreciation									
At 1 August 2017	240	1,186	850	4,520	16,696	-	-	-	23,492
Charge for the year	269	2,422	-	1,201	4,781	-	-	-	8,673
Written back on revaluation	-	(1,229)	-	-	-	-	-	-	(1,229)
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(1,590)	(9,477)	-	-	-	(11,067)
At 31 July 2018	509	2,379	850	4,131	12,000	-	-	-	19,869
Net book value									
At 31 July 2018	33,313	227,651	-	11,519	16,869	55,212	6,088	39	350,691
At 31 July 2017	30,390	224,088	-	9,688	10,508	-	28,114	39	302,827

11 Fixed assets *continued*

SCHOOL	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Service concession arrangements £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Assets for Future Use £'000	Assets in the Course of Construction £'000	Heritage Assets £'000	Total £'000
Cost or valuation									
At 1 August 2017	30,630	225,274	850	14,208	27,204	-	28,114	-	326,280
Additions	3,072	2,303	-	1,499	4,069	33,326	8,813	-	53,082
Transfers	120	227	-	1,533	7,073	21,886	(30,839)	-	-
Surplus on revaluation	-	2,226	-	-	-	-	-	-	2,226
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(1,590)	(9,477)	-	-	-	(11,067)
At 31 July 2018	33,822	230,030	850	15,650	28,869	55,212	6,088	-	370,521
Consisting of valuation as at:									
31 July 2018	30,630	227,543	-	-	-	-	-	-	258,173
Cost	3,192	2,487	850	15,650	28,869	55,212	6,088	-	112,348
	33,822	230,030	850	15,650	28,869	55,212	6,088	-	370,521
Depreciation									
At 1 August 2017	240	1,186	850	4,520	16,696	-	-	-	23,492
Charge for the year	269	2,422	-	1,201	4,781	-	-	-	8,673
Written back on revaluation	-	(1,229)	-	-	-	-	-	-	(1,229)
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(1,590)	(9,477)	-	-	-	(11,067)
At 31 July 2018	509	2,379	850	4,131	12,000	-	-	-	19,869
Net book value									
At 31 July 2018	33,313	227,651	-	11,519	16,869	55,212	6,088	-	350,652
At 31 July 2017	30,390	224,088	-	9,688	10,508	-	28,114	-	302,788

At 31 July 2018, freehold land and buildings included £17.1m (2017: £17.1m) in respect of freehold land which is not depreciated.

On 31 July 2018 the leasehold land and buildings of the Sammy Ofer Centre were re-valued at £83.9m on the basis of existing use by Cushman and Wakefield, Chartered Surveyors.

On 31 July 2016 the freehold and long leasehold land and buildings of other School buildings were re-valued at £174.3m on the basis of existing use by Cushman and Wakefield, Chartered Surveyors. There has been no material change in the valuation since this date.

Additions have been recognised to freehold and leasehold categories for improvements made during the year.

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

Notes to the accounts *continued*
for the year ended 31 July 2018

12 Service Concession Arrangements

The School has Balance Sheet arrangements including service concession arrangements, which are fully depreciated.

Movement in Service concession arrangement assets
The asset value of the service concession included in the Balance Sheet as at 31 July 2018 is £nil (2017 : £nil).

Movement in Service concession arrangement liabilities
The asset value of the service concession included in the Balance Sheet as at 31 July 2018 is £nil (2017 : £nil).

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

13 Investments

CONSOLIDATED	**Investments £'000**
At 1 August 2017	46,835
Additions	4,820
Disposals	(3,000)
Revaluation	1,121
Capital distribution	(1,493)
At 31 July 2018	48,283

The listed investments have been valued at market value.

Investments consist of:	**Consolidated £'000**
BlackRock UK Corporate Bond Index Fund	10,051
Charitrak UK Equity Index Fund Inc	10,553
BlackRock GiltTrack Fund Distributing Share Class	9,921
BlackRock Europe Ex-UK Index Fund EUR Fund Flexible Distributing Class	3,942
BlackRock Japan Index Sub Fund USD Distribution	2,056
BlackRock Pacific Index Fund USD Flexible Distributing Class	1,024
BlackRock North American Index Fund USD Flexible Distributing Class	3,769
Prodigy Loan Investment	6,967
	48,283

		Consolidated
	2018 £'000	**2017 £'000**
Endowment Investments	48,283	46,835
Other Investments	-	-
	48,283	46,835

SCHOOL	**Subsidiary companies £'000**
At 1 August 2017	10
At 31 July 2018	10

13 Investments *continued*

The School's holding in London Business School Trust Company Limited, shown at cost, represents 4 ordinary shares of £1 each, being the total issued share capital of the company. The company continues to be dormant. The Honourable Apurv Bagri, Chairman of Governing Body, holds two shares as nominee for the School. The remaining two shares are held by Francois Ortalo-Magne (2017: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 (2017: 10,000) ordinary shares of £1 each, being the total issued share capital of the company.

The quasi-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.

14 Investment in associates

The School has an investment interest in GERA. GERA was incorporated on 3 February 2005 and is a company limited by guarantee. GERA advances education and learning in he 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 loss has been recognised in the statement of comprehensive income and expenditure account and the share of the assets has been included in the Balance Sheet. The net assets of GERA total £440,000 (2017: £477,000).

15 Stock

	Consolidated		London Business School	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Finished goods	115	65	108	60
	115	65	108	60

Notes to the accounts *continued*
for the year ended 31 July 2018

16 Trade and other receivables

	Consolidated		London Business School	
				Restated*
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts falling due within one year:				
Other trade receivables	5,694	4,663	614	1,653
Other receivables	1,032	3,445	607	2,799
Prepayments and accrued income	4,675	3,696	3,045	2,694
Amounts due from gift aid	-	-	144	802
Amounts due from subsidiary companies	-	-	-	79
	11,401	11,804	4,410	8,027

* The comparatives have been restated to better reflect the nature of the intercompany transactions.

17 Creditors: amounts falling due within one year

	Consolidated		London Business School	
		Restated*		Restated*
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts due to subsidiary companies	-	-	25,242	26,744
Trade payables	5,850	4,143	4,793	3,518
Social security and other taxation payable	2,383	2,073	2,337	2,044
Accruals and deferred income	68,726	57,727	65,391	54,942
Other payables	1,000	1,008	998	933
Bank loan	29,750	10,500	29,750	10,500
	107,709	75,451	128,511	98,681

* The comparatives have been restated to better reflect the nature of the intercompany transactions.

On 31 July 2014 London Business School entered into a revolving credit facility agreement with HSBC. The loan agreement is for the ten year period to 31 July 2024. As at 31 July 2018 £29,750,000 of the facility had been utilised, to be repaid on 6 August 2018 (£14,000,000) and 31 August 2018 (£15,750,000). At 31 July 2017,£10,500,000 was due to be repaid on 31 August 2017.

The current loans will be replaced by similar loans within the revolving credit facility.

Deferred income

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

	Consolidated		London Business School	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Research grants received on account	9,990	7,083	9,990	7,083
Grant income	424	448	424	448
	10,414	7,531	10,414	7,531

18 Creditors: amounts falling due after more than one year

	Consolidated		London Business School	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Accruals and deferred income	4,153	1,463	4,153	1,463
Unsecured Loans	35,000	35,000	35,000	35,000
	39,153	36,463	39,153	36,463

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

19 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on SPS Pension £'000	Total Pensions Provisions £'000
At 1 August 2017	10,275	13,418	23,693
Revaluations in 2018	(1,003)	(1,627)	(2,630)
At 31 July 2018	9,272	11,791	21,063

School	Obligation to fund deficit on USS Pension £'000	Obligation to fund deficit on SPS Pension £'000	Total Pensions Provisions £'000
At 1 August 2017	10,275	13,418	23,693
Revaluations in 2018	(1,003)	(1,627)	(2,630)
At 31 July 2018	9,272	11,791	21,063

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

Further details are disclosed in note 28.

Notes to the accounts *continued*
for the year ended 31 July 2018

20 Financial Assets and Financial Liabilities

	Consolidated		London Business School	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Measured at Fair Value through Income and Expenditure Account				
Investments in common investment funds	41,316	41,095	-	-
Measured at undiscounted amounts receivable				
Trade and other receivables	6,726	8,108	1,221	4,452
Equity Instruments measured at cost less impairment				
Non-current asset investments in unlisted equity investments	6,967	5,740	-	-
Cash measured at amortised cost				
Cash and cash equivalents	3,576	4,579	3,441	3,684
	58,585	59,522	4,662	8,136
Financial Liabilities				
Measured at amortised cost				
Loans payable	64,750	45,500	64,750	45,500
Measured at undiscounted amounts payable				
Trade and other creditors	9,233	7,224	8,128	6,495
	73,983	52,724	72,878	51,995
Interest Income and (Expense)				
Total interest income for financial assets at unamortised cost	1,260	1,465	14	9
Total interest expense for financial liabilities at unamortised cost	(1,590)	(310)	(1,630)	(310)
	(330)	1,155	(1,616)	(301)
Fair Value Gains and (Losses)				
On financial assets measured at fair value through Income and Expenditure	1,121	2,463	-	-
	1,121	2,463	-	-

21 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August 2017					
Capital	35,760	13,222	-	48,982	45,169
Accumulated income	-	57	2,818	2,875	2,509
	35,760	13,279	2,818	51,857	47,678
New endowments	1,277	-	761	2,038	2,078
Transfers between Reserves				-	(32)
Investment income	-	436	811	1,247	1,141
Expenditure	(748)	(367)	(1,878)	(2,993)	(1,470)
	(748)	69	(1,067)	(1,746)	(361)
Increase in market value of investments	1,005	170	-	1,175	2,462
At 31 July 2018	37,294	13,518	2,512	53,324	51,857
Represented by:					
Capital	37,294	13,518	-	50,812	48,982
Accumulated income	-	-	2,512	2,512	2,875
	37,294	13,518	2,512	53,324	51,857
Analysis by type of purpose:					
Chairs	19,425	-	-	19,425	19,168
Scholarships	13,996	-	1,826	15,822	14,926
Other	3,873	13,518	686	18,077	17,763
	37,294	13,518	2,512	53,324	51,857
Analysis by asset					
Fixed assets				48,283	46,835
Current asset investments				5,041	5,022
				53,324	51,857

Notes to the accounts *continued*
for the year ended 31 July 2018

22 Restricted Reserves

Reserves with restrictions are as follows:

	Unspent Capital Grants £'000	Donations £'000	2018 Total £'000	Restated* 2017 Total £'000
Balances at 1 August 2017	-	2,700	2,700	3,038
New donations	-	7,590	7,590	15,081
Transfers between Reserves	-	-	-	-
Investment income	-	-	-	32
Expenditure	-	(7,708)	(7,708)	13
	-	(7,708)	(7,708)	(15,464)
At 31 July 2018	-	2,582	2,582	2,700

Analysis of other restricted funds/donations by type of purpose:	2018 Total £'000	Restated* 2017 Total £'000
Chairs	-	26
Infrastructure	-	64
Scholarships	977	982
Other	1,605	1,628
	2,582	2,700

* The comparatives have been restated to better reflect the adjustment for restricted reserves previously recorded as unallocated funds.

23 Cash and cash equivalents

	At 1st August 2017 £'000	Cash Flows £'000	At 31st July 2018 £'000
CONSOLIDATED			
Cash and cash equivalents	4,579	(1,003)	3,576
	4,579	(1,003)	3,576

24 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018:

	Consolidated		London Business School	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Commitments contracted for	-	33,000	-	33,000
	-	33,000	-	33,000

The 2017 commitments relate to the lease signed in December 2016 to acquire the RCOG site with agreement to take possession in December 2019. The School will make additional payments as part of the acquisition. The outstanding commitments at 2018 are included within creditors.

25 Contingent liabilities

The School has no contingent liabilities at 31 July 2018 (2017: none).

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

26 Lease obligations

Total rentals payable under operating leases:

	2018			
	Land and Buildings £'000	Plant and Machinery £'000	Total £'000	2017 £'000
Payable during the year	2,094	86	2,180	1,018
Future minimum lease payments due:				
Not later than 1 year	2,965	85	3,050	2,217
Later than 1 year and not later than 5 years	10,076	81	10,157	10,245
Later than 5 years	667,541	-	667,541	668,925
Total lease payments due	680,582	166	680,748	681,387

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

27 Events after the reporting period

There were no significant events after the year end.

Notes to the accounts *continued*
for the year ended 31 July 2018

28 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.

	2018 Total £'000	**2017 Total £'000**
Universities Superannuation Scheme	8,482	8,376
Scottish Widows	450	445
	8,932	8,821
London Business School Pension Scheme	-	125
Total contributions charged to the income and expenditure account	8,932	8,946

(b) USS

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

Pension Costs
The total cost charged to the profit and loss account is £8,482,000 (2017: £8,376,000) as shown in notes 7 and 28a.

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

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

A provision is recognised in the financial statements for future contributions payable to the USS pension scheme that relate to the deficit in the scheme and arise from the agreement with scheme employers as to how the deficit is funded. The carrying amount of this liability is noted below and a key factor used to calculate the provision is the element future contribution rate that relates to funding the existing deficit. This is finalised once the triennial valuation of the scheme has been completed.

28 Pension schemes *continued*

The 2017 actuarial valuation of the scheme has been undertaken but has not yet been formally completed. Based on this valuation, the scheme has set out the challenges it is facing and is currently consulting on a significant increase in contributions to address these challenges. The Scheme Trustees have invoked "Rule 76.4" which means that unless changes in contributions and benefits can be agreed, the USS pension provision and contributions will increase.

Although the scheme is in the process of consulting on amendments to future contribution rates under the agreement to fund the deficit in the scheme, there remains uncertainty over the length of the proposed recovery plan and the future contribution structure, as this remains under consultation. Therefore, the provision has continued to be calculated in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk as detailed above that the year-end provision would be materially adjusted once the future funding structure based on the 2017 actuarial valuation has been completed, and this is expected to take place during the year-ending 31 July 2019. .

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

	2018	**2017**
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based upon updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation, The mortality assumptions used in the these figures are as follows:

	2018	**2017**
Mortality base table	Pre-retirement 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females	98% of SAPS S1NA "light" YOB unadjusted for males
	Post-retirement 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females	CMI_2014 with a long term rate of 1.5% p.a.

	2018	**2017**
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged45 (years)	27.8	29.0

	2018	**2017**
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

Notes to the accounts *continued*
for the year ended 31 July 2018

28 Pension schemes *continued*

(c) SPS

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

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

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

Assets and liabilities at each year end:	2018 £'000	2017 £'000
Total market value of assets	17,836	16,932
Present value of liabilities	(29,627)	(30,350)
Deficit	(11,791)	(13,418)

The amounts recognised in the profit and loss:	2018 £'000	2017 £'000
Net interest on defined benefit liability	404	463
Expenses paid from the Scheme	97	49
Total expense	501	512

The amounts recognised in the statement of comprehensive income and expenditure:	2018 £'000	2017 £'000
Actual return on assets	1,112	1,646
Return on assets included in net interest	(505)	(428)
Asset gain	607	1,218
Liability experience (loss)/gain	(21)	71
Change of assumptions gain	1,542	2,237
Remeasurement gain in the statement of comprehensive income and expenditure	2,128	3,526

Changes in the present value of the defined benefit liabilities:	2018 £'000	2017 £'000
Opening value of liabilities	30,350	31,907
Interest cost	909	891
Benefits paid	(111)	(140)
Expected value of liabilities at end	31,148	32,658
Liability experience loss/(gain)	21	(71)
Change of assumptions (gain)	(1,542)	(2,237)
Closing value of liabilities	29,627	30,350

28 Pension schemes *continued*

Changes in the value of the assets:	**2018 £'000**	**2017 £'000**
Assets at beginning of the year	16,932	15,316
Expected return on assets	505	428
Employer contributions	-	159
Benefits paid	(111)	(140)
Expenses	(97)	(49)
Expected assets at end of the year	17,229	15,714
Gain on Scheme assets	607	1,218
Assets at end of the year	17,836	16,932

The main actuarial assumptions used to value the liabilities:	**2018 £'000**	**2017 £'000**
Discount rate	2.80%	3.00%
Price inflation (RPI)	3.30%	3.50%
Price inflation (CPI)	2.30%	2.50%
Future increases to pensions in deferment	2.30%	2.50%
Future increases to pensions in payment	3.20%	3.40%
Mortality table	S2PMA/ S2PFA CMI 2017 projection with 1.5% long term rate	S1PMA/ S1PFA CMI 2012 projection with 1.5% long term rate for males and 1% long term rate for females

The total value of the assets (excluding annuities):	**2018 £'000**	**2017 £'000**
Equities	41%	41%
Gilts	1%	5%
Bonds	28%	27%
Property	24%	27%
Other	6%	0%
Total	100%	100%

Notes to the accounts *continued*
for the year ended 31 July 2018

29 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 managerment earned consultancy fees from a quasi-subsidiary of the School, the Centre for Management Development Company Limited.

	2018 £	2017 £
Professor Julian Birkinshaw	25,000	5,000
Professor Madan Pillutla	19,000	33,000

There were no outstanding balances at the end of the year relating to the above individuals (2016/17: £2,000).

The President of the London Business School Students' Association ('LBSSA') is also a member of the Governing Body. During the year, the School made general contributions to LBSSA of £288,000 (2016/17: £340,000) and specific sponsorship of £41,000 (2016/17: £31,000). The School also charged LBSSA for catering services amounting to £205,000 (2016/17: £147,000). At the year end, the School was owed an amount of £25,000 from LBSSA (2016/17: £5,000).

Donations to the School include donations from 19 (2017 : 18) Governing Body members, either as individuals or Foundations associated with the member, of £1,049,000 (2017 : £1,992,000)

As allowed under FRS102 'Related party transactions', transactions and balances between group entities have not been disclosed as they have been eliminated on consolidation.

30 Subsidiary undertakings

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

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

31 Connected Charitable Institutions

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

	Opening balance £'000	Income £'000	Expenditure £'000	Change in market value £'000	Closing balance £'000
Consolidated					
London Business School Anniversary Trust	73,220	15,807	(15,356)	1,102	74,773
Global Entrepreneurship Research Association (GERA)	1,292	726	(804)	-	1,214
Not consolidated					
London Business School Student Association	727	2,326	(2,299)	-	754

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

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

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

Governing Body

(as at 23 October 2018)

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

HE Amr Al Dabbagh
Chairman and CEO, Al Dabbagh Group

Professor Julian Birkinshaw
(retired 30 April 2018)
Deputy Dean, Executive Education and Learning Innovation, Professor of Strategy & Entrepreneurship

Mr Josh Chakavarty
(retired 30 June 2018)
Student Association President

Mr Evan Connell
(appointed 1 July 2018)
Student Association President

Professor Francesca Cornelli
(appointed 1 May 2018)
Professor of Finance

Professor Alex Edmans
Professor of Finance

Dame Amelia Fawcett (Deputy Chairman)
(retired 31 July 2018)
Chairman, Hedge Fund Standards Board

Mr Bradley Fried
Principal & Founder, Grovepoint Capital

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

Ms Elisabeth Grieg
Chair of Grieg Maturitas and Grieg Star

Mr Ian Hannam
Founder and Chairman, Hannam & Partners

Mr Chris Havemann
(retired 31 December 2017)
Chairman, RealityMine Ltd

Dr Mo Ibrahim
(retired 30 November 2017)
Chairman and Founder, Mo Ibrahim Foundation

Mrs Ingrid Kwok
Director of Construction Projects Management, Sun Hung Kai Properties

Dame Mary Marsh

Ms Fiona du Monceau
Venture Partner, UCB Ventures

Baroness Lucy Neville-Rolfe DBE CMG
Chair, Assured Food Standards

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

Ms Nalisha Patel
(elected 6 April 18)
MiM Programme Director, Degree Education & Career Centre

Professor Madan Pillutla
Deputy Dean, Faculty
Professor of Organisational Behaviour

Mr David Pyott
(Deputy Chairman from 27 September 2018)

Professor Hélène Rey
Lord Raj Bagri Professor of Economics, London Business School

Ms Anne Schouw
(retired 30 March 2018)
Associate Director, Advancement
London Business School

Professor Freek Vermeulen
Professor of Strategy and Entrepreneurship
London Business School

Mr Hugh Wood
(appointed 1 January 2018)
Head of Markets, Sales & Distribution (Disneyland Paris), EuroDisney Associes SCA

AUDIT & RISK COMMITTEE

Reports to Governing Body
Chair:
Dame Mary Marsh
Members:
Mr Eric Stobart
Ms Fiona du Monceau
Ms Elisabeth Grieg (from Nov 2018)
Secretary:
Mrs Clare Kane, Deputy Secretary

In attendance:
Executives:
Professor Francois Ortalo-Magne, Dean
Mr Richard Frost, School Secretary
Ms Tracy Siu, Director, Finance

ESTATES COMMITTEE (Ceased 31 December 2017)

Reported to Governing Body
Chair:
The Hon Apurv Bagri
Members:
Sir John Ritblat
Mr Saeb Eigner
Dame Mary Marsh

In attendance:
Executives:
Professor François Ortalo-Magné, Dean
Secretary:
Mr Richard Frost, School Secretary

FINANCE COMMITTEE

Reports to Governing Body
Chair:
Mr Bradley Fried
Other Non-Executives:
Dame Amelia Fawcett (retired 31 July 2018)
Baroness Lucy Neville-Rolfe
Mr Huw Jenkins
Mr David Pyott
Secretary:
Mrs Helen Oakley, Director of Financial Planning & Analysis

In attendance
Executives:
Professor François Ortalo-Magné, Dean
Ms Catherine Webster, Treasurer

INVESTMENT COMMITTEE

Reports to Finance Committee
Chair:
Ms Catherine Webster, Treasurer
Members:
Professor Stephen Schaefer
Professor Andrew Scott
Professor François Ortalo-Magné, Dean
Secretary:
Mrs Helen Oakley, Director of Financial Planning & Analysis

GOVERNANCE & NOMINATIONS COMMITTEE

Reports to Governing Body
Chair:
The Hon Apurv Bagri
Members:
Professor François Ortalo-Magné, Dean
Dame Mary Marsh
Mr Bradley Fried
Mr Hugh Wood
Secretary:
Mr Richard Frost, School Secretary

REMUNERATION COMMITTEE

Reports to Governing Body
Chair:
The Hon Apurv Bagri
Members:
Professor François Ortalo-Magné, Dean
Baroness Lucy Neville-Rolfe
Mr Ian Hannam
Ms Ingrid Kwok
Secretary:
Mr Tariq Ahmed, Director Human Resources

TREASURER

Ms Catherine Webster, Treasurer & Associate Dean, Operations

Principal / Registered Office

Sussex Place
Regent's Park
London
NW1 4SA

Professional advisors

Principal Solicitor
Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH

External Auditor
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Internal Auditor
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Principal Banker
HSBC Bank plc
2nd Floor
62-76 Park Street
London
SE1 9DZ

Investment Manager
BlackRock Asset Management Ireland Limited
JPMorgan House
International Financial Service Centre
Dublin 1
Ireland

London Business School
Regent's Park
London NW1 4SA
United Kingdom
Tel +44 (0)20 7000 7000
Fax +44 (0)20 7000 7001
Client Services +44 (0)20 7000 7500
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