London Business School

Financial Statements

2018–2019

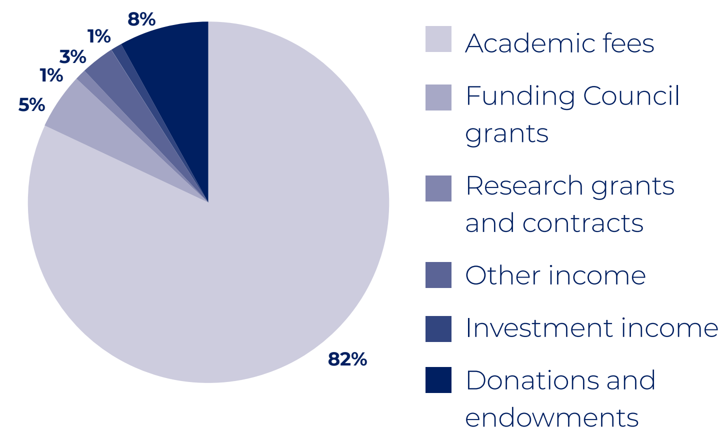
Contents

Summary of financial highlights

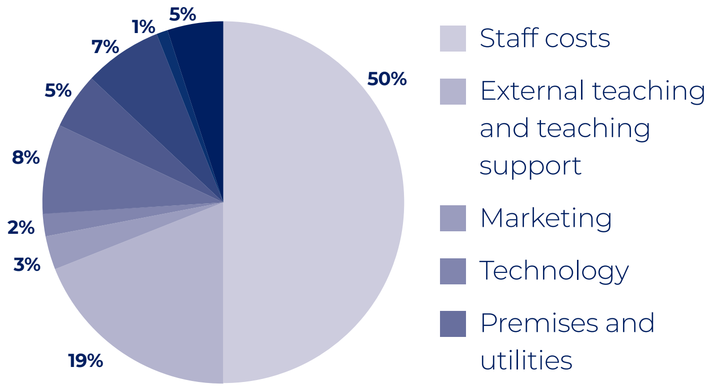
CONSOLIDATED

	2019 £'000	2018 £'000
INCOME		
Academic fees	137,409	128,849
Funding Council grants	8,077	7,926
Research grants and contracts	1,879	1,888
Other income	4,550	4,811
Investment income	1,363	1,260
Donations and endowments	13,150	11,780
Total income	**166,428**	**156,514**
EXPENDITURE		
Staff costs	80,427	75,057
Other costs		
External teaching and teaching support	30,045	27,350
Marketing	5,084	4,628
Technology	3,797	3,879
Premises and utilities	12,273	11,814
Catering and accommodation	8,408	8,044
Depreciation	10,908	8,673
Interest and other finance costs	1,997	2,184
Other overheads (including tax)	7,271	7,047
Total expenditure	**160,210**	**148,676**
Operating surplus	**6,218**	**7,838**
Revaluation of land and buildings	11,828	3,455
Pension fund costs	(21,907)	3,224
Share in Associate Company	(76)	(37)
Gain on investments	1,619	1,121
(Deficit)/Surplus for the year	**(2,318)**	**15,601**
BALANCE SHEET		
Tangible assets	363,249	350,691
Investments	51,450	48,723
Other current assets	12,868	15,092
Current liabilities	(72,175)	(77,959)
Long-term liabilities	(67,543)	(68,903)
Provisions	(43,586)	(21,063)
Net assets	**244,263**	**246,581**
Represented by		
Endowment reserve	56,473	53,324
Restricted reserve	2,861	2,582
Unrestricted reserve	47,709	61,810
Revaluation reserve	137,220	128,865
	244,263	**246,581**

INCOME 2019



EXPENDITURE 2019



Chairman and Dean's message

We are pleased to present the Financial Statements of London Business School for the period ending 31 July 2019.

The School remains extraordinarily successful in having a profound impact on the way the world does business and the way business impacts the world. Our purpose is demonstrated by the research of our faculty, the learning experiences of our students and Executive Education participants and the convening of business and policy influencers. Together, they reach and impact individuals and organisations around the world.

In 2018-19, the School community focused on three priorities: to elevate the LBS brand, harness the power of digital and increase our relevance globally.

The brand relaunch journey started in March 2019, built upon the pillars of original thinking, the spirit of London and the School's global community. LBS is where minds come alive. It is where diverse perspectives, evidence-based research and premium learning experiences encourage individuals and organisations to challenge the status quo, to outthink challenges and to define their own success.

We took steps to upgrade our digital capabilities and created our first state-of-the-art Collaborative Learning Classroom, a space which fosters a dynamic learning environment. We launched LBS Hub, a digital platform enabling alumni and students to establish new connections and make the most of their relationship with the School.

We focused our events and public relations efforts in support of growth in our priority markets. At the same time, our Worldwide Alumni Celebrations (WAC) celebrated our global reach, bringing our alumni together in cities all around the globe.

In July 2019, we graduated 1,415 students and celebrated the promise of outstanding careers with them and their families. Despite a challenging external context, we recruited a record autumn student intake, including an outstanding inaugural class for the new Masters in Analytics and Management programme (MAM). For the first time, two of the School's programmes welcomed classes with more than 50% female participation: the Masters in Management (MiM) and the PhD.

Executive Education continued to be a critical driver for our business, welcoming over 10,000 participants to its programmes. We delivered a wide portfolio of open programmes and developed considerable custom business, partnering with leading organisations that have an impact on people around the world.

Critical to the School's success is the talent of its employees. The School attracts extraordinary individuals who demonstrate passion for our purpose and for nurturing a rigorous, open, curious and inspiring environment.

Many alumni and friends contributed to enhancing the School's reach through their philanthropic contributions. Most notable are several significant scholarship gifts that were pledged around the close of the financial year. They will support the School's aspiration to sustain its international diversity, while striving for gender parity and enhancing the socio-economic and ethnic diversity of our student population.

Over the past 12 months, the School has garnered significant momentum toward affirming its leadership in global business education. So much progress could not have been accomplished without the contributions of so many colleagues, students, alumni, partner organisations and friends. As Chairman and Dean of the School, we express our utmost gratitude to them and re-affirm our commitment to build upon their contributions and enthusiasm in the years ahead.

The Honourable 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 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 was 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 five times during the 2018-19 financial year. It has four committees: an Audit and Risk Committee, a Finance Committee, a Governance and Nominations Committee and a Remuneration Committee. All of these committees are formally constituted with terms of reference and comprise mainly lay members, one of whom is Chair.

The Audit and Risk Committee's role in corporate governance is to provide a high level review of the internal control arrangements of the School and report on this to the Governing Body. It meets at least three times annually with internal auditors and at least once a year with external auditors to discuss audit findings and recommendations for the improvement of the School's system of internal control, together with management's responses and implementation plans. It also receives and considers reports from the Office for Students 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 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 2019 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 2019 meeting an assessment for the year ended 31 July 2019 was carried out upon receipt of documentation from senior management and the Audit and Risk Committee. At its November 2019 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 2019 to take place. This assessment took into account events since 31 July 2019.

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 internal control

The Governing Body is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Governing Body is responsible, in accordance with the responsibilities assigned to it in the School's Charter and Statutes and the Office for Students (OfS) Terms and Conditions of Funding for Higher Education Institutions and the Terms and Conditions of the Research England Grant.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal business, operational, compliance and financial risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively. This process was in place for the year ended 31 July 2019 and up to the date of the approval of the financial statements, and accords with OfS guidance and there were no significant control weaknesses that should be disclosed.

The Governing Body has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

a The Governing Body considers the plans and strategic direction of the School on an annual basis.

b) The Audit and Risk Committee independently reviews the effectiveness of internal control systems and the risk-management process.

c) The Governing Body receives periodic reports from the Audit and Risk Committee concerning issues of risk, internal controls and their effectiveness.

d) The Audit and Risk Committee reports to Governing Body its findings in respect of the effectiveness of the risk-management process.

e) The Audit and Risk Committee receives regular reports from the Internal Auditors, which include the internal auditors' independent opinion on the adequacy and effectiveness of internal control and risk management with recommendations for improvement.

f) The Management Board is responsible for approval of the School's corporate risk register.

g) The Senior Management Team is responsible for the in-year review of the risk register and for monitoring the effectiveness of the mitigating actions set out in the register.

h) The School has developed a suite of key performance indicators (KPIs), allowing the Governing Body to monitor progress towards the achievement of strategic objectives.

The Governing Body's review of the effectiveness of the system of internal control is informed by the work of the internal auditors.

The Governing Body's review of the effectiveness of the system of internal control is also informed by the work of the senior management and the risk owners within the School, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

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
25 November 2019

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 Research England's Higher Education Innovation Fund.

Treasurer's report

Strategy and objectives

The School exists to have a profound impact on the way the world does business and the way business impacts the world.

The School aims to strengthen the impact of its core activities - conducting research, inspiring learning and convening influencers - through a focus on three strategic priorities:

- Brand - Elevating the LBS brand
- Digital - Harnessing the power of digital
- Global - Increase the School's relevance globally

This work will be underpinned by the ongoing development of the School's employees and the enhancement of its physical and digital infrastructure.

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. Key changes in the year were the introduction of a 6th stream of the MBA and a 2nd stream of the Masters in Financial Analysis.

Degree programme fee income increased by over 10% and net contribution increased by 17% compared with the prior year whilst student numbers increased by 4%.

In the Financial Times rankings, the Masters in Finance remained in 1st place whilst the full time MBA dropped back to 6th from 4th. The Executive MBA programme rose from 18th to 14th place and the MiM rose from 4th to 3rd place.

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

Executive Education

Both Open and Custom programmes maintained revenues in 2018/19 compared to 2017/18.

Custom Revenues included £4million from new clients compared to £3miliion in 2017/18 and contribution increased by 4%.

Whilst no new titles were launched for Open programmes, there was further expansion of the titles available in Dubai. Contribution was maintained.

The corporate client net promoter score (NPS) for custom dropped slightly to from +72 to +70. The participant NPS for open programmes maintained +70. The overall executive education rankings in the Financial Times dropped from 4th to 7th place.

Learning Innovation

The year again saw rapid growth for digital activity across the School. The learning innovation team further increased, supporting all areas of the School creating multi-use digital assets as well as developing the underlining infrastructure to support the delivery of these digital assets.

The School launched its first online courses. Three titles ran during the course of the year, of which two were collaborations with external partners. More are planned in the coming year as the School expands its on-line offering.

Other digital learning activity has continued to focus on enhancing the digital learning capability; supporting an enriched learner experience within existing programmes; adopting digital design and delivery within front-facing departments; and supporting core teaching, learning and research activity.

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 Wheeler Institute for Business and Development.

The Research and Faculty Office continues to encourage and support faculty in making external grant applications. One significant European Research Council grant totalling just over €1.5million is still pending decision. In the year, faculty were successful in securing funding from the European Research Council (ERC) and UK Research & Innovation (UKRI). Research grants worth a total of £3.1million were awarded in the year.

The PhD Programme has enrolled eighteen students in 2019/20. Fourteen students graduated during 2018/19, and their academic placements include New York University (Stern), Singapore Management School, Harvard Business School, University of British Columbia, Warwick Business School and Duke University (Fuqua).

Treasurer's report *continued*

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

Five new members of faculty were recruited to join the School for the 2019-20 year and two faculty members departed. In line with the School's aim of improving the gender mix, the % of female faculty rose from 24% to 26% in 2018/19.

The number of affiliated and other faculty increased from 56 to 80. Faculty salaries continue to benchmark against main competitors and faculty compensation and existing faculty salary increases remain competitive.

Staff

Voluntary staff turnover increased slightly from 17% to an average of 17.5% for the academic year. Vacancies averaged 38 against a headcount of 700.

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 and was well received.

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.

January 2019 saw the opening of the new collaborative learning classroom a flexible learning space, taking advantage of new technologies to encourage experimentation around teaching and collaborative learning. Other projects completed in the year included the redevelopment of Houses 40 and 42, to offer dedicated and more collaborative working space for our Research Centres and Institutes, and refurbishment of the café and gift shop, part of the on-going improvement in quality.

The acquisition of 26 Sussex Place from the Royal College of Obstetricians and Gynaecologists (RCOG) is due to complete in December 2019, work is on-going to integrate this building into the portfolio.

The development of Taunton Place is underway to provide executive accommodation replacing the current 60 bedrooms in B Wing with 87 bedrooms and an executive lounge. The accommodation will open fully in the autumn of 2021.

The carbon management programme has been updated to focus mainly on the relative performance based on the energy used per square metre of floor area. The relative reduction in carbon emissions for the School was 48.5% over the 2018/19 year, which means that although the School is larger, it is far more efficient than it was in 2005.

IT

The School continues to make significant investments in technology. The focus is to improve the user experience for participants and students but also as part of a wider ongoing strategy to improve how Alumni can engage with the School.

The School launched the first phase of the new website in March and work continues on the rest of the site to be launched at the end of the year. In addition significant steps have been taken this year to move more towards cloud based solutions, such as the new expenses system, moving to Office 365 and investment in a cloud based infrastructure to replace the existing data centre.

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.

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') (up to the date of sale); 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 relevant 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 2019 is as follows:

	2019 £'000	2018 £'000
Income	166,428	156,514
Expenditure	(160,210)	(148,676)
Surplus before non-operating adjustments	6,218	7,838
Share of operating loss of associate company	(76)	(37)
Increase following the gain on investments	1,619	1,121
Revaluation - land and buildings	11,828	3,455
Pension fund actuarial (loss)/gain	(21,907)	3,224
Total comprehensive (expense)/income for the year	**(2,318)**	**15,601**

We are pleased to report that the School has had a positive year having achieved an underlying surplus position for the year before property revaluations and pension fund actuarial losses.

Income in the year grew from £157million to £166million. Fees from Degree Programmes grew from £79million to £87million; Executive Education open programme revenues increased from £21million to £22million; and Executive Education custom programme revenues were maintained at £27million. Income from other sources including Office for Students, research grants, and catering, remained at £17million. Donations cash has increased from £12million to £13million in line with the School expectations.

Expenditure in the year increased by £12million, £10 million is in line with revenue growth representing inflationary and salary cost increases across the whole School and £2million is due to increases in depreciation following recent investments in IT and the estate.

Cash

As at 31 July 2019 the School held an actual cash balance of £2million compared to an opening cash balance of £4million. The School increased the drawdown on its existing revolving credit facility agreement of £40million with HSBC, entered into in July 2014, from £30million to £32million, in addition to its £35million note purchase agreement with MetLife, giving total borrowings at the year end of £67million.

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 £51million compared to £48million at last year-end reflecting an investment of £3million and 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.

Treasurer's report *continued*

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 decreased from £247million to £244million. The unrestricted reserve decreased by £14million mainly as a result of the movement in the USS pension provision. The endowment and restricted reserves increased by £3million from new endowments and restricted gifts received in the year. The revaluation reserve increased by £8million from an increase in the valuation of the School's freehold and leasehold properties as at 31 July 2019.

Pensions

In relation to the USS pension scheme, the 2017 triennial actuarial valuation of the scheme has now been formally completed and as at 31 July 2019 the USS pension scheme trustees were in the process of consulting with the employer organisations on the 2018 valuation. As a result, the USS pension provision as at 31 July 2019 is calculated in line with the 2017 triennial actuarial valuation plan.

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. As such significant capital investment has largely focused in recent years on acquiring and developing new buildings.

The Sammy Ofer Centre with its six new lecture theatres is now fully operational having opened in the autumn of 2017, and the School is looking forward to taking possession of 26 Sussex Place, in December 2019. The exciting opportunities offered by this acquisition, to open up the enlarged Sussex Place to bring the community together, alongside the development of Taunton Place to provide additional and upgraded executive accommodation, allow us to position the School, within London, as the school of choice.

Aligned continued growth in faculty will foster optimal teams of diverse faculty members 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 Alumni Council to build engagement with its global alumni community. Relationships with the School's key stakeholders are essential to expand valuable support to help deliver the vision for an exciting future ahead.

The School will continue to ensure that it has a robust and sustainable funding model to have sufficient resources to fund investments to implement its strategies.

Helen Oakley
Treasurer
25 November 2019

Independent auditors' report to the Governing Body of London Business School (the "School")

Opinion

In our opinion, London Business School's group financial statements and school financial statements (the "Financial Statements"):

- give a true and fair view of the state of the group's and of the school's affairs as at 31 July 2019 and of the group's and of the school'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' 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 2019; 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.

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

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 school'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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and school's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's and parent school's activities, students, suppliers and the wider economy.

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

Independent auditors' report to the Governing Body of London Business School (the "School") *continued*

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 9, 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 school's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intends to liquidate the group and school 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 school 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.

In our opinion, in all material respects:

- funds from whatever source administered by the school for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the school's statutes; and
- funds provided by 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
27 November 2019

Consolidated and School Statement of Comprehensive Income and Expenditure

Year ended 31 July 2019

	Notes	Consolidated 2019 £'000	Consolidated 2018 £'000	London Business School 2019 £'000	London Business School 2018 £'000
Income					
Academic fees	1	137,409	128,849	110,699	102,077
Funding Council grants	2	8,077	7,926	8,077	7,926
Research grants and contracts	3	1,879	1,888	1,879	1,888
Other income	4	4,550	4,811	15,118	15,730
Investment income	5	1,363	1,260	22	14
Total income before endowments and donations		**153,278**	**144,734**	**135,795**	**127,635**
Donations and endowments	6	13,150	11,780	16,940	16,821
Total income		**166,428**	**156,514**	**152,735**	**144,456**
Expenditure					
Staff costs	7	80,427	75,057	73,272	66,890
USS Provision movement	7, 18, 25	18,415	(1,193)	18,415	(1,193)
Other operating expenses	9	66,878	62,762	62,515	59,186
Depreciation	11	10,908	8,673	10,908	8,673
Interest and other finance costs	8	1,997	2,184	2,057	2,224
Total expenditure		**178,625**	**147,483**	**167,167**	**135,780**
(Loss)/Surplus before other gains, losses and share of operating surplus of associates		**(12,197)**	**9,031**	**(14,432)**	**8,676**
Revaluation of property	11	3,473	3,455	3,473	3,455
Gain on investments	13	1,619	1,121	-	-
Share of operating (loss) in associate	14	(76)	(37)	-	-
(Deficit)/Surplus before tax		**(7,181)**	**13,570**	**(10,959)**	**12,131**
Taxation	10	-	-	-	-
(Deficit)/Surplus for the year		**(7,181)**	**13,570**	**(10,959)**	**12,131**
Unrealised surplus on revaluation of land and buildings		8,355	-	8,355	-
Actuarial (loss)/gain in respect of pension schemes		(3,492)	2,031	(3,492)	2,031
Total comprehensive income for the year		**(2,318)**	**15,601**	**(6,096)**	**14,162**
Represented by:					
Endowment comprehensive income for the year		3,149	1,467	-	-
Restricted comprehensive income/(expense) for the year		279	(118)	-	-
Unrestricted comprehensive (expense)/income for the year		(14,101)	14,252	(14,451)	14,162
Unrealised revaluation income for the year		8,355	-	8,355	-
		(2,318)	**15,601**	**(6,096)**	**14,162**
(Deficit)/Surplus for the year attributable to:					
Non controlling interest		(76)	(37)	-	-
School		**(7,105)**	**13,607**	**(10,959)**	**12,131**

All items of income and expenditure relate to continuing activities

The notes on pages 26–49 form part of these financial statements.

Consolidated and School Statement of Changes in Reserves

Year ended 31 July 2019

CONSOLIDATED

	Income and expenditure account			Revaluation	Total
	Endowment	Restricted	Unrestricted	reserve	
	£'000	£'000	£'000	£'000	£'000
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
	1,467	(118)	14,252	-	15,601
Balance at 1 August 2018	**53,324**	**2,582**	**61,810**	**128,865**	**246,581**
Surplus/(deficit) from the income and expenditure statement	3,149	279	(10,609)	-	(7,181)
Other comprehensive (expense)/income	-	-	(3,492)	8,355	4,863
Total comprehensive income/(expense) for the year	3,149	279	(14,101)	8,355	(2,318)
Balance at 31 July 2019	**56,473**	**2,861**	**47,709**	**137,220**	**244,263**

SCHOOL

	Income and expenditure account			Revaluation	Total
	Endowment	Restricted	Unrestricted	reserve	
	£'000	£'000	£'000	£'000	£'000
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	-	2,031
	-	-	14,162	-	14,162
Balance at 1 August 2018	**-**	**-**	**41,029**	**128,865**	**169,894**
(Deficit) from the income and expenditure statement	-	-	(10,959)	-	(10,959)
Other comprehensive (expense)/income	-	-	(3,492)	8,355	4,863
Total comprehensive income/(expense) for the year	-	-	(14,451)	8,355	(6,096)
Balance at 31 July 2019	**-**	**-**	**26,578**	**137,220**	**163,798**

The notes on pages 26–49 form part of these financial statements.

Consolidated and School Balance Sheet

Year ended 31 July 2019

	Notes	Consolidated 2019 £'000	Consolidated Restated* 2018 £'000	London Business School 2019 £'000	London Business School Restated* 2018 £'000
Non-current assets					
Fixed assets	11	363,210	350,652	363,210	350,652
Heritage assets	11	39	39	-	-
Investments	13	51,086	48,283	10	10
Investment in associate	14	364	440	-	-
		414,699	399,414	363,220	350,662
Current assets					
Stock	15	73	115	73	108
Trade and other receivables	16	11,143	11,401	4,383	4,410
Cash and cash equivalents	23	1,652	3,576	1,564	3,441
		12,868	15,092	6,020	7,959
Current liabilities					
Creditors: amounts falling due within one year	17	(72,175)	(77,959)	(94,313)	(98,761)
Net current liabilities		(59,307)	(62,867)	(88,293)	(90,802)
Total assets less current liabilities		355,392	336,547	274,927	259,860
Creditors: amounts falling due after more than one year	18	(67,543)	(68,903)	(67,543)	(68,903)
Provisions					
Pension provisions	19	(43,586)	(21,063)	(43,586)	(21,063)
Total net assets		244,263	246,581	163,798	169,894
Restricted Reserves					
Income and expenditure reserve – endowment reserve	21	56,473	53,324	-	-
Income and expenditure reserve – restricted reserve	22	2,861	2,582	-	-
		59,334	55,906	-	-
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		47,709	61,810	26,578	41,029
Revaluation reserve		137,220	128,865	137,220	128,865
		184,929	190,675	163,798	169,894
Total reserves		244,263	246,581	163,798	169,894

* The comparatives have been restated to change the bank loan from short term creditors to long term creditors to better reflect the substance of the loan facility and the expected period when this will be repaid.

The financial statements were approved by the Governing Body on 25 November 2019 and were signed on its behalf on that date by:

The Honourable Apurv Bagri
Chairman of Governing Body

François Ortalo-Magné
Dean

The notes on pages 26–49 form part of these financial statements.

Consolidated Cash Flow

Year ended 31 July 2019

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
(Deficit)/Surplus for the year		(7,181)	13, 570
Adjustment for non-cash items			
Depreciation	11	10,908	8,673
Deferred Capital grants released	2	(443)	(461)
Gain on investments	13	(1,619)	(1,121)
(Surplus) on revaluation	11	(3,473)	(3,455)
Decrease/(Increase) in stock	15	42	(50)
Decrease in debtors	16	109	313
Increase in creditors	17, 18	1,960	7,697
Increase/(Decrease) in pension provision	19, 28	18,500	(1,193)
Share of operating loss in associate	14	76	37
Adjustment for investing or financing activities			
Investment income receivable	5	(1,363)	(1,260)
Interest payable	8	1,997	2,184
Endowment income	6	(2,857)	(2,038)
Net cash inflow from operating activities		16,656	22,896
Cash flows from investing activities			
Payments made to acquire fixed assets	11	(22,198)	(44,766)
New non-current asset investments	13	(3,000)	(4,820)
Disposal of current asset investments	13	0	3,000
Prodigy capital distribution	13	1,816	1,493
Capital Grant receipts	17	147	157
Investment income	5	1,512	1,350
		(21,723)	(43,586)
Cash flows from financing activities			
Interest paid	8	(1,464)	(1,601)
Endowment cash received	6	2,857	2,038
New bank loans	17	1,750	19,250
		3,143	19,687
(Decrease) in cash and cash equivalents in the year		(1,924)	(1,003)
Cash and cash equivalents at beginning of the year	23	3,576	4,579
Cash and cash equivalents at end of the year	23	1,652	3,576

The notes on pages 26–49 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 (OfS 2018.26). 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.

The provision assessment for the USS provision recognises that it is a multi-employer scheme, a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. 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 in profit or loss in accordance with section 28 of FRS 102. The governors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

The provision assessment for the SPS Pension scheme provision recognises that it is a single employer scheme. The School has commissioned the Scheme's actuarial firm to provide an assesment of the discounted fair value of the Scheme.

The School has commissioned third party Chartered Surveyors to provide an assessment of the value of the property used by the School in the course of its business.

(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.

Accounting policies *continued*

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 School participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed 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. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. 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 therefore an expense is recognised.

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.

(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
Building improvements	10%
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.

Accounting policies *continued*

(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 aftermore 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 2024, 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 2020. 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 2019

1 Academic fees and education contracts

	Consolidated 2019 £'000	Consolidated 2018 £'000	London Business School 2019 £'000	London Business School 2018 £'000
MBA	35,521	31,583	35,521	31,583
Masters in Management	7,908	7,385	7,908	7,385
Sloan Fellowship	4,287	3,779	4,287	3,779
Executive MBA	20,902	19,286	20,902	19,286
EMBA-Global / Global Asia	5,287	5,844	5,287	5,844
Masters in Finance	8,777	8,077	8,777	8,077
Masters in Financial Analysis	4,003	2,702	4,003	2,702
PhD Programme	1,555	1,499	1,555	1,499
Executive Education Open Programmes	21,518	21,257	21,518	21,257
Executive Education Custom Programmes	26,710	26,772	-	-
Other Programme Income	941	665	941	665
	137,409	128,849	110,699	102,077

2 Funding council grants

	Consolidated 2019 £'000	Consolidated 2018 £'000	London Business School 2019 £'000	London Business School 2018 £'000
Recurrent grant				
Office for Students	95	21	95	21
Higher Education Funding Council	0	2,182	0	2,182
Research England	3,293	1,109	3,293	1,109
Capital grant releases	443	461	443	461
Specific grants				
Higher Education Innovation Fund	4,246	4,153	4,246	4,153
	8,077	7,926	8,077	7,926

3 Research grants and contracts

	Consolidated 2019 £'000	Consolidated 2018 £'000	London Business School 2019 £'000	London Business School 2018 £'000
Research councils	344	305	344	305
UK charities	12	10	12	10
Government (UK and overseas)	1,491	1,278	1,491	1,278
Other	32	295	32	295
	1,879	1,888	1,879	1,888

4 Other income

	Consolidated		London Business School	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Residences, catering and conferences	1,564	1,391	5,600	5,663
Management Services	-	-	6,999	7,457
Other general income	2,986	3,420	2,519	2,610
	4,550	4,811	15,118	15,730

5 Investment income

		Consolidated		London Business School	
	Notes	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Investment income on endowments	21	1,340	1,247	-	-
Investment income on restricted reserves	22	-	-	-	-
Other investment income		23	13	22	14
		1,363	1,260	22	14

6 Donations and endowments

		Consolidated		London Business School	
	Notes	2019 £'000	2018 £'000	2019 £'000	2018 £'000
New endowments	21	2,857	2,038	-	-
Donations with restrictions	22	7,721	7,590	-	-
Unrestricted donations		2,572	2,152	16,940	16,821
		13,150	11,780	16,940	16,821

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 2019

7 Staff costs

	Consolidated		London Business School	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	63,786	59,674	57,426	52,387
Social security costs	6,909	6,451	6,565	6,085
Movement on USS provision	18,415	(1,193)	18,415	(1,193)
Other pension costs	9,732	8,932	9,281	8,418
Total	98,842	73,864	91,687	65,697

Average staff numbers (full time equivalent) by major category:	**2019 No.**	**2018 No.**
Academic including research	102	101
Other	728	700
	830	801

Key management personnel
Key management personnel are 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.

	2019 £'000	**2018 £'000**
Key management personnel compensation	3,072	3,167

	2019 No.	**2018 No.**
Key management personnel numbers (full time equivalent)	10.5	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:

	2019	2018		2019	2018		2019	2018
£100,000 - £104,999	5	3	£200,000 - £204,999	4	3	£300,000 - £304,999	1	2
£105,000 - £109,999	0	4	£205,000 - £209,999	7	2	£305,000 - £309,999	2	2
£110,000 - £114,999	3	2	£210,000 - £214,999	3	2	£310,000 - £314,999	3	1
£115,000 - £119,999	5	1	£215,000 - £219,999	3	1	£315,000 - £319,999	2	1
£120,000 - £124,999	3	3	£220,000 - £224,999	0	2	£320,000 - £324,999	1	0
£125,000 - £129,999	2	1	£225,000 - £229,999	2	2	£325,000 - £329,999	0	1
£130,000 - £134,999	3	1	£230,000 - £234,999	1	1	£330,000 - £334,999	1	0
£135,000 - £139,999	0	3	£235,000 - £239,999	1	3	£335,000 - £339,999	2	0
£140,000 - £144,999	2	1	£240,000 - £244,999	2	0	£340,000 - £344,999	1	0
£145,000 - £149,999	1	6	£245,000 - £249,999	1	5	£345,000 - £349,999	1	2
£150,000 - £154,999	0	5	£250,000 - £254,999	3	4	£350,000 - £354,999	0	1
£155,000 - £159,999	4	6	£255,000 - £259,999	4	1	£355,000 - £359,999	0	1
£160,000 - £164,999	2	6	£260,000 - £264,999	2	1	£360,000 - £364,999	1	1
£165,000 - £169,999	11	0	£265,000 - £269,999	2	3	£365,000 - £369,999	0	1
£170,000 - £174,999	4	0	£270,000 - £274,999	4	6	£370,000 - £374,999	1	0
£175,000 - £179,999	5	3	£275,000 - £279,999	1	3	£375,000 - £379,999	2	0
£180,000 - £184,999	0	1	£280,000 - £284,999	2	0	£380,000 - £384,999	1	1
£185,000 - £189,999	3	6	£285,000 - £289,999	4	2	£400,000 - £404,999	2	0
£190,000 - £194,999	1	7	£290,000 - £294,999	3	4			
£195,000 - £199,999	3	3	£295,000 - £299,999	3	1			

Compensation for loss of office:

Aggregate payment for compensation for loss of office paid to 19 members of staff (2018 : 13)

	2019 £'000	2018 £'000
Compensation payable recorded within staff costs	435	355

Emoluments of the Dean, François Ortalo-Magné	2019 £'000	2018 £'000
Salary	431	422
Benefits	3	3
Pension contributions	80	76
	514	501
Non-taxable benefits	95	95
	609	596

The Dean participates in a salary sacrifice arrangement for pension contributions. During the year, the salary sacrifice amount was £36,000 (2018: £34,000) and this is included within the salary figure above.

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 disclosed non-taxable benefit value of £95,000 is based on the average market rent for a similar sized property in the immediate area without the restrictions noted above. Operating costs associated with the residence (i.e. utilities and cleaning services) total £3,000 and this is included within the emoluments section.

Notes to the accounts *continued*

for the year ended 31 July 2019

7 Staff costs *continued*

In considering the annual remuneration award to our Dean, we take into consideration the context in which London Business School operates and the performance of the institution and the Dean during the year.

The context for our institution and in particular for our Dean is a global one. 84% of our faculty are international and we have 58 different nationalities among our non-academic staff. Our degree programmes attract students from 116 nationalities, while our executive education business attracts over 10,000 participants each year and works with corporate clients from around the world. We are in direct competition with the other top global business schools based in the United States and Europe and these institutions form the benchmark for consideration of the Dean's remuneration.

The Dean's remuneration is set by the School's Remuneration Committee. A formal review of the Dean's performance during his first year of office assessed his performance against five criteria: Strategy, Financial Performance, Brand, Stakeholder Management and Leadership. During his first year, the Dean has led the adoption of a new strategy for the School and the first phase of a brand relaunch. He reorganised the leadership team to bring collective focus on advancing the School's new priorities and started developing strong relationships with the School's student and alumni communities. The School met its financial and fundraising targets.

Taking into account the School's context, the performance of the institution and the Dean during the year, the pay of benchmark organisations, and the internal annual pay awards, it was agreed that the Dean's salary should be increased by 2%. Pension contributions have increased in line with the USS requirements for all eligible employees.

The Dean's basic salary is 10.4 times (2018: 10.3 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 12.6 times (2018: 12.5 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 include agency staff. The multiples as previously reported did not include this category of staff. The comparatives have amended to include all employment types.

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	
		2019	**2018**	**2019**	**2018**
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Loan interest		1,466	1,590	1,526	1,630
Net charge on USS pension scheme		200	190	200	190
Net charge on SPS pension scheme	28	331	404	331	404
		1,997	2,184	2,057	2,224

9 Analysis of other expenditure by activity

	Consolidated 2019 £'000	Consolidated 2018 £'000	London Business School 2019 £'000	London Business School 2018 £'000
External teaching	16,490	14,439	14,947	13,349
Teaching support	4,967	4,565	4,399	3,975
Bought in teaching	8,588	8,346	4,313	3,640
Marketing	5,084	4,628	4,874	4,458
Technology	3,797	3,879	3,656	3,744
Premises and utilities	12,273	11,814	12,221	11,773
Catering and accommodation	8,408	8,044	11,629	11,429
Other overheads	7,271	7,047	6,476	6,818
	66,878	62,762	62,515	59,186

Other operating expenses include:	Consolidated 2019 £'000	Consolidated 2018 £'000	London Business School 2019 £'000	London Business School 2018 £'000
External auditors remuneration in respect of audit services	73	73	49	49
External auditors remuneration in respect of non-audit services	18	4	18	4
Operating lease rentals				
Land and buildings	2,143	2,094	2,143	2,094
Other	55	87	55	87

10 Taxation

Recognised in the statement of comprehensive income	Consolidated 2019 £'000	Consolidated 2018 £'000	London Business School 2019 £'000	London Business School 2018 £'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 2019

11 Fixed assets

CONSOLIDATED	Land and Buildings £'000	Building improvements £'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 2018	263,852	12,229	850	3,421	28,869	55,212	6,088	39	370,560
Additions	805	759	-	26	4,216	884	4,948	-	11,638
Transfers	221	-	-	79	2,394	-	(2,694)	-	-
Surplus on revaluation	5,865	-	-	-	-	-	-	-	5,865
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At 31 July 2019	270,743	12,988	850	3,526	35,479	56,096	8,342	39	388,063
Consisting of valuation as at:									
31 July 2019	270,743	-	-	-	-	-	-	-	270,743
Cost	-	12,988	850	3,526	35,479	56,096	8,342	39	117,320
	270,743	12,988	850	3,526	35,479	56,096	8,342	39	388,063
Depreciation									
At 1 August 2018	2,888	3,082	850	1,049	12,000	-	-	-	19,869
Charge for the year	3,075	1,350	-	346	6,137	-	-	-	10,908
Written back on revaluation	(5,963)	-	-	-	-	-	-	-	(5,963)
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At 31 July 2019	-	4,432	850	1,395	18,137	-	-	-	24,814
Net book value									
At 31 July 2019	270,743	8,556	-	2,131	17,342	56,096	8,342	39	363,249
At 31 July 2018	260,964	9,147	-	2,372	16,869	55,212	6,088	39	350,691

11 Fixed assets *continued*

SCHOOL	Land and Buildings £'000	Building improvements £'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 2018	263,852	12,229	850	3,421	28,869	55,212	6,088	-	370,521
Additions	805	759	-	26	4,216	884	4,948	-	11,638
Transfers	221	-	-	79	2,394	-	(2,694)	-	-
Surplus on revaluation	5,865	-	-	-	-	-	-	-	5,865
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At 31 July 2019	270,743	12,988	850	3,526	35,479	56,096	8,342	-	388,024
Consisting of valuation as at:									
31 July 2019	270,743	-	-	-	-	-	-	-	270,743
Cost	-	12,988	850	3,526	35,479	56,096	8,342	-	117,281
	270,743	12,988	850	3,526	35,479	56,096	8,342	-	388,024
Depreciation									
At 1 August 2018	2,888	3,082	850	1,049	12,000	-	-	-	19,869
Charge for the year	3,075	1,350	-	346	6,137	-	-	-	10,908
Written back on revaluation	(5,963)	-	-	-	-	-	-	-	(5,963)
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At 31 July 2019	-	4,432	850	1,395	18,137	-	-	-	24,814
Net book value									
At 31 July 2019	270,743	8,556	-	2,131	17,342	56,096	8,342	-	363,210
At 31 July 2018	200,964	9,147	-	2,372	16,869	55,212	6,088	-	350,652

Notes to the accounts *continued*

for the year ended 31 July 2019

11 Fixed assets *continued*

At 31 July 2019, freehold land and buildings included £17.1m (2018: £17.1m) in respect of freehold land which is not depreciated.

On 31 July 2019 the freehold and leasehold land and buildings were re-valued at £270.7m on the basis of existing use by Cushman and Wakefield, Chartered Surveyors.

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

12 Service Concession Arrangements

The School has Balance Sheet arrangements including service concession arrangements, 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 2019 is £nil (2018 : £nil).

Movement in Service concession arrangement liabilities
The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2019 were £nil (2018 : £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 2018	48,283
Additions	3,000
Disposals	-
Revaluation	1,619
Capital distribution	(1,816)
At 31 July 2019	51,086

The listed investments have been valued at market value.

Investments consist of:	Consolidated £'000
BlackRock UK Corporate Bond Index Fund	10,864
Charitrak UK Equity Index Fund Inc	10,249
BlackRock GiltTrack Fund Distributing Share Class	10,389
BlackRock Europe Ex-UK Index Fund EUR Fund Flexible Distributing Class	4,004
BlackRock Japan Index Sub Fund USD Distribution	2,062
BlackRock Pacific Index Fund USD Flexible Distributing Class	1,107
BlackRock North American Index Fund USD Flexible Distributing Class	4,259
Prodigy Loan Investment	8,152
	51,086

	Consolidated 2019 £'000	Consolidated 2018 £'000
Endowment Investments	51,086	48,283
	51,086	48,283

SCHOOL	Subsidiary companies £'000
At 1 August 2018	10
At 31 July 2019	10

Notes to the accounts *continued*

for the year ended 31 July 2019

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 François Ortalo-Magné 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 (2018: 10,000) ordinary shares of £1 each, being the total issued share capital of the company.

The quasi-subsidiary company Sussex Place Ventures Limited was sold during the year. The results of the company, up to the date of the sale, have been included in the consolidated financial statements, together with its subsidiary companies:

Sussex Place (General Partner) Limited

Sussex Place II (General Partner) Limited

Combined London Colleges (General Partner) Limited

Sussex Place (Founder Partner) Limited

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

14 Investment in associates

The School has an investment interest in GERA. GERA was incorporated on 3 February 2005 and is a company limited by guarantee. GERA advances education and learning in the field of entrepeneurship 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 £364,000 (2018: £440,000).

15 Stock

	Consolidated		London Business School	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Finished goods	73	115	73	108
	73	115	73	108

16 Trade and other receivables

	Consolidated		London Business School	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Other trade receivables	6,515	5,694	1,031	614
Other receivables	864	1,032	372	607
Prepayments and accrued income	3,764	4,675	2,842	3,045
Amounts due from gift aid	-	-	138	144
	11,143	11,401	4,383	4,410

17 Creditors: amounts falling due within one year

	Consolidated		London Business School	
		Restated*		Restated*
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts due to subsidiary companies	-	-	25,697	25,242
Trade payables	4,827	5,850	4,051	4,793
Social security and other taxation payable	2,507	2,383	2,507	2,337
Accruals and deferred income	63,668	68,726	60,885	65,391
Other payables	1,173	1,000	1,173	998
	72,175	77,959	94,313	98,761

* The comparatives have been restated to change the bank loan from short term creditors to long term creditors to better reflect the substance of the loan facility and the expected period when this will be repaid.

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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Research grants received on account	9,247	9,990	9,247	9,990
Grant income	235	424	235	424
	9,482	10,414	9,482	10,414

Notes to the accounts *continued*

for the year ended 31 July 2019

18 Creditors: amounts falling due after more than one year

	Consolidated		London Business School	
		Restated*		Restated*
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Accruals and deferred income	1,043	4,153	1,043	4,153
Bank loans	31,500	29,750	31,500	29,750
Unsecured Loans	35,000	35,000	35,000	35,000
	67,543	68,903	67,543	68,903

* The comparatives have been restated to change the bank loan from short term creditors to long term creditors to better reflect the substance of the loan facility and the expected period when this will be repaid.

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 2019 £31,500,000 of the facility had been utilised, to be repaid on 9 August 2019 (£6,000,000), 27 August 2019 (£10,000,000) and 31 August 2019 (£15,500,000). 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).

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

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 Pension provisions

Consolidated	**Obligation to fund deficit on USS Pension £'000**	**Obligation to fund deficit on SPS Pension £'000**	**Total Pensions Provisions £'000**
At 1 August 2018	9,272	11,791	21,063
Revaluations in 2019	18,615	3,908	22,523
At 31 July 2019	27,887	15,699	43,586

School	**Obligation to fund deficit on USS Pension £'000**	**Obligation to fund deficit on SPS Pension £'000**	**Total Pensions Provisions £'000**
At 1 August 2018	9,272	11,791	21,063
Revaluations in 2019	18,615	3,908	22,523
At 31 July 2019	27,887	15,699	43,586

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

Further details are disclosed in note 28.

20 Financial Assets and Financial Liabilities

	Consolidated		London Business School	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial Assets				
Measured at Fair Value through Income and Expenditure Account				
Investments in common investment funds	42,934	41,316	0	0
Measured at undiscounted amounts receivable				
Trade and other receivables	7,379	6,726	1,403	1,221
Equity Instruments measured at cost less impairment				
Non-current asset investments in unlisted equity investments	8,152	6,967	0	0
Cash measured at amortised cost				
Cash and cash equivalents	1,652	3,576	1,564	3,441
	60,117	58,585	2,967	4,662
Financial Liabilities				
Measured at amortised cost				
Loans payable	66,500	64,750	66,500	64,750
Measured at undiscounted amounts payable				
Trade and other creditors	8,507	9,233	7,731	8,128
	75,007	73,983	74,231	72,878
Interest Income and (Expense)				
Total interest income for financial assets at unamortised cost	1,363	1,260	22	14
Total interest expense for financial liabilities at unamortised cost	(1,466)	(1,590)	(1,526)	(1,630)
	(103)	(330)	(1,504)	(1,616)
Fair Value Gains and (Losses)				
On financial assets measured at fair value through Income and Expenditure	1,619	1,121	0	0
	1,619	1,121	0	0

Notes to the accounts *continued*

for the year ended 31 July 2019

21 Income and expenditure reserve – endowment reserve

Endowment reserves are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2019 Total £'000	2018 Total £'000
Balances at 1 August 2018					
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
New endowments	2,296	-	561	2,857	2,038
Transfers between Reserves	(179)	179	-	-	-
Investment income	-	-	1,340	1,340	1,247
Expenditure	(729)	-	(2,025)	(2,754)	(2,993)
	(908)	179	(685)	(1,414)	(1,746)
Increase in market value of investments	1,457	249	-	1,706	1,175
At 31 July 2019	40,139	13,946	2,388	56,473	53,324
Represented by:					
Capital	40,139	13,946	-	54,085	50,812
Accumulated income	-	-	2,388	2,388	2,512
	40,139	13,946	2,388	56,473	53,324
Analysis by type of purpose:					
Chairs	19,678	-	-	19,678	19,425
Scholarships	16,441	-	1,686	18,127	15,822
Other	4,020	13,946	702	18,668	18,077
	40,139	13,946	2,388	56,473	53,324
Analysis by asset					
Fixed assets				51,086	48,283
Current asset investments				5,387	5,041
				56,473	53,324

22 Income and expenditure reserve – restricted reserve

Reserves with restrictions are as follows:

	Unspent Capital Grants £'000	Donations £'000	2019 Total £'000	2018 Total £'000
Balances at 1 August 2018	-	2,582	2,582	2,700
New donations	-	7,721	7,721	7,590
Transfers between Reserves	-	-	-	-
Investment income	-	-	-	-
Expenditure	-	(7,442)	(7,442)	(7,708)
	-	(7,442)	(7,442)	(7,708)
At 31 July 2019	-	2,861	2,861	2,582

Analysis of other restricted funds/donations by type of purpose:	2019 Total £'000	2018 Total £'000
Chairs	-	-
Infrastructure	-	-
Scholarships	749	977
Other	2,112	1,605
	2,861	2,582

23 Cash and cash equivalents

	At 1st August 2018 £'000	Cash Flows £'000	At 31st July 2019 £'000
CONSOLIDATED			
Cash and cash equivalents	3,576	(1,924)	1,652
	3,576	(1,924)	1,652

Notes to the accounts *continued*

for the year ended 31 July 2019

24 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2019:

	Consolidated		London Business School	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Commitments contracted for	-	-	-	-
	-	-	-	-

In December 2016 the School agreed to acquire the RCOG site to take possession in December 2019. The School will make additional payments as part of the acquisition. The outstanding commitments have been included within creditors.

25 Contingent liabilities

The School has no contingent liabilities at 31 July 2019 (2018: 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:

	2019			
	Land and Buildings £'000	**Plant and Machinery £'000**	**Total £'000**	**2018 £'000**
Payable during the year	2,143	55	2,198	2,180
Future minimum lease payments due:				
Not later than 1 year	3,040	51	3,091	3,050
Later than 1 year and not later than 5 years	9,760	-	9,760	10,157
Later than 5 years	665,271	-	665,271	667,541
Total lease payments due	678,071	51	678,122	680,748

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 Post balance sheet event

USS pension valuation
Since 31 July 2019, there has been an updated valuation in relation to the Universities Superannuation Scheme ("USS") which has been made available to all universities that are members of the scheme. This valuation is based on the new schedule of contributions and significantly decreases the deficit that London Business School account for from £27.9m that is currently in Note 19, to £16.2m. This will be a release to the statement of comprehensive income and expenditure of £11.7m in 2019/20.

Due to this information not being available at the year-end date, the impact of the updated USS valuation has been reflected through this post balance sheet event disclosure and is not accounted for within the 2018/19 financial statements

28 Pension scheme details

(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.

	2019 Total £'000	2018 Total £'000
Universities Superannuation Scheme	9,332	8,482
Scottish Widows	399	450
	9,731	8,932
London Business School Pension Scheme	-	-
Total contributions charged to the income and expenditure account	9,731	8,932

(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 Universities Superannuation Scheme. 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 in profit or loss in accordance with section 28 of FRS 102. The governors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

Notes to the accounts *continued*

for the year ended 31 July 2019

28 Pension schemes *continued*

Pension Costs
The total cost charged to the profit and loss account is £9,332,000 (2018: £8,482,000) as shown in notes 7 and 28a.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 is underway but not yet complete.

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

The 2017 valuation was the fourth valuation for the scheme 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below.

Pension increases (CPI)	Term dependent rates in line with the difference between theFixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017 valuation
Mortality base table	Pre-retirement 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post-retirement 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 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

The current life expectancies on retirement at age 65 are:

	2019	**2018**
Males currently aged 65 years	24.6	24.5
Females currently aged 65 years	26.1	26.0
Males currently aged 45 years	26.6	26.5
Females currently aged 45 years	27.9	27.8

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	**2018**
Discount rate	1.58%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

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:	**2019 £'000**	**2018 £'000**
Total market value of assets	18,572	17,836
Present value of liabilities	(34,271)	(29,627)
Deficit	(15,699)	(11,791)

The amounts recognised in the profit and loss:	**2019 £'000**	**2018 £'000**
Net interest on defined benefit liability	331	404
Past Service Cost (GMP Equalisation)	85	-
Expenses paid from the Scheme	65	97
Total expense	481	501

The amounts recognised in the statement of comprehensive income and expenditure:	**2019 £'000**	**2018 £'000**
Actual return on assets	1,002	1,112
Return on assets included in net interest	(496)	(505)
Asset gain	506	607
Liability experience (loss)	(7)	(21)
Change of assumptions (loss)/gain	(3,926)	1,542
Remeasurement (loss)/gain in the statement of comprehensive income and expenditure	(3,427)	2,128

Changes in the present value of the defined benefit liabilities:	**2019 £'000**	**2018 £'000**
Opening value of liabilities	29,627	30,350
Interest cost	827	909
Benefits paid	(201)	(111)
Expected value of liabilities at end	30,253	31,148
Liability experience loss/(gain)	7	21
Past Service Cost (GMP Equalisation)	85	-
Change of assumptions loss/(gain)	3,926	(1,542)
Closing value of liabilities	34,271	29,627

Notes to the accounts *continued*

for the year ended 31 July 2019

28 Pension schemes *continued*

Changes in the value of the assets:	**2019 £'000**	**2018 £'000**
Assets at beginning of the year	17,836	16,932
Expected return on assets	496	505
Employer contributions	-	-
Benefits paid	(201)	(111)
Expenses	(65)	(97)
Expected assets at end of the year	18,066	17,229
Gain on Scheme assets	506	607
Assets at end of the year	18,572	17,836

The main actuarial assumptions used to value the liabilities:	**2019 £'000**	**2018 £'000**
Discount rate	2.25%	2.80%
Price inflation (RPI)	3.10%	3.30%
Price inflation (CPI)	2.10%	2.30%
Future increases to pensions in deferment	2.10%	2.30%
Future increases to pensions in payment	3.10%	3.20%
Mortality table	S3PMA/ S3PFA CMI 2018 projection with 1.5% long term rate	S2PMA/ S2PFA CMI 2017 projection with 1.5% long term rate

The total value of the assets (excluding annuities):	**2019 £'000**	**2018 £'000**
Equities	37%	41%
Gilts	0%	1%
Bonds	32%	28%
Property	20%	24%
Other	11%	6%
Total	100%	100%

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 School's 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.

	2019 £	2018 £
Professor Julian Birkinshaw	90,000	25,000
Professor Alex Edmans	6,000	0
Professor Madan Pillutla	27,000	19,000

There was £6,000 due at the end of the year relating to the above individuals (2018: £Nil).

The Honourable Apurv Bagri is a Commissioner of the Crown Estates Paving Commission. In 2019 the School paid £61,000 to the Commission (2018: £56,000)

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 £314,000 (2018: £288,000) and specific sponsorship of £23,000 (2018: £41,000). The School also charged LBSSA for catering services amounting to £152,000 (2018: £205,000). At the year end, the School was owed an amount of £66,000 from LBSSA (2018: £25,000).

Donations to the School include donations from 20 (2018 : 19) Governing Body members, either as individuals or Foundations associated with the member, of £1,714,000 (2018 : £1,049,000)

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

Notes to the accounts *continued*

for the year ended 31 July 2019

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	Previously 100% owned, sold during the year
Sussex Place (General Partner) Limited	General partner of a venture capital fund, Regents Park Partners LP	Previously 100% owned, sold during the year
Combined London Colleges (General Partner) Limited	General partner of a venture capital fund, Combined London Colleges University Challenge LP	Previously 100% owned, sold during the year
Sussex Place (Founder Partner) Limited	Founder partner of venture capital funds, Combined London Colleges University Challenge LP and Regents Park Partners LP	Previously 100% owned, sold during the year
Sussex Place II (General Partner) Limited	Dormant	Previously 100% owned, sold during the year
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	Income	Expenditure	Change in market value	Closing balance
	£'000	£'000	£'000	£'000	£'000
Consolidated					
London Business School Anniversary Trust	75,598	17,768	(15,514)	1,620	79,472
Global Entrepreneurship Research Association (GERA)	1,214	547	(714)	-	1,047
Not consolidated					
London Business School Student Association	754	2,391	(2,475)	-	670

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 25 November 2019)

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

HE Amr Al Dabbagh (retired 29 November 2018)
Chairman and CEO, Al Dabbagh Group

Mr Roger Carlson (appointed 29 November 2018)
CEO, FCT Europe Ltd

Ms Callan Carvey (appointed 1 June 2019)
Student Association President

Mr Evan Connell (retired 31 May 2019)
Student Association President

Professor Francesca Cornelli (retired 31 March 2019)
Professor of Finance

Professor Alex Edmans (retired 21 October 2019)
Professor of Finance

Mr Lars Fjeldsoe-Nielsen (appointed 29 November 2018)
General Partner, Balderton Capital

Mr Bradley Fried
Principal & founder, Grovepoint Capital

Mr Richard Frost
Secretary to Governing Body,

London Business School

Ms Elisabeth Grieg
Chair, Grieg International AS

Mr Ian Hannam
Founder and Chairman, Hannam & Partners

Professor Oded Koenigsberg (appointed 1 April 2019)
Professor of Marketing

Mr Savio Kwan (appointed 29 November 2018)
Co-Founder, Partner and CEO
A&K Consultant Company Ltd

Mrs Ingrid Kwok
Director of Construction Projects Management

Dame Mary Marsh
Non-Executive Director, HSBC Bank plc

Ms Fiona du Monceau
Venture Partner, UCB Ventures

Baroness Lucy Neville-Rolfe DBE CMG
House of Lords

François Ortalo-Magné
Dean, London Business School

Ms Nalisha Patel
Programme Director, MiM, London Business School

Professor Madan Pillutla (retired 31 July 2019)
Deputy Dean, Faculty
Professor of Organisational Behaviour

Mr David Pyott (Deputy Chairman)
Chairman of the Board of Directors, Bioniz Therapeutics

Professor Hélène Rey (retired 31 October 2019)
Professor of Economics, London Business School

Professor Irem Tuna (appointed 1 August 2019)
Deputy Dean, Faculty
Professor of Accounting, London Business School

Professor Freek Vermeulen
Professor of Strategy and Entrepreneurship, London Business School

Mr Hugh Wood
Head of Markets, Sales and Distribution (Disneyland Paris), EuroDisney Associes SCA

Professor Sarah Worthington (appointed 29 November 2018)
Downing Professor of the Laws of England and Fellow of Trinity College, Cambridge University

AUDIT & RISK COMMITTEE
Reports to Governing Body
Chair:
Dame Mary Marsh
Members:
Mr Eric Stobart
Ms Fiona du Monceau
Ms Elisabeth Grieg
Secretary:
Mrs Clare Kane, Deputy Secretary

In attendance:
Executives:
François Ortalo-Magné, Dean
Mr Richard Frost, School Secretary
Ms Tracy Siu, Director, Finance

FINANCE COMMITTEE
Reports to Governing Body
Chair:
Mr Bradley Fried
Other Non-Executives:
Baroness Lucy Neville-Rolfe
Mr Lars Fjeldsoe-Nielsen
Mr David Pyott
Secretary:
Mr Sam White, Strategic Finance Manager

In attendance
Executives:
François Ortalo-Magné, Dean
Mrs Helen Oakley, Director, Financial Planning & Analysis

INVESTMENT COMMITTEE
Reports to Finance Committee
Chair:
François Ortalo-Magné, Dean
Members:
Professor Stephen Schaefer
Professor Andrew Scott
Secretary:
Mr Sam White, Strategic Finance Manager

In attendance
Executives:
Mrs Helen Oakley, Director, Financial Planning & Analysis

GOVERNANCE & NOMINATIONS COMMITTEE
Reports to Governing Body
Chair:
The Hon Apurv Bagri
Members:
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:
François Ortalo-Magné, Dean
Mr Ian Hannam
Ms Ingrid Kwok
Baroness Lucy Neville-Rolfe
Secretary:
Mr Richard Frost, School Secretary

TREASURER
Ms Catherine Webster (retired 4 November 2019)
Associate Dean, Operations
Mrs Helen Oakley (appointed 4 November 2019)
Director, Financial Planning & Analysis

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