



FINANCIAL STATEMENTS

2010-2011. London experience. World impact.

Contents

Summary of financial highlights	2
Dean's and Chairman's statements	3
Corporate governance statement	4
Statement of the Governing Body's responsibilities	6
Public benefit statement	8
Treasurer's report	9
Independent auditor's report to the Governing Body of London Business School	12
Accounting policies	14
Consolidated income and expenditure account	18
Balance sheets	20
Consolidated cashflow statement	21
Notes to the financial statements	23
Governing Body	40
Professional advisers	41

Summary of financial highlights

	2011 £'000	2010 £'000
INCOME		
Academic fees	83,679	74,327
Funding Council grants	6,757	8,077
Research grants and contracts	1,475	2,071
Other income (including share of joint venture)	6,825	6,027
Endowment and livestment income	836	797
Total income	<u>99,572</u>	<u>91,299</u>

EXPENDITURE

Staff costs	48,864	46,914
Other costs		
External teaching and teaching support	19,891	16,348
Programme catering and accommodation	4,157	3,017
Marketing	5,470	4,619
Technology	2,011	1,855
Premises and utilities	5,475	5,397
Residences, catering and conferences	2,095	2,366
Depreciation	4,036	4,051
Loss on revaluation of properties	1,560	–
Interest payable	141	253
Other overheads (including tax)	6,474	7,193
Total expenditure	<u>100,174</u>	<u>92,013</u>
Share of operating surplus of associate company	116	122
Surplus for the year transferred to accumulated income in endowment funds	1,374	1,374
Surplus for the year	<u>888</u>	<u>782</u>

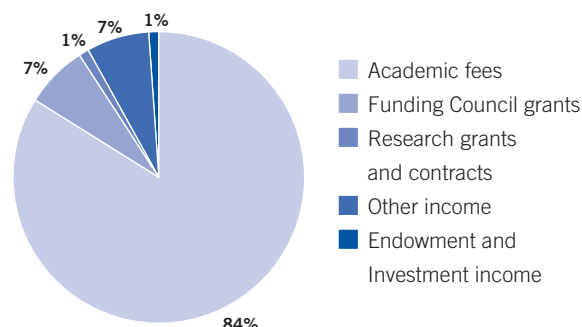
BALANCE SHEET

Tangible assets	76,067	68,425
Investments	10,462	12,500
Endowment assets	24,035	19,548
Current assets	16,151	11,966
Current liabilities	(36,950)	(35,736)
Long-term liabilities and provisions	(4,939)	(4,963)
Net assets	<u>84,826</u>	<u>71,740</u>
Represented by		
Expendable and permanent endowments	24,035	19,548
General reserves	9,355	7,641
Pension reserve	(4,407)	(4,413)
Revaluation reserve	32,143	24,218
Deferred capital grants	23,700	24,746
	<u>84,826</u>	<u>71,740</u>

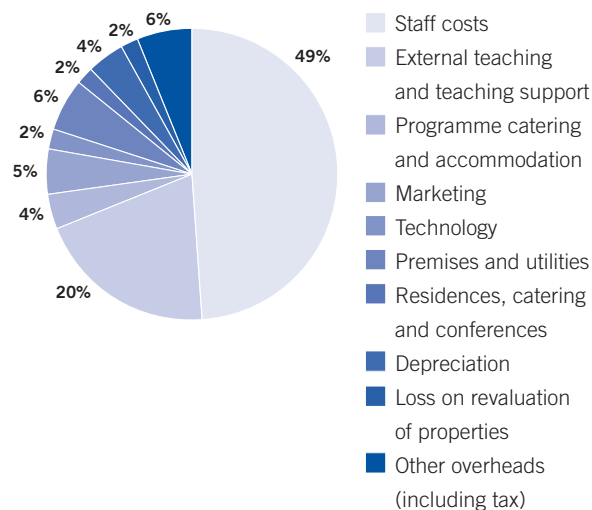
OTHER KEY STATISTICS

Net movement in cash funds for the year	<u>6,955</u>	<u>(1,294)</u>
Capital expenditure during the year	<u>5,313</u>	<u>7,151</u>

INCOME 2011



EXPENDITURE 2011



Dean's statement

This has been an important year for the School and I'd like to pick out four areas of particular long-term significance.

The first is the biggest ever commitment to our research by Deloitte in funding the Institute of Innovation and Entrepreneurship. Bringing together faculty from several disciplines, the Institute builds on the passion of faculty and students (including many who are interested in starting their own businesses) in developing the Entrepreneurship agenda.

The second is that, during the year, we won a number of significant executive education contracts, including the biggest in the School's history. The significance of these wins is that it marks a change to more long-term and deeper relationships with many of our clients which we intend to be the pattern for the future.

The third area is in the development of our vision and values. These have been derived from discussions with all our stakeholders and this process, we believe, provides a much better basis to embed the vision and values in the way we work for the future.

Finally, the work on the School's economic model, which I mentioned in last year's report, has been completed and now forms the basis for planning our future.

It's always a pleasure to be judged successful by others, and we were ranked highly again in many of the Business School ranking tables. But I always emphasise that our aim is not to do well in the rankings, but to provide the best possible experience to those who come through the School and for our research to be the source of inspiration to both managers and management scholars.

I've mentioned only four of the developments over the past year. There are many others which testify to how vibrant is the London Business School community. None of it would have been possible without the passion and commitment of the entire London Business School community – alumni, students, staff and faculty, Governing Body members, financial supporters, advisors and friends.



Sir Andrew Likierman
Dean
London Business School

Chairman's statement

London Business School enjoyed another successful year in 2010-11 in realising its endeavours to have a significant influence on the way the world does business.

For the third year running, the School's full-time MBA programme was ranked #1 in the world by the Financial Times. Meanwhile, both the EMBA and EMBA-Global Americas and Europe programmes improved their rankings, while the full-time Masters in Finance programme was ranked #1 in the inaugural post-experience Masters in Finance ranking.

The School's Executive Education operations have also thrived, with revenues for both the custom and open programmes increasing above target and winning a number of important new contracts from major global corporations.

The School continues to strengthen its outstanding reputation for producing top-quality research that influences business leaders and managers, public policy-makers and other researchers worldwide. Its research work was further enhanced by the launch in May 2011 of the Deloitte Institute of Innovation and Entrepreneurship.

We continue to make substantial investments in the School's estate and infrastructure in order to support our core teaching and research work and to ensure the continuing high quality of the experience enjoyed by our community.

I am extremely proud of the School's achievements over the last twelve months, and my fellow Governors and I look forward to another successful year for our world-class institution.



Sir John Ritblat
Chairman of Governing Body
London Business School

Corporate governance statement

The School is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the School has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how these principles have been applied.

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, appointed under the statutes of the School, the majority of whom are non-executive. The role of Chairman of Governing Body is separated from the role of the School's chief executive, the Dean. The role of Treasurer is undertaken by the Associate Dean, Operations. The matters specifically referred to the Governing Body for decision are set out in the statutes of the School. As is the custom, and under the Financial Memorandum with the Higher Education Funding Council for England ("HEFCE"), the Governing Body holds itself responsible for the ongoing strategic direction of the School. It approves major developments and receives regular reports from executive officers on the day-to-day operations of the School's business and its associated companies.

The School's Governing Body has had regard to the voluntary Governance Code of Practice contained in the Guide for Members of Higher Education Governing Bodies in the UK issued by the Committee of University Chairmen in 2004. The School's practices are consistent with the provisions of the code with the exception of the fact that the Governing Body's Statement of Primary Responsibilities is not published in the School's annual report, and results of its self-effectiveness reviews are not published in the School's annual report or on the School's website.

The Governing Body meets four times a year and has several committees, including an Audit Committee, a Finance Committee, a Remuneration Committee and a Nominations Committee. All of these committees are formally constituted with terms of reference and comprise mainly lay members of the Governing Body, one of whom is Chair.

The Audit Committee's role in corporate governance is to provide a high level review of the internal control arrangements of the School and report on this to the Governing Body. It meets at least three times annually with internal auditors and at least once a year with external auditors to discuss audit findings and recommendations for the improvement of the School's system of internal control, together with management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the School's business and monitors adherence to the regulatory requirements. Senior executives attend meetings of the Audit 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 budgets, 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 meets at least three times a year. The committee has an Investment Committee reporting to it. This committee meets at least twice a year to review and oversee the School's investment portfolio and strategy.

The Nominations Committee considers the filling of vacancies in the membership of the Governing Body and Governing Body Committees.

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 2011 and up to the date of approval of the financial statements, that it is regularly reviewed by the Governing Body and that it 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 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 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 Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its June 2011 meeting an assessment for the year ended 31 July 2011 was carried out upon receipt of documentation from senior management and the Audit Committee. At its November 2011 meeting, further assurance on risk and control was given to the Governing Body by senior management and the Audit Committee to enable the annual assessment for the year ended 31 July 2011 to take place. This assessment took into account events since 31 July 2011.

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 Committee, has ensured that internal controls are in place, and has satisfied itself that these controls are currently adequate to manage and reduce the risks identified.

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

Statement of the Governing Body's responsibilities

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

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

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

In relation to the preparation of the 2010-2011 financial statements, the Governing Body has ensured that:

- suitable accounting policies have been selected and applied consistently;
- judgements and estimates have been made that are reasonable and prudent;

- applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- the School has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cashflow budgets;

- regular reviews of academic performances and monthly reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, being subject to formal detailed appraisal and review according to established approval levels;
- comprehensive financial regulations, detailing financial controls and procedures;
- a professional internal audit function whose annual programme is approved by the Audit Committee.

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

BY ORDER OF THE GOVERNING BODY

Richard Frost
Secretary
22 November 2011

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 2015-16 the School is committed to generating endowment and expendable income through fundraising activity to create student scholarships, with the ultimate goal of ensuring that no potential student is prevented from applying for a place on its programmes for financial reasons.

A range of scholarships and bursaries are currently available to degree programme students including specific financial needs bursaries. The School also awards Government 'Access For Learning' grant funding.

The School invests in a Financial Aid function to assist prospective students identify the most suitable form of loan financing. The School works closely with a leading bank to provide a tailored loan product to the range of degree programmes undertaken.

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

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

Treasurer's report

Strategy & objectives

The School's vision is to have a profound impact on the way the world does business. It aims to achieve this vision through the delivery of degree and executive education programmes and the production and dissemination of research.

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

In 2010/11 the School continued to focus on expanding the degree and executive education programme portfolios; enhancing all aspects of the student and participant experience; continuing the drive to maintain its reputation as a research-led institution with a world-wide impact; and implementing a robust financial model to underpin its vision. The progress made in these areas over the year is set out below.

Expanding the programme portfolios:

The School successfully launched a second stream of the Masters in Management in September 2010. All other degree programmes generally recruited at or above target.

A strategic review of the Open Programme portfolio resulted in a decrease in the number of programmes offered and focused on enhancing the quality of the programmes which remained. This led to a growth in participant numbers of 12% and in revenues of 20%.

A strategic review of the market positioning and product strategy for Custom Programmes resulted in the School successfully acquiring key new clients in the year. The design and delivery of these programmes has resulted in increasing revenues in the current year by 13%, and will continue to bring revenues to the School over the next few years.

Enhancing the student and participant experience:

The School seeks continual improvement by undertaking comprehensive reviews of the content and delivery of its programmes on a cyclical basis.

Recommendations from reviews of the Executive MBA and EMBA-Global programmes were implemented this year. A review of the MBA programme was completed which will lead to improvements in future years.

Degree programmes maintained their position in key rankings which included the MBA programme ranked 1st by the Financial Times for the third successive year. The EMBA and EMBA Global programmes improved their position to 6th and 2nd respectively. The Masters in Finance was ranked 1st in the Financial Time's first Masters in Finance post experience ranking.

Executive Education internal ratings from participants exceeded targets. Executive Education rankings in the Financial Times were unchanged at 6th for Open Programmes and up one place to 29th for Custom Programmes. In BusinessWeek Open Programmes were ranked 6th and Custom Programmes 12th.

Reputation as a research-led institution:

The School continued to work to increase the size of its faculty complement. Five new members of faculty were recruited in 2010/11 to join the School in the 2011/12 year. This will be offset by five members of faculty leaving the School, all of whom are taking up posts at other schools. At July 2011 the total number of core faculty stood at 98.

The PhD programme admitted 17 students to the programme against a target annual intake of 14. Of the ten graduating students, eight obtained an academic placement, all at top European schools, and two took non-academic positions.

The School's research strategy is to undertake top quality research that will influence business leaders and managers, public policy-makers and other researchers worldwide. In line with this strategy one key research initiative was launched in the year - The Deloitte Institute of Innovation and Entrepreneurship.

Implementing a robust financial model:

Planning and budgeting, including risk assessments, focuses on achieving the School's strategy and objectives. The School strives to both balance its

Treasurer's report *continued*

operating budget and at the same time ensure it has funds available for investment for the future.

Scope of the financial statements

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

CMD undertakes activities that are more appropriately channelled through a limited company and donates profits to the Trust under gift aid. The Trust in turn donates money to the School to support investment in faculty, research, estates services and fundraising. The financial statements of the Trust have been prepared under the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005.

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 2011 is as follows:

	2011 £'000	2010 £'000
Income	99,572	91,299
Expenditure	(98,614)	(92,013)
Loss on revaluation of properties	(1,560)	–
Share of operating surplus of associate company	116	122
Endowment funds	1,374	1,374
Surplus for the year retained within general reserves	888	782

Deficit for the year after tax	(486)	(592)
Pension fund actuarial (loss) / gain	(182)	1,362
Endowments	4,884	4,960
Unrealised gain following the revaluation of properties	7,926	–
Increase following the revaluation of investments	2,204	2,909
Transfer to deferred capital gains	(214)	–
Total recognised gains for the year	14,132	8,639

Operating results

We are pleased to report that the School has had a good year and remains financially sound. Despite a charge of £1.6 million following the revaluation of properties, the School still achieved an operating surplus of £0.9 million.

Income in the year grew by over £8 million (9%). Fees from Degree Programmes grew from £47 million to £51 million (8%), as a result of both price increases and increased student numbers. Most notably the second stream of the Masters in Management was launched in September 2010 and the Sloan programme generated an additional £1 million income. Both Executive Education Open Programmes and Custom Programmes also grew significantly in the year achieving growths in revenue of over £3 million (28%) and nearly £2 million (13%) respectively.

Growth in fee income were offset by reductions in income from the Funding Council, and from research and grants, of around £2 million.

Expenditure in the year grew by around £6 million (7%). Staff costs continued to be closely managed and, despite the growth in revenues of 9%, only increased by 4%.

Other operating expenses increased by nearly £5 million (11%) largely due to the increasing costs in the market of buying-in teaching which accounted for over £4 million of this increase. All other operating expenses, which includes marketing, technology, premises, utilities and the costs of other services and administration actually fell slightly year on year by around £0.5 million.

Fundraising

Unlike the top ten business schools, School still has no major endowment.

Fundraising did, however, receive commitments of £14.4 million (2009/10 £6.3 million); and generated nearly £7 million of cash receipts this year, similar to last year.

Reserves

Overall reserves have increased by over £14 million from £47 million to over £61 million.

General reserves increased by £1.7 million. Expendable and Permanent Endowments increased by £4.5 million. The Revaluation Reserve increased by £7.9 million.

Investment portfolio

Investment income totalling £0.8 million is included in the income and expenditure account for the year, similar to last year.

The market value of our investment portfolio at the year end was £34.2 million compared to £31.9 million at last year end. An unrealised gain of £2.2 million or 6 % upon revaluation of the investment portfolio has been included in the total recognised gains for the year.

The School's investment portfolio is managed using the products of an external fund manager. The performance of the portfolio is monitored by the Investment Committee. The net return on funds during the year was in line with market benchmarks.

Capital projects

The School continues to invest in its estate, its facilities, and its technology particularly as student numbers grow and as it strives to improve the quality of the experience for everyone on campus.

During the year to 31 July 2011 we invested over £5 million (£7 million in 2010). This included £1.6 million to acquire a new office building close to the main campus; £0.7 million to progress the design and planning application to develop the main campus; and £1.3 million to refurbish a number of areas on the main campus. The School also invested £0.9 million in transforming its business systems and a further £0.8 million in its technology infrastructure.

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 the experience in general; graduate recruitment; Degree Programme applications and conversions; Executive Education participant applications and numbers; financial risks to achieving the budget; and staff turnover. These allow us to take necessary action as quickly as possible where required during the year.

The future

It continues to be the vision of London Business School to have a profound impact on the way the world does business. We continue to ensure that our plans for the future provide the School with a robust financial model to underpin the achievement of the vision.

We plan to focus on continuing to enhance the experience for our students and participants in the coming few years; and we plan to continue to grow numbers, particularly in Custom Programmes, where we will be finalising a strategic review of our market positioning and product strategy.

Whilst maintaining and growing revenues is a key component of the School's financial strategy, so too is continuing to manage our operating costs and achieve efficiencies. In particular, we need to continue to invest in our faculty and our staff; and in the provision of teaching technologies; in IT Customer Services, and in IT infrastructure.

Investing in our fundraising and developing a comprehensive campaign to provide funding to support both our ongoing costs and future investment remains a key priority. Fundraising efforts in the future will be focused around space, scholarship, faculty and technology.

Catherine Webster
Treasurer
22 November 2011

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

We have audited the group and School financial statements (the "financial statements") of London Business School for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and School Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Governing Body and auditor

As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 6 the Governing Body is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and School as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

- funds from whatever source administered by the School for specific purposes have been properly applied to those purposes
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Statement of the Governing Body's responsibilities is inconsistent with our knowledge of the School and group.

Neil Thomas

for and on behalf of KPMG LLP. Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

United Kingdom

25 November 2011

Accounting policies

(a) Basis of accounting

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

(b) Basis of consolidation

The consolidated financial statements include the financial statements of London Business School (“The School”) and its subsidiary and quasi-subsidiary undertakings for the financial year to 31 July. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

The consolidated financial statements do not include the financial statements of London Business School Students Association as the School has no control or dominant influence over policy decisions and therefore it is considered to be a separate entity.

(c) Grants

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

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

Research grants are credited to the research grants and contracts account for the relevant project. Any balances on such projects comprising unexpended amounts, or expenditure awaiting reimbursement, are included in debtors or creditors as appropriate.

(d) Fee income

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

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

(e) Restricted charitable donations and income recognition

Charitable donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred to achieve the specified objectives. Donations retained for the benefit of the School are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised as other income in the income and expenditure account.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the objectives of the endowment is transferred from the income and expenditure account to restricted

endowments. Any realised gains or losses are retained within the endowment in the balance sheet.

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

(f) Foreign currencies

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

(g) Pensions

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

The London Business School Staff Pension Scheme (SPS) is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The SPS closed to new members from 1 August 2004 and to current members from 1 August 2010. The difference between the fair value of the assets held in the SPS and the liabilities of the SPS, measured on an actuarial basis using the projected unit method, are recognised in the School's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the School is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. Changes in the SPS asset or liability arising from factors other than cash contribution by the School are charged to the income and expenditure account or the statement of total recognised gains and losses in accordance with FRS17 "Retirement Benefits".

The School participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The School is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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

(h) Fixed assets

All fixed assets costing more than £3,000 are capitalised. All assets are stated at cost or in the case of freehold/leasehold at valuation. All assets are depreciated in line with their expected useful lives using the straight line method at the following rates:

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

Accounting policies *continued*

which they occur. Assets in the course of construction are accounted for at cost and are capitalised as incurred but are depreciated only when the individual asset is operational.

(i) Heritage assets

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

(j) Maintenance of premises

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

(k) Investments

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

(l) Stock

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

(m) Taxation status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256

of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The University 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.

(n) Leases

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

(o) Provisions

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.

(p) Accounting for charitable donations

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

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

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the School;

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

(q) Funds

The following types of funds are maintained:

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

(r) Going concern

The financial statements are prepared on the going concern basis. The Governing Body have been provided with financial forecasts and estimates of income, expenditure and cash flows for the period to 31 July 2016. Detailed income forecasts and monthly cash flows have been prepared for the period to 31 July 2012. Adequate borrowing

arrangements are in place together with the investment portfolio to mitigate financial risks contained within the projections.

(s) Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

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

Consolidated income and expenditure account

for the year ended 31 July 2011

	Notes	2011 £'000	2010 £'000
INCOME			
Academic fees	1	83,679	74,327
Funding Council grants	2	6,757	8,077
Research grants and contracts		1,475	2,071
Other income	3	6,825	6,027
Endowment and investment income	4	836	797
Total income		<u>99,572</u>	<u>91,299</u>
EXPENDITURE			
Staff costs	6	48,864	46,914
Other operating expenses	7	45,714	41,048
Depreciation	10	4,036	4,051
Loss on revaluation of properties		1,560	–
Total expenditure		<u>100,174</u>	<u>92,013</u>
Deficit after depreciation of tangible fixed assets and before tax		(602)	(714)
Taxation	8	–	–
Deficit after depreciation of tangible fixed assets and tax	9	(602)	(714)
Share of operating surplus of associate company	11	116	122
Deficit for the year after tax		(486)	(592)
Surplus for the year transferred to accumulated income in endowment funds	15	1,374	1,374
Surplus for the year retained within general reserves		<u>888</u>	<u>782</u>

The notes on pages 23-39 form part of these financial statements.

Consolidated statement of total recognised gains and losses

for the year ended 31 July 2011

	Notes	2011 £'000	2010 £'000
Deficit for the year after tax		(486)	(592)
New endowments	15	4,884	4,960
Pension fund actuarial (loss) / gain	20	(182)	1,362
Unrealised gain following the revaluation of properties		7,926	–
Increase following the revaluation of investments		2,204	2,909
Transfer to deferred capital grants		(214)	–
Total recognised gains for the year		<u>14,132</u>	<u>8,639</u>

Note of historical cost gains and losses

for the year ended 31 July 2011

		2011 £'000	2010 (Re-stated) £'000
Deficit for the year before tax		(486)	(592)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year, calculated on the revalued amount		(742)	373
Historical cost deficit for the year before tax		<u>(1,228)</u>	<u>(219)</u>
Taxation	8	–	–
Historical cost deficit for the year after tax		<u>(1,228)</u>	<u>(219)</u>

The comparative figures have been adjusted to commence with the correct deficit before tax figure.

Reconciliation of total reserves

for the year ended 31 July 2011

		2011 £'000	2010 £'000
Opening reserves and endowments	16	46,994	38,355
Total recognised gains for the year		<u>14,132</u>	<u>8,639</u>
Closing reserves and endowments	16	<u>61,126</u>	<u>46,994</u>

Balance sheets

as at 31 July 2011

	Notes	Consolidated		London Business School	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
FIXED ASSETS					
Tangible assets	10	76,067	68,425	76,028	68,386
Other investments	11	10,210	12,364	201	91
Investment in associate company	11	252	136	–	–
		<u>86,529</u>	<u>80,925</u>	<u>76,229</u>	<u>68,477</u>
ENDOWMENT ASSETS					
	11	24,035	19,548	–	–
CURRENT ASSETS					
Stock		105	56	105	56
Debtors	12	9,930	10,010	5,430	16,524
Cash at bank and in hand		6,116	1,900	5,336	557
		<u>16,151</u>	<u>11,966</u>	<u>10,871</u>	<u>17,137</u>
Creditors: amounts falling due within one year	13	<u>(36,950)</u>	<u>(35,736)</u>	<u>(35,646)</u>	<u>(40,606)</u>
Net current liabilities		<u>(20,799)</u>	<u>(23,770)</u>	<u>(24,775)</u>	<u>(23,469)</u>
Total assets less current liabilities		<u>89,765</u>	<u>76,703</u>	<u>51,454</u>	<u>45,008</u>
Creditors: amounts falling due after more than one year	14	<u>(532)</u>	<u>(550)</u>	<u>(532)</u>	<u>(550)</u>
Net assets excluding pension liability		<u>89,233</u>	<u>76,153</u>	<u>50,922</u>	<u>44,458</u>
Net pension liability	20	<u>(4,407)</u>	<u>(4,413)</u>	<u>(4,407)</u>	<u>(4,413)</u>
Net assets including pension liability		<u>84,826</u>	<u>71,740</u>	<u>46,515</u>	<u>40,045</u>
ENDOWMENTS					
Expendable	15	6,413	5,423	–	–
Permanent	15	17,622	14,125	–	–
Reserves					
General		9,355	7,641	(4,922)	(4,506)
Pension	20	(4,407)	(4,413)	(4,407)	(4,413)
Revaluation		32,143	24,218	32,143	24,218
Total	16	<u>61,126</u>	<u>46,994</u>	<u>22,814</u>	<u>15,299</u>
Deferred capital grants	17	23,700	24,746	23,701	24,746
Total funds		<u>84,826</u>	<u>71,740</u>	<u>46,515</u>	<u>40,045</u>

Approved by the Governing Body and authorised for issue on 17 November 2011.

Sir John Ritblat
Chairman

Sir Andrew Likierman
Dean

Consolidated cashflow statement

for the year ended 31 July 2011

	Notes	2011 £'000	2010 (Re-stated) £'000
Net cash inflow / (outflow) from operating activities	A	6,706	(1,288)
Returns on investments and servicing of finance			
Income from endowments	15	418	340
Other investment income		356	441
Interest received	4	44	15
Interest paid		(141)	(9)
Net cash inflow from returns on investments and servicing of finance		<u>677</u>	<u>787</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets	10	(5,313)	(7,151)
New endowments received	15	4,884	4,960
Cash movement on investments		(128)	(10)
Deferred capital grants received	17	129	1,408
Net cash outflow from capital expenditure and financial investment		<u>(428)</u>	<u>(793)</u>
Management of liquid resources			
Withdrawal of deposits		–	344
Increase / (decrease) in cash in the year		<u>6,955</u>	<u>(950)</u>
RECONCILIATION OF NET CASHFLOW TO INVESTMENT IN NET FUNDS / (DEBT)			
Increase / (decrease) in cash in the year		6,955	(950)
Cash outflow from liquid resources		–	(344)
Movement in net funds / (debt) in the year		6,955	(1,294)
Net (debt) / funds at 1 August		<u>(839)</u>	<u>455</u>
Net funds / (debt) at 31 July	B	<u>6,116</u>	<u>(839)</u>

The comparative figures have been adjusted to commence with “Deficit after depreciation of tangible fixed assets and before tax” in note A and for the removal of non-cash line items no longer required.

Consolidated cashflow statement *continued*

for the year ended 31 July 2011

Notes to the consolidated cashflow statement

A. Reconciliation of operating deficit to net cash flow from operating activities	Notes	2011	2010
		£'000	(Re-stated) £'000
Deficit after depreciation of tangible fixed assets and before tax		(602)	(714)
Depreciation	10	4,036	4,051
Deferred capital grants released	17	(1,389)	(1,393)
Pension contribution less current service cost	20	(328)	(449)
(Increase) / decrease in stock		(49)	9
Decrease in debtors		97	4,931
Increase / (decrease) in creditors		4,076	(7,107)
Endowment and investment income	4	(836)	(797)
Interest payable		141	253
Loss on revaluation of properties		1,560	–
Gain on dissolution of joint venture		–	(72)
Net cash inflow / (outflow) from operating activities		6,706	(1,288)

B. Change in net funds / (debt)	At 1 August	Cashflow	At 31 July
	2010	£'000	2011
	£'000	£'000	£'000
Cash at bank and in hand	1,900	4,216	6,116
Overdraft	(2,739)	2,739	–
Net funds	(839)	6,955	6,116

Notes to the financial statements

31 July 2011

1 Academic fees

	Notes	2011 £'000	2010 £'000
MBA		20,176	17,910
Masters in Management		3,186	2,365
Sloan Fellowship		2,676	1,614
Executive MBA		13,579	13,962
EMBA-Global / Global Asia		4,086	4,022
Masters in Finance		6,086	6,179
PhD Programme		1,053	942
Executive Education Open Programmes		16,673	13,039
Executive Education Custom Programmes		16,164	14,294
		<u>83,679</u>	<u>74,327</u>

2 Funding Council grants

		2011 £'000	2010 £'000
Mainstream teaching funds		288	297
Mainstream research funds		3,610	4,731
Higher Education Innovation Fund		1,900	2,078
WP Basic grant		10	18
Released from deferred capital grants			
Buildings	17	411	411
Equipment	17	538	542
		<u>6,757</u>	<u>8,077</u>

3 Other income

		2011 £'000	2010 £'000
Donations received		6,765	6,866
Less: endowments retained in reserves	15	(4,884)	(4,960)
Donations income		1,881	1,906
Released from deferred capital grants	17	440	440
Residences, catering and conferencing		3,004	2,482
Other general income		1,500	1,199
		<u>6,825</u>	<u>6,027</u>

Notes to the financial statements *continued*

31 July 2011

4 Endowment and investment income

	Notes	2011 £'000	2010 £'000
Income from expendable endowments	15	287	233
Income from permanent endowments	15	131	107
Other investment income		374	442
Other interest received		44	15
		<u>836</u>	<u>797</u>

5 Governors' remuneration

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

6 Staff costs

	2011 £'000	2010 £'000
Wages and salaries	40,887	39,247
Social security costs	3,799	4,154
Other pension costs	4,506	3,962
SPS pension contribution less current service cost	(328)	(449)
	<u>48,864</u>	<u>46,914</u>

Emoluments of the Dean

	2011 £'000	2010 £'000
Salary	330	326
Pension	53	51
Teaching points earned	1	16
Total aggregate emoluments of the Dean	<u>384</u>	<u>393</u>

6 Staff costs *continued*

	2011	2010 (Re-stated)
	Numbers	Numbers
Average staff numbers by major category		
Academic including research	107	109
Other	546	491
	<u>653</u>	<u>600</u>

The number of staff reported above is the average over each year. The 2009/10 figure previously reported 586 staff (Academic and Research - 99; Other - 487), the number of staff in post in July 2010.

Total earnings of higher paid staff (excluding the Dean)

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

Total earnings in the individual bands were as follows:

£100,000 - £109,999: 12, £110,000 - £119,999: 13, £120,000 - £129,999: 7, £130,000- £139,999: 7, £140,000 - £149,999: 14, £150,000 - £159,999: 4, £160,000 - £169,999: 6, £170,000 - £179,999: 8, £180,000 - £189,999: 3, £190,000 - £199,999: 4, £200,000 - £209,999: 5, £210,000 - £219,999: 4, £220,000 - £229,999: 2, £230,000- £239,999: 1, £240,000 - £249,999: 2, £250,000 - £259,999: 1, £260,000 - £269,999: 2, £270,000 - £279,999: 2, £280,000 - £289,999: 3, £310,000 - £319,999: 1, £320,000 - £329,999: 1, £330,000 - £339,999: 1, £340,000- £349,999: 1, £370,000 - £379,999: 2, £380,000- £389,999: 1

For comparison purposes, total earnings in 2009/10 were as follows:

£100,000 - £109,999: 12, £110,000 - £119,999: 8, £120,000 - £129,999: 13, £130,000- £139,999: 4, £140,000 - £149,999: 7, £150,000 - £159,999: 7, £160,000 - £169,999: 6, £170,000 - £179,999: 6, £180,000 - £189,999: 5, £200,000 - £209,999: 5, £210,000 - £219,999: 3, £220,000 - £229,999: 3, £230,000- £239,999: 2, £240,000 - £249,999: 5, £260,000 - £269,999: 3, £280,000 - £289,999: 1, £290,000 - £299,999: 2, £310,000 - £319,999: 2, £320,000 - £329,999: 2, £340,000 - £349,999: 1, £350,000 - £359,999: 3, £360,000 - £369,999: 2, £370,000 - £379,999: 1, £470,000 - £479,999: 1.

	2011	2010
	£'000	£'000
Compensation for loss of office to senior staff earning in excess of £100,000 per annum	<u>28</u>	<u>88</u>

Notes to the financial statements *continued*

31 July 2011

7 Other operating expenses

	2011	2010
	£'000	(Re-stated) £'000
External teaching	9,968	6,337
Programme catering and accommodation	4,157	3,017
Teaching support	4,562	5,059
Bought in teaching	5,361	4,952
Marketing	5,470	4,619
Technology	2,011	1,855
Premises and utilities	5,475	5,397
Residences, catering and conferences	2,095	2,366
Other overheads	6,474	7,193
Interest payable	141	253
	<u>45,714</u>	<u>41,048</u>

The comparative figures for various items within other operating expenses have been adjusted to reflect a reclassification between expenditure allocations. There has been no change to the total other operating expenses. The effect of this is as follows:

	2010		2010
	(as previously stated)	Transfer	(as re-stated)
	£'000	£'000	£'000
External teaching	9,354	(3,017)	6,337
Programme catering and accommodation	–	3,017	3,017
Research Support	607	(607)	–
Other overheads	6,586	607	7,193

8 Taxation

	2011	2010
	£'000	£'000
UK corporation tax at 27.33% (2009: 28%)	–	–
	<u>–</u>	<u>–</u>

9 Deficit on operations after tax

The deficit on operations after tax is stated after charging:

	2011	2010
	£'000	£'000
Depreciation of tangible fixed assets	4,036	4,051
Operating leases for plant and machinery	55	21
Operating leases for other assets	576	563
Auditor's remuneration:		
Group audit fee	83	82
Group other fees	32	33

Included in the group audit fee is an amount of £62,000 (2010: £58,000) in respect of London Business School.

10 Tangible assets

CONSOLIDATION	Land and Buildings		Assets in course of construction	Facility improve- ments	Furniture and equipment	Total
	Freehold	Long leasehold				
COST OR VALUATION	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2010	17,379	41,500	3,390	8,246	6,163	76,678
Additions	–	–	4,449	20	844	5,313
Transfer from AICC	–	–	(254)	254	–	–
Transfers	5,460	2,085	–	(7,545)	–	–
Revaluation	(2,989)	3,415	–	–	–	426
At 31 July 2011	<u>19,850</u>	<u>47,000</u>	<u>7,585</u>	<u>975</u>	<u>7,007</u>	<u>82,417</u>
DEPRECIATION						
At 1 August 2010	372	1,913	–	1,194	4,774	8,253
Charges for the year	372	1,913	–	848	903	4,036
Transfers	962	407	–	(1,369)	–	–
Revaluation	(1,706)	(4,233)	–	–	–	(5,939)
At 31 July 2011	<u>–</u>	<u>–</u>	<u>–</u>	<u>673</u>	<u>5,677</u>	<u>6,350</u>
NET BOOK VALUE						
Balance at 31 July 2011	<u>19,850</u>	<u>47,000</u>	<u>7,585</u>	<u>302</u>	<u>1,330</u>	<u>76,067</u>
Balance at 31 July 2010	<u>17,007</u>	<u>39,587</u>	<u>3,390</u>	<u>7,052</u>	<u>1,389</u>	<u>68,425</u>

On 31 July 2011 the freehold and long leasehold land and buildings were re-valued at £68.3 million on the basis of existing use value by Drivers Jonas, Chartered Surveyors. This includes £1.5m for one property which is currently recorded under assets in the course of construction.

The School does not ordinarily capitalise its heritage assets. Within the Anniversary Trust one heritage asset has been capitalised, at the value on the date the piece was acquired. In addition, the School has been gifted a number of other items of artwork considered to be heritage assets but has not capitalised these as in aggregate they are not deemed to be of sufficient material value to affect the presentation of the financial statements. The total insurance value of these items is £300,000.

Notes to the financial statements *continued*

31 July 2011

10 Tangible assets *continued*

SCHOOL	Land and Buildings		Assets in course of construction	Facility improve- ments	Furniture and equipment	Total
	Freehold	Long leasehold				
COST OR VALUATION	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2010	17,379	41,500	3,390	8,246	6,140	76,655
Additions	–	–	4,449	20	828	5,297
Transfer from AICC	–	–	(254)	254	–	–
Transfers	5,460	2,085	–	(7,545)	–	–
Revaluation	(2,989)	3,415	–	–	–	426
At 31 July 2011	19,850	47,000	7,585	975	6,968	82,378
DEPRECIATION						
At 1 August 2010	372	1,913	–	1,194	4,790	8,269
Charges for the year	372	1,913	–	848	887	4,020
Transfers	962	407	–	(1,369)	–	–
Revaluation	(1,706)	(4,233)	–	–	–	(5,939)
At 31 July 2011	–	–	–	673	5,677	6,350
NET BOOK VALUE						
Balance at 31 July 2011	19,850	47,000	7,585	302	1,291	76,028
Balance at 31 July 2010	17,007	39,587	3,390	7,052	1,350	68,386

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

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

	2011	2010 (Re-stated)
	£'000	£'000
Freehold	14,985	15,267
Long leasehold	10,053	10,269
Facility Improvements	15,870	18,973
	40,908	44,509

The comparative figures for historical cost value have been adjusted to reflect a reassessment of historical transactions.

11 Investments

Investments in associates

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

Endowment and other investments

	2011 £'000	2010 £'000
Endowment assets	24,035	19,548
Investments held by SPV	–	3
Other investments	10,210	12,361
Investment in associate company	252	136
	<u>34,497</u>	<u>32,048</u>

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

As at 31 July	2011 £'000	2010 £'000
Market value	34,245	31,912
Book cost	29,663	29,663

Shares in subsidiaries

	2011 £	2010 £
London Business School Trust Company Limited	4	4
London Business School Trading Company Limited	91,304	91,304
	<u>91,308</u>	<u>91,308</u>

Notes to the financial statements *continued*

31 July 2011

11 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. Sir John Ritblat, Chairman of Governing Body, holds two shares as nominee for the School. The remaining two shares are held by Sir Andrew Likierman as nominee for the School. None of the other governors had any interest in the share capital of this company.

The School's holding in London Business School Trading Company Limited, shown at cost, represents 91,304 (2010: 91,304) ordinary shares of £1 each, being the total issued share capital of the company.

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

Sussex Place (General Partner) Limited
 Sussex Place II (General Partner) Limited
 Combined London Colleges (General Partner) Limited
 Sussex Place (Founder Partner) Limited

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

12 Debtors

	Consolidated		School	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade debtors	6,608	4,265	1,094	225
Amounts owed by subsidiary undertakings	–	–	2,990	13,651
Other debtors	598	457	595	369
Prepayments and accrued income	2,724	5,288	751	2,279
	<u>9,930</u>	<u>10,010</u>	<u>5,430</u>	<u>16,524</u>

13 Creditors: amounts falling due within one year

	Consolidated		School	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Bank overdraft	–	2,739	–	2,739
Course payments received in advance	16,578	13,614	16,578	13,614
Other creditors	103	418	66	251
Accruals and deferred income	16,248	15,789	14,526	12,851
Amounts owed to subsidiary undertakings	–	–	920	8,385
Social security and other taxation	1,653	1,166	1,554	1,155
Trade creditors	2,368	2,010	2,002	1,611
	<u>36,950</u>	<u>35,736</u>	<u>35,646</u>	<u>40,606</u>

14 Creditors: amounts falling due after more than one year

	Consolidated		School	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Accruals and deferred income	<u>532</u>	<u>550</u>	<u>532</u>	<u>550</u>

15 Endowments

	2011 Expendable £'000	2011 Permanent £'000	2011 Total £'000	2010 Total £'000
At 1 August 2010	5,423	14,125	19,548	14,655
Transfers	8	–	8	–
New endowments	2,668	2,216	4,884	4,960
Investment Income	287	131	418	340
Expenditure	(1,800)	–	(1,800)	(1,714)
Increase in market value of investments	41	1,150	1,191	1,307
Transfer to Deferred Capital Grants	(214)	–	(214)	–
At 31 July 2011	<u>6,413</u>	<u>17,622</u>	<u>24,035</u>	<u>19,548</u>

Restricted Expendable Endowments comprise monies received, which are expendable but restricted by type.

Restricted Permanent Endowments comprise monies received, which are to be held in perpetuity. The only expendable element being Investment Return, as allocated by London Business School.

All Permanent and Expendable Endowments are represented by investments.

Surplus for the year transferred from the income and expenditure account to accumulated income in endowment funds:

	2011 £'000
Expenditure	1,792
Investment income	(418)
Surplus for the year	<u>1,374</u>

Notes to the financial statements *continued*

31 July 2011

16 Reserves

Consolidated	Expendable	Permanent	General	Pension	Revaluation	Total
	endowments	endowments	reserves	reserve	reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2010	5,423	14,125	7,641	(4,413)	24,218	46,994
Net movement	990	3,497	1,714	6	7,925	14,132
At 31 July 2011	<u>6,413</u>	<u>17,622</u>	<u>9,355</u>	<u>(4,407)</u>	<u>32,143</u>	<u>61,126</u>
School	Expendable	Permanent	General	Pension	Revaluation	Total
	endowments	endowments	reserves	reserve	reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2010	–	–	(4,506)	(4,413)	24,218	15,299
Net movement	–	–	(416)	6	7,925	7,515
At 31 July 2011	<u>–</u>	<u>–</u>	<u>(4,922)</u>	<u>(4,407)</u>	<u>32,143</u>	<u>22,814</u>

17 Deferred capital grants

	Consolidated and School		
	HEFCE	Other	Total
	£'000	£'000	£'000
At 31 July 2010			
Buildings	2,684	18,514	21,198
Equipment	3,498	50	3,548
Total	<u>6,182</u>	<u>18,564</u>	<u>24,746</u>
Cash received			
Equipment	129	–	129
Total	<u>129</u>	<u>–</u>	<u>129</u>
Transfer from endowment funds			
Equipment	–	214	214
Total	<u>–</u>	<u>214</u>	<u>214</u>
Released to income and expenditure			
Buildings	(411)	(435)	(846)
Equipment	(538)	(5)	(543)
Total	<u>(949)</u>	<u>(440)</u>	<u>(1,389)</u>
At 31 July 2011			
Buildings	2,273	18,079	20,352
Equipment	3,089	259	3,348
Total	<u>5,362</u>	<u>18,338</u>	<u>23,700</u>

18 Capital commitments

Capital expenditure amounting to £1.2 million was contracted for at 31 July 2011 (2010: £0.6 million).

19 Lease commitments

	Land and buildings 2011 £'000	Land and buildings 2010 £'000	Plant and machinery 2011 £'000	Plant and machinery 2010 £'000
Expiring within 1 year	–	–	–	17
Expiring within 2-5 years	360	90	63	–
Expiring in more than 5 years	214	393	–	–
	<u>574</u>	<u>483</u>	<u>63</u>	<u>17</u>

20 Pension schemes

(a) Pension scheme details

The two principal pension schemes for the School's staff are the Universities Superannuation Scheme (USS) and the London Business School Staff Pension Scheme (SPS). Both schemes are defined benefit schemes and the assets of both schemes are held in separate trustee-administered funds. USS provides benefits based on final pensionable salary for academic and some employees of all UK Universities and some other employers. SPS provides similar benefits for other staff of the School. The SPS was closed to current staff members from 1 August 2010.

In July 2010 the Government announced that statutory revaluation in deferment and increases in payment would in the future be based on the Consumer Prices Index (CPI) rather than, as previously, the Retail Prices Index (RPI). The effect of this on a scheme depends on the interaction of the statutory requirements and its rules. The School and the Trustees of the SPS have reviewed the rules and associated members' literature and concluded that, where relevant, revaluation in deferment will be based on CPI in the future but that increases in payment will remain linked to RPI.

The accounting treatment of the change is covered by ASB UITF Abstract 48. In accordance with this, the accounting impact of the change has been treated as a change in assumptions rather than benefits and therefore recorded within the Statement of Total Recognised Gains and Losses rather than the Income and Expenditure statement

Key assumptions and summary data are as follows:

	USS 31 March 2008	SPS 1 August 2009
Latest actuarial valuations		
Assumptions		
Investment returns (per annum)	6.1%	7.0%
Salary scale increases (per annum)	4.3%	4.6%
Pension increases (per annum)	3.3%	3.5%
Rate of inflation (per annum)	3.6%	3.6%
	<u>£million</u>	<u>£'000</u>
Market value of assets	28,842	6,904
Market value of past service liabilities	(40,619)	(9,105)
Deficit of assets	(11,777)	(2,201)
Proportion of members' accrued benefits covered by assets	<u>71%</u>	<u>76%</u>

Notes to the financial statements *continued*

31 July 2011

20 Pension schemes *continued*

Contribution rates	USS	SPS
Employer's rate for the year to 31 July 2009	14.0%	17.6%
Employer's rate for the period 1 August to 30 September 2009	14.0%	17.6%
Employer's rate for the period 1 October 2009 to 31 July 2011	16.0%	17.6%

Pension cost

The total pension cost for the School for the year ended was:

	2011	2010
	£'000	£'000
Contributions to USS defined benefit scheme	3,502	3,017
Contributions to SPS defined benefit scheme	442	433
Contributions to defined contribution scheme	72	61
	<u>4,016</u>	<u>3,511</u>

(b) USS – FRS 17

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new 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. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

20 Pension schemes *continued*

Standard mortality tables were used as follows:

Male members' mortality: PA92 MC YoB tables – Rated down 1 year

Female members' mortality: PA92 MC YoB tables – No age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65: 22.8 (24.8) years

Males (females) currently aged 45: 24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Notes to the financial statements *continued*

31 July 2011

20 Pension schemes *continued*

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increase	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities.

Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cashflow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the School had 332 active members participating in the scheme.

The total pension cost for the School was £3,502,000 (2010: £3,017,000). This includes £1,321 (2010: £264,555) outstanding contributions at the balance sheet date. The contribution rate payable by the School was 16% of pensionable salaries.

20 Pension schemes *continued*

(c) SPS – FRS 17

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

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

	31st July 2011	31st July 2010
Discount rate for liabilities	5.2%	5.4%
Price inflation (RPI)	3.8%	3.6%
Price inflation (CPI)	3.1%	2.9%
Future pay increases	N/A	4.6%
Future increases to pensions in deferment	3.1%	3.6%
Future increases to pensions in payment	3.6%	3.5%
Mortality table	PCMA00/PCFA00, year of birth, medium cohort projection with 1% underpin	PCMA00/PCFA00, year of birth, medium cohort projection with 1% underpin
Expected return on assets	6.2%	6.5%

Value of liabilities and resulting deficit:

	31st July 2011 £'000	31st July 2010 £'000
Total market value of assets	9,461	8,339
Present value of liabilities	<u>(13,868)</u>	<u>(12,752)</u>
Deficit	<u>(4,407)</u>	<u>(4,413)</u>

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

	31st July 2011 £'000	31st July 2010 £'000
Opening value of assets	8,339	6,881
Expected return	546	447
Asset gain	335	732
Contributions (employer and member)	334	508
Benefits paid	(87)	(185)
Expenses paid from the Scheme	<u>(6)</u>	<u>(44)</u>
Closing value of assets	<u>9,461</u>	<u>8,339</u>

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

	31st July 2011 £'000	31st July 2010 £'000
Equities	4,151	3,586
Bonds	3,352	3,002
Property	<u>1,958</u>	<u>1,751</u>
Total	<u>9,461</u>	<u>8,339</u>

Notes to the financial statements *continued*

31 July 2011

20 Pension schemes *continued*

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

	31st July 2011 £'000	31st July 2010 £'000
Opening value of liabilities	12,752	12,861
Interest cost	686	691
Service cost (including member contributions)	–	280
Experience gain	(162)	(383)
Change of assumptions loss / (gain)	679	(247)
Loss on settlements and curtailments	–	(265)
Benefits paid	(87)	(185)
	<u>13,868</u>	<u>12,752</u>

The amounts recognised in the income and expenditure account are:

	31st July 2011 £'000	31st July 2010 £'000
Current service cost	–	207
Interest on liabilities	686	691
Expected return on assets	(546)	(447)
Loss on settlements and curtailments	–	(265)
Expenses paid from the Scheme	6	44
	<u>146</u>	<u>230</u>

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

	31st July 2011 £'000	31st July 2010 £'000
Actual return less expected return on pension scheme assets	335	732
Experience gains arising on the scheme liabilities	162	383
Changes in assumptions underlying the present value of the scheme liabilities	(679)	247
	<u>(182)</u>	<u>1,362</u>

History of experience of gains and losses:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of liabilities	13,868	12,752	12,861	12,523	9,862
Total market value of assets	<u>9,461</u>	<u>8,339</u>	<u>6,881</u>	<u>6,860</u>	<u>6,945</u>
Deficit	<u>(4,407)</u>	<u>(4,413)</u>	<u>(5,980)</u>	<u>(5,663)</u>	<u>(2,917)</u>
Experience gain / (loss) on liabilities	162	383	630	524	(675)
Experience gain / (loss) on assets	335	732	(774)	(1,087)	268

21 Related party transactions

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

	2011 £	2010 £
Professor Julian Birkinshaw	–	99,264
Professor Nirmalya Kumar	44,500	–
Professor Randall Peterson	7,500	56,250
Professor Madan Pillutla	54,500	77,500
Professor Andrew Scott	128,000	–
Professor Nader Tavassoli	–	30,000

The only outstanding balance at the end of the year relating to the above individuals was an amount of £9,000 payable to Professor Scott.

In addition to the above, Professor Peterson is a partner of TalentSage LLC. In 2010/11, the School paid £16,000 (2009/10: £70,000) to it for personal assessment services provided during the period Professor Peterson was a member of the Governing Body. At the year end, London Business School was owed £5,600 by TalentSage LLC (2009/10: £1,847 owed by TalentSage).

The President of the London Business School Students' Association ('LBSSA') is also a member of the Governing Body. During the year, the School made contributions to LBSSA of £275,000 (2009/10: £275,000) and charged LBSSA for catering services amounting to £146,000 (2009/10: £175,000). At the year end, the School had an outstanding liability to LBSSA of £9,000 (2009/10: receivable of £32,000).

Sir John Ritblat, Chairman of the Governing Body, is Chairman of the Advisory Board to Delancey Real Estate Asset Management ("DREAM"). In 2010/11, the School paid £240,000 (2009/10: £190,000) to DREAM for services provided to lead the development of the main campus and the acquisition of new teaching facilities in the local area. At the year end, the School owed Delancey Real Estate Asset Management £24,000 (2009/10: nil).

Sir John Ritblat is also Non Executive Director of Colliers International. In 2010/11, the School paid £188,000 (2009/10: £202,000) to Colliers International for estates project management and the secondment of a member of staff in the capacity of Head of Estates Services. No balance was outstanding at year end (2009/10: nil).

John Connolly was Senior Partner and Chief Executive Officer of Deloitte and Global Chairman of DTTL until May of this year. In 2010/11, the School appointed Deloitte as internal auditors and had accrued £57,000 of cost at year end (2009/10: nil). At the year end, the School had an outstanding liability of £57,000 (2009/10: nil).

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

Connected Charities

Charities with income over £100,000:

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

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

Balance at 31 July 2010 £'000	Donations and grants 2011 £'000	Investment Income 2011 £'000	Gain on investments 2011 £'000	Expenditure 2011 £'000	Balance at 31 July 2011 £'000
31,666	6,328	794	2,204	(2,840)	38,152

Governing Body

Sir John Ritblat (Chairman)

Hon President, The British Land Company PLC

The Hon Apurv Bagri (Deputy Chairman)

Managing Director, Metdist Group

Mr Nigel D T Andrews

Mr John Connolly

Professor Francesca Cornelli (retired 9 October 2010)

Professor of Finance

London Business School

Mr Martin Deboo (retired 9 December 2010)

Consumer Goods Analyst, Investec Bank (UK) Limited

Professor James Dow (appointed 10 October 2010)

Professor of Finance, David Pyott Term Chair in Finance

Mr Saeb Eigner

Chair and Chief Executive Officer, Lonworld Group

Dame Amelia Fawcett

Chairman, Guardian Media Group

Mr Francis Finlay (retired 31 March 2011)

Mr Richard Frost

Secretary to Governing Body

London Business School

Dr Chris Gibson-Smith CBE

Chairman, London Stock Exchange

Professor Malcolm Grant CBE MA LLD

Provost and President, University College London

Mr Stephen Green (retired 22 September 2010)

Group Chairman

HSBC Holdings plc

The Baroness Hogg (retired 21 January 2011)

Chairman, FRC (Financial Reporting Council)

Mr António Horta-Osório (appointed 22 September 2010)

CEO

Lloyds Banking Group plc

Dr Mo Ibrahim

Chairman and Founder

Mo Ibrahim Foundation

Professor Nirmalya Kumar (appointed 10 October 2010)

Professor of Marketing

London Business School

Professor Sir Andrew Likierman

Dean

London Business School

Mr William Mao (appointed 1 August 2011)

Student Association Representative

MBA2012

London Business School

Dame Mary Marsh

Director, Clore Social Leadership Programme

Mr Sunil Mittal

Chairman and Group Chief Executive Officer, Bharti Enterprises Ltd

Mr Nigel Morris

Managing Partner, QED Investors LLC

Mr Karl Naim (retired 31 July 2011)

Student Association Representative

MBA2011

London Business School

Mr Terry Neill

Director, United Business Media plc

Ms Lucy Neville-Rolfe CMG (appointed 4 July 2011)

Director (Corporate and Legal Affairs)

Tesco Plc

Professor Randall Peterson (appointed 1 June 2011)

Deputy Dean, Faculty

Professor of Organisational Behaviour

London Business School

Professor Madan Pillutla

Professor of Organisational Behaviour

London Business School

Professor Richard Portes CBE FBA

Professor of Economics

London Business School

Professor Stephen Schaefer (retired 31 May 2011)

Deputy Dean, Faculty

Professor of Finance

London Business School

Professor Andrew Scott

Deputy Dean, Programmes

Professor of Economics

London Business School

Mr David Simpson

Associate Director, Client Services & Business Development, Degree Programmes

London Business School

Sir Martin Sorrell

Chief Executive

WPP

Professor Nader Tavassoli (retired 9 October 2010)

Professor of Marketing

London Business School

FINANCE COMMITTEE

Reports to Governing Body

Chair:

Mr Terry Neill

Other Non-Executives:

Mr Nigel D T Andrews

Mr John Connolly

Dame Amelia Fawcett

Mr Francis Finlay

Secretary:

Ms Sharron Costley, Finance Director

In attendance

Professor Sir Andrew Likierman, Dean

Ms Catherine Webster, Treasurer

INVESTMENT COMMITTEE

Reports to Finance Committee

Chair:

Ms Catherine Webster, Treasurer

Members:

Professor Stephen Schaefer

Professor Andrew Scott

Professor Sir Andrew Likierman, Dean

Secretary:

Ms Sharron Costley, Finance Director

In attendance:

Mr Terry Neill

Mr Nigel D T Andrews

Mr Francis Finlay

Mr John Connolly

AUDIT COMMITTEE

Reports to Governing Body

Chair:

Mr Martin Deboo (retired 9 December 2010)

The Hon Apurv Bagri (appointed 9 December 2010)

Other Non-Executives:

Mr Saeb Eigner (appointed 30 November 2010)

Dame Amelia Fawcett

Dr Chris Gibson-Smith

Dame Mary Marsh

Mr Nigel Morris (retired 31 July 2011)

Secretary:

Ms Helen Uglow, Deputy Secretary

In attendance:

Executives:

Professor Sir Andrew Likierman, Dean

Mr Richard Frost, School Secretary

Ms Sharron Costley, Finance Director

REMUNERATION COMMITTEE

Reports to Governing Body

Chair:

Sir John Ritblat

Members:

The Hon Apurv Bagri

Mr Francis Finlay

Professor Sir Andrew Likierman, Dean

Mr Terry Neill

Secretary:

Mr Philip Willatt, Director Human Resources

NOMINATIONS COMMITTEE

Reports to Governing Body

Chair:

Sir John Ritblat

Members:

The Hon Apurv Bagri

Professor Sir Andrew Likierman, Dean

Dr Chris Gibson-Smith

Professor Malcolm Grant

Baroness Hogg (retired 21 January 2011)

Secretary:

Mr Richard Frost, School Secretary

TREASURER

Ms Catherine Webster, Treasurer & Associate Dean, Operations

Principal/Registered Office

Sussex Place
Regent's Park
London
NW1 4SA

Professional advisers

Principal Solicitor

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

External Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Principal Banker

HSBC Bank plc
90 Baker Street
London
W1U 6AX

Investment Manager

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



London Business School
Regent's Park
London NW1 4SA
United Kingdom
Tel +44 (0)20 7000 7000
Fax +44 (0)20 7000 7001
www.london.edu
A Graduate School of the University of London