London Business School

# Financial Statements

2019–2020

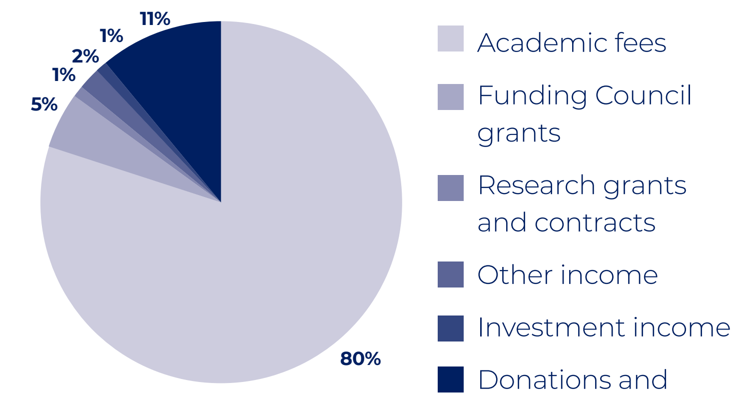
# Contents

# Summary of Financial Highlights

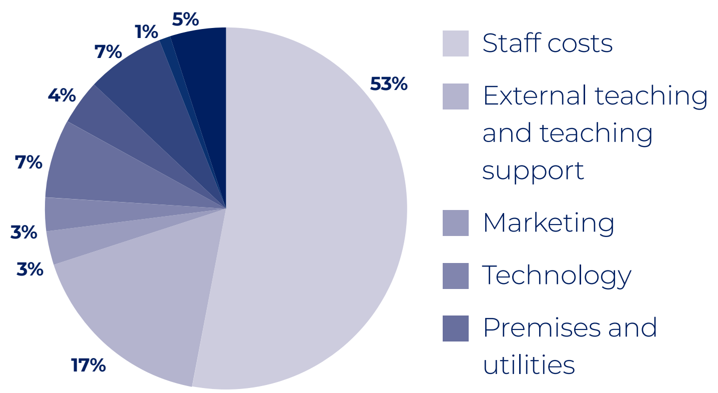
## CONSOLIDATED

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **INCOME** | | |
| Academic fees | 131,448 | 137,409 |
| Funding Council grants | 8,128 | 8,077 |
| Research grants and contracts | 2,250 | 1,879 |
| Other income | 2,858 | 4,550 |
| Investment income | 1,185 | 1,363 |
| Donations and endowments | 19,065 | 13,150 |
| **Total income** | **164,934** | **166,428** |
| **EXPENDITURE** | | |
| Staff costs | 82,462 | 80,427 |
| External teaching and teaching support | 27,499 | 30,045 |
| Marketing | 4,702 | 5,084 |
| Technology | 6,658 | 3,797 |
| Premises and utilities | 11,173 | 12,273 |
| Catering and accommodation | 5,702 | 8,408 |
| Depreciation | 11,296 | 10,908 |
| Interest and other finance costs | 2,110 | 1,997 |
| Other overheads (including tax) | 7,926 | 7,271 |
| **Total expenditure** | **159,528** | **160,210** |
| **Operating surplus** | **5,406** | **6,218** |
| Restructuring costs | (1,410) | - |
| Share in associate entity | (164) | (76) |
| (Loss)/Gain on investments | (3,225) | 1,619 |
| Write off and impairment of fixed assets | (3,190) | - |
| Revaluation of land and buildings | (42,501) | 11,828 |
| Pension provision movement | 3,619 | (21,907) |
| **Deficit for the year** | **(41,465)** | **(2,318)** |
| **BALANCE SHEET** | | |
| Fixed assets | 320,585 | 363,249 |
| Investments | 56,294 | 51,450 |
| Other current assets | 22,907 | 12,868 |
| Current liabilities | (118,990) | (72,175) |
| Long-term liabilities | (36,012) | (67,543) |
| Provisions | (41,986) | (43,586) |
| **Net assets** | **202,798** | **244,263** |
| **Represented by** | | |
| Endowment reserve | 59,493 | 56,473 |
| Restricted reserve | 4,547 | 2,861 |
| Unrestricted reserve | 21,655 | 47,709 |
| Revaluation reserve | 117,103 | 137,220 |
| | **202,798** | **244,263** |

## INCOME 2020




## EXPENDITURE 2020



# Chair and Dean’s message

## Chair’s message

We started the 2019/20 year focused on sharpening the School’s strategic intent and priorities. We re-affirmed our commitment to the foundations of our identity: academic research and the diversity of our stakeholders. We explored and confirmed our commitment to investing in our learning environment – in both physical and digital spaces.

This foundational work proved essential when the pandemic brought new imperatives to the pace and intensity of our work. The organisation came together to protect the financial sustainability of the School and laid the foundations for a strong recovery.

The pandemic has revealed the full power of our community in the face of adversity. We finished the year reinforced in our strategic intent, committed to accelerating progress and to supporting faster innovations.

The School has a strong and bright future because of the strength of its diverse community, the talent it attracts, and its ability to inspire the best in everyone.

I am enormously grateful to the hardworking faculty and staff, our students, alumni and participants, my fellow governors and their collective contributions of time and philanthropy that guided the institution through a challenging period.

**The Honourable Apurv Bagri**
Chair of Governing Body
London Business School

## Dean’s message

London Business School exists to have a profound impact on the way the world does business and the way business impacts the world. Over the coming years, we are committed to multiplying the impact of our community, engaging within our members to continually think, learn and connect. Our strategy builds upon four priorities: research – amplifying its reach, diversity – increasing access to our programmes, learning environment – transforming our physical and digital spaces, and innovation – accelerating our transformation.

In Autumn 2019, we welcomed the inaugural class of our Masters in Analytics and Management. In the fast-growing segment of pre-experience business masters, this new programme complements our Masters in Management, Global Masters in Management and Masters in Financial Analysis. We now know the launch was successful: despite the pandemic, 96% of these students had received a placement offer within four months of graduation.

We also welcomed the first cohort of 10 BK Birla Scholars to our MBA, all selected for their academic excellence and leadership potential. The Laidlaw Foundation helped start a movement towards gender parity within our student population, funding 20 women annually in our Masters in Management, MBA and Executive MBA programmes. Lady Ball endowed two scholarships (one MBA and one PhD) in honour of her late husband and former professor and LBS Principal, Sir James Ball. Together, these gifts widen access to our programmes and bring significant momentum to our diversity efforts.

In December 2019, we took possession of the former Royal College of Obstetricians and Gynaecologists. Now named the North Building, this property completes our Sussex Place campus with much needed teaching and event spaces, as well as a new entrance on Regent’s Park.

In March 2020, the pandemic first hit our Dubai operations, then London. As with any crisis, it challenged us. It also encouraged fast progress on our strategy. Together, we focused on what we could control to mitigate the pandemic’s impact

# Chair and Dean's message *continued*

on the well-being of our community, the academic progress of our students, and the continuity of our operations. Colleagues moved home to work remotely, students and faculty moved online, and we deployed a variety of innovative arrangements to engage our executive education participants and our alumni. At the same time, we shrank our estate footprint and reduced our costs.

We persevered and in July 2020, we graduated a record class of 1,617 students. Our online forays in executive education yielded outstanding learning impact. Our innovations in alumni engagement prompted new levels of participation and support. With their research and policy insights, our faculty supported governments, businesses and individuals around the world. Within our community, new collaborations across departments and, with our students, executive education clients and alumni opened the door to innovations that would prove successful in the ensuing months.

We also finished the year energised by the Black Lives Matter movement. Leaders emerged within our students, alumni, staff and faculty to fuel faster action towards renewed and more ambitious objectives. We are driving tangible change to shape a community where all feel welcome, belong and thrive.

We are poised and ready to capitalise on all we have learnt. We finish a most exhausting year turned towards the future with renewed gratitude for the talent, commitment and energy of everyone in our School community.

Onwards,

**François Ortalo-Magné**
Dean
London Business School

# Corporate Governance statement

The School is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the School's Governing Body has adopted the voluntary Higher Education Code of Governance published by the Committee of University Chairs in 2018. The School's practices are consistent with the provisions of the code.

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

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

The Governing Body met six times during the 2019/20 financial year. It has four committees: an Audit and Risk Committee, a Finance Committee, a Governance and Nominations Committee and a Remuneration Committee. All of these committees are formally constituted with terms of reference and comprise mainly lay members, one of whom is Chair.

The Audit and Risk Committee's role in corporate governance is to provide a high level review of the internal control arrangements of the School and report on this to the Governing Body. It meets at least three times annually with internal auditors and at least once a year with external auditors to discuss audit findings and recommendations for the improvement of the School's system of internal control, together with management's responses and implementation plans. It also receives and considers reports from the Office for Students as they affect the School's business, and monitors adherence to the regulatory requirements, (which includes ensuring funds have been properly applied in accordance with relevant regulation or legislation). Senior executives attend meetings of the Audit and Risk Committee, but are not members of the committee. The committee has the option of meeting the external and internal auditors on their own for independent discussions.

The Finance Committee recommends the School's annual budget to the Governing Body, monitors performance in relation to the approved budgets, oversees the School's debt and investment portfolio and strategy 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 Governance and Nominations Committee is responsible for making recommendations on the membership of the Governing Body and its committees and for advising the Governing Body on the operation and effectiveness of its corporate governance arrangements.

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

The Governing Body is satisfied that there is an ongoing process for identifying, evaluating and managing the School's significant risks, that it has been in place for the year ended 31 July 2020 and up to the date of approval of the financial statements, that it is regularly reviewed by the Governing Body and that accords with the internal

# Corporate Governance statement
*continued*

control guidance for directors on the Combined Code as deemed appropriate for higher education.

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

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

The Audit and Risk Committee's role in the area of risk management consists of a high level review of the arrangements for internal control and the consideration of reports from senior management on risk and control. The Governing Body's agenda also includes a regular item for consideration of risk and control and receives reports thereon from senior management and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its July 2020 meeting an assessment for the year ended 31 July 2020 was carried out upon receipt of documentation from senior management and the Audit and Risk Committee. At the meeting held in November 2020, further assurance on risk and control was given to the Governing Body by senior management and the Audit and Risk Committee to enable the annual assessment for the year ended 31 July 2020 to take place. This assessment took into account events since 31 July 2020.

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

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

The Corporate Governance statement applies throughout the 2019-20 financial year and up to the date of approval of the financial statements.

# Statement of internal control

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

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

The system of internal control is based on an ongoing process designed to identify the principal business, operational, compliance and financial risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively. This process was in place for the year ended 31 July 2020 and up to the date of the approval of the financial statements, and accords with OfS guidance and there were no significant control weaknesses that should be disclosed.

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

- The Governing Body considers the plans and strategic direction of the School on an annual basis.
- The Audit and Risk Committee independently reviews the effectiveness of internal control systems and the risk-management process.
- The Governing Body receives periodic reports from the Audit and Risk Committee concerning issues of risk, internal controls and their effectiveness.
- The Audit and Risk Committee reports to Governing Body its findings in respect of the effectiveness of the risk-management process.
- The Audit and Risk Committee receives regular reports from the Internal Auditors, which include the internal auditors' independent opinion on the adequacy and effectiveness of internal control and risk management with recommendations for improvement.
- The Management Board is responsible for approval of the School's corporate risk register.
- The Senior Management Team is responsible for the in-year review of the risk register and for monitoring the effectiveness of the mitigating actions set out in the register.
- The School has developed a suite of key performance indicators (KPIs), allowing the Governing Body to monitor progress towards the achievement of strategic objectives.

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

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

The Internal Control statement applies throughout the 2019-20 financial year and up to the date of approval of the financial statements.

# Statement of the Governing Body's responsibilities

The Governing Body is responsible for preparing the financial statements in accordance with the Terms and Conditions of Funding for Higher Education Institutions issued by the Office for Students and applicable law and regulations.

The Governing Body is required to prepare group and parent School financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Terms and Conditions for Funding of Higher Education Institutions further requires the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education. The Governing Body is required to prepare financial statements that give a true and fair view of the state of affairs of the group and parent School and of their income and expenditure, gains and losses and changes in reserves for that period.

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

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

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

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

BY ORDER OF THE GOVERNING BODY

**Richard Frost**
Secretary
25 February 2021

# 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 2024/25 the School is committed to generating endowment and expendable income through fundraising activity to create student scholarships, with the ultimate goal of ensuring that no potential student is prevented from applying for a place on its programmes for financial reasons.

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

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

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

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

# Treasurer's report

## Strategy and objectives

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

Over the coming years, the School is committed to multiplying the impact of its community by engaging its members to continually think, learn and connect. The School has four strategic pillars to strengthen its market position and accelerate its transformation:

- **Research** – world leading, rigorous research which becomes more impactful on the School, business and society
- **Diversity** – truly diverse community which strives towards gender parity and greater socio-economic and ethnic diversity
- **Learning environment** – stimulating learning environment, which evolves to benefit the members of our community on an ongoing basis
- **Innovation** – catalyst for transformation, innovation resources to create, experiment and scale the ideas that will define our future impact

## Financial sustainability and going concern

The School had anticipated in early 2020 that the COVID-19 pandemic would have a serious impact on the 2019/20 financial year and into the 2020/21 financial year. The School acted swiftly to protect its financial position by reviewing its existing credit facilities, putting into place additional credit facilities to ensure the School had adequate liquidity over this period and launching a cost saving initiative to address anticipated potential losses.

Nevertheless, the pandemic has had a negative impact on the School's results for the year, in particular with regards to executive education programmes and the valuation of assets at year end as detailed below:

- Executive education revenues for 2019/20 compared with 2018/19 were reduced by 34%.
- Annual revaluation of the property portfolio resulted in a reduction in value of £42.5m.

To ensure that the School had adequate liquidity to cover the reduction in business it arranged an overdraft facility of £15m from its bankers and applied for funding under the HM Treasury and Bank of England COVID Corporate Financing Facility ("CCFF"). Under this scheme £50m of Commercial Paper was issued in July 2020. This is due to mature on 9 March 2021 and as noted below, will be repaid through the new long term funding in place.

As a result of the impact of the pandemic and the continued uncertainty over part of the business the School arranged for its revenue covenant to be waived at 31 July 2020 and has subsequently arranged for this covenant to be removed.

In January 2021 the School arranged to amend the gearing covenant at the next two measurement dates of 31 July 2021 and 2022.

On 24 February 2021 the School secured new long-term funding of £50m under a private placement. The funds under this arrangement will be drawn for the purpose of repaying the £50m borrowed under the CCFF in July 2020 which matures on 9 March 2021. The new long-term funding matures in 2041 (£25m), 2049 (£5m), 2056 (£10m) and 2061 (£10m). The covenant obligations of this debt comprise an annual gearing covenant and a quarterly liquidity covenant.

There is still an element of uncertainty around the financial outcome for the year to 31 July 2021 due to the ongoing impact of the pandemic. As part of the School's consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, the School has:

- Prepared detailed financial forecasts and estimates of income, expenditure and cash flows for the period to 31 July 2022, sensitised to reflect uncertainties in revenue as a result of the impact of the pandemic. The forecast assumes a reduction in executive education revenue of 45% on the original plan under a base case, and under a worst case a reduction of 63%. The forecast includes cost saving initiatives that have been implemented over the period since the start of the pandemic. These include reductions focused on driving efficiencies in operations and delays in capital expenditure. Separately, the School has provided for investment in the hybrid teaching model and costs to ensure a safe COVID-secure campus.

- Prepared a high-level forecast of income, expenditure and cash flows for the period to 31 July 2025.
- Calculated and reviewed debt covenants based on the forecasts for the five year period from the balance sheet date, to ensure that these will not be breached under the current five year forecast under both the base and the worst case. These calculations are after taking account of the amendments to covenants as noted above.

The School is satisfied that it has sufficient liquidity with adequate headroom for it to continue to operate for the foreseeable future. The School has the benefit of a £40m revolving credit facility provided by its bankers which expires on 31 July 2024.

Governing Body has determined that the actions that the School's management has taken are sufficient to mitigate the uncertainty. Governing Body has a reasonable expectation that the School has adequate resources to continue to operate for the foreseeable future and will have sufficient funds to meet its liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements. The School has therefore prepared the financial statements on a going concern basis.

## Degree Education and Career Centre

Student recruitment for the School's Masters degree portfolio continues to be largely at, or above target, as in previous years. Key changes in the year were the introduction of a new programme, Masters in Analytics & Management, which recruited 79 students to its first cohort. Due to the pandemic, the EMBA Global Americas & Europe and Asia programmes were deferred to the next year, as the nature of these programmes require substantial international travel that was not possible in May 2020.

Degree programme fee income increased by over 11% compared with the prior year whilst student numbers increased by 4%.

The School's programmes retained their top-tier status and global prestige. For example, in the *Financial Times* rankings, the Masters in Finance remained in 1st place whilst the full time MBA dropped slightly from 6th to 7th place. The Executive MBA programme was ranked 13th place, with the EMBA Global Asia programme ranked 10th and the Masters in Management was ranked 4th place. The School continues to be ranked 2nd place overall in Europe.

Despite a worsening economic climate, the Career Centre achieved outstanding placement outcomes, with employment rates of at least 84% in ranked programmes.

## Executive Education

Due to the impact of the pandemic, some programmes for both Open and Custom clients were cancelled or postponed, resulting in lower revenues compared with 2018/19.

Custom revenues included £2m from new clients compared with £4m in 2018/19.

The corporate client net promoter score (NPS) for Custom programmes dropped slightly from +70 to +67, whereas the participant NPS for Open programmes maintained +70.

## Learning Innovation

The 2019/20 financial year has seen significant and major change in the way the school community engages with the digital delivery of learning. The School has migrated all courses to a virtual or hybrid format as a result of the pandemic. The transition would not have been possible without the work Learning Innovation carried out in the earlier part of the year (prior to the pandemic restrictions) in identifying a route for synchronous virtual delivery of learning. Since the pandemic restrictions were first introduced, the department supported engagement with faculty on the migration to hybrid and virtual teaching providing them with coaching, guidance, resources and templates for them to make the most of the new teaching mode.

## Research

Work continued in the School's six key research institutes and centres: the Centre for Corporate Governance, the Private Equity Institute, the

# Treasurer's report *continued*

Institute of Innovation and Entrepreneurship, the AQR Asset Management Institute, the Leadership Institute and the Wheeler Institute for Business and Development.

The Research and Faculty Office continues to encourage and support faculty in making external grant applications. During the year faculty were successful in securing funding from the Economic and Social Research Council (ESRC), Department for International Development (DFID), Institute for New Economic Thinking (INET) and IZA Institute of Labour Economics. Research grants worth a total of £1.25m were awarded in the year.

The PhD Programme has enrolled seventeen students in 2020/21. Ten students graduated during 2019/20, and their academic placements include Bocconi, Duke University (Fuqua), National University of Singapore, University of Hong Kong, Stanford (post doc), Georgetown University (from 2021/22), Yale, Shanghai Tech, Isenberg (Massachusetts, Amherst) and London School of Economics.

## Faculty

The percentage of female faculty remained constant at 26% in 2019/20. Eight new members of faculty (four women and four men) were recruited to join the School for the 2020/21 year and seven faculty members departed at the end of 2019/20.

Faculty salaries are benchmarked against peer competitors. In light of the uncertainty caused by the pandemic, faculty salaries were reduced on average by 18.2% across 2019/20 and 2020/21.

The number of affiliated and other faculty increased from 80 to 91.

## Staff

Due to the challenges faced by the School during a period of uncertainty caused by the pandemic, the School made the difficult decision to engage in a staff redundancy programme starting on 22 July 2020. The redundancies took place in the 2020/21 financial year.

Members of the School leadership joined the efforts of the faculty and volunteered a reduction to their salary.

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

## Campus Services and Developments

The School began improvement works in January 2020 on 27 Sussex Place, formerly the site of the Royal College of Obstetricians and Gynaecologists and now named the North Building. During the first six months of 2020 the copper roof of the North Building was replaced and an internal fit out of the building was completed, which included converting the existing bedrooms into seminar rooms and office accommodation, upgrading the primary event, teaching and meeting spaces and creating a new Alumni Lounge. Despite the challenges of lockdown, the project was completed with minimal delay and the building opened in September 2020.

Other projects completed this year include the relocation of our main reception to the North Building and the adaptation of our lecture theatres to support hybrid teaching in time for the start of the 2020/21 academic year.

The carbon management plan has been updated to focus on the relative performance based on the energy used per square metre of floor area. Overall, absolute emissions in 2019/20 were 48.7% lower than the 2005 baseline. This has been impacted by much lower energy use due to the pandemic restrictions, despite the addition of North Building during the year.

## IT

The School's focus in this area is to improve the user experience for all of the School's community, including degree students, executive education participants, alumni and employees.

The IT department has been critical in the response to changes caused by the pandemic. This included a transition to remote working, and the successful delivery of the virtual and hybrid school teaching.

During the 2019/20 year, the School launched the second phase of the renewed website www.london.edu. In addition, other tools designed to improve operational efficiency and customer experience were launched, such as an online staff recruitment portal, IT and estates service management tool and research management system.

## Advancement

The School is thankful for the generous support of its alumni, friends, corporate and trust donors. The Advancement team are responsible for all fundraising activity under the leadership of the Associate Dean for Advancement, and the School is grateful to its alumni volunteers who also support the School's work via Reunion and Class Gift efforts.

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

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

## 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 and its subsidiaries.

London Business School is the parent of London Business School Trading Company Limited and London Business School Trust Company Limited (a dormant company). London Business School Trust Company Limited is the parent of London Business School Anniversary Trust ('the Trust'), which in turn is the parent of Centre for Management Development Company Limited ('CMD') and Sussex Place Ventures Limited ('SPV') (up to the date of sale in 2018/19). The consolidated financial statements are referred to as the School's financial statements throughout.

CMD undertakes activities that are more appropriately channeled through a limited company and donates profits to the Trust under gift aid. The Trust in turn donates money to the School to support investment in faculty, research, technology, estates and fundraising. The financial statements of the Trust have been prepared under the relevant Statement of Recommended Practice "Charities SORP (FRS102)" issued in 2019 and the Charities Act 2011.

## Results for the year

A summary of the School's results for the year to 31 July 2020 is as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Income | 164,934 | 166,428 |
| Expenditure | (159,528) | (160,210) |
| Operating surplus | 5,406 | 6,218 |
| Restructuring costs | (1,410) | - |
| Share of loss in associate | (164) | (76) |
| (Loss) / gain on investments | (3,225) | 1,619 |
| Write off and impairment of fixed assets[1] | (3,190) | - |
| Revaluation of land and buildings[1] | (42,501) | 11,828 |
| Pension fund actuarial gain / (loss) | 3,619 | (21,907) |
| **Total comprehensive expense for the year** | **(41,465)** | **(2,318)** |

[1] See Note 13

In line with many organisations, the pandemic has had an impact on the School's activities, in particular Executive Education. The School achieved an underlying operating surplus position for the year before the fixed asset downward revaluations and write-downs, and market losses on investments.

Income in the year decreased slightly from £166m to £165m. Fees from Degree programmes grew from £87m to £97m; Executive Education Open programme revenues decreased from £22m to £13m; and Executive Education Custom programme revenues decreased from £27m to £18m. Income from other sources including Office for Students, research grants and catering, decreased from £17m to £16m. Cash from donations increased from £13m to £19m.

Operating expenditure was broadly consistent with the previous year. This was the net effect of reducing costs in line with the decrease in Executive Education revenue, offset by inflationary and salary cost increases across the whole School implemented in February 2020.

# Treasurer's report *continued*

The School has a policy of revaluing its freehold and long leasehold buildings on an annual basis. The valuation is performed by an external firm of chartered surveyors. As at 31 July 2020, the property portfolio was revalued downwards by £42.5m. This reflects the impact of the pandemic. This downward revaluation has no cash impact on the School and does not affect its ongoing operations.

## Cash and borrowings

As noted above, as at 31 July 2020, the School had issued £50m of commercial paper under the CCFF scheme. The £35m note purchase agreement with MetLife remained in place, giving total borrowings at the year end of £85m.

Overall, the School had access to £55m of bank facilities which were undrawn at 31 July 2020.

As at 31 July 2020, the School held an actual cash balance of £13m compared with an opening cash balance of £2m. At this date, the School had reduced the drawdown on its existing revolving credit facility agreement of £40m with HSBC, entered into in July 2014, from an opening balance of £32m to £nil.

## Investments

The School's investment portfolio is managed by an external fund manager, BlackRock Asset Management, based on the investment strategy set by the School. The School also invests in a student loan funding scheme, Prodigy Finance.

Prior to the impact of the pandemic, returns on funds during the year were in line with market benchmarks. Endowment and investment income for the 2019/20 financial year remain consistent with the prior year at £1m and is included in the income and expenditure account for the year.

The market value of the investment portfolio at the year-end was £56m compared with £51m at the last year-end reflecting an investment of £11m, capital distribution and net loss on revaluation in the year.

In May 2020, the School divested its equity portfolio due to uncertainty caused by the pandemic, and the proceeds were held as cash in the BlackRock portfolio. The portfolio cash is expected to be reinvested into income generating assets during the 2020/21 financial year.

## Reserves

Reserves have decreased from £244m to £203m. The unrestricted reserve decreased by £26m mainly as a result of a downward revaluation of the School's leasehold properties which had not previously been valued above cost. The decrease in the revaluation reserve of £20m is attributable to the valuation of the School's freehold and leasehold properties which had previously been valued above cost. The endowment and restricted reserves increased by £5m from new endowments and restricted gifts received in the year.

## Pensions

The School participates in two open pension schemes, USS and a defined contribution scheme provided through Scottish Widows.

In relation to the USS pension scheme, as at 31 July 2020, the 2018 triennial actuarial valuation of the scheme had been formally completed, and the USS pension scheme trustees were in the process of consulting with the employer organisations on the 2020 valuation. As a result, the USS pension provision as at 31 July 2020 is calculated in line with the 2018 triennial actuarial valuation plan.

From 1 October 2019, employer contributions to the USS pension scheme increased from 19.5% to 21.1%. Following the 2020 scheme valuation, there continues to be uncertainty over the funding position and future contribution rates. The School is monitoring the situation and continues to be committed to seeking a sustainable funding solution for this, although it is recognised that as the USS pension scheme is as a multi-employer scheme the School's influence is limited.

**Alison Brownhill**
Chief Financial Officer and Treasurer
25 February 2021

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

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the group's and of the School's affairs as at 31 July 2020 and of the group's and of the School's income and expenditure, gains and losses, changes in reserves and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been properly prepared in accordance with the requirements of the Office for Students' Accounts Direction (OfS 2019.41).

We have audited the financial statements, included within the Financial Statements (the 'Annual Report'), which comprise the Consolidated and School Balance Sheets as at 31 July 2020; the Consolidated and School Statements of Comprehensive Income and Expenditure, the Consolidated and School Statements of Changes in Reserves, and the Consolidated Cash Flow for the year then ended; the Accounting policies; and the notes to the financial statements.

### Basis for opinion

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

#### Independence

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

### Conclusions relating to going concern

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

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

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

### Reporting on other information

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

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

# Independent auditor's report to the Governing Body of London Business School (the "School")

*continued*

## Responsibilities for the financial statements and the audit

### Responsibilities of the Governing Body for the financial statements

As explained more fully in the Statement of the Governing Body's responsibilities set out on page 9, the Governing Body is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Governing Body is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' responsibilities for the audit of the financial statements

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

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

### Use of this report

This report, including the opinions, has been prepared for and only for the Governing Body as a body in accordance with the Charters and Statutes of the School and section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects:

- funds from whatever source administered by the School for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.
- Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matter:
- The School's grant and fee income, as disclosed in note 3 to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 February 2021

# Consolidated and School Statement of Comprehensive Income and Expenditure

Year ended 31 July 2020

| | Notes | Consolidated 2020 £'000 | Consolidated 2019 £'000 | London Business School 2020 £'000 | London Business School 2019 £'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Tuition fees and education contracts | 1 | 131,448 | 137,409 | 113,138 | 110,699 |
| Funding body grants | 2 | 8,128 | 8,077 | 8,128 | 8,077 |
| Research grants and contracts | 4 | 2,250 | 1,879 | 2,250 | 1,879 |
| Other income | 5 | 2,858 | 4,550 | 10,950 | 15,118 |
| Investment income | 6 | 1,185 | 1,363 | 17 | 22 |
| **Total income before endowments and donations** | | **145,869** | **153,278** | **134,483** | **135,795** |
| Donations and endowments | 7 | 19,065 | 13,150 | 21,682 | 16,940 |
| **Total income** | | **164,934** | **166,428** | **156,165** | **152,735** |
| **Expenditure** | | | | | |
| Staff costs | 8 | 82,462 | 80,427 | 75,533 | 73,272 |
| USS provision movement | 8, 23, 31 | (12,318) | 18,415 | (12,318) | 18,415 |
| Restructuring costs | 8 | 1,410 | - | 1,410 | - |
| Other operating expenses | 10 | 66,850 | 66,878 | 63,594 | 62,515 |
| Depreciation and amortisation | 12,13 | 11,296 | 10,908 | 11,296 | 10,908 |
| Interest and other finance costs | 9 | 2,110 | 1,997 | 2,143 | 2,057 |
| **Total expenditure** | | **151,810** | **178,625** | **141,658** | **167,167** |
| **Surplus/(Deficit) before other (losses) gains and share of (loss) of associate** | | **13,124** | **(12,197)** | **14,507** | **(14,432)** |
| Impairment and revaluation of previously revalued property | 13 | (22,384) | 3,473 | (22,384) | 3,473 |
| (Loss)/Gain on investments | 16 | (3,225) | 1,619 | - | - |
| Share of loss in associate | 17 | (164) | (76) | - | - |
| **Deficit before tax** | | **(12,649)** | **(7,181)** | **(7,877)** | **(10,959)** |
| Taxation | 11 | - | - | - | - |
| **Deficit for the year** | | **(12,649)** | **(7,181)** | **(7,877)** | **(10,959)** |
| Unrealised (deficit)/surplus on revaluation of land and buildings | 13 | (20,117) | 8,355 | (20,117) | 8,355 |
| Actuarial loss in respect of pension schemes | 31 | (8,699) | (3,492) | (8,699) | (3,492) |
| **Total comprehensive expense for the year** | | **(41,465)** | **(2,318)** | **(36,693)** | **(6,096)** |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | | 3,020 | 3,149 | - | - |
| Restricted comprehensive income for the year | | 1,686 | 279 | - | - |
| Unrestricted comprehensive expense for the year | | (25,890) | (14,025) | (16,576) | (14,451) |
| Revaluation reserve comprehensive (expense)/income for the year | | (20,117) | 8,355 | (20,117) | 8,355 |
| Attributable to the School | | (41,301) | (2,242) | (36,693) | (6,096) |
| Attributable to the non-controlling interest | | (164) | (76) | - | - |
| | | **(41,465)** | **(2,318)** | **(36,693)** | **(6,096)** |
| **Deficit for the year attributable to:** | | | | | |
| Non controlling interest | | (164) | (76) | - | - |
| School | | **(12,485)** | **(7,105)** | **(7,877)** | **(10,959)** |

All items of income and expenditure relate to continuing activities
The notes on pages 30-53 form part of these financial statements.

# Consolidated and School Statement of Changes in Reserves

Year ended 31 July 2020

## CONSOLIDATED

| | Income and expenditure account Endowment | Restricted | Unrestricted | Revaluation reserve | Total excluding non-controlling interest | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | | | £'000 |
| **Balance at 1 August 2018** | **53,324** | **2,582** | **61,370** | **128,865** | **246,141** | **440** | **246,581** |
| Surplus/(Deficit) from the income and expenditure statement | 3,149 | 279 | (10,533) | - | (7,105) | (76) | (7,181) |
| Other comprehensive (expense)/income | - | - | (3,492) | 8,355 | 4,863 | - | 4,863 |
| | 3,149 | 279 | (14,025) | 8,355 | (2,242) | (76) | (2,318) |
| **Balance at 1 August 2019** | **56,473** | **2,861** | **47,345** | **137,220** | **243,899** | **364** | **244,263** |
| Surplus/(Deficit) from the income and expenditure statement | 3,020 | 1,686 | (17,191) | - | (12,485) | (164) | (12,649) |
| Other comprehensive (expense) | - | - | (8,699) | (20,117) | (28,816) | - | (28,816) |
| **Total comprehensive income/(expense) for the year** | 3,020 | 1,686 | (25,890) | (20,117) | (41,301) | (164) | (41,465) |
| **Balance at 31 July 2020** | **59,493** | **4,547** | **21,455** | **117,103** | **202,598** | **200** | **202,798** |

## SCHOOL

| | Income and expenditure account Endowment | Restricted | Unrestricted | Revaluation reserve | Total excluding non-controlling interest | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | | | £'000 |
| **Balance at 1 August 2018** | **-** | **-** | **41,029** | **128,865** | **169,894** | **-** | **169,894** |
| (Deficit) from the income and expenditure statement | - | - | (10,959) | - | (10,959) | - | (10,959) |
| Other comprehensive (expense)/income | - | - | (3,492) | 8,355 | 4,863 | - | 4,863 |
| | - | - | (14,451) | 8,355 | (6,096) | - | (6,096) |
| **Balance at 1 August 2019** | **-** | **-** | **26,578** | **137,220** | **163,798** | **-** | **163,798** |
| (Deficit) from the income and expenditure statement | - | - | (7,877) | - | (7,877) | - | (7,877) |
| Other comprehensive (expense) | - | - | (8,699) | (20,117) | (28,816) | - | (28,816) |
| **Total comprehensive (expense) for the year** | - | - | (16,576) | (20,117) | (36,693) | - | (36,693) |
| **Balance at 31 July 2020** | **-** | **-** | **10,002** | **117, 103** | **127,105** | **-** | **127,105** |

The notes on pages 30-53 form part of these financial statements.

# Consolidated and School Balance Sheet

31 July 2020

| | Notes | Consolidated 2020 £'000 | Consolidated 2019 £'000 | London Business School 2020 £'000 | London Business School 2019 £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 12 | 777 | - | 777 | - |
| Tangible assets | 13 | 319,769 | 363,210 | 319,769 | 363,210 |
| Heritage assets | 14 | 39 | 39 | - | - |
| Non current investments | 16 | 56,094 | 51,086 | 10 | 10 |
| Investments in associate | 17 | 200 | 364 | - | - |
| | | 376,879 | 414,699 | 320,556 | 363,220 |
| **Current assets** | | | | | |
| Stock | 18 | 96 | 73 | 96 | 73 |
| Trade and other receivables | 19 | 10,152 | 11,143 | 8,059 | 4,383 |
| Cash and cash equivalents | 27 | 12,659 | 1,652 | 12,645 | 1,564 |
| | | 22,907 | 12,868 | 20,800 | 6,020 |
| **Current liabilities** | | | | | |
| Creditors: amounts falling due within one year | 20 | (118,990) | (72,175) | (136,253) | (94,313) |
| **Net current liabilities** | | (96,083) | (59,307) | (115,453) | (88,293) |
| **Total assets less current liabilities** | | 280,796 | 355,392 | 205,103 | 274,927 |
| Creditors: amounts falling due after more than one year | 21 | (36,012) | (67,543) | (36,012) | (67,543) |
| **Provisions** | | | | | |
| Provisions | 23 | (41,986) | (43,586) | (41,986) | (43,586) |
| **Total net assets** | | 202,798 | 244,263 | 127,105 | 163,798 |
| **Restricted Reserves** | | | | | |
| Income and expenditure reserve – endowment reserve | 25 | 59,493 | 56,473 | - | - |
| Income and expenditure reserve – restricted reserve | 26 | 4,547 | 2,861 | - | - |
| | | 64,040 | 59,334 | - | - |
| **Unrestricted Reserves** | | | | | |
| Income and expenditure reserve – unrestricted | | 21,455 | 47,345 | 10,002 | 26,578 |
| Revaluation reserve | | 117,103 | 137,220 | 117,103 | 137,220 |
| | | 138,558 | 184,565 | 127,105 | 163,798 |
| Non-controlling interest | | 200 | 364 | - | - |
| **Total reserves** | | 202,798 | 244,263 | 127,105 | 163,798 |

The financial statements were approved by the Governing Body on 25 February 2021 and were signed on its behalf on that date by:

**The Honourable Apurv Bagri**
Chair of Governing Body

**François Ortalo-Magné**
Dean

The notes on pages 30-53 form part of these financial statements.

# Consolidated Cash Flow

## Year ended 31 July 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| (Deficit) for the year | | (12,649) | (7,181) |
| **Adjustment for non-cash items** | | | |
| Depreciation and amortisation | 12,13 | 11,296 | 10,908 |
| Deferred capital grants released | 2 | (239) | (443) |
| Loss/(Gain) on investments | 16 | 3,225 | (1,619) |
| Loss/(Surplus) on impairment and previously revalued property | 13 | 22,384 | (3,473) |
| Asset write off and impairment | 13 | 3,190 | - |
| (Increase)/Decrease in stock | 18 | (23) | 42 |
| Decrease in debtors | 19 | 707 | 109 |
| (Decrease)/Increase in creditors | 20,21 | (409) | 1,960 |
| (Decrease)/Increase in USS pension provision | 23,31 | (12,318) | 18,500 |
| Increase in restructuring provision | 23 | 1,410 | - |
| Share of operating loss in associate | 17 | 164 | 76 |
| **Adjustment for investing or financing activities** | | | |
| Investment income receivable | 6 | (1,185) | (1,363) |
| Interest payable | 9 | 2,110 | 1,997 |
| Endowment income | 7 | (8,153) | (2,857) |
| **Net cash inflow from operating activities** | | 9,510 | 16,656 |
| **Cash flows from investing activities** | | | |
| Payments made to acquire fixed assets | 13 | (17,036) | (22,198) |
| Payments of non-current asset investments | 16 | (47,831) | (3,000) |
| Sales proceeds of non-current asset investments | 16 | 37,331 | - |
| Prodigy capital distribution | 16 | 2,267 | 1,816 |
| Capital grant receipts | 20 | 145 | 147 |
| Investment income | 6 | 1,469 | 1,512 |
| | | (23,655) | (21,723) |
| **Cash flows from financing activities** | | | |
| Interest paid | 9 | (1,501) | (1,464) |
| Endowment cash received | 7 | 8,153 | 2,857 |
| New loans | 20 | 50,000 | 1,750 |
| Loan repayments | 21 | (31,500) | - |
| | | 25,152 | 3,143 |
| **Increase/(Decrease) in cash and cash equivalents in the year** | | 11,007 | (1,924) |
| Cash and cash equivalents at beginning of the year | 27 | 1,652 | 3,576 |
| Cash and cash equivalents at end of the year | 27 | 12,659 | 1,652 |

The notes on pages 30-53 form part of these financial statements.

# Accounting policies

**(a) Basis of preparation**

The Consolidated and School financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the current Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of Funding for Higher Education Institutions issued by the Office for Students and the Terms and Conditions of Research England Grant.

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

In determining and applying accounting estimates for:

- prepayments and accruals, there are either time or unit criteria which enable the estimate and/or management judgement to be a fair assessment;
- pension liabilities and estate valuation, the School has relied upon the estimates from appropriately qualified third party professionals or used assessment tools provided by the pension provider. Refer to notes 13 and 31 for further details.

The provision assessment for the Universities Superannuation Scheme ('USS') provision recognises that it is a multi-employer scheme for entities not under common control and represents an industry-wide scheme. The accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The governors are satisfied that USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

The provision assessment for the closed London Business School Pension & Assurance Scheme ('SPS') provision recognises that it is a single employer scheme. The School commissioned the Scheme's actuarial firm to provide an assessment of the discounted fair value of the Scheme.

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

**(b) Basis of consolidation**

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

The consolidated financial statements also include the School's investment in the Global Entrepreneurship Research Association ('GERA'). The investment is in 25% of the company based upon the voting rights of the members. The year end date for GERA is 31 December. It differs from that of the School because its

# Accounting policies *continued*

main business operation revolves around the 12 month period January to December, which, in the opinion of the Governing Body, provides a true and fair view of the financial statements. The consolidated statements include the School's share of the operating result of the unaudited interim financial statements of GERA for the period from 1 January to 31 July.

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

### (c) Going concern

The School continues to adopt the going concern basis in preparing these financial statements. In coming to this conclusion, the School has undertaken the following actions:

- Prepared detailed financial forecasts and estimates of income, expenditure and cash flows for the period to 31 July 2022, sensitised to reflect uncertainties in revenue as a result of the impact of the COVID-19 pandemic.
- Prepared a high-level forecast of income, expenditure and cash flows for the period to 31 July 2025.
- Calculated and reviewed debt covenants based on the forecasts for the five year period from the balance sheet date, to ensure that these will not be breached under the current 5 year forecast. This is after taking account of amendments to and the waiver of certain covenants that have been arranged.
- Considered the liquidity position of the School, ensuring sufficient headroom is available under the facilities currently in place, and taking account of the long-term funding secured in February 2021.

Based on their review of all of the above, the Governing Body believes that the School is well placed to manage its business risks effectively, despite the current uncertain economic situation. The Governing Body has a reasonable expectation that the School has adequate resources to continue in operational existence for the foreseeable future, and will have sufficient funds to meet its liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements.

Governing Body is not aware of any material uncertainties which would prevent the School from continuing as a going concern.

### (d) Income recognition

#### Tuition fees and education contracts

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

#### Grant funding

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

#### Donations and endowments

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

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

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

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

i. 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.

ii. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the School has the power to use the capital.

iii. 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.

iv. Restricted reserve – the donor has specified a particular objective and the School has the power to use the funds.

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

**(e) Accounting for retirement benefits**

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

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

  The difference between the fair value of the assets held in this pension scheme and the liabilities of the pension scheme, measured on an actuarial basis using the projected unit method, is recognised in the School's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the School is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. Changes in the pension scheme's asset or liability arising from factors other than cash contribution by the School are charged to the income and expenditure account.

- The School participates in the Universities Superannuation Scheme ('USS'). The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The 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. As required by Section 28 of FRS 102 'Employee benefits', the School therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure statement represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

  FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of

# Accounting policies *continued*

entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in income and expenditure in accordance with section 28 of FRS 102. The Governing Body is satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

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

### (f) Operating leases

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

### (g) Foreign currency

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

### (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. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

**Intangible assets**
Intangible assets, including development of software, website and digital assets for courses, are capitalised when the recognition criteria set out in FRS102 section 18 are met.

They are measured at cost less any accumulated amortisation and accumulated impairment losses.

**Land and Buildings**
Freehold and long leasehold land and buildings are re-valued on the basis of existing use. This is detailed in note 13. Depreciation and impairment losses are subsequently charged on the revalued amount.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits.

**Building improvements**
Capital refurbishment, other than separately identifiable items of plant and equipment, is classified as building improvements.

**Plant and Equipment**
Single items of plant and equipment costing £3,000 or more, or multiple items of plant and equipment whose functionality is intrinsically linked and which together cost £3,000 or more, are capitalised as plant and equipment assets.

Costs capitalised include those that are required to bring the assets to the location and condition necessary for them to operate in the manner intended.

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

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

**Heritage assets**
The School does not ordinarily capitalise its heritage assets due to the difficulty associated with valuing them. A small number of pictures which are able to be valued has been capitalised and the value is disclosed within fixed assets. Heritage assets are not depreciated as their long economic life mean that any depreciation would not be material.

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

**Assets in the course of construction and Assets held for future use**
Assets in the course of construction and assets held for future use are accounted for at cost and are capitalised as incurred but are depreciated only when the individual asset is operational.

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

| | Annual rates of depreciation |
|---|---|
| Land | no depreciation |
| Freehold buildings | 2 % |
| Leasehold buildings | period of lease |
| Building improvements | 10% |
| Plant and equipment | 10-33% |
| Intangible assets | 20-50% |

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

### (i) Investments

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

### (j) Stock

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

### (k) Trade and other receivables

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

### (l) Cash and cash equivalents

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

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

### (m) Trade and other payables

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

### (n) Provisions, contingent liabilities and contingent assets

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

# Accounting policies *continued*

settle the obligation and reliable estimate can be made of the amount of the obligation.

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

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

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

### (o) Capital Grants

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

### (p) Employment benefits

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

### (q) Taxation

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

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

### (r) Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the School, are held as a permanently restricted fund which the School must hold in perpetuity. Unrestricted reserves are donations to be used for any purpose that the School can decide.

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

### (s) FRS102 exemptions

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

- Cash flow statement and related notes; and
- Related parties

### (t) Financial instruments

The School has elected to adopt Sections 11 and 12 of FRS 102 in respect of the recognition, measurement, and disclosure of financial instruments. Financial assets and liabilities are recognised when the School becomes party to the contractual provision of the instrument and they are classified according to the substance of the contractual arrangements entered into.

**Financial assets**

Basic financial assets include trade and other receivables, cash and cash equivalents, and investments in commercial paper (i.e. deposits and bonds). These assets are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method. Financial assets are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income.

For financial assets carried at amortised cost the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures are initially measured at fair value, which is typically the transaction price. These assets are subsequently carried at fair value and changes in fair value at the reporting date are recognised in the statement of comprehensive income. Where the investment in equity instruments are not publicly traded and where the fair value cannot be reliably measured the assets are measured at cost less impairment.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all of the risks and rewards of the ownership of the asset are transferred to another party.

**Financial liabilities**

Basic financial liabilities include trade and other payables, bank loans, and intra-group loans. These liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date. Changes in the fair value of derivatives are recognised in the statement of comprehensive income in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

To the extent that the School enters into forward foreign exchange contracts which remain unsettled at the reporting date the fair value of the contracts is reviewed at that date. The initial fair value is measured as the transaction price on the date of inception of the contracts. Subsequent valuations are considered on the basis of the forward rates for those unsettled contracts at the reporting date. The School does not apply hedge accounting in respect of forward foreign exchange contracts held to manage cash flow exposures of forecast transactions denominated in foreign currencies.

Financial liabilities are de-recognised when the liability is discharged, cancelled, or expires.

# Notes to the financial statements
for the year ended 31 July 2020

## 1 Tuition fees and education contracts

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| MBA | 39,889 | 35,521 | 39,889 | 35,521 |
| Masters in Management | 8,999 | 7,908 | 8,999 | 7,908 |
| Sloan Fellowship | 3,960 | 4,287 | 3,960 | 4,287 |
| Masters in Analytics and Management | 2,647 | - | 2,647 | - |
| Executive MBA | 22,741 | 20,902 | 22,741 | 20,902 |
| EMBA-Global / Global Asia | 4,119 | 5,287 | 4,119 | 5,287 |
| Masters in Finance | 8,857 | 8,777 | 8,857 | 8,777 |
| Masters in Financial Analysis | 5,481 | 4,003 | 5,481 | 4,003 |
| PhD Programme | 1,694 | 1,555 | 1,694 | 1,555 |
| Executive Education Open Programmes | 13,469 | 21,518 | 13,469 | 21,518 |
| Executive Education Custom Programmes | 18,310 | 26,710 | - | - |
| Other Programme Income | 1,282 | 941 | 1,282 | 941 |
| | 131,448 | 137,409 | 113,138 | 110,699 |

## 2 Funding council grants

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| **Recurrent grant** | | | | |
| Office for Students | 76 | 95 | 76 | 95 |
| Research England | 3,519 | 3,293 | 3,519 | 3,293 |
| Capital grant releases | 239 | 443 | 239 | 443 |
| **Specific grants** | | | | |
| Higher Education Innovation Fund | 4,294 | 4,246 | 4,294 | 4,264 |
| | 8,128 | 8,077 | 8,128 | 8,077 |

Capital grant releases relate to grants received from Funding Councils which have been applied to specific assets. The releases are made over the life of those assets.

## 3 Grant and fee income

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Grant income from the OfS | 76 | 95 | 76 | 95 |
| Grant income from other bodies | 4,533 | 4,689 | 4,533 | 4,689 |
| Fee income for taught awards | 96,693 | 86,685 | 96,693 | 86,685 |
| Fee income for research awards | 1,694 | 1,555 | 1,694 | 1,555 |
| Fee income from non-qualifying courses | 31,779 | 48,228 | 13,469 | 21,518 |
| | 134,775 | 141,252 | 116,465 | 114,542 |

# 4 Research grants and contracts

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Research councils | 563 | 344 | 563 | 344 |
| UK charities | - | 12 | - | 12 |
| Government (UK and overseas) | 1,566 | 1,491 | 1,566 | 1,491 |
| Other | 121 | 32 | 121 | 32 |
| | 2,250 | 1,879 | 2,250 | 1,879 |

# 5 Other income

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Residences, catering and conferences | 1,179 | 1,564 | 3,465 | 5,600 |
| Management services | - | - | 5,844 | 6,999 |
| Other general income | 1,259 | 2,986 | 1,221 | 2,519 |
| Coronavirus Job Retention Scheme | 420 | - | 420 | - |
| | 2,858 | 4,550 | 10,950 | 15,118 |

# 6 Investment income

| | | Consolidated | | London Business School | |
|---|---|---|---|---|---|
| | Notes | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Investment income on endowments | 25 | 1,169 | 1,340 | - | - |
| Other investment income | | 16 | 23 | 17 | 22 |
| | | 1,185 | 1,363 | 17 | 22 |

# 7 Donations and endowments

| | | Consolidated | | London Business School | |
|---|---|---|---|---|---|
| | Notes | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| New endowments | 25 | 8,153 | 2,857 | - | - |
| Donations with restrictions | 26 | 8,061 | 7,721 | - | - |
| Unrestricted donations | | 2,851 | 2,572 | 21,682 | 16,940 |
| | | 19,065 | 13,150 | 21,682 | 16,940 |

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

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 8 Staff costs

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Salaries | 63,883 | 63,786 | 57,941 | 57,426 |
| Social security costs | 7,083 | 6,909 | 6,700 | 6,565 |
| Other pension costs | 11,496 | 9,732 | 10,892 | 9,281 |
| | 82,462 | 80,427 | 75,533 | 73,272 |
| Restructuring | 1,410 | - | 1,410 | - |
| Movement on USS provision | (12,318) | 18,415 | (12,318) | 18,415 |
| **Total** | 71,554 | 98,842 | 64,625 | 91,687 |

| **Average staff numbers (full time equivalent) by major category:** | 2020 No. | 2019 No. |
|---|---|---|
| Academic including research | 107 | 102 |
| Support and administrative staff | 703 | 728 |
| | 810 | 830 |

### Key management personnel

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Key management personnel compensation | 2,730 | 3,072 |

| | 2020 No. | 2019 No. |
|---|---|---|
| Key management personnel numbers (full time equivalent) | 11.0 | 10.5 |

### Senior staff pay (excluding the Dean)

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

# 8 Staff costs *continued*

**Senior staff pay in the individual bands were as follows:**

| | 2020 | 2019 | | 2020 | 2019 | | 2020 | 2019 |
|---|---|---|---|---|---|---|---|---|
| £100,000 - £104,999 | 8 | 5 | £200,000 - £204,999 | 1 | 4 | £300,000 - £304,999 | 3 | 1 |
| £105,000 - £109,999 | 2 | - | £205,000 - £209,999 | 1 | 7 | £305,000 - £309,999 | 5 | 2 |
| £110,000 - £114,999 | 3 | 3 | £210,000 - £214,999 | 5 | 3 | £310,000 - £314,999 | - | 3 |
| £115,000 - £119,999 | 2 | 5 | £215,000 - £219,999 | 1 | 3 | £315,000 - £319,999 | 3 | 2 |
| £120,000 - £124,999 | 5 | 3 | £220,000 - £224,999 | 2 | - | £320,000 - £324,999 | 4 | 1 |
| £125,000 - £129,999 | 4 | 2 | £225,000 - £229,999 | 12 | 2 | £325,000 - £329,999 | 2 | - |
| £130,000 - £134,999 | 4 | 3 | £230,000 - £234,999 | 2 | 1 | £330,000 - £334,999 | - | 1 |
| £135,000 - £139,999 | 3 | - | £235,000 - £239,999 | - | 1 | £335,000 - £339,999 | 1 | 2 |
| £140,000 - £144,999 | - | 2 | £240,000 - £244,999 | 2 | 2 | £340,000 - £344,999 | - | 1 |
| £145,000 - £149,999 | 1 | 1 | £245,000 - £249,999 | - | 1 | £345,000 - £349,999 | - | 1 |
| £150,000 - £154,999 | 1 | - | £250,000 - £254,999 | - | 3 | £350,000 - £354,999 | 2 | - |
| £155,000 - £159,999 | 1 | 4 | £255,000 - £259,999 | 3 | 4 | £355,000 - £359,999 | 1 | - |
| £160,000 - £164,999 | 2 | 2 | £260,000 - £264,999 | 1 | 2 | £360,000 - £364,999 | 1 | 1 |
| £165,000 - £169,999 | - | 11 | £265,000 - £269,999 | 5 | 2 | £365,000 - £369,999 | 1 | - |
| £170,000 - £174,999 | 2 | 4 | £270,000 - £274,999 | 1 | 4 | £370,000 - £374,999 | - | 1 |
| £175,000 - £179,999 | 4 | 5 | £275,000 - £279,999 | 8 | 1 | £375,000 - £379,999 | 1 | 2 |
| £180,000 - £184,999 | 3 | - | £280,000 - £284,999 | 3 | 2 | £380,000 - £384,999 | 1 | 1 |
| £185,000 - £189,999 | 17 | 3 | £285,000 - £289,999 | 2 | 4 | £390,000 - £394,999 | 1 | - |
| £190,000 - £194,999 | 4 | 1 | £290,000 - £294,999 | - | 3 | £400,000 - £404,999 | 1 | 2 |
| £195,000 - £199,999 | 2 | 3 | £295,000 - £299,999 | 2 | 3 | £415,000 - £419,999 | 2 | - |

**Compensation for loss of office:**
Aggregate payment for compensation for loss of office paid to 8 members of staff (2019 : 19)

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Compensation payable recorded within staff costs | 385 | 435 |

| **Emoluments of the Dean, François Ortalo-Magné** | **2020<br>£'000** | **2019<br>£'000** |
|---|---|---|
| Salary | 451 | 431 |
| Waived salary | (120) | - |
| | 331 | 431 |
| Benefits | 3 | 3 |
| Pension contributions | 69 | 80 |
| | 403 | 514 |
| Non-taxable benefits | 95 | 95 |
| | 498 | 609 |

The Dean participated in a salary sacrifice arrangement for pension contributions. During 2019/20, the Dean decided to opt for a voluntary salary cap on his pension contributions and in line with other employees, he received a salary top-up in lieu of the pension contribution. During the year, the salary sacrifice amount was £27,000 (2019:£36,000) and this is included within the salary figure above.

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 8 Staff costs *continued*

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

Due to the restrictive covenants of the building's lease and the requirement for the accommodation to be used for School business, it is not possible to rent out the accommodation and therefore there is no cost of lost opportunity to the School. Using the current rental value of the campus would give rise to a value of £8,000 for the Dean's accommodation, which would be further reduced once the usage for School business is taken into account. The disclosed non-taxable benefit value of £95,000 is based on the average market rent for a similar sized property in the immediate area without the restrictions noted above. Operating costs associated with the residence (i.e. utilities and cleaning services) total £3,000 and this is included within the emoluments section.

In considering the annual remuneration award to our Dean, we take into consideration the context in which London Business School operates.

More than 80% of our faculty are international and we have 56 different nationalities among our non-academic staff. Our degree programmes attract students from 107 nationalities, while our executive education business attracts over 10,000 participants each year and works with corporate clients from around the world. We are in direct competition with the other top global business schools based in the United States and Europe and these institutions form the benchmark for consideration of the Dean's remuneration.

The Dean's remuneration is set by the School's Remuneration Committee. A formal review of the Dean's performance during his second year of office assessed his performance against five criteria: Strategy, Financial Performance, Brand, Stakeholder Management and Leadership. During his second year, the Dean has led the leadership team in the ongoing implementation of the School's new strategy, oversaw the completion of a brand relaunch and continued to develop strong relationships with the School's most important stakeholders.

Taking into account the School's internal and external context, the Dean opted not to be considered for an annual pay award. Furthermore, in light of the challenges the School faced at the start of the pandemic, the Dean decided to waive three months of his salary.

The Dean's basic salary, before the salary waiver, is 9.8 times (2019: 10.4 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Dean's total remuneration, before the salary waiver and including the taxable and non taxable benefits noted above is 13.0 times (2019: 12.6 times) the median pay of staff. This has been calculated including the midpoint of the non-taxable benefits noted above and the median total remuneration is calculated on a full-time equivalent basis for the total remuneration paid to its staff.

Pay ratio information includes agency staff.

**Governing Body Members**

The School's Governing Body members are the trustees for charitable law purposes. Due to the nature of the School's operations and the compositions of the Governing Body, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which members of the Governing Body or Senior Management have an interest are detailed in note 32.

# 9 Interest and other finance costs

| | Notes | Consolidated 2020 £'000 | Consolidated 2019 £'000 | London Business School 2020 £'000 | London Business School 2019 £'000 |
|---|---|---|---|---|---|
| Loan interest | | 1,501 | 1,466 | 1,534 | 1,526 |
| Net charge on USS pension scheme | | 255 | 200 | 255 | 200 |
| Net charge on SPS pension scheme | 31 | 354 | 331 | 354 | 331 |
| | | 2,110 | 1,997 | 2,143 | 2,057 |

# 10 Analysis of other operating expenditure by activity

| | Consolidated 2020 £'000 | Consolidated 2019 £'000 | London Business School 2020 £'000 | London Business School 2019 £'000 |
|---|---|---|---|---|
| Teaching related costs (including Scholarships) | 16,708 | 16,490 | 15,363 | 14,947 |
| Teaching support costs | 4,276 | 4,967 | 4,049 | 4,399 |
| Bought in teaching | 6,515 | 8,588 | 4,064 | 4,313 |
| Marketing | 4,702 | 5,084 | 4,545 | 4,874 |
| Technology | 6,658 | 3,797 | 6,611 | 3,656 |
| Premises and utilities | 11,173 | 12,273 | 11,164 | 12,221 |
| Catering and accommodation | 5,702 | 8,408 | 7,398 | 11,629 |
| Write off and impairment of assets | 3,190 | - | 3,190 | - |
| Other overheads | 7,926 | 7,271 | 7,210 | 6,476 |
| | 66,850 | 66,878 | 63,594 | 62,515 |
| **Other operating expenses include:** | | | | |
| External auditors remuneration in respect of audit services | 98 | 73 | 74 | 49 |
| External auditors remuneration in respect of non-audit services | 4 | 18 | 4 | 18 |
| Operating lease rentals | | | | |
| Land and buildings | 2,220 | 2,143 | 2,220 | 2,143 |
| Other | 68 | 55 | 68 | 55 |

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 11 Taxation

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| **Recognised in the statement of comprehensive income** | **2020 £'000** | **2019 £'000** | **2020 £'000** | **2019 £'000** |
| **Current tax** | | | | |
| Current tax expense | - | - | - | - |
| Adjustment in respect of previous years | - | - | - | - |
| **Current tax expense** | - | - | - | - |
| **Deferred tax** | | | | |
| Origination and reversal of timing differences | - | - | - | - |
| Reduction in tax rate | - | - | - | - |
| Recognition of previously unrecognised tax losses | - | - | - | - |
| **Deferred tax expense** | - | - | - | - |
| **Total tax expense** | - | - | - | - |

## 12 Intangible assets

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | **2020 £'000** | **2019 £'000** | **2020 £'000** | **2019 £'000** |
| **Cost or valuation** | | | | |
| At 1 August 2019 | - | - | - | - |
| Additions | 643 | - | 643 | - |
| Transfer from fixed assets | 343 | - | 343 | - |
| **At 31 July 2020** | 986 | - | 986 | - |
| **Amortisation** | | | | |
| At 1 August 2019 | - | - | - | - |
| Charge for the year | 209 | - | 209 | - |
| | 209 | - | 209 | - |
| **Net book value** | | | | |
| **At 31 July 2020** | 777 | - | 777 | - |

# 13 Tangible assets

| CONSOLIDATED AND SCHOOL | Land and buildings £'000 | Building improvements £'000 | Service concession arrangements £'000 | Plant and equipment £'000 | Assets for future use £'000 | Assets in the course of construction £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| At 1 August 2019 | 270,743 | 12,988 | 850 | 39,005 | 56,096 | 8,342 | 388,024 |
| Additions | - | 90 | - | 2,851 | 7,496 | 3,243 | 13,680 |
| Transfers | 65,602 | 49 | - | 764 | (63,592) | (2,823) | - |
| Transfers to intangible assets | - | - | - | - | - | (343) | (343) |
| Impairment on revaluation of property | (42,292) | - | - | - | - | (3,313) | (45,605) |
| Asset write off and impairment | - | - | - | - | - | (3,190) | (3,190) |
| **At 31 July 2020** | 294,053 | 13,127 | 850 | 42,620 | - | 1,916 | 352,566 |
| **Consisting of valuation as at:** | | | | | | | |
| 31 July 2020 | 294,053 | - | - | - | - | - | 294,053 |
| Cost | - | 13,127 | 850 | 42,620 | - | 1,916 | 58,513 |
| | 294,053 | 13,127 | 850 | 42,620 | - | 1,916 | 352,566 |
| **Depreciation** | | | | | | | |
| At 1 August 2019 | - | 4,432 | 850 | 19,532 | - | - | 24,814 |
| Charge for the year | 3,240 | 1,392 | - | 6,455 | - | - | 11,087 |
| Impairment on revaluation of property | (3,104) | - | - | - | - | - | (3,104) |
| **At 31 July 2019** | 136 | 5,824 | 850 | 25,987 | - | - | 32,797 |
| **Net book value** | | | | | | | |
| **At 31 July 2020** | 293,917 | 7,303 | - | 16,633 | - | 1,916 | 319,769 |
| At 31 July 2019 | 270,743 | 8,556 | - | 19,473 | 56,096 | 8,342 | 363,210 |
| **Leased assets included above:** | | | | | | | |
| **Carrying amount** | | | | | | | |
| **At 31 July 2020** | 261,308 | - | - | - | - | - | 261,308 |
| At 31 July 2019 | 235,623 | - | - | - | 56,096 | - | 291,719 |

The impairment on revaluation of property totalling £42,501,000 comprises £20,117,000 relating to buildings which have been previously revalued above cost and £22,384,000 which has been charged against the income and expenditure reserve.

At 31 July 2020, freehold land and buildings included £17,100,000 (2019: £17,100,000) in respect of freehold land which is not depreciated.

On 31 July 2020 the freehold and leasehold land and buildings were re-valued at £293,917,000 (2019: £270,743,000) on the basis of existing use by Cushman and Wakefield, Chartered Surveyors. The valuation is prepared in accordance with the RICS Valuation – Global Standards, which incorporate the International Valuation Standards ('IVS') and the RICS UK national supplement (the 'RICS Red Book') edition current at 31 July 2020. The valuation is mainly based on an investment approach (capitalisation of future income streams using a market yield, or capitalisation rate) assuming vacant possession as the properties are owner-occupied.

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 14 Heritage assets

| | Consolidated £'000 | London Business School £'000 |
|---|---|---|
| **Cost** | | |
| At 1 August 2019 | 39 | - |
| Additions | - | - |
| **At 31 July 2020** | 39 | - |

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

## 15 Service concession arrangements

The School has Balance Sheet arrangements including service concession arrangements, which are fully depreciated. These include equipment used by the outsourced printing and catering companies.

**Movement in Service concession arrangement assets**
The asset value of the service concession included in the Balance Sheet as at 31 July 2020 is £nil (2019 : £nil).

**Movement in Service concession arrangement liabilities**
The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2020 were £nil (2019 : £nil)..

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

# 16 Non current investments

| CONSOLIDATED | Investments £'000 |
|---|---|
| **At 1 August 2019** | 51,086 |
| Additions | 47,831 |
| Disposals | (37,331) |
| Revaluation | (3,225) |
| Capital distribution | (2,267) |
| **At 31 July 2020** | 56,094 |

The listed investments have been valued at market value.

| Investments consist of: | Consolidated £'000 |
|---|---|
| BlackRock GiltTrack Fund Distributing Share Class | 11,419 |
| Cash held by BlackRock Asset Management | 35,790 |
| Prodigy Loan Investment | 8,885 |
| | 56,094 |

Prodigy loan investment are investments made by the School in bonds that provide loan finance to students.

| | Consolidated 2020 £'000 | Consolidated 2019 £'000 |
|---|---|---|
| Endowment Investments | 56,094 | 51,086 |
| | 56,094 | 51,086 |

| SCHOOL | Subsidiary companies £'000 |
|---|---|
| **At 1 August 2019** | 10 |
| **At 31 July 2020** | 10 |

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

The School's holding in London Business School Trading Company Limited, shown at cost, represents 10,000 (2019: 10,000) ordinary shares of £1 each, being the total issued share capital of the company.

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

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 17 Investment in associates

The School has an investment interest in Global Entrepreneurship Research Association (GERA). GERA was incorporated on 3 February 2005 and is a company limited by guarantee. GERA advances education and learning in the field of entrepeneurship practice and policy development including (but not limited to) the provision and conduct of an international programme of research and the dissemination of the results of such research. GERA is a charitable company. Its financial statements are prepared under the Accounting and Reporting by Charities: Statement of Recommended Practice. GERA is not funded by restricted grants and has been accounted for under the gross equity method. The School's share of its operating loss has been recognised in the statement of comprehensive income and expenditure account and the share of the assets has been included in the Balance Sheet. The School's 25% share of GERA's net assets total £200,000 (2019: £364,000; 33%).

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| At 1 August 2019 | 364 | 440 | - | - |
| Share of loss 25% (2019 : 33%) | (164) | (76) | - | - |
| **At 31 July 2020** | 200 | 364 | - | - |

## 18 Stock

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Finished goods | 96 | 73 | 96 | 73 |
| | 96 | 73 | 96 | 73 |

## 19 Trade and other receivables

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Amounts falling due within one year: | | | | |
| Other trade receivables | 6,622 | 6,515 | 4,872 | 1,031 |
| Other receivables | 761 | 864 | 428 | 372 |
| Prepayments and accrued income | 2,769 | 3,764 | 2,607 | 2,842 |
| Amounts due from gift aid | - | - | 152 | 138 |
| | 10,152 | 11,143 | 8,059 | 4,383 |

# 20 Creditors: amounts falling due within one year

| | Consolidated 2020 £'000 | Consolidated 2019 £'000 | London Business School 2020 £'000 | London Business School 2019 £'000 |
|---|---|---|---|---|
| Amounts due to subsidiary companies | - | - | 20,143 | 25,697 |
| COVID Corporate Financing Facility Loan | 50,000 | - | 50,000 | - |
| Trade payables | 2,437 | 4,827 | 2,226 | 4,051 |
| Social security and other taxation payable | 2,296 | 2,507 | 2,296 | 2,507 |
| Accruals | 19,241 | 23,051 | 18,232 | 21,772 |
| Deferred income | 43,575 | 40,617 | 41,915 | 39,113 |
| Other creditors | 1,441 | 1,173 | 1,441 | 1,173 |
| | 118,990 | 72,175 | 136,253 | 94,313 |

During the year, the School received confirmation that it is eligible to access the HM Treasury and the Bank of England COVID Corporate Financing Facility ('CCFF').

As at 31 July 2020, the School has issued £50,000,000 of Commercial Paper through the CCFF, which matures on 9 March 2021, and £25,000,000 of the CCFF was unused at this date.

### Deferred income

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

| | Consolidated 2020 £'000 | Consolidated 2019 £'000 | London Business School 2020 £'000 | London Business School 2019 £'000 |
|---|---|---|---|---|
| Tuition fees | 35,481 | 31,135 | 33,821 | 29,631 |
| Research grants received on account | 7,921 | 9,247 | 7,921 | 9,247 |
| Grant income | 173 | 235 | 173 | 235 |
| | 43,575 | 40,617 | 41,915 | 39,113 |

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 21 Creditors: amounts falling due after more than one year

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Accruals and deferred income | 1,012 | 1,043 | 1,012 | 1,043 |
| Bank loans | - | 31,500 | - | 31,500 |
| Unsecured Loans | 35,000 | 35,000 | 35,000 | 35,000 |
| | 36,012 | 67,543 | 36,012 | 67,543 |

On 31 July 2014, the School entered into a revolving credit facility agreement with HSBC. The loan agreement is for the ten year period to 31 July 2024. As at 31 July 2020, this facility was unused but remained available.

As at 31 July 2019 £31,500,000 of the facility had been utilised, to be repaid on 9 August 2019 (£6,000,000), 27 August 2019 (£10,000,000) and 31 August 2019 (£15,500,000). These loans were rolled over as cash demands required. All loans were fully repaid during the year.

On 17 February 2017 the School entered into a £35,000,000 unsecured loan with Metlife Insurance K.K. with a maturity date of 19 February 2052 with a fixed interest rate of 2.75% per annum.

## 22 Loans

| | Consolidated | | London Business School | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| **Due within one year or on demand (note 20)** | 50,000 | - | 50,000 | - |
| Due between two and five years | - | 31,500 | - | 31,500 |
| Due in five years or more | 35,000 | 35,000 | 35,000 | 35,000 |
| **Due after more than one year** | 35,000 | 66,500 | 35,000 | 66,500 |
| **Total unsecured loans** | 85,000 | 66,500 | 85,000 | 66,500 |

# 23 Provisions

**CONSOLIDATED AND SCHOOL**

| | Defined benefit obligation on USS Pension £'000 | Defined benefit obligation on SPS Pension £'000 | **Total pensions provision £'000** | Restructuring provision £'000 | **Total provisions £'000** |
|---|---|---|---|---|---|
| At 1 August 2019 | 27,887 | 15,699 | 43,586 | - | 43,586 |
| Utilised during the year | (599) | - | (599) | - | (599) |
| Revaluations in 2020 | (11,464) | 9,053 | (2,411) | 1,410 | (1,001) |
| **At 31 July 2020** | 15,824 | 24,752 | 40,576 | 1,410 | 41,986 |

USS Pension is a multi-employer scheme for entities not under common control. The School has entered into an agreement with the scheme that determines how the School will fund the deficit. This results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102.

Further details are disclosed in note 31.

# 24 Financial instruments

| | **Consolidated** | | **London Business School** | |
|---|---|---|---|---|
| | **2020 £'000** | **2019 £'000** | **2020 £'000** | **2019 £'000** |
| **Financial Assets** | | | | |
| Measured at Fair Value through comprehensive statement of income and expenditure | | | | |
| Investments in common investment funds | 47,209 | 42,934 | - | - |
| Measured at undiscounted amounts receivable | | | | |
| Trade and other receivables | 7,383 | 7,379 | 5,300 | 1,403 |
| Equity Instruments measured at cost less impairment | | | | |
| Non-current asset investments in unlisted equity investments | 8,885 | 8,152 | - | - |
| Cash measured at amortised cost | | | | |
| Cash and cash equivalents | 12,659 | 1,652 | 12,645 | 1,564 |
| | 76,136 | 60,117 | 17,945 | 2,967 |
| **Financial Liabilities** | | | | |
| Measured at amortised cost | | | | |
| Loans payable | 85,000 | 66,500 | 85,000 | 66,500 |
| Measured at undiscounted amounts payable | | | | |
| Trade and other creditors | 6,174 | 8,507 | 5,963 | 7,731 |
| | 91,174 | 75,007 | 90,963 | 74,231 |

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 25 Income and expenditure reserve – endowment reserve

Endowment reserves are as follows:

| | Restricted permanent endowments £'000 | Unrestricted permanent endowments £'000 | Expendable endowments £'000 | 2020 Total £'000 | 2019 Total £'000 |
|---|---|---|---|---|---|
| **Balances at 1 August 2019** | | | | | |
| Capital | 40,139 | 13,946 | - | 54,085 | 50,812 |
| Accumulated income | - | - | 2,388 | 2,388 | 2,512 |
| | 40,139 | 13,946 | 2,388 | 56,473 | 53,324 |
| New endowments | 7,818 | 1 | 334 | 8,153 | 2,857 |
| Investment income | - | - | 1,169 | 1,169 | 1,340 |
| Other income | - | - | 32 | 32 | - |
| Expenditure | (1,148) | - | (1,793) | (2,941) | (2,754) |
| | (1.148) | - | (592) | (1,740) | (1,414) |
| (Decrease)/Increase in market value of investments | (3,103) | (290) | - | (3,393) | 1,706 |
| **At 31 July 2020** | 43,706 | 13,657 | 2,130 | 59,493 | 56,473 |
| **Represented by:** | | | | | |
| Capital | 43,706 | 13,657 | - | 57,363 | 54,085 |
| Accumulated income | - | - | 2,130 | 2,130 | 2,388 |
| | 43,706 | 13,657 | 2,130 | 59,493 | 56,473 |
| **Analysis by type of purpose:** | | | | | |
| Chairs | 17,510 | - | - | 17,510 | 19,678 |
| Scholarships | 25,952 | - | 1,670 | 27,622 | 18,127 |
| Other | 244 | 13,657 | 460 | 14,361 | 18,668 |
| | 43,706 | 13,657 | 2,130 | 59,493 | 56,473 |
| **Analysis by asset** | | | | | |
| Fixed assets | | | | 56,094 | 51,086 |
| Current asset investments | | | | 3,399 | 5,387 |
| | | | | 59,493 | 56,473 |

# 26 Income and expenditure reserve – restricted reserve

Reserves with restrictions are as follows:

| | 2020 Donations £'000 | 2019 Total £'000 |
|---|---|---|
| **At 1 August 2019** | 2,861 | 2,582 |
| New donations | 8,061 | 7,721 |
| Expenditure | (6,375) | (7,442) |
| | 1,686 | 279 |
| **At 31 July 2020** | 4,547 | 2,861 |

| **Analysis of other restricted funds/donations by type of purpose:** | 2020 Total £'000 | 2019 Total £'000 |
|---|---|---|
| Scholarships | 1,995 | 749 |
| Other | 2,552 | 2,112 |
| | 4,547 | 2,861 |

# 27a Cash and cash equivalents

| | At 1st August 2019 £'000 | Cash Flows £'000 | At 31st July 2020 £'000 |
|---|---|---|---|
| **CONSOLIDATED** | | | |
| Cash and cash equivalents | 1,652 | 11,007 | 12,659 |
| | 1,652 | 11,007 | 12,659 |

| **Consolidated reconciliation of net debt** | **£'000** |
|---|---|
| **Net debt 1 August 2019** | 64,848 |
| Movement in cash and cash equivalents | (11,007) |
| New loans | 50,000 |
| Repaid loans | (31,500) |
| **Net debt 31 July 2020** | 72,341 |
| **Change in net debt** | 7,493 |

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 27b Analysis of net debt

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Cash and cash equivalents** | 12,659 | 1,652 |
| **Borrowings: amounts falling due within one year** | | |
| Commercial paper | 50,000 | - |
| | 50,000 | - |
| **Borrowings: amounts falling due after more than one year** | | |
| Unsecured loans | 35,000 | 66,500 |
| | 35,000 | 66,500 |
| **Net debt** | 72,341 | 64,848 |

## 28 Capital and other commitments

The consolidated London Business School group and the London Business School had capital commitments of £868,000 at 31 July 2020 (2019: nil).

## 29 Contingent liabilities

The School has no contingent liabilities at 31 July 2020 (2019: nil).

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

## 30 Lease obligations

Total rentals payable under operating leases:

| | 2020 Land and buildings £'000 | 2020 Plant and equipment £'000 | Total £'000 | 2019 £'000 |
|---|---|---|---|---|
| **Payable during the year** | 2,220 | 68 | 2,288 | 2,198 |
| **Future minimum lease payments due:** | | | | |
| Not later than 1 year | 3,080 | 68 | 3,148 | 3,091 |
| Later than 1 year and not later than 5 years | 10,683 | - | 10,683 | 9,760 |
| Later than 5 years | 663,002 | - | 663,002 | 665,271 |
| **Total lease payments due** | 676,765 | 68 | 676,833 | 678,122 |

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

# 31 Pension scheme details

## (a) Pension scheme details

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

| | 2020 Total £'000 | 2019 Total £'000 |
|---|---|---|
| Universities Superannuation Scheme | 11,098 | 9,332 |
| Scottish Widows | 398 | 399 |
| | 11,496 | 9,731 |
| London Business School Pension Scheme | 50 | - |
| **Total contributions charged to the income and expenditure account** | 11,546 | 9,731 |

## (b) USS

**Pension costs**

The total cost charged to the profit and loss account is £11,098,000 (2019: £9,332,000) as shown in notes 8, 9 and 31a.

Deficit recovery contributions due within one year for the institution are £599,000 (2019: £579,000).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

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

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 31 Pension schemes *continued*

**(b)USS** *(continued)*

The key financial assumptions used in the 2018 valuation are described below.

| | |
|---|---|
| Pension increases (CPI) | Term dependent rates in line with the difference between theFixed Interest and Index Linked yield curves, less 1.3% p.a. |
| Discount rate (forward rates) | Years 1-10: CPI + 0.14% reducing linearly to CPI – 0.73%<br>Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21<br>Years 21 +: CPI + 1.55% |

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

| | **2018 valuation** |
|---|---|
| Mortality base table | Pre-retirement<br>71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females<br>Post-retirement<br>97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females |
| Future improvements to mortality | CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females |

The current life expectancies on retirement at age 65 are:

| | **2018 valuation** | **2017 valuation** |
|---|---|---|
| Males currently aged 65 (years) | 24.4 | 24.6 |
| Females currently aged 65 (years) | 25.9 | 26.1 |
| Males currently aged 45 (years) | 26.3 | 26.6 |
| Females currently aged (45 years) | 27.7 | 27.9 |

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

| | **2020** | **2019** |
|---|---|---|
| Discount rate | 0.74% | 1.58% |
| Pensionable salary growth | 3.00% | 2.11% |

If the salary growth were to increase to 4%, this would increase the provision by £580,000 and a 0.5% decrease in discount rate would increase the provision by £373,000.

# 31 Pension schemes *continued*

### (c) SPS

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

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

The assets of the Scheme are held separately from those of the Employer. The value of the insured pensions (£1,758,000) is omitted from both assets and liabilities below for clarity.

The School and the Trustees of the Trust have granted the Scheme a floating charge over the Endowment Investments of the Trust to provide additional security for the Scheme's deficit. Under the terms of this charge, the School is required to maintain a balance on these investments of the higher of £30,000,000 and 120% of the Scheme's estimated buyout deficit as confirmed in the Scheme's most recent actuarial report. The School has continually met this requirement during the year. Since 31 July 2020, the Trustees have granted a temporary amendment of this requirement until 1 November 2022. During the period of the temporary amendment, the School is required to ensure that the value of these investments is greater than or equal to £30,000,000..

| Assets and liabilities at each year end: | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Total market value of assets | 17,568 | 18,572 |
| Present value of liabilities | (42,320) | (34,271) |
| **Deficit** | (24,752) | (15,699) |

| The amounts recognised in the profit and loss: | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Net interest on defined benefit liability | 354 | 331 |
| Past Service Cost (GMP Equalisation) | - | 85 |
| Expenses paid from the Scheme | 69 | 65 |
| **Total expense** | 423 | 481 |

| The amounts recognised in the statement of comprehensive income and expenditure: | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Actual return on assets | (673) | 1,002 |
| Return on assets included in net interest | (414) | (496) |
| Asset gain | (1,087) | 506 |
| Liability experience (loss) | (71) | (7) |
| Change of assumptions (loss) | (7,522) | (3,926) |
| **Remeasurement loss in the statement of comprehensive income and expenditure** | (8,680) | (3,427) |

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 31 Pension schemes *continued*

**(c) SPS** *(continued)*

| **Changes in the present value of the defined benefit liabilities:** | **2020 £'000** | **2019 £'000** |
|---|---|---|
| Opening value of liabilities | 34,271 | 29,627 |
| Interest cost | 768 | 827 |
| Benefits paid | (312) | (201) |
| Expected value of liabilities at end | 34,727 | 30,253 |
| Liability experience loss | 71 | 7 |
| Past Service Cost (GMP Equalisation) | - | 85 |
| Change of assumptions loss/(gain) | 7,522 | 3,926 |
| **Closing value of liabilities** | 42,320 | 34,271 |

| **Changes in the value of the assets**: | **2020 £'000** | **2019 £'000** |
|---|---|---|
| Assets at beginning of the year | 18,572 | 17,836 |
| Expected return on assets | 414 | 496 |
| Employer contributions | 50 | - |
| Benefits paid | (312) | (201) |
| Expenses | (69) | (65) |
| Expected assets at end of the year | 18,655 | 18,066 |
| (Loss)/Gain on Scheme assets | (1,087) | 506 |
| **Assets at end of the year** | 17,568 | 18,572 |

| **The main actuarial assumptions used to value the liabilities:** | **2020 £'000** | **2019 £'000** |
|---|---|---|
| Discount rate | 1.40% | 2.25% |
| Price inflation (RPI) | 2.90% | 3.10% |
| Price inflation (CPI) | 1.90% | 2.10% |
| Future increases to pensions in deferment | 1.90% | 2.10% |
| Future increases to pensions in payment | 2.90% | 3.10% |
| Mortality table | S3PMA/ S3PFA CMI 2019 projection with 1.5% long term rate | S3PMA/ S3PFA CMI 2018 projection with 1.5% long term rate |

| **The total value of the assets (excluding annuities):** | **2020 £'000** | **2019 £'000** |
|---|---|---|
| Equities | 36% | 37% |
| Gilts | 0% | 0% |
| Bonds | 33% | 32% |
| Property | 19% | 20% |
| Cash/Other | 12% | 11% |
| **Total** | 100% | 100% |

# 31 Pension schemes *continued*

**(c) SPS** *(continued)*

The property fund is valued by Legal & General Investment Management (LGIM). In response to the impact of the pandemic, the property fund suspended trading with effect from 20 March 2020. This decision followed RICS guidance and remained in place until the initial impact of the pandemic receded. The suspension was lifted with effect from 1 October 2020. During the period of suspension, the fund continued to receive weekly valuations from CBRE Ltd which were reflected in the fund's weekly pricing. No changes or adjustments were made to the pricing methodology and the fund continued to closely track its benchmark throughout this period. The property fund has been included at fair value provided by the investment manager. These assets are not quoted.

# 32 Related party transactions

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

During the year some governors and senior management earned consultancy fees from a subsidiary of the School, the Centre for Management Development Company Limited.

| | **2020**<br>**£** | **2019**<br>**£** |
|---|---|---|
| Professor Julian Birkinshaw | 51,000 | 90,000 |
| Professor Alex Edmans | 13,000 | 6,000 |
| Professor Madan Pillutla | - | 27,000 |

There was £10,000 at the end of the year due to the above individuals (2019: £6,000).

The Honourable Apurv Bagri is a Commissioner of the Crown Estates Paving Commission. In 2020 the School paid £97,000 to the Commission (2019: £61,000).

The President of the London Business School Students' Association ('LBSSA') is also a member of the Governing Body. During the year, the School made general contributions to LBSSA of £346,000 (2019: £314,000) and specific sponsorship of £10,000 (2019: £23,000). The School also charged LBSSA for catering services amounting to £100,000 (2019: £152,000) and financial administrative services of £26,000 (2019: £25,000). The School also donated estate services of £2,000 (2019: £2,000). At the year end, the School owed an amount of £1,000 to LBSSA (2019: the School was owed £66,000).

Donations to the School include donations from 11 (2019 : 20) Governing Body members, either as individuals or Foundations associated with the member, totalling £869,000 (2019 : £1,714,000)

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

# Notes to the financial statements *continued*

for the year ended 31 July 2020

## 33 Subsidiary undertakings

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

| Company | Principal Activity | Status |
|---|---|---|
| London Business School Trading Company Limited | Provision of the trading activities of the School | 100% owned |
| London Business School Anniversary Trust | Provision of the charitable purpose of the School | 100% owned |
| Centre for Management Development Company Limited | Provision of education in the field of business studies | 100% owned |
| London Business School Trust Company Limited | Dormant | 100% owned |

# 34 Connected charitable institutions

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

| | Opening balance | Income | Expendi-ture | Change in market value | Closing balance |
|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Consolidated** | | | | | |
| London Business School Anniversary Trust | 79,472 | 18,343 | (19,713) | (3,226) | 74,876 |
| Global Entrepreneurship Research Association (GERA) | 1,032 | 520 | (711) | - | 841 |
| **Not consolidated** | | | | | |
| London Business School Student Association (31 July 2019) | 670 | 2,521 | (2,476) | - | 715 |

London Business School has a subsidiary and connected charity, 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, chair awards and develop the infrastructure of the School, as well as build permanent endowments for the School.

GERA is a company limited by guarantee and has no share capital. It was a joint venture between London Business School and Babson College. The School has no management in the company but retains this right.

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

# 35 Post balance sheet event

On 24 February 2021 the School secured new long-term funding of £50,000,000 under a private placement. This long-term funding matures in 2041 (£25,000,000), 2049 (£5,000,000), 2056 (£10,000,000) and 2061 (£10,000,000).

The funds under this arrangement are to be drawn on 4 March 2021 for the purpose of repaying the £50m borrowed under the CCFF in July 2020. The CCFF borrowings are due for repayment on 9 March 2021.

# Governing Body

(as at 25 February 2021)

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

**Mr Roger Carlsson**
CEO, FCT Europe Ltd

**Ms Callan Carvey (retired May 2020)**
Student Association President

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

**Mr Santiago Fernandez (appointed June 2020)**
Student Association President

**Mr Lars Fjeldsoe-Nielsen**
General Partner, Balderton Capital

**Professor Julian Franks (appointed March 2020)**
Professor of Finance;
Alexander M. Knaster Chair

**Mr Bradley Fried**
Principal & founder, Grovepoint Capital

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

**Ms Elisabeth Grieg**
Chair, Grieg Star Group SA and
Grieg Maturitas SA

**Mr Ian Hannam**
Founder and Chair,
Hannam & Partners

**Professor Herminia Ibarra (appointed October 2019)**
Professor of Organisational Behaviour;
Charles Handy Professor of Organisational Behaviour

**Professor Oded Koenigsberg**
Professor of Marketing

**Mr Savio Kwan**
Co-Founder, Partner and CEO
A&K Consultant Company Ltd

**Mrs Ingrid Kwok**
Director of Construction Projects Management

**Dame Mary Marsh**
Non-Executive Director, HSBC Bank plc

**Ms Fiona du Monceau**
COO, ExeVir

**Baroness Lucy Neville-Rolfe DBE CMG (retired November 2019)**
House of Lords

**François Ortalo-Magné**
Dean, London Business School

**Ms Nalisha Patel**
Executive Director, Degree Programmes and Student Experience

**Professor Anna Pavlova**
Professor of Finance

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

**Professor Hélène Rey (retired October 2019)**
Professor of Economics; Lord Raj Bagri Professor of Economics

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

**Professor Freek Vermeulen (retired March 2020)**
Professor of Strategy and Entrepreneurship
London Business School

**Mr Hugh Wood**

**Dame Professor Sarah Worthington**
Downing Professor of the Laws of England and Fellow of Trinity College, Cambridge University

**AUDIT & RISK COMMITTEE**
Reports to Governing Body
*Chair:*
Dame Mary Marsh
*Members:*
Mr Eric Stobart
Ms Fiona du Monceau
Ms Elisabeth Grieg
Mr Roger Carlsson
*Secretary:*
Ms Ruth Beckinsale, Deputy Secretary

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

**FINANCE COMMITTEE**
Reports to Governing Body
*Chair:*
Mr Bradley Fried
*Other Non-Executives:*
Mr Lars Fjeldsoe-Nielsen
Mr David Pyott
*Secretary:*
Ms Tracy Siu, Director, Finance

**In attendance**
*Executives:*
François Ortalo-Magné, Dean
Ms Alison Brownhill, Chief Financial Officer
Professor Florin Vasvari

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

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

**TREASURER**
Mrs Helen Oakley (retired 30 March 2020)
Director, Financial Planning & Analysis
Ms Alison Brownhill
(appointed 30 March 2020)
Chief Financial Officer

# Professional advisors

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66 Lincoln's Inn Fields
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WC2A 3LH

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1 Embankment Place
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**Internal Auditor**
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Deloitte LLP *(until 31 July 2020)*
2 New Street Square
London
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**Principal Banker**
HSBC Bank plc
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SE1 9DZ

**Investment Manager**
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JPMorgan House
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