



Financial Statements

2021–2022

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Summary of Financial Highlights

CONSOLIDATED

| | 2022 £'000 | 2021 £'000 |
|-------------------------------|-----------------------|-----------------------|
| INCOME | | |
| Academic fees | 153,240 | 127,077 |
| Funding Council grants | 10,199 | 8,889 |
| Research grants and contracts | 1,634 | 2,436 |
| Other income | 3,805 | 1,401 |
| Investment income | 241 | 518 |
| Donations and endowments | 22,426 | 8,526 |
| Total income | <u>191,545</u> | <u>148,847</u> |

EXPENDITURE

| | | |
|--|-----------------------|-----------------------|
| Staff costs | 89,323 | 83,866 |
| External teaching and teaching support | 29,803 | 23,711 |
| Marketing | 3,484 | 3,683 |
| Technology | 4,691 | 4,663 |
| Premises and utilities | 14,046 | 11,417 |
| Catering and accommodation | 5,619 | 1,289 |
| Other overheads (including tax) | 9,687 | 6,660 |
| Total operating expenditure | <u>156,653</u> | <u>135,289</u> |

Operating surplus

34,892 **13,558**

| | | |
|---|----------|----------|
| Restructuring | - | 509 |
| Depreciation | (11,793) | (12,731) |
| Interest and other finance costs | (2,775) | (2,054) |
| Share in associate / joint venture | 132 | 119 |
| Loss on investments | (2,491) | (679) |
| Gain on sale of tangible assets | 345 | 1,733 |
| Revaluation of land and buildings | (9,261) | 18,598 |
| Actuarial (loss) / gain in respect of pension schemes | (13,646) | 2,721 |

Total comprehensive

(expense) / income for the year **(4,597)** **21,774**

BALANCE SHEET

| | | |
|---|----------|----------|
| Non-current assets excluding investments) | 306,498 | 326,415 |
| Non-current investments | 58,123 | 55,596 |
| Other current assets | 74,538 | 37,574 |
| Current liabilities | (80,763) | (70,744) |
| Long-term liabilities | (85,974) | (85,951) |
| Provisions | (52,447) | (38,318) |

Net assets

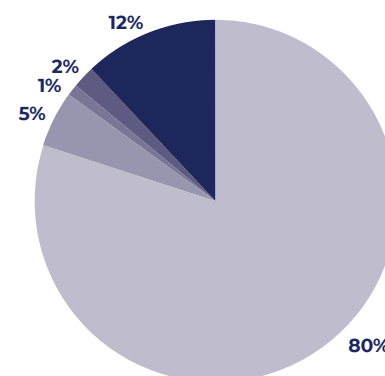
219,975 **224,572**

Represented by:

| | | |
|--|---------|---------|
| Endowment reserve | 60,257 | 57,933 |
| Restricted reserve | 15,464 | 5,473 |
| Unrestricted reserve - including non-controlling interests | 16,973 | 28,186 |
| Revaluation reserve | 127,281 | 132,980 |

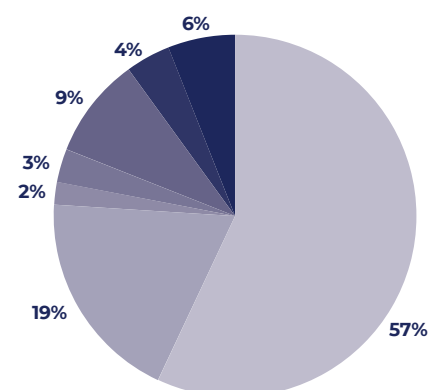
219,975 **224,572**

INCOME 2022



- Academic fees
- Funding Council grants
- Research grants and contracts
- Other income including investment income
- Donations and endowments

EXPENDITURE 2022



- Staff costs
- External teaching and teaching support
- Marketing
- Technology
- Premises and utilities
- Catering and accommodation
- Other overheads (including tax)

Statement from the Chair and the Dean

Chair's statement

It has been another extraordinary year for the School and I am delighted we emerge from operating under pandemic conditions with excellent year-end results. Our degree students, executive education participants, alumni and so many others continue to benefit from our faculty's outstanding research and the many experiences we offer. We have demonstrated, time and again, that no matter what the circumstances, we remain steadfast in our commitment to have a profound impact on the way the world does business and the way business impacts the world.

We are now looking forward, aligned behind our new vision to be an *engaged community walking the learning journey together*. Engaging is about understanding the needs, wants and goals of the members of our community – staff, faculty, students, participants, corporate partners, alumni and others. We aim to build stronger and deeper connections within our community as, together, we explore, discover and learn to fulfil their aspirations, throughout their lives: to advance careers, support entrepreneurial journeys, and transform organisations; to enjoy membership of a vibrant, global, diverse and prestigious network; and to contribute to, and be inspired by, stories of life-changing impact.

The pandemic, the Ukraine war, ... the context has been difficult. I am grateful and proud for the way our community has come together and emerges stronger and energised to unleash its full potential.

The Honourable Apurv Bagri

Chair of Governing Body
London Business School
1 December 2022

Dean's statement

London Business School achieves profound impact through academic research, degree and executive education programmes and the engagement of alumni, policymakers, business leaders and audiences around the world.

The 2021/22 academic year will be remembered as a challenging and successful year due to the excellent operating results, achieved through the hard work and contribution of our community.

Faculty research

The results of REF2021 published in May this year, reflect the overall high quality of our faculty's research: the School remained top in terms of research outputs in the Business and Management unit of assessment with 78.5% of its research outputs receiving the top 4* rating.

The School welcomed 17 new students to its Ph.D. programme. Sixteen graduated and took up placements at Bilkent, Bocconi, Bristol, Frankfurt, INSEAD, Koç, Leibniz Institute, Lyon, Northwestern, Oxford and Tulane.

The Research Centres and Institutes remain a cornerstone of the School's support for interdisciplinary research and a prime vehicle whereby faculty, students, and alumni connect with the business and policy-making community to address the issues of the time. In September 2021, the Institute of Entrepreneurship and Private Capital was launched from a merger of the Institute of Innovation and Entrepreneurship and Private Equity at London Business School. In March 2022 the Centre for Corporate Governance was closed at the end of its current round of funding.

Degree students

The School welcomed 1,527 new students across its 2021/2022 intakes. Of these, 335 were awarded scholarships, testament to the generosity of the School's alumni and friends and their commitment to enhance the quality and diversity of our community. The academic year concluded with the graduation of 1,587 students across all our programmes.

Statement from the Chair and the Dean

continued

Although the 2021/22 academic year was punctuated with COVID-related interruptions, students were offered in-class teaching whenever allowed by the government. Our Global Experience programme recommenced travel operations and enabled us to deliver 17 overseas experiences. Students also worked on applied learning activities closer to home, delivering 139 projects for London-based organisations.

From the class graduating in the summer of 2021, a record 973 students were seeking employment in full-time Early and Mid-Careers programmes, and 94% of those received an offer of employment within three months of graduation. Once again, the Early Careers programmes were particularly successful with 97% of our Masters in Analytics and Management students receiving an offer within three months of graduation.

These outcomes remain in-line with the longstanding top-tier status of the School in rankings. Overall, the School has held its 2nd place in Europe in the FT ranking and was awarded first place globally by CEOWorld Magazine.

Executive Education

The Executive Education team worked with the School's faculty and clients to deliver impressive growth relative to prior year, achieving £43.7m of income and welcoming close to 10,000 participants. Because of continuing uncertainty over COVID, our programmes were delivered with a mix of face-to-face and online technology. Many were delivered in hybrid format, with some participants in the room and others joining virtually.

New relationships with corporate clients were initiated in the UK, Middle East and Europe, focusing on ambitious organisations on a transformation journey.

Throughout the year, the School maintained its high standard of delivery, achieving an average Net Promoter Score for open programmes of +80, with an average overall programme score of 4.6 out of 5. Custom programmes achieved an average NPS of +60 and programme score of 4.5 out of 5.0.

Engaging our alumni community

With the easing of COVID restrictions, 2021/22 saw

a gradual return to in-person alumni activity and a period of experimentation with hybrid activity. Some alumni clubs were able to resume in-person gatherings and events, including hosting students on treks and Global Experiences. Other clubs continued to innovate and find other ways to engage their communities.

October 2021 saw 11 hours of live content streamed into the homes and workplaces of thousands of alumni in over 80 countries as part of our annual Worldwide Alumni Celebration. In March, we hosted on campus our first large-scale in-person alumni event following the pandemic – Reunion for New Alumni. This also represented our first ever hybrid large-scale alumni event.

As the weather on campus grew warmer, we were delighted to bring back alumni to Reunion in June, which included a day of virtual programming to accommodate those unable to join in person. At Congregation in July, we celebrated the achievements of not only our graduating class, but also that of the 2021 and 2022 cohorts, whose ceremonies had been postponed by the pandemic.

Together with the Hive, our Innovation and Transformation office (that was created to foster School-wide innovation experiments and transformation projects), we ran pilot programmes to specifically support alumnae and grow their engagement with the School and one another. These pilots were just one example of the philanthropy-enabled investments we are making in walking the journey with the School's alumni.

Alumni continued to play a crucial role supporting activity across the School. They helped attract and select prospective students, they spoke at club events and in the classroom, and they mentored and hired our talent. With the support of our community, we are well positioned as we move into our Campaign launch year.

The fundraising highlight of the year was the record-breaking wine auction held by Christie's in May to sell 15,000 bottles gifted to the School by a generous and passionate anonymous donor. The gift aims to support the School in its efforts to walk the learning journey with its alumni.

Statement from the Chair and the Dean

continued

Global reach

More than 285,000 people engaged with the content of the School's thought-leadership publication, *Think at London Business School*, viewing 450,000 pages on the website.

Our *Think* newsletter was distributed to over 250,000 people, and digital subscriptions to *Think* increased by 4% during the year. The average time spent engaging with content - over 8 minutes per article - indicated people read it, demonstrating the relevance of evidence-based insights from the London Business School faculty.

There were also over 95,000 plays of our podcasts during the year, an increase of 6% on the previous year. Our 10 most popular podcasts generated almost 47,000 plays, up 50% on last year.

LBS social media channels are a vital means of inspiring and galvanising our global community, which continues to grow and thrive: nearly 130 thousand followers have joined us in the last twelve months, making a total of 1.3 million people, up 13%. These channels play a pivotal role in supporting content and campaigns across the School; of note are Instagram, where we've recently surpassed the 100 thousand followers mark, and LinkedIn, where we're well on the way to half a million.

With deep gratitude for the talent and energy so many contributed this year, I am looking forward to the next steps on our journey.

Onwards,

François Ortalo-Magné

Dean

London Business School

1 December 2022

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 September 2020. The School's practices are consistent with the provisions of the code.

The School's Advancement team continues to focus on building relationships with its wider stakeholder community and driving its fundraising activity. No fundraising is outsourced to, or delivered by, third party agencies. The School takes seriously the rights and privacy of its alumni community, friends and organisational donors. It conducts a number of appeals throughout the year, all of which have a clear mechanism for opting out. It does not undertake any form of fundraising with the general public. The School is registered with The Fundraising Regulator in the UK. During the 2021-22 financial year there were no failures to comply with the standards set out by The Fundraising Regulator and no serious complaints were received.

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 five times during the 2021/22 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 without senior executives being present 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.

Corporate Governance statement

continued

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 2022 and up to the date of approval of the financial statements, that it is regularly reviewed by the Governing Body and that accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

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

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

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

At its July 2022 meeting an assessment for the year ended 31 July 2022 was carried out upon receipt of documentation from senior management and the Audit and Risk Committee. At the meeting held

in November 2022, 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 2022 to take place. This assessment took into account events since 31 July 2022.

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 2021/22 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 2022 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 and in-year review of the School's corporate risk register.
- The Senior Management Team is responsible 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 2021/22 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

1 December 2022

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 2026/27 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

Financial sustainability and going concern

The School commenced the year in a strong liquidity position, having secured new long-term funding of £50m under a private placement with MetLife and Legal & General in February 2021. It was agreed that as part of arranging this long-term funding and dealing with the uncertainty arising from the pandemic, the gearing covenant was amended at of 31 July 2021 and 2022.

The School continues to benefit from the £40m revolving credit facility provided by its bankers which expires on 31 July 2024, and overdraft facility of £5m to assist with short term liquidity requirements. The School has not needed to use these due to its strong liquidity position which has been supported by strong financial results in 2021/22.

In considering 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 2024, sensitised to reflect uncertainties in revenue and costs.
- Prepared a high-level forecast of income, expenditure and cash flows for the period to 31 July 2027.
- 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 worse case. This review takes account of any mitigating actions.

The School has prepared the financial statements on a going concern basis.

Governing Body has determined that the actions the School's management has taken are sufficient to mitigate the potential uncertainty. Governing Body has a reasonable expectation 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.

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'). 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.

Treasurer's report *continued*

Results for the year

A summary of the School's results for the year to 31 July 2022 is as follows:

| | 2022 | 2021 |
|--|-----------------------|----------------------|
| | £'000 | £'000 |
| Income | 191,545 | 148,847 |
| Operating expenditure | <u>(156,653)</u> | <u>(135,289)</u> |
| Operating surplus | 34,892 | 13,558 |
| Restructuring costs | - | 509 |
| Depreciation and amortisation | (11,793) | (12,731) |
| Interest and other finance costs | (2,775) | (2,054) |
| Share of gain in associate | 132 | 119 |
| Loss on investments | (2,491) | (679) |
| Gain on sale of tangible fixed assets | 345 | 1,733 |
| Revaluation of land and buildings | (9,261) | 18,598 |
| Pension fund actuarial (loss)/gain | <u>(13,646)</u> | <u>2,721</u> |
| Total comprehensive (expense) / income for the year | <u>(4,597)</u> | <u>21,774</u> |

Income in the year increased from £149m to £192m. Fees from Degree programmes grew from £100m to £107m; Executive Education Open programme revenues increased from £9m to £16m; and Executive Education Custom programme revenues increased from £16m to £28m. Income from other sources including Funding body grants, research grants, investments and catering increased from £15m to £19m. Cash from donations increased from £9m to £22m.

Operating expenditure in the year increased by £21m in line with the revenue growth, as well as inflationary and salary cost increases.

The operating surplus for the year increased from £14m to £35m reflecting the excellent performance in Executive Education as we emerge from the COVID pandemic, and Advancement through fundraising.

The School has a policy of revaluing its freehold and long leasehold buildings on a regular basis. These are long-term assets where the majority are leased from the Crown Estate. The valuation as at

31 July 2022 was performed by an external firm of chartered surveyors and contained a change in methodology for some properties compared with last year. The valuation as at 31 July 2022 resulted in a fall of £9.3m. If the previous year's methodology had been used for all properties as at 31 July 2022, the reduction would have been in the range of £2m. Overall, as at 31 July 2022, the value of the property portfolio decreased by £15m, after taking account of a property sold during the year (Linhope Street – net book value £5.3m) and the latest property valuation (£9.3m). In total, the valuation of the property portfolio at 31 July 2022 was £255m compared to £270m at 31 July 2021. Proceeds of £5.6m were received from the sale of the Linhope Street property.

Cash and borrowings

As noted above, the School has long-term funding of £85m under a private placement agreement with MetLife and Legal & General.

Overall, the School had access to £45m of bank facilities through the £40m revolving credit facility and £5m bank overdraft, which were both undrawn at 31 July 2022.

As at 31 July 2022, the School held an actual cash balance of £55m compared with an opening cash balance of £25m, which is an indication of the School's strong liquidity.

Investments

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

The market value of the investment portfolio at the year-end was £58m compared with £55m at the last year-end reflecting an investment of £5m, capital distribution and net loss on revaluation in the year. The School's investment portfolio performed well compared with the market index.

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, the 2020 triennial actuarial valuation of the scheme was formerly completed after 31 July 2021 with an effective date of 1 October 2021. Therefore, the USS pension provision as at 31 July 2022 is calculated in line with the 2021 triennial actuarial valuation plan, but the prior year provision was calculated using the 2018 actuarial valuation outcome.

The USS pension provision as at 31 July 2022 reflects an increase of £31m, and the SPS provision reflects a decrease of £16m.

Reserves

Reserves have decreased from £225m to £220m. The unrestricted and revaluation reserves decreased by £17m due to the large increase in the USS pension provision and the property revaluation, offset by positive operating results. The endowment and restricted reserves increased by £12m due to new donations offset by a market loss on investments.

Joyce Bill

Chief Financial Officer and Treasurer
1 December 2022

Independent auditors' 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's 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 2022 and of the group's and of the School's income and expenditure, gains and losses and 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 Annual Report and Financial Statements (the "Annual Report"), which comprise the consolidated and School Balance Sheets as at 31 July 2022; the consolidated and School Statement of Comprehensive Income and Expenditure, the Consolidated and School Statement of Changes in Reserves, and the consolidated Cash Flow for the year then ended; the Accounting Policies; and the notes to the financial statements.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial

statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and School's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Governing Body with respect to going concern are described in the relevant sections of this report.

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

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

continued

financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Governing Body for the financial statements

As explained more fully in the Statement of the Governing Body's responsibilities set out on page 11, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the School/ industry, we identified that the principal risks of non-compliance with laws and regulations related to the Office for Students initial and general ongoing conditions of registration, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Office for Students' Accounts Direction (OfS 2019.41). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to the posting of inappropriate journal entries and the manipulation of key accounting judgements and estimates. Audit procedures performed included:

- enquiry of management and the members of the Governing Body, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reading minutes of meetings of the Governing Body and subcommittees, including the Audit and Risk Committee;
- understanding and evaluating the Group's control environment;
- testing of journal entries where we identified particular risk criteria;
- assessing the reasonableness of key accounting judgements and estimates including USS and SPS pension accounting and the valuation of land and buildings; and
- assessing financial statement disclosures, and testing to supporting documentation, for compliance with applicable laws and regulations.

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

continued

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 and UK Research and Innovation (including Research England) 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
1 December 2022

Consolidated and School Statement of Comprehensive Income and Expenditure

Year ended 31 July 2022

| | Note | Consolidated 2022 £'000 | Consolidated 2021 £'000 | London Business School 2022 £'000 | London Business School 2021 £'000 |
|--|---------|-------------------------------|-------------------------------|---|---|
| Income | | | | | |
| Tuition fees and education contracts | 1 | 153,240 | 127,077 | 125,512 | 111,271 |
| Funding body grants | 2 | 10,199 | 8,889 | 10,199 | 8,889 |
| Research grants and contracts | 4 | 1,634 | 2,436 | 1,634 | 2,436 |
| Other income | 5 | 3,805 | 1,401 | 11,654 | 6,675 |
| Investment income | 6 | 241 | 518 | 5 | 3 |
| Total income before endowments and donations | | 169,119 | 140,321 | 149,004 | 129,274 |
| Donations and endowments | 7 | 22,426 | 8,526 | 25,651 | 11,327 |
| Total income | | 191,545 | 148,847 | 174,655 | 140,601 |
| Expenditure | | | | | |
| Staff costs | 8 | 89,323 | 83,866 | 81,513 | 77,782 |
| USS provision movement | 8,23,31 | 30,383 | (1,118) | 30,383 | (1,118) |
| Restructuring costs | 8,23 | - | (509) | - | (509) |
| Other operating expenses | 10 | 67,330 | 51,423 | 62,318 | 49,614 |
| Depreciation and amortisation | 12,13 | 11,793 | 12,731 | 11,793 | 12,731 |
| Interest and other finance costs | 9 | 2,775 | 2,054 | 2,775 | 2,062 |
| Total expenditure | | 201,604 | 148,447 | 188,782 | 140,562 |
| Surplus before other (losses), gains and share of gain of associate/joint venture | | (10,059) | 400 | (14,127) | 39 |
| Revaluation of property | 13 | (4,678) | 2,480 | (4,678) | 2,480 |
| Gain on sale of tangible fixed assets | 13 | 345 | 1,733 | 345 | 1,733 |
| Loss on investments | 16 | (2,491) | (679) | - | - |
| Share of gain in associate/joint venture | 17 | 132 | 119 | - | - |
| (Deficit)/Surplus before tax | | (16,751) | 4,053 | (18,460) | 4,252 |
| Taxation | 11 | - | - | - | - |
| (Deficit)/Surplus for the year | | (16,751) | 4,053 | (18,460) | 4,252 |
| Unrealised (deficit)/surplus on revaluation of land and buildings | 13 | (4,583) | 16,118 | (4,583) | 16,118 |
| Actuarial gain in respect of pension schemes | 31 | 16,737 | 1,603 | 16,737 | 1,603 |
| Total comprehensive (expense)/income for the year | | (4,597) | 21,774 | (6,306) | 21,973 |
| Represented by: | | | | | |
| Endowment comprehensive income/(expense) for the year | | 2,324 | (1,560) | - | - |
| Restricted comprehensive income for the year | | 9,991 | 926 | - | - |
| Unrestricted comprehensive (expense)/income for the year | | (12,461) | 6,171 | (1,723) | 5,855 |
| Revaluation reserve comprehensive (expense)/income for the year | | (4,583) | 16,118 | (4,583) | 16,118 |
| Attributable to the School | | (4,729) | 21,655 | (6,306) | 21,973 |
| Attributable to the non-controlling interest | | 132 | 119 | - | - |
| | | (4,597) | 21,774 | (6,306) | 21,973 |
| (Deficit)/Surplus for the year attributable to: | | | | | |
| Non controlling interest | | 132 | 119 | - | - |
| School | | (16,883) | 3,934 | (18,460) | 4,252 |

All items of income and expenditure relate to continuing activities
The notes on pages 31-60 form part of these financial statements.

Consolidated and School Statement of Changes in Reserves

Year ended 31 July 2022

CONSOLIDATED

| | Income and expenditure account | | | Revaluation reserve | Total excluding non-controlling interest | Non-controlling interest | Total |
|--|--------------------------------|---------------|-----------------|---------------------|--|--------------------------|----------------|
| | Endowment | Restricted | Unrestricted | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2020 | 59,493 | 4,547 | 21,455 | 117,103 | 202,598 | 200 | 202,798 |
| (Deficit)/Surplus from the income and expenditure statement | (1,560) | 926 | 4,568 | - | 3,934 | 119 | 4,053 |
| Transfers between revaluation and income and expenditure reserve | - | - | 241 | (241) | - | - | - |
| Other comprehensive income | - | - | 1,603 | 16,118 | 17,721 | - | 17,721 |
| | (1,560) | 926 | 6,412 | 15,877 | 21,655 | 119 | 21,774 |
| Balance at 1 August 2021 | 57,933 | 5,473 | 27,867 | 132,980 | 224,253 | 319 | 224,572 |
| Surplus/(Deficit) from the income and expenditure statement | 2,324 | 9,991 | (29,198) | - | (16,883) | 132 | (16,751) |
| Transfers between revaluation and income and expenditure reserve | - | - | 1,116 | (1,116) | - | - | - |
| Other comprehensive income/(expense) | - | - | 16,737 | (4,583) | 12,154 | - | 12,154 |
| Total comprehensive income/(expense) for the year | 2,324 | 9,991 | (11,345) | (5,699) | (4,729) | 132 | (4,597) |
| Balance at 31 July 2022 | 60,257 | 15,464 | 16,522 | 127,281 | 219,524 | 451 | 219,975 |

SCHOOL

| | Income and expenditure account | | | Revaluation reserve | Total excluding non-controlling interest | Non-controlling interest | Total |
|--|--------------------------------|------------|---------------|---------------------|--|--------------------------|----------------|
| | Endowment | Restricted | Unrestricted | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2020 | - | - | 10,002 | 117,103 | 127,105 | - | 127,105 |
| Surplus from the income and expenditure statement | - | - | 4,252 | - | 4,252 | - | 4,252 |
| Transfers between revaluation and income and expenditure reserve | - | - | 241 | (241) | - | - | - |
| Other comprehensive income | - | - | 1,603 | 16,118 | 17,721 | - | 17,721 |
| | - | - | 6,096 | 15,877 | 21,973 | - | 21,973 |
| Balance at 1 August 2021 | - | - | 16,098 | 132,980 | 149,078 | - | 149,078 |
| Deficit from the income and expenditure statement | - | - | (18,460) | - | (18,460) | - | (18,460) |
| Transfers between revaluation and income and expenditure reserve | - | - | 1,116 | (1,116) | - | - | - |
| Other comprehensive income/(expense) | - | - | 16,737 | (4,583) | 12,154 | - | 12,154 |
| Total comprehensive expense for the year | - | - | (607) | (5,699) | (6,306) | - | (6,306) |
| Balance at 31 July 2022 | - | - | 15,491 | 127,281 | 142,772 | - | 142,772 |

The notes on pages 31-60 form part of these financial statements.

Consolidated and School Balance Sheet

31 July 2022

| | Notes | Consolidated 2022 £'000 | Consolidated 2021 £'000 | London Business School 2022 £'000 | London Business School 2021 £'000 |
|---|-------|-------------------------------|-------------------------------|--|--|
| Non-current assets | | | | | |
| Intangible assets | 12 | 686 | 917 | 686 | 917 |
| Tangible assets | 13 | 305,773 | 325,459 | 305,773 | 325,459 |
| Heritage assets | 14 | 39 | 39 | - | - |
| Non-current investments | 16 | 57,672 | 55,277 | 10 | 10 |
| Investments in associate and joint venture | 17 | 451 | 319 | - | - |
| | | <u>364,621</u> | <u>382,011</u> | <u>306,469</u> | <u>326,386</u> |
| Current assets | | | | | |
| Stock | 18 | 109 | 55 | 109 | 55 |
| Trade and other receivables | 19 | 19,770 | 12,218 | 10,931 | 7,144 |
| Cash and cash equivalents | 27 | 54,659 | 25,301 | 41,292 | 25,289 |
| | | <u>74,538</u> | <u>37,574</u> | <u>52,332</u> | <u>32,488</u> |
| Current liabilities | | | | | |
| Creditors: amounts falling due within one year | 20 | <u>(80,763)</u> | <u>(70,744)</u> | <u>(77,608)</u> | <u>(85,527)</u> |
| Net current liabilities | | <u>(6,225)</u> | <u>(33,170)</u> | <u>(25,276)</u> | <u>(53,039)</u> |
| Total assets less current liabilities | | <u>358,396</u> | <u>348,841</u> | <u>281,193</u> | <u>273,347</u> |
| Creditors: amounts falling due after more than one year | 21 | (85,974) | (85,951) | (85,974) | (85,951) |
| Provisions | | | | | |
| Provisions | 23 | <u>(52,447)</u> | <u>(38,318)</u> | <u>(52,447)</u> | <u>(38,318)</u> |
| Total net assets | | <u>219,975</u> | <u>224,572</u> | <u>142,772</u> | <u>149,078</u> |
| Restricted Reserves | | | | | |
| Income and expenditure reserve – endowment reserve | 25 | 60,257 | 57,933 | - | - |
| Income and expenditure reserve – restricted reserve | 26 | 15,464 | 5,473 | - | - |
| | | <u>75,721</u> | <u>63,406</u> | <u>-</u> | <u>-</u> |
| Unrestricted Reserves | | | | | |
| Income and expenditure reserve – unrestricted | | 16,522 | 27,867 | 15,491 | 16,098 |
| Revaluation reserve | | 127,281 | 132,980 | 127,281 | 132,980 |
| | | <u>143,803</u> | <u>160,847</u> | <u>142,772</u> | <u>149,078</u> |
| Non-controlling interest | | 451 | 319 | - | - |
| Total reserves | | <u>219,975</u> | <u>224,572</u> | <u>142,772</u> | <u>149,078</u> |

The financial statements were approved by the Governing Body on 29 November 2022 and were signed on its behalf on 1 December 2022 by:

The Honourable Apurv Bagri
Chair of Governing Body

François Ortalo-Magné
Dean

The notes on pages 31-60 form part of these financial statements.

Consolidated Cash Flow

Year ended 31 July 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|---|-------|----------------|---------------|
| Cash flow from operating activities | | | |
| (Deficit)/Surplus for the year | | (16,751) | 4,053 |
| Adjustment for non-cash items | | | |
| Depreciation and amortisation | 12,13 | 11,793 | 12,731 |
| Deferred capital grants released | 2 | (188) | (173) |
| Loss on investments | 16 | 2,491 | 679 |
| (Gain) on sale of tangible fixed assets | 13 | (345) | (1,733) |
| (Surplus)/Loss on impairment and previously revalued property | 13 | 4,678 | (2,480) |
| (Increase)/Decrease in stock | 18 | (54) | 41 |
| (Increase) in debtors | 19 | (7,552) | (2,104) |
| Increase in creditors | 20,21 | 10,035 | 1,223 |
| Increase/(Decrease) in USS pension provision | 23,31 | 30,383 | (1,118) |
| (Decrease) in restructuring provision | 23 | - | (901) |
| Utilisation of restructuring provision | 23 | - | (509) |
| Share of operating surplus in associate | 17 | (132) | (119) |
| Adjustment for investing or financing activities | | | |
| Investment income receivable | 6 | (241) | (518) |
| Interest payable | 9 | 2,775 | 2,054 |
| Endowment income | 7 | (5,999) | (651) |
| Net cash inflow from operating activities | | <u>30,893</u> | <u>10,475</u> |
| Cash flows from investing activities | | | |
| Payments made to acquire fixed assets | 13 | (6,392) | (3,617) |
| Receipt from proceeds of sale of tangible fixed assets | | 5,600 | 5,387 |
| Payments of non-current asset investments | 16 | (62,404) | (1,550) |
| Sales proceeds of non-current asset investments | 16 | 54,892 | - |
| Prodigy capital distribution | 16 | 2,625 | 1,688 |
| Capital grant receipts | 20 | 155 | 150 |
| Investment income | 6 | 241 | 556 |
| | | <u>(5,283)</u> | <u>2,614</u> |
| Cash flows from financing activities | | | |
| Interest paid | 9 | (2,251) | (1,098) |
| Endowment cash received | 7 | 5,999 | 651 |
| New loans | 20,21 | - | 50,000 |
| Loan repayments | 20,21 | - | (50,000) |
| | | <u>3,748</u> | <u>(447)</u> |
| Increase in cash and cash equivalents in the year | | <u>29,358</u> | <u>12,642</u> |
| Cash and cash equivalents at beginning of the year | 27 | 25,301 | 12,659 |
| Cash and cash equivalents at end of the year | 27 | 54,659 | 25,301 |

The notes on pages 31-60 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.

Estimates

- **Recoverability of debtors** – the provision for doubtful debts is based on our estimate of the expected recoverability of those debts. Assumptions are made based on the level of debtors which have defaulted historically, coupled with current economic knowledge. The provision is based on the current situation of the customer, the age profile of the debt and the nature of the amount due.

Refer to note 19.

- **Pension scheme liabilities** – the School has relied upon the estimates from a third party Actuary or used assessment tools provided by the pension provider.

USS – 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 provision is based on agreed rates and management's estimate of expected future salary inflation, changes in staff numbers and the prevailing rate of discount.

SPS – 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 provision is based on the actuarial valuation and the latest assumptions of mortality, inflation, future increases in pension and discount rate.

Refer to note 31 for further details.

- **Property valuation** – the School has relied upon the estimates from a third party Chartered Surveyor to provide an assessment of the value of the properties used by the School in the course of its business. The valuation is based on estimates of usable floor space, yield and discount rates. Refer to note 13 for further details.
- **Useful lives of non-current intangible and tangible assets** – property, plant and equipment represent a significant proportion

Accounting policies *continued*

of the School's total assets. As a result, the estimated useful lives can have a significant impact on the depreciation charged and the School's reported performance. Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events. Details of the carrying values of property, plant and equipment are shown in note 13.

Judgements

- **Pension liabilities** – USS – 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.
- **Income recognition** – revenues are subject to judgement over when and by how much revenues should be recognised in the financial statements. This includes determining when performance criteria have been met, recognising research and other funding revenues in line with expenditure once a right to the funding is deemed to have arisen, and determining the revenues associated with partially delivered courses where the activities have not been fully completed at the reporting date.

(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") and Newton Venture Education Limited ("Newton"). The investments are based upon the voting rights of the members – GERA (25%) and Newton (50%). The year-end date for these two entities is 31 December. This differs from that of the School because their main business

operations revolve 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 and Newton 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 2024, sensitised to reflect uncertainties as a result of the economic environment.
- Prepared a high-level forecast of income, expenditure and cash flows for the period to 31 July 2027.
- 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. Under the worse case scenario there is a forecast debt covenant breach, however, in the event of this scenario being probable, the School would exercise mitigating actions.
- 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 continued 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 funding body grants and research grants 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

Accounting policies *continued*

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 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) Intangible and tangible assets

Intangible and tangible 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 programmes, 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.

Tangible assets

Tangible assets consist of a number of categories which are detailed further below.

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.

These assets are depreciated over the life of the initial agreement.

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

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% |
| Specialised fit out (included within building improvements) | Period of lease |
| Plant and equipment | 10-33% |
| Service concession assets | Period of lease |
| 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

Accounting policies *continued*

construction are accounted for at cost and are capitalised as incurred but are depreciated only when the individual asset is operational.

(i) Investments – non-current and associates/ joint ventures

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 and joint ventures are shown in the consolidated balance sheet with the attributable share of net assets. The share of profit and loss for associate companies and joint ventures are included in the Consolidated Statement of Comprehensive Income & Expenditure.

(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) Creditors

Creditors 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 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 if material 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 are balances which, through endowment to the School, are held as a permanently restricted fund which the School must hold in perpetuity. Restricted reserves include balances where the donor has designated a specific purpose and therefore the School is restricted in the use of these funds.

Unrestricted reserves are to be used for any purpose that the School can decide upon.

Included within reserves are balances relating to entities in which the School does not have a controlling interest.

(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

As a result, there is no cashflow statement for the School as a standalone entity and transactions between 100% owned entities are not disclosed.

(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

Accounting policies *continued*

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.

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

Notes to the financial statements

for the year ended 31 July 2022

1 Tuition fees and education contracts

| | Consolidated | | London Business School | |
|---------------------------------------|----------------|----------------|------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| MBA | 47,298 | 43,544 | 47,298 | 43,544 |
| Masters in Management | 10,450 | 9,626 | 10,450 | 9,626 |
| Sloan Fellowship | 4,108 | 3,875 | 4,108 | 3,875 |
| Masters in Analytics and Management | 2,447 | 2,804 | 2,447 | 2,804 |
| Executive MBA | 20,713 | 21,562 | 20,713 | 21,562 |
| EMBA-Global / Global Asia | 4,221 | 1,788 | 4,221 | 1,788 |
| Masters in Finance | 9,953 | 9,573 | 9,953 | 9,573 |
| Masters in Financial Analysis | 7,675 | 7,379 | 7,675 | 7,379 |
| PhD Programme | 1,826 | 1,694 | 1,826 | 1,694 |
| Executive Education Open Programmes | 15,932 | 9,032 | 15,932 | 9,032 |
| Executive Education Custom Programmes | 27,728 | 15,806 | - | - |
| Other Programme Income | 889 | 394 | 889 | 394 |
| | <u>153,240</u> | <u>127,077</u> | <u>125,512</u> | <u>111,271</u> |

2 Funding council grants

| | Consolidated | | London Business School | |
|----------------------------------|---------------|--------------|------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Recurrent grant | | | | |
| Office for Students | 3 | 88 | 3 | 88 |
| Research England | 5,067 | 3,980 | 5,067 | 3,980 |
| Capital grant releases | 188 | 173 | 188 | 173 |
| Specific grants | | | | |
| Higher Education Innovation Fund | 4,941 | 4,648 | 4,941 | 4,648 |
| | <u>10,199</u> | <u>8,889</u> | <u>10,199</u> | <u>8,889</u> |

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 | |
|--|----------------|----------------|------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Grant income from the OfS | 3 | 88 | 3 | 88 |
| Grant income from other bodies | 10,196 | 8,801 | 10,196 | 8,801 |
| Fee income for taught awards | 106,865 | 100,151 | 106,865 | 100,151 |
| Fee income for research awards | 1,826 | 1,694 | 1,826 | 1,694 |
| Fee income from non-qualifying courses | 43,660 | 24,838 | 15,932 | 9,032 |
| | <u>162,550</u> | <u>135,572</u> | <u>134,822</u> | <u>119,766</u> |

Notes to the financial statements *continued*

for the year ended 31 July 2022

4 Research grants and contracts

| | Consolidated | | London Business School | |
|------------------------------|--------------|--------------|------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Research councils | 1,116 | 1,086 | 1,116 | 1,086 |
| UK charities | 8 | 29 | 8 | 29 |
| Government (UK and overseas) | 283 | 1,286 | 283 | 1,286 |
| Other | 227 | 35 | 227 | 35 |
| | <u>1,634</u> | <u>2,436</u> | <u>1,634</u> | <u>2,436</u> |

5 Other income

| | Consolidated | | London Business School | |
|--------------------------------------|--------------|--------------|------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Residences, catering and conferences | 614 | 237 | 1,057 | 237 |
| Management services | - | - | 7,453 | 5,333 |
| Other general income | 3,191 | 1,011 | 3,144 | 952 |
| Coronavirus Job Retention Scheme | - | 153 | - | 153 |
| | <u>3,805</u> | <u>1,401</u> | <u>11,654</u> | <u>6,675</u> |

6 Investment income

| | Notes | Consolidated | | London Business School | |
|---------------------------------|-------|--------------|------------|------------------------|----------|
| | | 2022 | 2021 | 2022 | 2021 |
| | | £'000 | £'000 | £'000 | £'000 |
| Investment income on endowments | 25 | 236 | 514 | - | - |
| Other investment income | | 5 | 4 | 5 | 3 |
| | | <u>241</u> | <u>518</u> | <u>5</u> | <u>3</u> |

7 Donations and endowments

| | Notes | Consolidated | | London Business School | |
|-----------------------------|-------|---------------|--------------|------------------------|---------------|
| | | 2022 | 2021 | 2022 | 2021 |
| | | £'000 | £'000 | £'000 | £'000 |
| New endowments | 25 | 5,999 | 651 | - | - |
| Donations with restrictions | 26 | 13,200 | 4,542 | - | - |
| Unrestricted donations | | 3,227 | 3,333 | 25,651 | 11,327 |
| | | <u>22,426</u> | <u>8,526</u> | <u>25,651</u> | <u>11,327</u> |

Most third party donations and endowments are made to the London Business School Anniversary Trust. Grants made from the Anniversary Trust to the School are unrestricted as any underlying restrictions associated with the donation have been met prior to the Anniversary Trust making a grant to the School.

8 Staff costs

| | Consolidated | | London Business School | |
|---------------------------|---------------------|---------------|-------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Salaries | 70,101 | 65,008 | 63,138 | 59,832 |
| Social security costs | 7,567 | 7,302 | 7,232 | 6,952 |
| Other pension costs | 11,655 | 11,556 | 11,143 | 10,998 |
| | <u>89,323</u> | <u>83,866</u> | <u>81,513</u> | <u>77,782</u> |
| Restructuring | - | (509) | - | (509) |
| Movement on USS provision | 30,383 | (1,118) | 30,383 | (1,118) |
| Total | <u>119,706</u> | <u>82,239</u> | <u>111,896</u> | <u>76,155</u> |

| Average staff numbers (full time equivalent) by major category: | 2022 | 2021 |
|--|-------------|-------------|
| | No. | No. |
| Academic including research | 98 | 105 |
| Support and administrative staff | <u>658</u> | <u>668</u> |
| | <u>756</u> | <u>773</u> |

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.

| | | |
|---|--------------|--------------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| Key management personnel compensation | <u>3,318</u> | <u>3,360</u> |
| | 2022 | 2021 |
| | No. | No. |
| Key management personnel numbers (full time equivalent) | <u>16.5</u> | <u>14.6</u> |

Notes to the financial statements *continued*

for the year ended 31 July 2022

8 Staff costs *continued*

Senior staff pay

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 (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.

Senior staff pay in the individual bands were as follows:

| | 2022 | 2021 | | 2022 | 2021 | | 2022 | 2021 |
|---------------------|------|------|---------------------|------|------|---------------------|------|------|
| £100,000 - £104,999 | 4 | 9 | £210,000 - £214,999 | 1 | 6 | £320,000 - £324,999 | 1 | 3 |
| £105,000 - £109,999 | 5 | 3 | £215,000 - £219,999 | 3 | 3 | £325,000 - £329,999 | 2 | 2 |
| £110,000 - £114,999 | 3 | 4 | £220,000 - £224,999 | 2 | 1 | £330,000 - £334,999 | 6 | - |
| £115,000 - £119,999 | 4 | 3 | £225,000 - £229,999 | 2 | 13 | £335,000 - £339,999 | - | 1 |
| £120,000 - £124,999 | 4 | 5 | £230,000 - £234,999 | 12 | 3 | £340,000 - £344,999 | - | - |
| £125,000 - £129,999 | 1 | 2 | £235,000 - £239,999 | - | - | £345,000 - £349,999 | 1 | - |
| £130,000 - £134,999 | 3 | 3 | £240,000 - £244,999 | 1 | 1 | £350,000 - £354,999 | - | 2 |
| £135,000 - £139,999 | - | 2 | £245,000 - £249,999 | 2 | - | £355,000 - £359,999 | - | 1 |
| £140,000 - £144,999 | 3 | 1 | £250,000 - £254,999 | - | - | £360,000 - £364,999 | 2 | 1 |
| £145,000 - £149,999 | - | 1 | £255,000 - £259,999 | 2 | 2 | £365,000 - £369,999 | - | 1 |
| £150,000 - £154,999 | 3 | - | £260,000 - £264,999 | 2 | 2 | £370,000 - £374,999 | 1 | - |
| £155,000 - £159,999 | - | - | £265,000 - £269,999 | 1 | 4 | £375,000 - £379,999 | - | 1 |
| £160,000 - £164,999 | - | 1 | £270,000 - £274,999 | 4 | 2 | £380,000 - £384,999 | 1 | 1 |
| £165,000 - £169,999 | 1 | - | £275,000 - £279,999 | 3 | 8 | £385,000 - £389,999 | 1 | - |
| £170,000 - £174,999 | 1 | 2 | £280,000 - £284,999 | 6 | 3 | £390,000 - £394,999 | - | 1 |
| £175,000 - £179,999 | 1 | 5 | £285,000 - £289,999 | 5 | 2 | £395,000 - £399,999 | 1 | 1 |
| £180,000 - £184,999 | 6 | 4 | £290,000 - £294,999 | 2 | - | £400,000 - £404,999 | - | - |
| £185,000 - £189,999 | 5 | 15 | £295,000 - £299,999 | 2 | 2 | £405,000 - £409,999 | 1 | - |
| £190,000 - £194,999 | 11 | 3 | £300,000 - £304,999 | - | 3 | £415,000 - £419,999 | - | 2 |
| £195,000 - £199,999 | 3 | 2 | £305,000 - £309,999 | 3 | 5 | £425,000 - £429,999 | 2 | - |
| £200,000 - £204,999 | 1 | - | £310,000 - £314,999 | 3 | - | £435,000 - £439,999 | 1 | 1 |
| £205,000 - £209,999 | 1 | 1 | £315,000 - £319,999 | 4 | 3 | | | |

Compensation for loss of office:

Aggregate payment for compensation for loss of office paid to 10 members of staff (2021: 47)

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Compensation payable recorded within staff costs | 423 | 861 |

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Emoluments of the Dean, François Ortalo-Magné | | |
| Basic salary | 481 | 481 |
| Benefits | 13 | 7 |
| Pension contributions | 39 | 26 |
| | 533 | 514 |
| Non-taxable benefits | - | 63 |
| | 533 | 577 |

8 Staff costs *continued*

Emoluments of the Dean, François Ortalo-Magné

The Dean participated in a salary sacrifice arrangement for pension contributions (2021/22: £17,000, 2020/21: £17,000). The Dean has also opted 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.

In line with the previous Deans of the School, the current Dean is required to live in accommodation within one of the School's buildings to enable better and more effectual performance of duties. Up until 5 April 2021, this is treated as a non-taxable benefit. The disclosed non-taxable benefit value of £63,000 is based on the average market annual rent for a similar sized property in the immediate area without the restrictions noted below, for the period up to 5 April 2021.

From 6 April 2021, the accommodation is treated as a taxable benefit. 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 annual value and cost of acquiring the lease of the campus and taking the usage for School business into account, the annual taxable value is £6,500 for the Dean's accommodation. Operating costs associated with the residence (i.e. utilities and cleaning services) total £7,000 and this taxable benefit is included within the emoluments section.

The annual remuneration award to the Dean takes into consideration the context in which London Business School operates and the performance of the institution and the Dean during the year. The Dean's remuneration is set by the Remuneration Committee.

The context for the institution and in particular for the Dean is a global one. The School's faculty and professional staff are both strongly international. Its degree programme portfolio attracts students from over 100 nationalities every year, while the executive education business attracts over 10,000 participants each year and works with corporate clients from around the world. The School is 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.

A formal evaluation of the Dean's performance is carried out each year by the Chair of the Governing Body and reviewed by the Governance and Nominations Committee. The 2021/22 evaluation measured the Dean's performance against a series of organisational KPIs related to the development of the School and personal KPIs linked to his leadership of the institution. The Dean was evaluated as having performed effectively in meeting his 2021/22 organisational and personal KPIs.

In light of the ongoing economic impact of the COVID-19 pandemic, the Remuneration Committee agreed that the Dean should not receive a pay award for the year.

The Dean's basic salary is 9.9 times (2020/21: 9.3 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Dean's total remuneration, including the taxable and non taxable benefits noted above is 8.3 times (2020/21: 11.6 times) the median total 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, some members 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.

Notes to the financial statements *continued*

for the year ended 31 July 2022

9 Interest and other finance costs

| | Notes | Consolidated | | London Business School | |
|----------------------------------|-------|---------------|---------------|------------------------|---------------|
| | | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 |
| Loan interest | | 2,291 | 1,591 | 2,291 | 1,599 |
| Net charge on USS pension scheme | | 132 | 117 | 132 | 117 |
| Net charge on SPS pension scheme | 31 | 352 | 346 | 352 | 346 |
| | | <u>2,775</u> | <u>2,054</u> | <u>2,775</u> | <u>2,062</u> |

10 Analysis of other operating expenditure by activity

| | Consolidated | | London Business School | |
|---|---------------|---------------|------------------------|---------------|
| | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 |
| Teaching related costs (including Scholarships) | 19,655 | 15,853 | 17,857 | 14,644 |
| Teaching support costs | 3,284 | 3,207 | 3,098 | 2,905 |
| Bought in teaching | 6,864 | 4,651 | 4,365 | 3,423 |
| Marketing | 3,484 | 3,683 | 3,430 | 3,648 |
| Technology | 4,691 | 4,663 | 4,608 | 4,553 |
| Premises and utilities | 14,046 | 11,417 | 14,010 | 11,420 |
| Catering and accommodation | 5,619 | 1,289 | 5,501 | 1,259 |
| Other overheads | 9,687 | 6,660 | 9,449 | 7,762 |
| | <u>67,330</u> | <u>51,423</u> | <u>62,318</u> | <u>49,614</u> |

Other operating expenses include:

| | | | | |
|---|--------------|--------------|--------------|--------------|
| External auditors remuneration in respect of audit services | 154 | 134 | 128 | 109 |
| External auditors remuneration in respect of non-audit services | 14 | 23 | 14 | 23 |
| Operating lease rentals | | | | |
| Land and buildings | 3,210 | 3,182 | 3,210 | 3,182 |
| Other | 31 | 36 | 31 | 36 |
| | <u>3,210</u> | <u>3,182</u> | <u>3,210</u> | <u>3,182</u> |

11 Taxation

| | Consolidated | | London Business School | |
|--|--------------|-------|------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Recognised in the statement of comprehensive income | | | | |
| 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 | |
|----------------------------|--------------|--------------|------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | |
| At 1 August 2021 | 1,586 | 986 | 1,586 | 986 |
| Additions | 275 | 406 | 275 | 406 |
| Transfer from fixed assets | - | 194 | - | 194 |
| At 31 July 2022 | 1,861 | 1,586 | 1,861 | 1,586 |
| Amortisation | | | | |
| At 1 August 2021 | 669 | 209 | 669 | 209 |
| Charge for the year | 506 | 460 | 506 | 460 |
| | 1,175 | 669 | 1,175 | 669 |
| Net book value | | | | |
| At 31 July 2022 | 686 | 917 | 686 | 917 |

Notes to the financial statements *continued*

for the year ended 31 July 2022

13 Tangible assets

| | Land and buildings | Building improvements | Service concession arrangements | Plant and equipment | Assets in the course of construction | Total |
|---------------------------------------|--------------------|-----------------------|---------------------------------|---------------------|--------------------------------------|----------------|
| CONSOLIDATED AND SCHOOL | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | | |
| At 1 August 2021 | 270,390 | 49,191 | 750 | 33,223 | 553 | 354,107 |
| Additions | 2,009 | 188 | - | 2,832 | 1,088 | 6,117 |
| Transfers | 39 | 87 | - | 427 | (553) | - |
| Disposals | (5,390) | (1,554) | - | (10,778) | - | (17,722) |
| Transfers to intangible assets | - | - | - | - | - | - |
| Revaluation of property | (11,749) | - | - | - | - | (11,749) |
| At 31 July 2022 | <u>255,299</u> | <u>47,912</u> | <u>750</u> | <u>25,704</u> | <u>1,088</u> | <u>330,753</u> |
| Consisting of valuation as at: | | | | | | |
| 31 July 2022 | 255,299 | - | - | - | - | 255,299 |
| Cost | - | 47,912 | 750 | 25,704 | 1,088 | 75,454 |
| | <u>255,299</u> | <u>47,912</u> | <u>750</u> | <u>25,704</u> | <u>1,088</u> | <u>330,753</u> |
| Depreciation | | | | | | |
| At 1 August 2021 | 135 | 7,431 | 750 | 20,332 | - | 28,648 |
| Charge for the year | 2,488 | 2,263 | - | 6,536 | - | 11,287 |
| Disposals | (135) | (1,554) | - | (10,778) | - | (12,467) |
| Revaluation of property | (2,488) | - | - | - | - | (2,488) |
| At 31 July 2022 | <u>-</u> | <u>8,140</u> | <u>750</u> | <u>16,090</u> | <u>-</u> | <u>24,980</u> |
| Net book value | | | | | | |
| At 31 July 2022 | <u>255,299</u> | <u>39,772</u> | <u>-</u> | <u>9,614</u> | <u>1,088</u> | <u>305,773</u> |
| At 31 July 2021 | <u>270,255</u> | <u>41,760</u> | <u>-</u> | <u>12,891</u> | <u>553</u> | <u>325,459</u> |
| Leased assets included above: | | | | | | |
| Carrying amount | | | | | | |
| At 31 July 2022 | <u>230,500</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>230,500</u> |
| At 31 July 2021 | <u>240,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>240,000</u> |

13 Tangible assets *continued*

On 31 July 2022, the freehold and leasehold land and buildings were re-valued at £255,000,000 on the basis of existing use by Savills, 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 2022. The valuation is based on a comparable approach or an investment approach (capitalisation of future income streams using a market yield, or capitalisation rate) assuming vacant possession as the properties are owner-occupied.

At 31 July 2022, the surveyors have reviewed the freehold land and buildings apportionment and concluded that an acceptable proportion would result in a freehold land value of £6,200,000 (2021: £7,885,000) which is not depreciated.

14 Heritage assets

| | Consolidated £'000 | London Business School £'000 |
|--------------------------------|-------------------------------|---|
| Cost and net book value | | |
| At 1 August 2021 | 39 | - |
| Additions | - | - |
| At 31 July 2022 | 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 and items on loan is £2,700,000.

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 2022 is £nil (2021: £nil).

Movement in Service concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31 July 2022 were £nil (2021: £nil).

Future commitments

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

Notes to the financial statements *continued*

for the year ended 31 July 2022

16 Non current investments

| CONSOLIDATED | Investments | |
|----------------------|--------------------|---------------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| At 1 August | 55,277 | 56,094 |
| Additions | 62,404 | 1,550 |
| Disposals | (54,893) | - |
| Revaluation | (2,491) | (679) |
| Capital distribution | (2,625) | (1,688) |
| At 31 July | 57,672 | 55,277 |

The investments have been valued at cost or where appropriate, market value.

| Investments consist of: | Consolidated | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| BlackRock GiltTrack Fund Distributing Share Class | - | 10,740 |
| FTSE Actuaries UK Gilts>5Yr In | 15,937 | - |
| MSCI Emerging Markets IndexNet | 4,069 | - |
| MSCI World Net TR Index | 33,085 | - |
| Cash held by BlackRock Asset Management | 8 | 37,340 |
| Prodigy Loan Investment | 4,573 | 7,197 |
| | 57,672 | 55,277 |

Prodigy loan investment are investments made by the School in bonds that provide loan finance to students. Capital repayments and coupon payments are made on the bond as the loan is repaid by students.

| | Consolidated | |
|-----------------------|---------------------|---------------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| Endowment Investments | 57,672 | 55,277 |
| | 57,672 | 55,277 |

| SCHOOL | Subsidiary companies | |
|--------------------|-----------------------------|--------------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| At 1 August | 10 | 10 |
| At 31 July | 10 | 10 |

16 Non current investments *continued*

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

The School's holding in London Business School Trading Company Limited, shown at cost, represents 10,000 (2021: 10,000) ordinary shares of £1 each, being the total issued share capital of the company.

London Business School Trust Company Limited is the sole trustee of London Business School Anniversary Trust ('the Trust'), an exempt charity trust with no share capital. The Trust is the 100% parent of Centre for Management Development Company Limited ('CMD') a company with 250,000 ordinary shares of £1 each.

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

17 Investment in associates and joint venture

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 entrepreneurship practice and policy development including (but not limited to) the provision and conduct of an international programme of research and the dissemination of the results of such research. GERA is a charitable company. Its financial statements are prepared under the 2019 Charities Statement of Recommended Practice (FRS 102). GERA is not funded by restricted grants and has been accounted for under the gross equity method. The School's share of GERA's operating surplus 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 £247,000 (2021: £205,000; 25%).

On 22 January 2021, the School entered into a joint venture agreement with Senderwood Group Ltd to create Newton Venture Education Limited (Newton). Newton is a company limited by guarantee. Newton's objective is to create and develop an educational programme to enable investors in the innovation economy to become more effective investors. The School's share of Newton's operating surplus 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 50% share of Newton's net assets total £204,000 (2021: £114,000).

| | Consolidated | | London Business School | |
|---------------------------------|---------------------|--------------|-------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| At 1 August 2021 | 319 | 200 | - | - |
| Share of appreciation of NEWTON | 90 | 114 | - | - |
| Share of appreciation of GERA | 42 | 5 | - | - |
| At 31 July 2022 | 451 | 319 | - | - |

Notes to the financial statements *continued*

for the year ended 31 July 2022

18 Stock

| | Consolidated | | London Business School | |
|----------------|--------------|-----------|------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Finished goods | 109 | 55 | 109 | 55 |
| | <u>109</u> | <u>55</u> | <u>109</u> | <u>55</u> |

19 Trade and other receivables

| | Consolidated | | London Business School | |
|---------------------------------------|---------------|---------------|------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Amounts due from subsidiary companies | - | - | 3,511 | - |
| Other trade receivables | 10,909 | 6,506 | 3,394 | 3,082 |
| Other receivables | 1,194 | 1,001 | 1,193 | 899 |
| Prepayments and accrued income | 7,667 | 4,711 | 2,833 | 3,037 |
| Amounts due from gift aid | - | - | - | 126 |
| | <u>19,770</u> | <u>12,218</u> | <u>10,931</u> | <u>7,144</u> |

Included within trade receivables is a provision for doubtful debts of £3,875,000 (2021: £2,000,000). Due to the uncertainty of the current economic environment, the School has taken a more prudent approach to certain debtor categories in 2021/22. The value of the more prudent approach is £1,567,000 which is included in the provision.

20 Creditors: amounts falling due within one year

| | Consolidated | | London Business School | |
|--|---------------|---------------|------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts due to subsidiary companies | - | - | - | 17,473 |
| Trade payables | 6,331 | 4,249 | 5,561 | 3,623 |
| Social security and other taxation payable | 3,168 | 2,414 | 3,168 | 2,414 |
| Accruals | 24,940 | 19,501 | 23,637 | 18,510 |
| Deferred income | 44,947 | 43,237 | 43,865 | 42,164 |
| Other creditors | <u>1,377</u> | <u>1,343</u> | <u>1,377</u> | <u>1,343</u> |
| | <u>80,763</u> | <u>70,744</u> | <u>77,608</u> | <u>85,527</u> |

20 Creditors: amounts falling due within one year *continued*

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 | | London Business School | |
|-------------------------------------|---------------|---------------|------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Tuition fees | 37,670 | 34,006 | 36,588 | 32,933 |
| Research grants received on account | 7,122 | 9,020 | 7,122 | 9,020 |
| Grant income | 155 | 211 | 155 | 211 |
| | <u>44,947</u> | <u>43,237</u> | <u>43,865</u> | <u>42,164</u> |

21 Creditors: amounts falling due after more than one year

| | Consolidated | | London Business School | |
|------------------------------|---------------|---------------|------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Accruals and deferred income | 974 | 951 | 974 | 951 |
| Unsecured Loans | <u>85,000</u> | <u>85,000</u> | <u>85,000</u> | <u>85,000</u> |
| | <u>85,974</u> | <u>85,951</u> | <u>85,974</u> | <u>85,951</u> |

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 2022, this facility of £40,000,000 was unused but remained available.

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.

On 24 February 2021 the School entered into unsecured loan agreements totalling £50,000,000 under a private placement with MetLife Insurance K.K., Metropolitan Tower Life Insurance Company (£25,000,000) and Legal & General Assurance Society Limited (£25,000,000). This long-term funding matures in 2041 (£25,000,000), 2049 (£5,000,000), 2056 (£10,000,000) and 2061 (£10,000,000). The annual fixed interest rate under each of these loans are 2.05%, 2.17%, 2.26% and 2.32% respectively. The funds under these loan agreements were drawn down in full on 4 March 2021.

22 Loans

| | Consolidated | | London Business School | |
|---|---------------|---------------|------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Due within one year or on demand (note 20) | - | - | - | - |
| Due in five years or more | <u>85,000</u> | <u>85,000</u> | <u>85,000</u> | <u>85,000</u> |
| Due after more than one year | <u>85,000</u> | <u>85,000</u> | <u>85,000</u> | <u>85,000</u> |
| Total unsecured loans | <u>85,000</u> | <u>85,000</u> | <u>85,000</u> | <u>85,000</u> |

Notes to the financial statements *continued*

for the year ended 31 July 2022

23 Provisions

CONSOLIDATED AND SCHOOL

| | Defined benefit obligation on USS Pension £'000 | Defined benefit obligation on SPS Pension £'000 | Total pensions provisions £'000 |
|--------------------------|--|--|--|
| At 1 August 2021 | 14,823 | 23,495 | 38,318 |
| Utilised during the year | (849) | - | (849) |
| Revaluations in 2022 | 31,363 | (16,385) | 14,978 |
| At 31 July 2022 | 45,337 | 7,110 | 52,447 |

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 | |
|--|---------------------|---------------|-------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial Assets | | | | |
| Measured at Fair Value through comprehensive statement of income and expenditure | | | | |
| Investments in common investment funds | 53,099 | 48,080 | - | - |
| Measured at undiscounted amounts receivable | | | | |
| Trade and other receivables | 12,103 | 7,507 | 4,587 | 3,981 |
| Equity Instruments measured at cost less impairment | | | | |
| Non-current asset investments in unlisted equity investments | 4,573 | 7,197 | - | - |
| Cash measured at amortised cost | | | | |
| Cash and cash equivalents | 54,659 | 25,301 | 41,292 | 25,289 |
| | <u>124,434</u> | <u>88,085</u> | <u>45,879</u> | <u>29,270</u> |
| Financial Liabilities | | | | |
| Measured at amortised cost | | | | |
| Loans payable | 85,000 | 85,000 | 85,000 | 85,000 |
| Measured at undiscounted amounts payable | | | | |
| Trade and other creditors | 10,876 | 8,006 | 10,106 | 7,380 |
| | <u>95,876</u> | <u>93,006</u> | <u>95,106</u> | <u>92,380</u> |

25 Income and expenditure reserve – endowment reserve

Endowment reserves are as follows:

| | Restricted permanent endowments £'000 | Unrestricted permanent endowments £'000 | Expendable endowments £'000 | 2022 Total £'000 | 2021 Total £'000 |
|---|--|--|--|---------------------------------|---------------------------------|
| Balances at 1 August 2021 | | | | | |
| Capital | 42,102 | 13,444 | - | 55,546 | 57,363 |
| Accumulated income | - | - | 2,387 | 2,387 | 2,130 |
| | <u>42,102</u> | <u>13,444</u> | <u>2,387</u> | <u>57,933</u> | <u>59,493</u> |
| New endowments | 5,157 | 1 | 841 | 5,999 | 651 |
| Investment income | - | 236 | - | 236 | 514 |
| Intra-group transfer | 803 | - | 580 | 1,383 | 890 |
| Transfers | (1,513) | - | 1,513 | - | - |
| Expenditure | - | (237) | (2,676) | (2,913) | (2,936) |
| | <u>(710)</u> | <u>(1)</u> | <u>(583)</u> | <u>(1,294)</u> | <u>(1,532)</u> |
| (Decrease) in market value of investments | <u>(2,068)</u> | <u>(313)</u> | <u>-</u> | <u>(2,381)</u> | <u>(679)</u> |
| At 31 July 2022 | <u><u>44,481</u></u> | <u><u>13,131</u></u> | <u><u>2,645</u></u> | <u><u>60,257</u></u> | <u><u>57,933</u></u> |
| Represented by: | | | | | |
| Capital | 44,481 | 13,131 | - | 57,612 | 55,546 |
| Accumulated income | - | - | 2,645 | 2,645 | 2,387 |
| | <u>44,481</u> | <u>13,131</u> | <u>2,645</u> | <u>60,257</u> | <u>57,933</u> |
| Analysis by type of purpose: | | | | | |
| Chairs | 15,232 | - | - | 15,232 | 16,578 |
| Scholarships | 29,020 | - | 2,593 | 31,613 | 27,405 |
| Other | 229 | 13,131 | 52 | 13,412 | 13,950 |
| | <u>44,481</u> | <u>13,131</u> | <u>2,645</u> | <u>60,257</u> | <u>57,933</u> |
| Analysis by asset | | | | | |
| Fixed assets | | | | 57,672 | 55,277 |
| Current asset investments | | | | 2,585 | 2,656 |
| | | | | <u>60,257</u> | <u>57,933</u> |

The intra-group transfer represents funds that London Business School has agreed to transfer to its subsidiary, London Business School Anniversary Trust in instances where the endowment balance does not have an agreed amount of dividend income or accumulated capital growth.

Notes to the financial statements *continued*

for the year ended 31 July 2022

26 Income and expenditure reserve – restricted reserve

Reserves with restrictions are as follows:

| | 2022 Total £'000 | 2021 Total £'000 |
|---|---------------------------------|---------------------------------|
| At 1 August | 5,473 | 4,547 |
| New donations | 13,200 | 4,542 |
| (Decrease) in market value of investments | (3) | |
| Expenditure | <u>(3,206)</u> | <u>(3,616)</u> |
| | 9,991 | 926 |
| At 31 July | <u>15,464</u> | <u>5,473</u> |

| | 2022 Total £'000 | 2021 Total £'000 |
|---|---------------------------------|---------------------------------|
| Analysis of other restricted funds/donations by type of purpose: | | |
| Scholarships | 2,350 | 2,420 |
| Other | <u>13,114</u> | <u>3,053</u> |
| | <u>15,464</u> | <u>5,473</u> |

27a Cash and cash equivalents

| | At 1 August 2021 £'000 | Cash Flows £'000 | At 31 July 2022 £'000 |
|--|---------------------------------------|---------------------------------|--------------------------------------|
| CONSOLIDATED | | | |
| Cash and cash equivalents | <u>25,301</u> | <u>29,358</u> | <u>54,659</u> |
| | 25,301 | 29,358 | 54,659 |
| Consolidated reconciliation of net debt | | | £'000 |
| Net debt 1 August 2021 | | | 59,699 |
| Movement in cash and cash equivalents | | | <u>(29,358)</u> |
| Net debt 31 July 2022 | | | <u>30,341</u> |
| Change in net debt | | | <u>(29,358)</u> |

27b Analysis of net debt

| | 2022 £'000 | 2021 £'000 |
|---|-----------------------------|-----------------------------|
| Cash and cash equivalents | 54,659 | 25,301 |
| Borrowings: amounts falling due after more than one year | | |
| Unsecured loans | <u>85,000</u> | <u>85,000</u> |
| | <u>85,000</u> | <u>85,000</u> |
| Net debt | <u>30,341</u> | <u>59,699</u> |

28 Capital and other commitments

The consolidated London Business School group and the London Business School had no capital commitments at 31 July 2022 (2021: nil).

29 Contingent liabilities

The School has no contingent liabilities at 31 July 2022 (2021: 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:

| | 2022 | | 2021 |
|--|---------------------------|----------------------------|----------------|
| | Land and buildings | Plant and equipment | Total |
| | £'000 | £'000 | £'000 |
| Payable during the year | <u>3,210</u> | <u>31</u> | <u>3,241</u> |
| Future minimum lease payments due: | | | |
| Not later than 1 year | 3,027 | 28 | 3,055 |
| Later than 1 year and not later than 5 years | 9,858 | - | 9,858 |
| Later than 5 years | <u>658,203</u> | <u>-</u> | <u>658,203</u> |
| Total lease payments due | <u>671,088</u> | <u>28</u> | <u>671,116</u> |
| | | | <u>673,783</u> |

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 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.

Notes to the financial statements *continued*

for the year ended 31 July 2022

31 Pension schemes

(a) Pension scheme details

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

| | 2022 Total £'000 | 2021 Total £'000 |
|--|---|---|
| Universities Superannuation Scheme | 11,121 | 11,033 |
| Scottish Widows | <u>399</u> | <u>448</u> |
| | 11,520 | 11,481 |
| London Business School Pension Scheme | <u>135</u> | <u>75</u> |
| Total contributions charged to the income and expenditure account | <u>11,655</u> | <u>11,556</u> |

(b) USS

Pension costs

The total cost charged to the profit and loss account is £11,121,000 (2020/21: £11,033,000) as shown in notes 8 and 31a.

Deficit recovery contributions due within one year for the institution are £849,000 (2020/21: £698,000).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2020 (the valuation date), and was carried out using the projected unit method.

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 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

31 Pension schemes *continued*

(b)USS (*continued*)

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles (uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles).

| | |
|--|---|
| Pension increases (CPI) | Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040. |
| Pension increases (subject to a floor of 0%) | CPI assumptions plus 0.05% |
| Discount rate (forward rates) | Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post retirement: 1.00% p.a. |

The main demographic assumptions used relate to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

| | |
|----------------------------------|--|
| | 2020 valuation |
| Mortality base table | 101% of S2PMA "light" for males and 95% of S3PFA for females |
| Future improvements to mortality | CMI 2019 with a smoothing parameter of 7.5, an initial addition of 0.5% p.a. and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females |

The current life expectancies on retirement at age 65 are:

| | 2022 | 2021 |
|---------------------------------|-------------|-------------|
| Males currently aged 65 years | 23.9 | 24.7 |
| Females currently aged 65 years | 25.5 | 26.1 |
| Males currently aged 45 years | 25.9 | 26.7 |
| Females currently aged 45 years | 27.3 | 27.9 |

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 until 31 March 2024, at which point the rate will increase to 6.3%. The 2022 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

| | 2022 | 2021 |
|---------------------------|-------------|-------------|
| Discount rate | 3.33% | 0.89% |
| Pensionable salary growth | 3.00-8.00% | 3.00% |
| Headcount growth | 1.00-7.00% | 0.26-1.20% |

If the salary growth were to increase to 8%, this would increase the provision by £424,000 and a 0.5% decrease in discount rate would increase the provision by £1,947,000.

Notes to the financial statements *continued*

for the year ended 31 July 2022

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 (£981,000) 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. On 19 February 2021, the Trustees granted a temporary amendment of this requirement until 1 November 2022, whereby during this period the School is required to ensure that the value of these investments is greater than or equal to £30,000,000. During the year, the School has continually met the requirements of the floating charge and its amendment.

| | 2022 | 2021 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Assets and liabilities at each year end: | | |
| Total market value of assets | 20,049 | 20,136 |
| Present value of liabilities | <u>(27,159)</u> | <u>(43,631)</u> |
| Deficit | <u>(7,110)</u> | <u>(23,495)</u> |
| | | |
| The amounts recognised in the profit and loss: | 2022 | 2021 |
| | £'000 | £'000 |
| Net interest on defined benefit liability | 352 | 346 |
| Expenses paid from the Scheme | <u>-</u> | <u>83</u> |
| Total expense | <u>352</u> | <u>429</u> |
| | | |
| The amounts recognised in the statement of comprehensive income and expenditure: | 2022 | 2021 |
| | £'000 | £'000 |
| Actual return on assets | 156 | 2,763 |
| Return on assets included in net interest | <u>(300)</u> | <u>(245)</u> |
| Asset (loss)/gain | (144) | 2,518 |
| Liability experience (loss)/gain | (893) | 121 |
| Change of assumptions gain/(loss) | <u>17,639</u> | <u>(1,028)</u> |
| Remeasurement gain in the statement of comprehensive income and expenditure | <u>16,602</u> | <u>1,611</u> |

31 Pension schemes *continued***(c) SPS** *(continued)*

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Changes in the present value of the defined benefit liabilities: | | |
| Opening value of liabilities | 43,631 | 42,320 |
| Interest cost | 652 | 591 |
| Benefits paid | (378) | (187) |
| Expected value of liabilities at end of the year | 43,905 | 42,724 |
| Liability experience loss/(gain) | 893 | (121) |
| Change of assumptions (gain)/loss | (17,639) | 1,028 |
| Closing value of liabilities | 27,159 | 43,631 |
| | | |
| Changes in the value of the assets: | 2022 | 2021 |
| | £'000 | £'000 |
| Assets at beginning of the year | 20,136 | 17,568 |
| Expected return on assets | 300 | 245 |
| Employer contributions | 135 | 75 |
| Benefits paid | (378) | (187) |
| Expenses | - | (83) |
| Expected assets at end of the year | 20,193 | 17,618 |
| (Loss)/gain on Scheme assets | (144) | 2,518 |
| Assets at end of the year | 20,049 | 20,136 |
| | | |
| The main actuarial assumptions used to value the liabilities: | 2022 | 2021 |
| Discount rate | 3.50% | 1.50% |
| Price inflation (RPI) | 3.00% | 3.20% |
| Price inflation (CPI) | 2.80% | 2.70% |
| Future increases to pensions in deferment | 2.80% | 2.70% |
| Future increases to pensions in payment | 3.00% | 3.20% |
| Mortality table | S3PxA CMI 2021 projection with 1.5% long term rate | S3PMA/ S3PFA CMI 2020 projection with 1.5% long term rate |
| | | |
| The total value of the assets (excluding annuities): | 2022 | 2021 |
| Equities | 30% | 41% |
| DGFs | 30% | 0% |
| Bonds | 19% | 30% |
| Property | 20% | 20% |
| Cash/Other | 1% | 9% |
| Total | 100% | 100% |

Notes to the financial statements *continued*

for the year ended 31 July 2022

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

| | 2022 | 2021 |
|---------------------------|-------------|-------------|
| | £ | £ |
| Professor Herminia Ibarra | 35,000 | 15,000 |
| Professor Anna Pavlova | 42,000 | 14,000 |

There were no amounts owed to the above individuals at the end of the year (31 July 2021: £2,000)

The Honourable Apurv Bagri is a Commissioner of the Crown Estates Paving Commission. In 2021/22 the School paid £103,000 to the Commission (2020/21: £98,000).

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 £398,000 (2020/21: £369,000) and specific sponsorship of £6,500 (2020/21: £10,000). The School charged LBSSA for catering services £168,000 (2020/21: £ Nil) and for financial administrative services of £28,000 (2020/21: £28,000). The School also donated estate services of £2,000 (2020/21: £2,000). At the year end, the School owed an amount of £5,000 to LBSSA (2021: £10,000).

Donations to the School include donations from 16 (2020/21: 21) Governing Body members, either as individuals or Foundations associated with the member, totalling £11,933,000 (2020/21: £2,456,000).

As allowed under FRS102 'Related party transactions', transactions and balances between 100% owned group entities have not been disclosed as they have been eliminated on consolidation.

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. One of the connected institutions is included as a subsidiary undertaking. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, this connected institution is exempt from registration with the Charity Commission. Another entity is an associate, the results of which are included in these consolidated financial statements. There is one connected entity which is not included in the consolidation since the School does not have any control over their activities. The movements in the year on the total funds of all connected institutions, as reported in their own financial statements, 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 | 74,561 | 26,477 | (22,380) | (2,491) | 76,167 |
| Global Entrepreneurship Research Association (GERA) (31 December 2021) | <u>579</u> | <u>576</u> | <u>(466)</u> | <u>-</u> | <u>689</u> |
| Not consolidated | | | | | |
| London Business School Student Association (31 July 2021) | <u>1,042</u> | <u>1,104</u> | <u>(751)</u> | <u>-</u> | <u>1,395</u> |

London Business School has a subsidiary and connected charity, London Business School Anniversary Trust, the results of which are consolidated within these financial statements. This entity has been set up by trust deed and is an exempt charity. 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 to appoint a management nominee.

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.

Notes to the financial statements *continued*

for the year ended 31 July 2022

35 Post balance sheet event

As disclosed in note 31, 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 was 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. Since the balance sheet date, the Trustees have amended this requirement whereby the School is only required to ensure that the value of these investments is greater than or equal to £40,000,000.

36 US Department of Education Financial Responsibility Supplemental Schedule

In satisfaction of its obligations to facilitate students' access to US federal financial aid, the School is required, by the US Department of Education, to present the following Supplemental Schedule in a prescribed format.

The amounts presented within the schedules have been:

- prepared under the historical cost convention, subject to the revaluation of certain fixed assets;
- prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition); and,
- presented in pounds sterling.

The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America.

36 US Department of Education Financial Responsibility Supplemental Schedule *continued*

Primary Reserve Ratio

| Note/Schedule | | | 2022 £'000 | 2022 £'000 | 2021 £'000 | 2021 £'000 |
|---------------|--|--|---------------|---------------|---------------|---------------|
| | | Expendable Net Assets: | | | | |
| Balance sheet | Consolidated Balance Sheet – Unrestricted Reserves | Net assets without donor restrictions | | 143,803 | | 160,847 |
| Balance sheet | Consolidated Balance Sheet – Restricted Reserves | Net Assets with donor restrictions | | 75,721 | | 63,406 |
| N/A | N/A | Secured and Unsecured related party receivable | - | | - | |
| N/A | N/A | Unsecured related party receivable | | - | | - |
| 13 | Consolidated Balance Sheet – Tangible Assets, net | Property, plant and equipment, net (includes Construction in progress) | 305,773 | | 325,459 | |
| 37 | Note of the Financial Statements – 37 – Analysis of non current assets for US Financial Responsibility Supplement Schedule | Property, plant and equipment – pre-implementation | | 300,244 | | 323,370 |
| N/A | N/A | Property, plant and equipment – post-implementation with outstanding debt for original purchase | | - | | - |
| 37 | Note of the Financial Statements – 37 – Analysis of non current assets for US Financial Responsibility Supplement Schedule | Property, plant and equipment – post implementation without outstanding debt for original purchase | | 4,441 | | 1,536 |
| 13 | Consolidated Balance Sheet – Tangible Assets, net | Construction in progress | | 1,088 | | 553 |
| N/A | N/A | Lease right-of-use asset, net | - | | - | |

Notes to the financial statements *continued*

for the year ended 31 July 2022

36 US Department of Education Financial Responsibility Supplemental Schedule *continued*

| Note/Schedule | | | 2022 £'000 | 2022 £'000 | 2021 £'000 | 2021 £'000 |
|---------------|--|---|---------------|---------------|---------------|---------------|
| N/A | N/A | Lease right-of-use asset pre-implementation | | - | | - |
| N/A | N/A | Lease right-of-use asset post-implementation | | - | | - |
| 12 | Consolidated Balance Sheet – Intangible Assets | Intangible assets | | 686 | | 917 |
| 23 | Consolidated Balance Sheet – post-employment and pension liabilities | Post-employment and pension liabilities | | 52,447 | | 38,318 |
| 22 | Consolidated Balance Sheet – loans | Long-term debt – for long term purposes | 85,000 | | 85,000 | |
| 22 | Consolidated Balance Sheet – loans | Long-term debt – for long term purposes pre-implementation | | 85,000 | | 35,000 |
| 22 | Consolidated Balance Sheet – loans | Long-term debt – for long term purposes post-implementation | | - | | 50,000 |
| N/A | N/A | Line of Credit for CIP | | - | | - |
| N/A | N/A | Lease right-of-use asset liability | - | | - | |
| N/A | N/A | Pre-implementation right-of-use leases | | - | | - |
| N/A | N/A | Post-implementation right-of-use leases | | - | | - |

36 US Department of Education Financial Responsibility Supplemental Schedule *continued*

| Note/Schedule | | | 2022 £'000 | 2022 £'000 | 2021 £'000 | 2021 £'000 |
|--|---|---|---------------|---------------|---------------|---------------|
| N/A | N/A | Annuities with donor restrictions | | - | | - |
| N/A | N/A | Term endowments with donor restrictions | | - | | - |
| N/A | N/A | Life income funds with donor restrictions | | - | | - |
| 25 | Consolidated Balance Sheet – endowment reserve | Net assets with donor restrictions: restricted in perpetuity | | 44,481 | | 42,102 |
| | | Total Expenses and Losses: | | | | |
| Con- solidated statement of compre- hensive income and expenditure | Consolidated Statement of Comprehensive Income and Expenditure – total expenditure Total expenditure (£201,604k) less Note 25 endowment reserve expenditure (£2,913k) and Note 26 restricted reserve expenditure (£3,206k) | Total expenses without donor restrictions – taken directly from Statement of Activities | | 195,485 | | 141,895 |
| Con- solidated statement of compre- hensive income and expenditure | Consolidated Statement of Comprehensive Income and Expenditure – (investment income £241k, loss on investments (£2,491k)) | Non-Operating and Net Investment (loss) | | -2,250 | | -161 |
| Con- solidated statement of compre- hensive income and expenditure | Consolidated Statement of Comprehensive Income and Expenditure – (investment income £241k, loss on investments (£2,491k)) | Net investment losses | | -2,250 | | -161 |

Notes to the financial statements *continued*

for the year ended 31 July 2022

36 US Department of Education Financial Responsibility Supplemental Schedule *continued*

| Note/Schedule | | | 2022 £'000 | 2022 £'000 | 2021 £'000 | 2021 £'000 |
|--|---|--|---------------|---------------|---------------|---------------|
| Con- solidated statement of compre- hensive income and expenditure | Consolidated Statement of Comprehensive Income and Expenditure – actuarial loss in respect of pension scheme – pension gains are not included | Pension -related changes other than net periodic costs | | -30,383 | | - |

Equity Ratio:

| | | Modified Net Assets: | | | | |
|---------------------------------------|---|--|---|---------|---|---------|
| Con- solidated Balance Sheet | Consolidated Balance Sheet – unrestricted reserves and non-controlling interest | Net assets without donor restrictions | | 143,803 | | 160,847 |
| Con- solidated Balance Sheet | Consolidated Balance Sheet – restricted reserves | Net assets with donor restrictions | | 75,721 | | 63,406 |
| 12 | Consolidated Balance Sheet – intangible assets | Intangible assets | | 686 | | 917 |
| N/A | N/A | Secured and Unsecured related party receivable | - | | - | |
| N/A | N/A | Unsecured related party receivables | | - | | - |
| Con- solidated Balance Sheet | Consolidated Balance Sheet – total assets | Total assets | | 439,159 | | 419,585 |
| N/A | N/A | Lease right-of-use asset pre-implementation | | - | | - |
| N/A | N/A | Pre-implementation right-of-use leases | | - | | - |

36 US Department of Education Financial Responsibility Supplemental Schedule *continued*

| Note/Schedule | | | 2022 £'000 | 2022 £'000 | 2021 £'000 | 2021 £'000 |
|---------------|--|--|---------------|---------------|---------------|---------------|
| 12 | Consolidated Balance Sheet – intangible assets | Intangible assets | | 686 | | 917 |
| N/A | N/A | Secured and Unsecured related party receivable | - | | - | |
| N/A | N/A | Unsecured related party receivables | | - | | - |

Net Income Ratio:

| | | | | | | |
|---|--|--|--|---------|--|---------|
| Con- solidated statement of compre- hensive income and ex- penditure | Consolidated Statement of Comprehensive Income and Expenditure – total comprehensive income Revaluation reserve expense £4,583k and unrestricted comprehensive loss £12,461k | Change in Net Assets Without Donor Restrictions | | -17,044 | | 22,289 |
| Con- solidated statement of compre- hensive income and ex- penditure | Consolidated Statement of Comprehensive Income and Expenditure – total income Total income £191,545k, less investment income £241k, plus property revaluation gain of property £nil, gain on sale of tangible fixed assets £345k, unrealised gain on revaluation of land and buildings £nil, actuarial gain £16,737k, share of gain in associate/joint venture £132k Losses are not included | Total Revenues and Gains | | 208,518 | | 170,382 |

Notes to the financial statements *continued*

for the year ended 31 July 2022

37 Analysis of non-current assets for US Financial Responsibility Supplemental Schedule

| | | As at 1 August 2021 | Transfers | Additions | Disposals | Revalua- tion | Deprecia- tion on existing assets | Depre- ciation on new assets | As at 31 July 2022 |
|---------------------------|------|---------------------------|-----------|--------------|-----------------|------------------|--|---------------------------------------|--------------------------|
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost of asset type | | | | | | | | | |
| Tangible | 13 | 353,554 | 553 | 5,029 | (17,722) | (11,749) | - | - | 329,665 |
| Assets under construction | 13 | 553 | (553) | 1,088 | - | - | - | - | 1,088 |
| | | <u>354,107</u> | <u>-</u> | <u>6,117</u> | <u>(17,722)</u> | <u>(11,749)</u> | <u>-</u> | <u>-</u> | <u>330,753</u> |
| Depreciation | | | | | | | | | |
| Tangible | 13 | 28,648 | - | - | (12,467) | (2,488) | 10,699 | 588 | 24,980 |
| | | <u>28,648</u> | <u>-</u> | <u>-</u> | <u>(12,467)</u> | <u>(2,488)</u> | <u>10,699</u> | <u>588</u> | <u>24,980</u> |
| Net book value | | <u>325,459</u> | <u>-</u> | <u>6,117</u> | <u>(5,255)</u> | <u>(9,261)</u> | <u>(10,699)</u> | <u>(588)</u> | <u>305,773</u> |

| | | Existing assets | Transfers | New assets | Construc- tion in progress (CIP) assets |
|-----------------------------|--|--------------------|-----------|---------------|---|
| | | £'000 | £'000 | £'000 | £'000 |
| Cost of asset type | | | | | |
| Tangible | | 324,083 | 553 | 5,029 | - |
| Assets under construction | | 553 | (553) | - | 1,088 |
| | | <u>324,636</u> | <u>-</u> | <u>5,029</u> | <u>1,088</u> |
| Depreciation by type | | | | | |
| Tangible | | 24,392 | - | 588 | - |
| | | <u>24,392</u> | <u>-</u> | <u>588</u> | <u>-</u> |
| Net book value | | <u>300,244</u> | <u>-</u> | <u>4,441</u> | <u>1,088</u> |

Governing Body

as at November 2022

The Honourable Apurv Bagri (Chair)

President & CEO, Metdist Group

Dr David Pyott CBE (Deputy Chair)

Member, Supervisory Board, Royal Philips

Professor Julian Birkinshaw

(appointed 1 August 2022)

Vice-Dean, Professor of Strategy and Entrepreneurship

Nina Bohn

Director, Principal Gifts and External Relations, Asia Pacific

Mr Roger Carlsson

CEO, FCT Europe Ltd

Professor Sendil Ethiraj

(appointed 1 August 2022)

Deputy Dean (Faculty) and Professor of Strategy and Entrepreneurship

Professor Julian Franks

Professor of Finance; Alexander M. Knaster Chair

Mr Lars Fjeldsoe-Nielsen

Founder and Managing Partner, Nielsen Ventures, 2xN

Sir Bradley Fried

Principal & founder, Grovepoint Capital

Mr Richard Frost

Secretary to Governing Body

Mr Gonzalo Garcia

(appointed 1 December 2021)

Co-Head of Investment Banking, EMEA, Goldman Sachs

Ms Elisabeth Grieg

Member of the founding family, Chair Grieg Maturitas, and Chair Grieg Star

Mr Ian Hannam

(retired 30 November 2021)

Founder and Chairman, Hannam & Partners

Professor Herminia Ibarra

Professor of Organisational Behaviour; Charles Handy Chair

Mr Ankit Kalyani

(retired 30 June 2022)

Student Association President

Professor Oded Koenigsberg

(retired 31 July 2022)

Deputy Dean (Degree Programmes) and Professor of Marketing

Mr Savio Kwan

Co-Founder, Partner and CEO, A & K Consultant Co Ltd

Mrs Ingrid Kwok

(retired 30 November 2021)

Director of Construction Projects Management

Ms Anna Marrs

(appointed 1 December 2021)

Group President, Global Commercial Services and Credit & Fraud Risk, American Express

Dame Mary Marsh

Ms Fiona du Monceau

(retired 31 May 2022)

COO, ExeVir

Mr Henry Obi CBE

(appointed 1 December 2021)

Partner and Head of Public and Regulatory Affairs, Helios Investment Partners LLP

François Ortalo-Magné

Dean, London Business School

Professor Anna Pavlova

Professor of Finance

Ms Christiana Riley

(appointed 1 December 2021)

CEO, America. Deutsche Bank

Professor Irem Tuna (retired 31 July 2022)

Deputy Dean, Faculty and Professor of Accounting

Jean-Philippe Verdier

(appointed 1 August 2022)

Founding Partner, Verdier & Co

Mr Hugh Wood

(retired 31 July 2022)

Owner, Hugh Wood Consulting

Dame Professor Sarah Worthington

KC(Hon) FBA, Professor of Law, London School of Economics; Barrister; Downing Professor Emeritus of the Laws of England and Emeritus Fellow of Trinity College, Cambridge University

Mr Dezhi Yu (appointed 1 July 2022)

President, Student Association

AUDIT & RISK COMMITTEE

Reports to Governing Body

Chair:

Dame Mary Marsh

Members:

Mr Roger Carlsson

Ms Elisabeth Grieg

Mr Henry Obi

Mr Eric Stobart

Secretary:

Ms Clare Kane, Deputy Secretary

In attendance:

François Ortalo-Magné, Dean

Mr Richard Frost, School Secretary

Ms Tracy Siu, Executive Director, Finance

FINANCE COMMITTEE

Reports to Governing Body

Chair:

Sir Bradley Fried

Other Non-Executives:

Mr Lars Fjeldsoe-Nielsen

Mr Gonzalo Garcia

Ms Anna Marrs

Mr David Pyott

Secretary:

Ms Tracy Siu, Executive Director, Finance

In attendance

François Ortalo-Magné, Dean

Ms Joyce Bill, Chief Financial Officer &

Treasurer

Professor Florin Vasvari

GOVERNANCE & NOMINATIONS COMMITTEE

Reports to Governing Body

Chair:

The Hon Apurv Bagri

Members:

François Ortalo-Magné, Dean

Dame Mary Marsh

Sir Bradley Fried

Secretary:

Mr Richard Frost, School Secretary

REMUNERATION COMMITTEE

Reports to Governing Body

Chair:

Dame Professor Sarah Worthington

Members:

The Hon Apurv Bagri

Sir Bradley Fried

Ms Christiana Riley

Secretary:

Ms Jane Gibbon, Chief People Officer

TREASURER

Ms Alison Brownhill, Chief Financial

Officer (retired February 2022)

Ms Joyce Bill, Chief Financial Officer

(appointed February 2022)

Professional advisors

Principal Solicitor

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

External Auditor

PricewaterhouseCoopers LLP
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WC2N 6RH

Internal Auditor

KPMG LLP
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Principal Banker

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Investment Manager

BlackRock Asset Management Ireland Limited
JPMorgan House
International Financial Service Centre
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