

LONDON SCHOOL OF THEOLOGY
(A Company Limited by Guarantee)
REPORT AND FINANCIAL ACCOUNTS
YEAR ENDED 31 AUGUST 2016

Company Registered No: 381332
Registered Charity No: 312778

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LONDON SCHOOL OF THEOLOGY

COMPANY INFORMATION

YEAR ENDED 31 AUGUST 2016

Company Name	London School of Theology
Company Number	381332
Registered Charity Number	312778
Address of School and Registered Office	London School of Theology Green Lane Northwood HA6 2UW
Bankers	National Westminster Bank Plc PO Box 105 37 Green Lane Northwood HA6 3AF
Auditors	haysmacintyre 26 Red Lion Square London WC1R 4AG
Solicitors	Pothecary Witham Weld 70 St George's Square London SW1V 3RD

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT

YEAR ENDED 31 AUGUST 2016

Introduction

The Governors, who are the trustees and directors of the London School of Theology, have pleasure in presenting their report and the financial statements for the year ended 31 August 2016.

Statement of Governors' responsibilities in preparing the accounts

Company law requires the Governors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and of the surplus or deficit for that period. In preparing those financial statements, the Governors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business;
- Follow the methods and principles of the Charities SORP.

The Governors are responsible for maintaining proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Preparation of accounts

The accounts have been prepared in accordance with the Statement of Recommended Practice for Accounting and Reporting by Charities (SORP 2015) and the Companies Act 2006. The accounting policies are listed in Note 2 to the accounts.

GOVERNANCE AND MANAGEMENT OF THE CHARITY

Trustees

The following serve as Governors of the charitable company for the whole of the period, and up to the approval of the accounts, unless otherwise stated:

Name	Honorary Position	Note
Mr Grant Masom*	Chair of the Board (until 10/16)	Trustee until 12/16
Rev Dr Andrew Goldsmith	Vice-Chair of the Board (until 7/16)	Trustee until 6/16
Mr Steve Hughes*	Chair of the F&GP (until 10/16)	Chair of the Board from 10/16
Mrs Madelaine Brown		Trustee until 2/17
Mr Alex Irving		
Mr Mark McAllister		Trustee until 4/16
Prof Hugh Williamson		
Mr Malcolm Peckham*	Chair of the F&GP (from 10/16)	Coopted from 6/16
Mrs Margaret Doyle	Vice-Chair of the Board (from 2/17)	Coopted from 10/16
Rev Johnny Douglas		Coopted from 10/16
Rev Yemi Adedeji		Coopted from 10/16
Ms Elizabeth Hodgkinson		Coopted from 10/16
Mr Paul Smith*		Coopted from 6/16
Mr Ian Thompson*		Coopted from 2/17

* Denotes membership of the Finance and General Purposes Committee (F&GP).

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2016

GOVERNANCE AND MANAGEMENT OF THE CHARITY (Continued)

Attendees and Representatives

The following attended meetings of the Board of Governors:

Name	Position	Note
Rev Dr Calvin Samuel*	Principal	From 2/17
Dr Krish Kandiah	President	Until 6/16
Dr Marvin Oxenham	Academic Dean	Until 12/15
Dr Henry Broadbent	Finance Director	Until 8/16
Dr Matthew Knell*	Faculty Representative	
Mrs Irene Davies	Faculty Representative	
Mr Mark Allen	Non-Faculty Staff Representative	
Miss Stephanie Embree	Student Body President	
Mr Ben Perkins	Student Body Male Vice-President	
Mr Alan Rooney*	Student Body Treasurer	
Mr Theodore Liu*	Secretary	
Miss Laura Nairn*	Executive Director	Until 12/16
Mrs Emma Firth*	Director of Finance and Administration	From 9/16
Prof Graham Twelftree	Academic Dean	From 1/16

* Denotes attendance of the Finance and General Purposes Committee (F&GP).

Company Secretary

Mr David Bradley (until July 2016)

Methods of Recruitment of Trustees

The Charity draws on its wide range of supporters and former students, from whom trustee candidates with the required experience and skills are sought. It is the Charity's aim always to maintain a broad representation among its trustees, in terms of their financial, interpersonal, cultural, business skills and religious commitments.

Methods of Appointment

Once potential trustees have been identified, and following a discussion at a meeting of the Board of Governors, the candidates are asked to submit a CV for consideration at the next Board meeting. Once candidates have been accepted by the Board and have confirmed their agreement to the Charity's Doctrinal Basis statement, they are usually co-opted onto the Board. Subsequently, at the next AGM they formally stand for election as a Company Member (if required) then stand for election as a Governor for a three year term.

Training and induction provided for trustees

Our trustees will already be familiar with the ethos and working practices of the Charity but each new trustee is personally briefed about their role. In the past the Charity has arranged professional outside training for all trustees. Trustees are also asked to access the Charity Commission's website on a regular basis. Trustees are encouraged to attend and to be involved in the Charity's activities throughout the year.

Senior Employees

Serving as the School's Senior Leadership Team during the year 2015/16:

Dr Krish Kandiah	President (until 6/16)
Miss Laura Nairn	Executive Director
Dr Marvin Oxenham	Academic Dean (until 12/15)
Dr Henry Broadbent	Finance Director
Prof Graham Twelftree	Academic Dean (from 1/16)

During 2015/16 a process was initiated to recruit a Principal as part of a move to an executive structure for the school. As a result of this process Reverend Dr Calvin Samuel was appointed as Principal from 1/1/2017.

GOVERNANCE AND MANAGEMENT OF THE CHARITY (Continued)

How the Charity is managed

The Board of Governors meets four times a year to consider all matters pertaining to the governance of the Charity. The main operating sub-committee is the Finance & General Purposes Committee (F&GP), which was chaired by Mr Steve Hughes and manages the Charity's fiscal and business affairs under its devolved responsibility from the Board. In addition, there is a Bursaries Committee and a Pensions Committee, the former being chaired by the Executive Director, and the latter by a Pensions Trustee.

The Senior Leadership Team (SLT) is the day-to-day decision-making body of the Charity, covering its full life and operations. The SLT meets regularly, was chaired by the Executive Director until the end of 2016, and is accountable to the Board of Governors.

Salaries of key staff are reviewed from time to time taking into account pay in comparable organisations and the finances of the Charity.

On academic matters arising from the Charity's work in providing higher education courses, the Charity has an Academic Board that is chaired by the Academic Dean and to which various academic sub-committees report.

THE PURPOSE OF THE CHARITY

Summary of the Objects of the Charity

The principal activity and objectives of the charitable company, as set out in the Articles of Association, is the advancement of the Christian religion, by such means as the Company may determine, including but not limited to:

- a. The conduct of the School and establishment and conduct of Colleges (in all cases) for the study and teaching of the Bible, Christian doctrine and related subjects;
- b. The training of ministers of religion, Christian teachers, missionaries and other Christian workers;
- c. The support of the School, its students and its former students.

All such activities are carried on in strict accordance with the School's Doctrinal Basis of Faith.

Public Benefit of the Charity

Trustees are aware of the guidance on Public Benefit as described by the Charity Commission, have taken it into account in operating the Charity, and have sought to ensure that any decisions taken are in furtherance of the Charity's benefit to the public. Trustees consider that the Charity's aims, objectives and activities as described below demonstrate proof of public benefit in the advancement of religion and in the advancement of education. In addition, through the operation of the Charity, associated benefits to the public arising from the operation of the Charity include:

The provision of subsidised access to the theological library facilities for academics, students and members of the local Christian Community

- Access to means-tested bursaries;
- Access to Christian Counselling through the REMA Counselling Service (formerly Watford Christian Counselling Service);
- Access to the grounds by the wider community (e.g. schools and other organisations) consistent with the ethos of the School.

Aims, objectives and activities

Aims

LST is an evangelical academic learning community called to equip and encourage one another to be disciples of Jesus Christ. The School's vision is "Transforming Theological Education".

LST aims to equip Christians from diverse church backgrounds and global contexts to express the message and love of Jesus wherever He calls them and in whatever task.

THE PURPOSE OF THE CHARITY (continued)

We do this:

By

- Developing Biblical, theological thinking and practice to the highest levels;
- Nurturing Christian faith, spiritual gifts, vocational skills and personal formation;
- Encouraging creative integration of biblical learning with other disciplines;
- Supporting dynamic innovation in Christian research and practice;
- Pursuing Christian excellence in all aspects of School life,

Through

- Academic discipline;
- Practical training;
- Worship;
- Community life;
- Pastoral care;
- Personal example

In the power of the Holy Spirit, for the furthering of Christ's Kingdom and to the glory of God.

Objectives

- To deliver high quality theological education for the 21st Century;
- To build a strong and vibrant Christian community;
- To operate as a sustainable and efficient business;
- To build strong and effective relationships across a range of networks.

Activities

All activities undertaken are in support of the aims and objectives of the Charity. Our primary activity is the provision of high quality academic education that will equip our students for Christian service and leadership. All our other activities support that primary activity, and help ensure that the School operates in a financially viable manner. Full details of our courses and other resources can be found on our website (www.lst.ac.uk).

Key Objectives and Activities for 2015/16

- To continue to review and provide a range of curriculums that meet the needs of students and stimulate their theological development;
- To continue to review program delivery methods so as to provide the pedagogically best possible experience for students.
- To review and develop campus facilities to support administrative and educational needs;
- To continue to develop sustainable income streams from a range of sources, including fundraising conferences and hospitality;
- To continue with robust financial measures in order to produce an ongoing balanced budget by 2017

Measures of Success and Outcomes in 2015-16.

The academic achievements of the School were celebrated once again at the annual Thanksgiving and Commissioning Service at the end of the academic year, which was held at the LST campus in Northwood.

The following were awarded across the five undergraduate programs:

- 72 undergraduate qualifications in Theology, Theology & Counselling, Theology Music & Worship and Theological Studies

The following were awarded across the five postgraduate programs:

- 27 'taught' postgraduate level qualifications in Integrative Theology, Integrative Psychotherapy, Theological Education, Transformation and Aspects and Implications of Biblical Interpretation
- 11 'research' postgraduate qualifications.

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2016

THE PURPOSE OF THE CHARITY (continued)

Research titles included 'Paying Attention to Pain', 'Developing an Emergent Baptist Ecclesiology', 'Sefer Tehillim' in a Pakistani Context', and 'The Fourth Gospel and the Mystery of the Kingdom of God'.

This year, the Charity awarded grants and bursaries totalling £85,388 (2015: £114,621) thus enabling students to complete courses of study, which otherwise they may have been prevented from doing for financial reasons.

The school also achieved the outcome of satisfactory progress in its annual monitoring visit from the Quality Assurance Agency (QAA).

Future Objectives and Activities for 2016/17

- Increase student recruitment numbers – undergraduate and postgraduate
- Make substantial progress to financial breakeven for the year
- Successfully revalidate Research Programmes (MTh, MPhil & PhD)
- Successfully revalidate MA in Theological Education (MATE) & MA in Aspects & Implications of Biblical Interpretation (MAAIBI)
- Closer integration of MA Programmes working towards greater interchangeability of modules
- Release level 5 LSTOnline BA programme
- Seek admission to HEFCE Teaching Excellence Framework
- Progress accommodation and site upgrade plans
- Launch updated website with more accessible URL

THE OPERATION OF THE CHARITY RELATIONSHIPS AND AFFILIATIONS

The partnership with Middlesex University as the School's validating authority continues and remains a positive relationship. The new Integrative Theology program and revamped Theology & Counselling program were both validated during the year.

A small number of research students who commenced their study programs prior to the commencement of the School's partnership with Middlesex University continue to be registered with Brunel University.

The School is a member of the Evangelical Alliance, Global Connections (the Evangelical Missionary Alliance), the Association of Bible College Principals, the Association of Bible College Bursars and the European Evangelical Accrediting Agency.

Risk Management Statement

The Charity's risk management strategy continues to be reviewed regularly, identifying the potential effects of major risks affecting the Charity.

The Board of Governors' F&GP Committee reviews and monitors risk on a regular basis, taking direction from the risk evaluation undertaken by the school's departments during the year through a risk matrix. It seeks to mitigate or transfer identified risks on an on-going basis. The Risk Matrix and Management Warning Indicators, which are part of the Charity's Risk Management Policy, are reviewed during the year, and updated to provide a robust reporting system in a range of risk areas. The primary risk which has been facing the School has been financial and this has been addressed via a strategic review and a streamlining of activities, the sale of land to create a reserve to be invested to provide investment income and to set funds aside to meet pension obligations, and proactive recruitment of students.

The Emergency Procedure document is reviewed within the year and adapted as required. Firm contacts have been made with similar institutions in the locality, who have agreed in principle to provide emergency support/space/facilities on a reciprocal basis in the event of a major disaster.

The Charity purchases appropriate insurance products to protect its assets and operations.

During 2015/16, the School has actively monitored its investment risk taking advice from its actuaries and investment fund managers. The F&GP Committee reviews the investments on a quarterly basis.

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2016

THE OPERATION OF THE CHARITY RELATIONSHIPS AND AFFILIATIONS (continued)

General access to key policy documents is provided on the School's intranet site.

Dependence on Volunteers

The Charity is reliant on the continuing voluntary commitment of the trustees, as well as other volunteers who have helped in a number of ways around the school. Students also volunteered in areas such as the library.

Facilitating Access to Christian Theological Education

The Charity operates twelve separate restricted bursary funds. The Charity's policy is to award grants on the basis of demonstrable financial need, subject to any restrictions imposed by the original donors of the funds. Award decisions are made by the Charity's Bursary Committee.

THE FINANCES OF THE CHARITY

Taking into consideration the Charity's facilities and the high standard of education provided, fees for the educational programs are set at a level that is commensurate with other independent theological schools and colleges.

Through advice and assistance, students facing financial pressures are assisted and encouraged to seek support from potential external sources. The Charity also has limited bursary funds available to assist those students in financial difficulties to complete their studies. To enable certain postgraduate students to access the School's programs, it operates a discount fee rate for UK, EU & EEA countries as well as for international students from low-income countries.

The Charity is a designated alternative provider of higher education and can therefore receive student loan funding from the UK Government. It is also an approved institution for the US Federal Student Aid Direct Loan program. The new Integrative Theology program is also approved by the UK Skills Funding Agency so students can potentially receive professional and career development loans.

Reserves

The total Unrestricted Funds amount to £10.214m (2015: £1.881m) before accounting for the pensions reserve deficit of £1,425k (2015: £761k). Included in these funds are functional fixed assets valued at £1.075m. Free reserves thus stand in surplus by £7,714k (2015: £813k).

This level of reserve exceeds the 20% target of annual unrestricted Funds expenditure. In order to achieve this target the School has developed and is implementing a strategy to return regular surpluses based on the introduction of new and stream-lined programs, improved operational efficiency and the establishment of an endowment fund from the sale of site proceeds.

The value and purposes of the School's various restricted funds are set out in note 11.3. The Trustees make use of these funds as opportunities arise.

Investments

Over the year the value of the School's fixed asset investments increased by £135k to £1,580k (2015: decrease of £20k). The investments are held in Charinco and Charishare Tobacco-Restricted units, which excludes investment in tobacco companies.

The School's investment objectives are to provide Long-term growth of both capital and income. These objectives form part of the contract with the fund managers, BlackRock. The investments are reviewed quarterly by the F&GP Committee, who also meet with BlackRock as required.

Within the year there have been no material policy changes in the way that the Charity conducts itself in order to achieve its objectives.

The School's investments are held in managed funds designed specifically for charities. The Charity chooses not to invest in industries that are in conflict with the Charity's ethos. The Charity continues to monitor the issue of ethical investment.

Financial Results

Overall income increased from £4,222k to £11,754k. Incoming resources included exceptional gains on disposal of surplus land amounting to £8,850k (2015: £1,213k).

LONDON SCHOOL OF THEOLOGY

GOVERNORS' REPORT (continued)

YEAR ENDED 31 AUGUST 2016

THE FINANCES OF THE CHARITY (continued)

Expenditure in total increased slightly from £3,312k to £3,351k.

The SOFA shows an operational deficit, excluding the gains on disposal of land, of £448k (2015: £303k).

There were unrealised gains on investments of £135k (2015: loss £20k).

There were actuarial losses of £709k (2015: gains £293k). These combined resulted in a total net movement in funds surplus of £7,829k.

The School's funds have been applied for the purpose of the principal activity.

INDEPENDENT AUDITORS

A resolution was made at the AGM in 2016 to reappoint haysmacintyre as auditors to the Charity. This appointment and the auditors' remuneration will be reviewed again at the AGM in 2017.

Statement of disclosure to Auditors

As far as the Trustees are aware:

- There is no relevant audit information of which the Charity's Auditors are unaware.
- Trustees have taken all steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the Charity's Auditors are aware of that information.

On behalf of the Board of Governors in their capacity as the Company Directors



Steve Hughes
Chairman

29 March 2017

**INDEPENDENT REPORT OF THE AUDITOR'S TO THE MEMBERS AND TRUSTEES OF
LONDON SCHOOL OF THEOLOGY**

We have audited the financial statements of London School of Theology for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Governors and auditors

As explained more fully in the Governors' Responsibilities Statement set out on page 1, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' Report, incorporating the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Adam Halsey, Senior Statutory Auditor
for and on behalf of haysmacintyre, Statutory Auditors

26 Red Lion Square
London WC1R 4AG
3 April 2017

29 March 2017

LONDON SCHOOL OF THEOLOGY

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31 AUGUST 2016

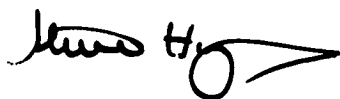
	Notes	Unrestricted Funds £	Restricted Funds £	Endowment £	Total 2016 £	Total 2015 £
INCOME FROM						
Donations and legacies		272,918	104,703	-	377,621	234,277
Charitable activities						
Education		2,319,230	-	-	2,319,230	2,516,367
Conferences		8,187	-	-	8,187	23,288
Investments		27,991	26,328	-	54,319	53,608
Trading income		34,969	-	-	34,969	46,540
Other income		109,890	-	-	109,890	134,991
Gain on disposal of fixed assets		8,850,000	-	-	8,850,000	1,212,525
Total Income		<u>11,623,185</u>	<u>131,031</u>	<u>-</u>	<u>11,754,216</u>	<u>4,221,596</u>
EXPENDITURE ON						
Raising Funds						
Investment manager fee		-	-	-	-	1,000
Trading expenses		37,491	-	-	37,491	54,975
Fundraising costs		53,236	-	-	53,236	84,763
Charitable activities						
Education		3,144,955	85,388	-	3,230,343	3,150,121
Conferences		30,432	-	-	30,432	20,697
Total Expenditure	3	<u>3,266,114</u>	<u>85,388</u>	<u>-</u>	<u>3,351,502</u>	<u>3,311,556</u>
Net income before transfers		8,357,071	45,643	-	8,402,714	910,040
Investment gains/(losses)		-	115,028	20,307	135,335	(19,915)
Net income		8,357,071	160,671	20,307	8,538,049	890,125
Defined benefit pension scheme (losses)/gains		(709,000)	-	-	(709,000)	293,000
Net movement in funds		<u>7,648,071</u>	<u>160,671</u>	<u>20,307</u>	<u>7,829,049</u>	<u>1,183,125</u>
Balance brought forward at 1 September 2015		<u>1,141,382</u>	<u>1,501,400</u>	<u>216,760</u>	<u>2,859,542</u>	<u>1,676,417</u>
Balance carried forward at 31 August 2016		<u>8,789,453</u>	<u>1,662,071</u>	<u>237,067</u>	<u>10,688,591</u>	<u>2,859,542</u>

The School had no recognised gains and losses other than the result for the period. There were movements on reserves other than those on the Statement of Financial Activities above.

LONDON SCHOOL OF THEOLOGY
BALANCE SHEET
AS AT 31 AUGUST 2016
Company Registered No: 381332

	Notes	£	2016	£	£	2015	£
FIXED ASSETS							
Tangible assets	5	1,075,526			1,089,610		
Investments	6	1,579,893			1,444,558		
				2,655,419			2,534,168
CURRENT ASSETS							
Stocks	7	15,683			16,112		
Debtors	8	549,426			304,330		
Cash at bank and in hand		9,619,303			1,563,472		
				10,184,412			1,883,914
CURRENT LIABILITIES							
Creditors: within one year	9	(726,240)			(797,540)		
NET CURRENT ASSETS							
				9,458,172			1,086,374
NET ASSETS (excluding pension scheme liability)							
				12,113,591			3,620,542
Pension scheme liability				(1,425,000)			(761,000)
NET ASSETS AFTER PENSION SCHEME LIABILITIES							
				10,688,591			2,859,542
FUNDS							
Unrestricted	11	10,214,453			1,902,382		
Restricted	11	1,662,071			1,501,400		
Endowment	11	237,067			216,760		
Funds (excluding pension scheme reserve)							
				12,113,591			3,620,542
Unrestricted pension reserve (deficit)							
				(1,425,000)			(761,000)
				10,688,591			2,859,542

The financial statements were approved and authorised for issue by the Board on 29th March 2017 and were signed on its behalf by:



Mr Steve Hughes
(Chairman)

LONDON SCHOOL OF THEOLOGY

CASH FLOW STATEMENT

YEAR ENDED 31 AUGUST 2016

	2016		2015	
	£	£	£	£
Reconciliation of changes in resources to net cash inflow from operating activities				
Net incoming/(outgoing) resources for the year		8,402,714		910,040
Depreciation charged	59,841		120,164	
Decrease in stocks	429		1,051	
(Increase) in debtors	(245,096)		(44,180)	
Decrease in creditors	(32,776)		(23,815)	
(Increase)/decrease in pension scheme deficit net of actuarial gains and losses	(45,000)		60,000	
Less investment income	(54,319)		(53,608)	
Less gain on disposal	(8,850,000)		(1,212,525)	
		<u>(9,166,921)</u>		<u>(1,191,913)</u>
Net cash flow from operating activities		<u>(764,207)</u>		<u>(242,873)</u>
Investing activities				
Investment income	54,319		53,608	
Purchase of tangible fixed assets	(45,757)		(101,051)	
Disposal of fixed assets	8,850,000		1,212,525	
		<u>8,858,562</u>		<u>1,165,082</u>
(Decrease)/increase in cash in the year		<u>8,094,355</u>		<u>922,209</u>
Cash and cash equivalents at the beginning of the year		<u>1,280,838</u>		<u>358,629</u>
Cash and cash equivalents at the end of the year		<u><u>9,375,193</u></u>		<u><u>1,280,838</u></u>
Cash and cash equivalents comprise:				
Cash at bank		9,619,303		1,563,472
Bank overdraft		(244,110)		(282,634)
		<u><u>9,375,193</u></u>		<u><u>1,280,838</u></u>

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2016

1. COMPANY STATUS

London School of Theology is a charitable company incorporated in England and Wales. Further company information can be found on page 1.

London School of Theology is a company limited by guarantee and not having a share capital. The members have each undertaken to contribute such a sum as may be required, not exceeding £1, in the event of the company being wound up.

The London School of Theology is also a registered charity and as such is exempt from Corporation Tax on its charitable activities.

2. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2015), the Companies Act 2006 and FRS102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

London School of Theology meets the definition of a public benefit entity under FRS 102. Financial statements have been prepared under the historical cost convention. The comparative figures in these financial statements relate to the year ended 31 August 2016.

Having reviewed the funding facilities available to the School together with the expected ongoing demand for places and the School's future projected cash flows, the Governors have a reasonable expectation that the School has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(a) *Basis of accounting*

The financial statements are prepared under the historical cost convention which has been modified to include the revaluation of fixed asset investments.

(b) *Fees and similar income*

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable include contributions received from Restricted Funds for scholarships, bursaries and other grants.

(c) *Legacies*

Legacies receivable are credited to the Statement of Financial Activities only to the extent that the 3 principles of entitlement, probability and measurability can be applied.

(d) *Donations and Fund accounting*

Donations under Gift Aid are included in the Statement of Financial Activities inclusive of any tax recoverable. Donations received for the general purposes of the charity are included as Restricted Funds. Donations whose application is restricted by the wishes of the donor are taken to Restricted Funds and donations that are required to be retained as capital in accordance with the donor's wishes are accounted for as Endowments. Designated funds are those funds set aside by the Trustees out of the Unrestricted Funds for a particular purpose.

2. ACCOUNTING POLICIES (continued)

(e) *Expenditure*

Resources Expended are accounted for on an accruals basis. Certain expenditure is apportioned to cost categories based on the estimated amount attributable to that activity in the year. These include some specific costs and the following larger cost areas.

The Administration Department activities cover supporting teaching and students as well as administering the charity. 5% of the Administration Department's staff costs are charged to the Governance of the charity.

The Communication Department activities cover the issue of information to prospective students as well as publicising the charity for fundraising purposes. 20% of the Communication Department's costs are charged to fundraising and publicity.

Catering & Housekeeping costs are apportioned between the following activities at the given percentages, based on the estimated use of these resources during the year.

Raising Funds

Fund-raising trading costs - 2%

Charitable activities

Education - 94%

Conferences - 4%

Other administration and IT costs and Property & Services costs are apportioned between the following activities at the given percentages:

Costs of generating funds

Costs of generating voluntary income - 2%

Fund-raising trading costs - 0%

Charitable activities

Education - 96%

Conferences - 2%

(f) *Recognition of liabilities*

Liabilities are recognised in the period to which they relate. Shortfalls in anticipated future pension scheme commitments are calculated on the basis of assumptions stated in Note 13. Constructive obligations under pension arrangements are also recognised as liabilities.

(g) *Grants and bursaries*

Grants and bursaries from Restricted Funds are included as expenditure in the period in which the award is given.

(h) *Investments and investment income*

Investments are stated at the middle market price at the balance sheet date. Realised increases or decreases in the value of these investments are shown as realised gains or losses in the statement of financial activities.

Investment income is accounted for in the period in which the charity is entitled to receipt.

(i) *Interest receivable*

The cash holdings of the special funds are held in the general fund bank accounts. The interest receivable on these balances is based on each of the special funds holdings at the balance sheet date and transferred to the individual special funds as income in that year.

2. ACCOUNTING POLICIES (continued)

(j) *Tangible fixed assets*

All assets are included at cost and capitalised only where the value is greater than £500. As property is shown at cost, detailed impairment reviews as defined by Financial Reporting Standard 15 are not carried out as permitted under the charity Statement of Recommended Practice.

Depreciation is calculated (except on freehold land) to write off the cost of buildings and tangible fixed assets on a straight-line basis over their estimated useful lives. Rates for fixed assets are applied as follows:

Land	0%
Buildings	2%
Fixture and fittings	10%
Equipment	20% - 25%
Computers	33%

A depreciation rate on the building element of the properties has been introduced which reflects the anticipated active life of the existing structures. The Governors are, nevertheless, of the opinion that the residual value of the School's freehold buildings is substantially in excess of the present book value.

Leasehold properties are depreciated over the remaining life of the lease.

(k) *Stock*

Stocks of catering and supplies are valued at the lower of cost and net realisable value.

(i) *Exchange gains and losses*

Transactions designated in foreign currencies are translated at the rate prevailing on the date of the transaction. Balances denominated in foreign currencies are translated at the rate prevailing at the balance sheet date.

(m) *Operating leases*

Operating lease premiums are spread on a straight-line basis over the lease term.

(n) *Pension costs*

Defined Benefit Scheme

Contributions to the defined benefit scheme are charged to the statement of financial activities on the basis of the current service cost as reported by the scheme actuaries under FRS 17.

Defined Contribution Scheme

Contributions payable to the defined contribution pension scheme are charged to the statement of financial activities in the period to which they relate.

(o) **Critical sources of estimation uncertainty and accounting judgements**

The governors consider there to be the following key sources of estimation uncertainty and have therefore applied judgement:

Useful lives of fixed assets

The useful lives over which fixed assets are depreciated are estimated by reference to historical experience of the times assets are retained and utilised by the school.

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2016

3. EXPENDITURE	Raising funds £	Charitable Activities £	Total 2016 £	Total 2015 £
Direct costs	30,921	742,870	773,791	549,772
Staff costs	46,291	1,881,543	1,927,834	1,967,421
Depreciation	1,197	58,644	59,841	120,164
Bursaries and prizes	-	85,388	85,388	114,621
Support and governance costs	12,318	492,330	504,648	520,578
	<u>90,727</u>	<u>3,260,775</u>	<u>3,351,502</u>	<u>3,272,556</u>

Included in resources expended are the following:

The auditor's remuneration during the year amounted to £10,750 for audit services (2015: £9,200) and £2,250 for other services (2015: £Nil).

Hire of plant (operating leases) which amounted to £27,572 (2015: £22,119).

4. STAFF COSTS	2016 £	2015 £
Wages and salaries	1,573,666	1,583,017
Social security costs	114,048	132,629
Pension contributions	105,648	160,559
Other pension costs	120,985	91,176
Termination payments	13,488	-
	<u>£1,927,834</u>	<u>£1,967,421</u>

The members of the London School of Theology, who are trustees and who are directors for the purposes of the Companies Act, received no remuneration nor reimbursement of expenses during the year ended August 2016.

	2016 No.	2015 No.
The average number of employees by function was:		
Education	58	54
Fund-raising and publicity	2	2
Ancilliary to main function of education	1	1
	<u>61</u>	<u>57</u>

One employee earned more than £60,000.

Key management personnel remuneration for the period totalled £215,273 (2015: £209,394).

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2016

5. FIXED ASSETS	Freehold and leasehold property £	Motor Vehicles £	Fixtures, fittings & equipment £	Total 2016 £
Cost				
At 1 September 2015	1,287,768	3,676	484,682	1,776,126
Additions	-	-	45,757	45,757
At 31 August 2016	1,287,768	3,676	530,439	1,821,883
Depreciation				
At 1 September 2015	329,748	3,676	353,092	686,516
Charge for the year	-	-	59,841	59,841
At 31 August 2016	329,748	3,676	412,933	746,357
Net Book Value				
At 31 August 2016	958,020	-	117,506	1,075,526
At 31 August 2015	958,020	-	131,590	1,089,610

On 18 December 2016, LST agreed the sale of a parcel of surplus land known as Site C at a price of £8.85m, with completion taking place on 20 May 2016.

6. FIXED ASSETS INVESTMENTS	2016 £	2015 £
Market value at 1 September 2015	1,444,558	1,464,473
Revaluation in the year	135,335	(19,915)
Market value at 31 August 2016	1,579,893	1,444,558
Cost of investments	586,421	586,421

These investments comprise of units in Charinco and Charishare Tobacco Restricted. All investments are listed. These investments are primarily held to provide an investment return.

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2016

7. STOCKS	2016	2015
	£	£
Catering and other sundry stocks	15,683	16,112
8. DEBTORS	2016	2015
	£	£
Fee debtors	113,974	147,324
Other debtors	424,451	138,768
Prepayments	11,001	18,238
	549,426	304,330
9. CREDITORS: amounts falling due within one year	2016	2015
	£	£
Bank overdraft	244,110	282,634
Trade creditors	98,528	-
Deferred income – payments received on account	205,253	247,681
Other taxation	-	18,232
Social security costs	33,010	12,699
Pension scheme contributions	4,100	488
Other creditors	107,456	191,357
Accruals	33,783	44,449
	726,240	797,540
Open Learning Fees in advance are included under payments received on account.		
10. FINANCIAL INSTRUMENTS	2016	2015
	£	£
Financial assets measured at fair value	11,199,196	3,008,030
Financial assets measured at amortised cost	538,425	286,092
Financial liabilities measured at amortised cost	210,084	191,845

Financial assets measured at fair value comprise cash and listed investments.

Financial assets measured at amortised cost comprise debtors and other receivables.

Financial assets measured at amortised cost comprise bank overdraft, trade and other creditors.

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2016

11. GENERAL AND SPECIAL FUNDS	Balance at 1 September 2015 £	Incoming Resources £	Gains/ (Losses) £	Balance at 31 August 2016 £
11.1 Endowment Funds				
Montague Goodman Bursary	87,878	-	8,233	96,111
Jomac Hennell Bursary	28,236	-	2,645	30,881
Sir John Laing Memorial	88,206	-	8,264	96,470
Sir John Laing Lecture	12,440	-	1,165	13,605
	<u>216,760</u>	<u>-</u>	<u>20,307</u>	<u>237,067</u>

The Montague Goodman, Jomac Hennell and Sir John Laing Memorial funds were established for the provision of bursaries to students attending the School. The Sir John Laing Lecture fund was established to finance the organisation of the annual memorial lecture. The capital of these funds are to be kept in perpetuity.

	Balance at 1 September 2015 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 August 2016 £
11.2 . Unrestricted Funds					
General fund	1,902,382	11,623,185	(3,311,114)	-	10,214,453
Pensions reserve	(761,000)	-	45,000	(709,000)	(1,425,000)
	<u>1,141,382</u>	<u>11,623,185</u>	<u>(3,266,114)</u>	<u>(709,000)</u>	<u>8,789,453</u>

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2016

11. GENERAL AND SPECIAL FUNDS (continued)

11.3 Restricted funds	Balance at 1 September 2015 £	Income £	Expenditure £	Gains £	Balance at 31 August 2016 £	Purpose of fund
Henman Memorial Bursary	424,978	13,020	-	35,171	473,169	For student bursaries
Student Grant Bursary	742,225	20,580	(18,414)	61,426	805,817	For student bursaries
Graham Scholarship	133,556	3,718	-	11,053	148,327	For student bursaries
Mary Fisher Memorial	34,936	907	-	2,891	38,734	For student bursaries
Laing Scholarship	10	13,200	(11,842)	-	1,368	For research students scholarship
Student Wives Bursary	51,070	1,367	-	4,227	56,664	For study support for Students' spouses
Music and Worship Bursary	5,406	3,719	-	-	9,125	For bursaries to music and worship students
Students in Need Fund	(5,689)	58,744	(53,055)	-	-	For students in need
Reading Prize Fund	284	-	(50)	-	234	For annual prizes
Sir Eric Richardson Prize	318	17	(100)	26	261	For annual prizes
Griffiths Prize	2,830	67	(50)	234	3,081	For annual prizes
Faculty Hardship Fund	958	-	-	-	958	For faculty members
Children Workers Course	1,759	-	-	-	1,759	For the development of Children's ministry
Henman Internet Fund	4,013	-	-	-	4,013	For the development of IT projects by LST research students.
Tom Rees Evangelist in residence	10,448	-	-	-	10,448	For funding an evangelist in residence
Vaux sur Seine	5,224	-	-	-	5,224	For the translation of open learning resources into French
Building Development Fund	11,868	-	-	-	11,868	For School development projects
Alumni Fund	19,262	-	-	-	19,262	For LST alumni events
Alumni Bursary Fund	32,298	-	-	-	32,298	For student bursaries
Greg Parsons Prize Fund	82	-	(50)	-	32	For the provision of an annual prize
Hebrew Prize	820	-	(50)	-	770	For high attainment in Hebrew language studies
Other restricted funds	13,734	8,460	(595)	-	21,598	For various restricted purposes
Endowment Income Accounts						
Montague Goodman Bursary	3,819	2,839	-	-	6,658	For student bursaries
Jomac Hennell Bursary	3,187	912	-	-	4,099	For student bursaries
Sir John Laing Memorial	5,113	2,850	-	-	7,963	For student bursaries
Sir John Laing Lecture	(1,109)	632	(1,182)	-	(1,659)	For the annual memorial lecture
Total	1,501,400	131,031	(85,388)	115,028	1,662,071	

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2016

12. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Funds £	Restricted Funds £	Endowment Funds £	Total Funds £
Fund balances at 31 August 2016				
Represented by:				
Tangible fixed assets	1,075,526	-	-	1,075,526
Investments	-	1,342,826	237,067	1,579,893
Current assets	9,865,167	319,245	-	10,184,412
Current liabilities	(726,240)	-	-	(726,240)
	<u>10,214,453</u>	<u>1,662,071</u>	<u>237,067</u>	<u>12,113,591</u>
Pension Scheme liabilities	(1,425,000)	-	-	(1,425,000)
	<u>8,789,453</u>	<u>1,662,071</u>	<u>237,067</u>	<u>10,688,591</u>

13. CORPORATION TAX

The company is exempt from Corporation Tax on its charitable activities.

14. PENSION COMMITMENTS

The School operates two pension schemes for its employees; the London School of Theology Pension and Assurance Scheme ("the Defined Benefit Scheme"), which is a defined benefit occupational pension scheme and a Group Personal Pension (GPP) which is a defined contribution arrangement.

The Defined Benefit Scheme is closed to new members. Employees who joined the School after 1 April 2000 are offered membership of the Group Personal Pension (GPP). The assets of the Defined Benefit Scheme are held separately from the assets of the School and are administered by Trustees and managed professionally. The assets of the Group Personal Pension are held separately from the assets of the School and are managed professionally.

Under the Group Personal Pension (GPP) the School pays contributions to personal pension policies for pensionable employees who joined the School after 1 April 2000. The pension cost charge represents contributions payable by the School to the personal pension policies and amounted to £105,658 (2015: £121,529). At 31st August there were no outstanding contributions (2015: £Nil) payable to the personal pension policies.

The remainder of this note relates to the pension costs for the Defined Benefit Scheme determined in accordance with the accounting standard FRS 17 as amended by Accounting Standards Board December 2006, amendment. The contributions to the GPP are accounted for on a cash accruals basis in addition to the costs shown below.

The Defined Benefit Scheme is administered by Barnett Waddingham LLP in accordance with the rules and valuations of that fund. Before the scheme closed to future accruals in the year, contribution rates for employees were 6% of pensionable salary. Employer contributions were 14.1% of pensionable salary. Additional contributions of £80,000 were made in the year. Barnett Waddingham LLP have provided actuarial advice to the Governors.

Non Scheme Pension Provision

In addition to the Scheme liabilities there is a potential liability of £72,000 (2015: £72,000) for discretionary pension benefits if such payments continued to be made over the lives of the beneficiaries at the present rate. These beneficiaries may include retired members of staff who are not members of the Scheme. These benefits are paid from the School's general fund and not from the Scheme itself.

The Scheme's net liability of £1,353,000 plus the non-scheme provision of £72,000 results in a reserve deficit of £1,425,000.

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2016

14. PENSION COMMITMENTS (continued)

The amounts in the balance sheet are as follows:

	2016 £000's	2015 £000's
Scheme assets at year end	5,167	4,526
Defined benefit obligation	(6,520)	(5,215)
	<u>(1,353)</u>	<u>(689)</u>
Actuarial gains/losses comprise:		
Loss/(gain) on scheme assets in excess of interest	(569)	(132)
Experience loss/(gain) on liabilities	-	(12)
Loss/(gain) from change in assumptions	1,278	(149)
	<u>709</u>	<u>(293)</u>
Analysis of amounts charged to activity costs categories:		
	2016 £000's	2015 £000's
Charitable expenditure operating charge		
Current service cost	-	4
Curtailment	-	95
	<u>-</u>	<u>99</u>
Bank and other interest/(other finance charges)		
Interest on scheme assets	(170)	(168)
Interest cost	195	206
	<u>25</u>	<u>38</u>
Change in scheme liabilities		
Beginning balance	(5,215)	(5,296)
Current service cost	-	(4)
Interest cost	(195)	(206)
Contributions by members	-	(1)
Actuarial gains/(losses)	(1,278)	161
Curtailment	-	(95)
Benefits paid	168	226
Closing balance	<u>(6,520)</u>	<u>(5,215)</u>
Change in scheme assets		
Beginning balance	4,526	4,377
Interest on scheme assets	170	168
Return on assets in less interest	569	132
Contributions by members	-	1
Contributions by employer	70	74
Benefits paid	(168)	(226)
Closing balance	<u>5,167</u>	<u>4,526</u>

14. PENSION COMMITMENTS (continued)

The major categories of the scheme assets are as follows:

	31 August 2016		31 August 2015	
	% of assets	Fund value £000s	% of assets	Fund value £000s
Equities and other growth assets	46%	2,377	47.61%	2,084
Bonds and cash	54%	2,790	55.79%	2,442
Total assets at end of year		<u>5,167</u>		<u>4,526</u>
			2016	2015
			£000s	£000s
Actual return on scheme assets			<u>739</u>	<u>300</u>

The value of the Scheme's liabilities has been determined by a qualified actuary based on the results of the actuarial valuation as at 5 April 2012, updated to the review date using the following assumptions:

Actual assumptions used:	2016 %	2015 %
Discount rate	2.10%	3.80%
Rate of increase in pensions in payment	3.00%	3.15%
Rate of increase in pensions in deferment	2.10%	2.15%
Rate of RPI price inflation	3.00%	3.15%
Rate of CPI price inflation	2.10%	2.15%
Mortality table	100% S2PXA	100% S2PXA
Mortality projection	CMI 2014 [1%]	CMI 2014 [1%]

* Weighted average based on the allocation of the scheme assets at the end of the year.

Sensitivity analysis

Impact on the value of liabilities of:

Reduction of 0.1% in the Discount Rate	£100k increase
Increase of 0.1% in inflation assumption	£70k increase
Increase in mortality projection from 1.0% to 1.5% long-term rate of improvement	£210k increase

15. LEASING COMMITMENTS

At 31 August 2016, the School was committed to making the minimum lease payments in respect of hire of machinery:

Operating leases which expire:	2016 £	2015 £
Within 1 year	27,572	27,572
Within 2 to 5 years	62,037	89,609
	<u>89,609</u>	<u>117,181</u>

LONDON SCHOOL OF THEOLOGY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 2016

16. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment £	Total 2015 £
INCOME FROM					
Donations and legacies		144,000	90,277	-	234,277
Charitable activities					
Education		2,516,367	-	-	2,516,367
Conferences		23,288	-	-	23,288
Investments		6,929	46,679	-	53,608
Trading income		46,540	-	-	46,540
Other income		134,991	-	-	134,991
Gain on disposal of fixed assets		1,212,525	-	-	1,212,525
Total Income		<u>4,084,640</u>	<u>136,956</u>	<u>-</u>	<u>4,221,596</u>
EXPENDITURE ON					
Raising Funds					
Investment manager fee		1,000	-	-	1,000
Trading expenses		54,975	-	-	54,975
Fundraising costs		84,763	-	-	84,763
Charitable activities					
Education		3,035,500	114,621	-	3,150,121
Conferences		20,697	-	-	20,697
Total Expenditure	3	<u>3,196,935</u>	<u>114,621</u>	<u>-</u>	<u>3,311,556</u>
Net income before transfers		887,705	22,335	-	910,040
Unrealised gains		-	(16,927)	(2,988)	(19,915)
Net income		<u>887,705</u>	<u>5,408</u>	<u>(2,988)</u>	<u>890,125</u>
Defined benefit pension scheme gains/(losses)		293,000	-	-	293,000
Net movement in funds		<u>1,180,705</u>	<u>5,408</u>	<u>(2,988)</u>	<u>1,183,125</u>
Balance brought forward at 1 September 2015		(39,323)	1,495,992	219,748	1,676,417
Balance carried forward at 31 August 2016		<u>1,141,382</u>	<u>1,501,400</u>	<u>216,760</u>	<u>2,859,542</u>