



THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■

Annual Accounts

for the year ended 31 July 2007



About LSE

The London School of Economics and Political Science – LSE – studies the social sciences in their broadest sense, from economics, politics and law to sociology, information systems and accounting and finance.

The LSE was founded in 1895 by Beatrice and Sidney Webb. From that date the LSE has aimed to be a laboratory of the social sciences, a place where ideas are developed, analysed, evaluated and disseminated around the globe. It is a world-class centre of research. But its mission to connect with the “real world” of government, business and public life in general makes it a special kind of university. LSE academics are frequently in the news, commenting on the top issues of public life. The compact campus in the heart of London buzzes with intellectual exchange throughout the year. Speakers of world standing from the realms of politics, finance, business and current affairs as well as academic life choose the LSE to deliver lectures and seminars on subjects of wide current interest. Most occasions in the resulting rich programme of events are open to the public as well as to LSE students and staff, and thousands of visitors attend from outside the LSE each year.

LSE is one of the most international universities in the world. Most students, including the great majority of postgraduates, come from outside the UK. So do many of the faculty. Partnerships with some of the finest social science universities in the world help to extend the LSE's reach globally, particularly in Asia and North America.

LSE has an outstanding reputation for academic excellence. This is recognised by its high standing in the league tables of world universities and in other measures of quality, for both teaching and research.

The LSE community

LSE has a cosmopolitan staff and student body, located within an urban, city centre campus. It draws students from everywhere and from all social, educational and ethnic backgrounds. There are currently around 8,000 full-time

students, rising to about 9,000 by 2012. They come from about 130 countries around the world.

The School has over 1,400 full-time and over 1,300 part-time members of staff. About 45 per cent are from countries outside the UK. LSE staff advise governments, public bodies and government inquiries, and are seconded to national and international organisations.

Alumni

The School is in contact with around 80,000 alumni. The network extends around the world, with local alumni groups or contacts in over 70 countries, as well as special interest networks in areas such as law, environment and the media.

Teaching

LSE offers a very wide range of undergraduate and postgraduate courses in the social sciences. Teaching is carried out through 22 academic departments and 32 interdisciplinary institutes, and in partnership with internationally known higher education institutions.

Economics is the largest department with over 1000 students. Other large departments include Law, Accounting, Finance, Government, International Relations and Management. Between them LSE departments span the full range of social science disciplines including Anthropology, Management, Philosophy, Mathematics, Statistics, Sociology and more.

Research

The School is a world centre for advanced research. For example, LSE's Research Lab is the base for more than 260 staff – one of the largest concentrations of applied economic, financial and social researchers anywhere in the world. It comprises four centres: the Centre for Analysis of Social Exclusion, the Centre for Economic Performance, the Financial Markets Group and the Suntory and Toyota International Centres for Economics and Related Disciplines. With 28 other such

centres, the full range of social science expertise is covered.

In the most recent national research assessment in the UK (2001), LSE came second after Cambridge for the quality of its research – and top if only the social sciences are taken into account. LSE submitted 97 per cent of its staff for assessment, more than any other university. A further review in 2003 retrospectively introduced a higher grading of 5** for subject areas which had achieved 5* in the two previous rounds of research assessment. Economics and Social Policy at the LSE received a 5**. In all, LSE received 12 grades of 5**, 5* and 5 for all but one of its units of assessment.

International partnerships

LSE forms part of a small global network of institutional partnerships with other universities of similar standing, offering joint teaching programmes that add to the School's current portfolio, help academics sustain international research links, improve the dissemination of research internationally and attract different sources of research funding.

There are institutional partnerships with Columbia University (New York), Sciences Po (Paris), Peking University (Beijing) and the National University of Singapore plus a number of ventures including double degrees and faculty and student exchanges. The School also increasingly operates as part of a network, enabling it to develop projects which it could not develop as a single institution. One example is the delivery of the Executive Public Policy Training programme in Beijing to government personnel in China. With Columbia and Sciences Po, LSE is a founding member of the Global Public Policy Network.

Careers

Almost a third of LSE graduates enter the financial service industry. Law, government service and education account for a further 10% each, with the remainder entering the consulting, media or other professions or going on to further

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academic study or research. The top five employers of LSE graduates are the UK government, Ernst & Young, PwC, KPMG and Deloitte.

According to Timesonline, LSE full-time undergraduate qualifiers achieved the highest average starting salaries among UK universities in 2005-06.

Library

The Library is the largest in the world devoted exclusively to the social sciences. Founded in 1896, it is also known as the British Library of Political and Economic Science and is recognised internationally. It offers a superb environment and an excellent resource for students.

Events

LSE attracts some of the most influential figures in the world to give public lectures and speak at events. In recent years the School has welcomed Kofi Annan, Tony Blair, Bill Clinton, Nelson Mandela, Mary Robinson, Javier Solana, George Soros and many others. Seats are always available free of charge for LSE students. Alumni describe the public lectures programme as one of the key benefits of an LSE education.

Miscellany

- LSE staff or alumni have produced thirteen Nobel Prize winners, in economics, peace and literature.
- 31 past or present heads of state have studied or taught at LSE.
- LSE students' average earnings are significantly above the UK average, six months after graduation.
- LSE students borrow approximately five times the national average of books from their university library.

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New Academic Building under construction



Report of the Chairman of the Council and Court of Governors

During the past year, the School has continued to carry forward the changes to its governance arrangements introduced following the effectiveness review of Council in 2005.

We have also begun to implement the relevant provisions of the new Companies and Charities Acts as they come on stream. A number of new developments in governance have been introduced relating to the School's international strategy, alumni relations, the conferment on the School of degree awarding powers, and legislation relating to diversity and equality and employee relations. We have also reviewed a range of current procedures. Our governance procedures and practices meet, and in many respects surpass, nationally commended standards of good practice.

Governance Developments

I reported last year that a number of significant reforms had been adopted in the School's governance following the review of the effectiveness of Council as LSE's governing body against the recommendations of the Committee of University Chairmen's Governance Code of Practice and our adoption of the Code's *Statement of Primary Responsibilities for Governing Bodies*. These reforms included the Council and Court undertaking three yearly self-evaluation exercises, the first of which were held in the Summer of 2006 by IPSOS MORI thanks to the active involvement of Sir Robert Worcester. The outcomes were reviewed in the Autumn. The reforms adopted were generally agreed to have introduced greater transparency, accountability and effectiveness into the operation of Council and Court and their committees. Action is being taken on issues identified in the areas of governor selection, induction, training and succession planning, the provision of information on strategic performance and risk, and Council's working relationship with other bodies. We have developed a new governor induction programme and produced a comprehensive Governors' Handbook which will help address several of these matters. We are continuing to reappraise the structure and balance of business of Council and the frequency of its meetings to ensure that it fulfils its responsibilities as effectively as possible. We have sought by a variety of means to enable the Court of Governors to fulfil its role of 'custodian of the long-term fundamentals, interests and well being of the School in the spirit of the Founders' and actively engage as many governors as possible in the life and work of the School.

In response to another recommendation of the Council effectiveness review, new governance arrangements for the diversity and equality areas have now been agreed. A new Equality and Diversity Committee of Council has been established with a broadly based membership that includes representatives of the support staff. We are very fortunate that Shami Chakrabarti, a lay governor, has agreed to chair this body.

In an innovative development, Council has approved the establishment of a Staff Consultative Council which includes representatives of all groups of staff nominated by the staff. The Consultative Council is chaired by Anne Lapping, a lay governor, and has appointed a 'nominated officer' to attend and participate in meetings of the LSE Council. We believe we are the first UK University to have set up a Staff Consultative Council of this type as a means of responding to the 2005 Information and Consultation Directive. An early priority of the Consultative Council will be to consider key findings from an externally conducted staff survey undertaken during the year.

I reported last year that we had agreed to establish regional advisory boards to provide a structure for obtaining advice from leaders of the region on aspects of its region's relationship to the School, with annual discussion by the Court of issues raised by the boards. The North America Advisory Board has now been appointed and has met for the first time in New York under the Chairmanship of Alan MacDonald. A report from the Board will be made to the Court of Governors in December.

The LSE Alumni Association was established in March 2005 to advise, help and support the School's alumni relations team in the further development of the School's relationship with its alumni. In his first Annual Report to Council in January, the Chairman of the Association, David Kingsley reported on the Association's initial strategy and priorities. In June, Council was told of the findings of the first survey of alumni opinion which will help inform the further development of the Association's priorities.

There have been major developments during the year in the governance of the School's international strategy following the endorsement given by Council to the

aims and priorities of the strategy in June 2006. Approval has been given to new procedures covering the establishment of institutional partnerships with overseas universities, exchange agreements, commitments entered into by individual members of staff for visits, teaching and research at other universities and double degree programmes. A review mechanism for institutional partnerships and programmes derived from them is also being developed for quality assurance purposes. The appointment of the School's first Director of External Relations in June 2007 concluded a year of rapid progress and change in this area.

In March 2006, following the confirmation given by the Privy Council that the School was competent to award its own degrees, the decision was taken to exercise those powers from a date to be determined. Working Groups were appointed to compile sets of byelaws governing the details of the degree awarding process including the functions and remit of the Academic Board. During the year the Groups completed their task and Council gave approval to the byelaws. The University Council subsequently agreed a proposal from the School and three other colleges to award their own degrees from 2007-08, while remaining in the University. We look forward to awarding the first LSE degrees in July 2008.

Strategic Direction

In addition to monitoring its performance as the School's governing body Council has the responsibility to ensure processes are in place to monitor and evaluate the performance and effectiveness of the School against its own plans and approved key performance indicators benchmarked against other comparable universities where possible and appropriate.

During the past year Council has continued to monitor progress towards achieving the LSE Strategic Plan's five priorities by receiving and questioning reports on the delivery of the actions that underpin the Measures of Achievement and on the attainment and development of targets. The Plan has now been reviewed and updated to carry it forward to 2012, with the five priorities established in 2005 remaining substantially unchanged.¹ The progress report received in March showed that only 2 of the 39 detailed indicators for which data are available are not on target.

Council took the opportunity at its annual Awayday on 24 September 2007 to consider the School's institutional health against the ten high level key performance indicators recommended in the CUC's *Report on Monitoring Institutional Performance and the Use of Key Performance Indicators* published in November 2006, comparing its performance with other universities. The Awayday also discussed a range of issues relating to the LSE Strategic Plan, including a forthcoming review of teaching, the 2008 Research Assessment Exercise, departmental development plans and estate developments.

Institutional Finance

Council is responsible for ensuring the solvency of the Company and safeguarding its assets and income. Detailed monitoring of the financial position is delegated to the Finance and General Purposes Committee which reports to Council on a termly basis. I reported last year that a review of the effectiveness of the School financial management arrangements was to be carried out. That review has been duly completed and led to recommendations on a wide range of issues which focused on clarifying some areas of responsibility, enhancing control over expenditure and introducing greater transparency in the School's system for budgeting staff costs. The Director of Finance and Facilities will report annually to Council on progress with implementation.

Compliance

The raft of statutory and regulatory obligations placed on the School continues to grow. In conjunction with the School's Solicitors, the Secretariat continually updates a comprehensive digest of new and forthcoming statutory and regulatory developments which is used as a tool to ensure 'light touch' compliance that intrudes as little as possible upon the core activities of teaching, learning and research. Council receives reports on key items in the digest at regular intervals for information and comment and approves policies compiled in accordance with statutory deadlines.

During the past year the key areas of compliance considered have included: the implications of the 2006 Companies Act for Council as Company Directors; the implications for Council as Trustees and for the LSE Students' Union of the 2006 Charities Act; approval of Disability Equality and Gender Equality Schemes as required by the Disability Discrimination Amendment Act 2005 and Gender Equality Duty 2006.

The School has continued to receive a considerable number of requests under the Freedom of Information Act and has developed robust and efficient processes for dealing with them.

A number of academic regulations were revised during the year in response to agreed review deadlines, and/or in the light of experience. These included regulations dealing with plagiarism, anti harassment, student discipline and complaints from students on academic matters.

Risk and Audit

The Risk Committee oversees the management of key strategic risks, with the School's Risk Register focusing on the practical handling of a relatively small number of perceived major risks to the School's strategic priorities. A review of the risks arising from the School's growing involvement in different types of collaboration and joint ventures and from a range of disparate activities and organisations associated with the School has been completed and appropriate control measures adopted. During the year the School appointed a Director of Business Continuity to take forward this important area of risk control. This is being followed by a major review of the School's strategic risk management arrangements against the OGC's *Management of Risk- Guidance for Practitioners*.

I reported last year that we were strengthening the structure and responsibilities of the Internal Audit Service to create more capacity to develop a proactive and strategic approach to audit, to establish tighter controls over the associated activities mentioned above and to link the audit and risk management functions more closely. Following the appointment of a new Internal Auditor, these objectives are now being actively pursued.

We were pleased to receive confirmation from HEFCE that the School remains in the lowest possible risk category and is meeting the accountability obligations set out in the Financial Memorandum and Accountability and Audit Code of Practice

Succession Planning

Presley Baxendale QC resigned as a governor and as a Vice-Chairman of Court and Council from 31 July 2007. We are very grateful to Presley for the many contributions she has made to the governance of the School and are delighted that she has accepted an emeritus governorship. At the time of writing, we are working to appoint her successor. Sir Anthony Battishill has been appointed as a Vice-Chairman for a second term to December 2009: the School is very fortunate to be able to draw upon his continued commitment, wisdom and experience.

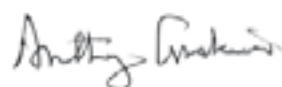
The Nominations Committee has been extremely active and successful in attracting new governors during the past year. Ten outstanding individuals have been elected for five year terms from 1 August 2007: Liz Astall, Mark Denning, Linda Dobbs, Janet Gaymer,

Stelios Haji-Ioannou, Rowan Harvey, Naomi Hass Perlman, Peter Jones, Roger Mountford and Emmanuel Roman. Seventeen existing governors have also been re-elected from the same date for further periods of office and eleven new emeritus governors will be appointed in the next three years. The Committee has also continued its work in succession planning with main committee memberships, chairmanships and office holders, seeking to identify a broad spread of potential candidates to fill future vacancies.

Following a consultation exercise involving staff, students, governors and alumni of the School, Council gave approval to the appointment of Howard Davies for a second term as Director of the School for five years from 1 October 2008. Howard is an outstanding Director and it is a matter of great personal satisfaction and pleasure to me that the decision to offer him a further term of office was taken under my Chairmanship. He will be ably supported by Professors Janet Hartley and George Gaskell who have been appointed as Pro-Directors for five years from 1 August 2007, joining Professor Sarah Worthington.

Looking Ahead

The final year of my Chairmanship has been one of considerable progress and change in the governance of the School. We have continued to enhance effectiveness, ensure that the School's governance meets the highest standards of good practice and provides a structure that actively contributes to the promotion of initiatives and the realisation of our strategic objectives. I should like to take this opportunity to thank everyone, governors, office holders and officers who work so hard for the good governance of the School and to extend my good wishes to Peter Sutherland, who succeeds me as on 1 January 2008, as he takes forward the continuing pursuit of excellence.



Lord Gribner of Aldwych QC
Chairman of Court and Council

¹ The five priorities are: 1) Maintain excellence in teaching with high quality student support services and facilities. 2) Produce research of the highest quality. 3) Engage with the wider community. 4) Formulate and implement a planned programme of expansion to enable the School to maintain its competitive position and facilitate intellectual innovation. 5) Focus resources to deliver priorities.

Report of the Director of the School

In the academic year 2006/2007, demand for places at the LSE was again very strong. The School recruited successfully up to capacity and that in turn produced a strong financial result. Over the year we made a surplus, after depreciation and capital charges, of £24.4 million.

Once again, undergraduate demand strengthened further. Indeed, with the single exception of the private University of Buckingham with its two year degree programme, LSE is the most popular undergraduate university in the country in terms of applications per place. We receive around 15 applications for each opening. And overseas demand, at both undergraduate and graduate level, remained as strong as ever in spite of the strength of sterling against the dollar, which affects our relative prices vis a vis the top American universities which are among our strongest competitors.

Forward Plans

This is a healthy background against which to plan our further expansion in student numbers, whose details I explained last year. I described the planning process we had put in place to ensure that further expansion in the School proceeded on a rational basis, with full understanding of the nature of the market place in which we operate and of the attractiveness or otherwise of our courses.

During the last year each School department has prepared a plan for the next five years, and those plans have been rigorously assessed by the Academic

Planning and Resources Committee. Of course elements of them are bound to change as time goes by, but we now have an agreed basis on which to assess specific proposals for new courses and additional students in the future. The process brought forward many good ideas for new degrees. We think it important to continue to renew and refresh our portfolio, especially at graduate level.

One particularly important initiative for the School is the new Department of Management. We have introduced two new programmes this year, which have attracted a large number of top quality applicants. We were reassured that we are moving in the right direction in management teaching by our rapid rise up the Financial Times league table for Masters degrees in management, where this year we were in second place among European business and management schools.

We also made further progress with our joint and double degree programmes with partner universities around the world. The TRIUM Executive MBA class continues to expand. The degree programmes with Peking University and Columbia are healthy. And we have established a Global Public Policy Network including those two schools and the Lee Kwan Yew School in the

National University of Singapore to create a grouping of institutions committed to addressing global public policy issues and to strengthening our ability to train public sector managers for the future. We have already established two MPA programmes in partnership with these other universities, and more are in preparation. I would expect this to be a growing dimension of the School's teaching in the future.

Another initiative which, during the year, moved from the nursery to more full grown status was BIOS, set up four years ago on a small scale to work on addressing the social science and social policy questions raised by developments in bio-genetics and biotechnology generally. The Institute has now proved successful in attracting grants from the Wellcome Foundation and others, and is running a lively and popular MSc degree.

Research

Preparations for the Research Assessment Exercise continued through the year. We were especially grateful to Professor Howard Glennerster, who returned to the School for a while to help departments to prepare their submissions. His contributions were extremely valuable. The full submission will be put into the Funding Council panels during the course



Alan Greenspan public lecture



LSE Asia Forum in New Delhi

of this Michaelmas term. We will be submitting, as we did last time, a large proportion of our faculty, almost all of whom are research active. It is hard to know at this stage how highly we will be ranked, and indeed the basis of the ranking will be somewhat different this time, in ways which will not benefit us. For example, last time the percentage of faculty submitted was a relevant indicator. This time it will not be. And on that indicator we are relatively very strong.

Looking further forward, the picture remains clouded. Early indications that the Government and the Funding Council wished to move to a metrics based approach to assessing the quality of research, in other words one focused on numbers of citations in refereed journals, have not yet been carried through. The British Academy have produced a report which argues that a metric based system will not be appropriate for most of the social sciences and the humanities. The Funding Council is once again carrying out a review and we expect to hear more during the course of the next twelve months.

Management

There was quite a lot of turnover during the year in the senior management positions in the School. Ray Richardson has retired (for a second time) from the position of Deputy Director, Teaching and Learning and has been replaced by Janet Hartley. Paul Johnson sadly left the School to take up appointment of Vice-Chancellor at La Trobe University in Melbourne Australia and was replaced by George Gaskell. Those two appointments in turn created vacancies as Janet Hartley had served for three years as Vice-Chairman of the Academic Board and George Gaskell for two years as Vice-Chairman of the Appointments Committee. They were replaced respectively by Chris Brown and George Philip. So although

there was a lot of turnover, in fact all the people involved have a close knowledge already of the way the School runs, and all of these transitions have been smooth. The other four members of the management team, Sarah Worthington, Adrian Hall, Andy Farrell and I remain in place. To make the hierarchy more understandable, in future the deputy directors will be known as pro-directors. I was pleased to be offered, and readily accepted, a second five year term of Director of the School which will begin at the expiry of my current five year term next summer.

We also made another significant management change near the end of the year. After extensive discussions in Council we decided to create a new post of Director of External Relations, pulling together a number of aspects of our externally focused work, including our international partnerships, our Press and Information Office and the conference and events programme. Robin Hoggard, who joins us from the Foreign Office, has the task of pulling all the activities together and ensuring that the School gets the profile it deserves from all its outward facing activities. We are sure that there is more to do in that area.

Fundraising

The School had an exceptionally good year in fundraising, raising £26.7 million from external sources. That was twice as much as the previous year and three times as much as we were raising on an annual basis only 3 or 4 years ago.

The increase is quite broadly based, and includes an uplift in the amount we get from our Annual Fund, to which many alumni contribute at a modest level. We think it important, for the long run, to develop a habit of giving among relatively recent alumni. Experience in the United States and elsewhere suggests this is the

secret of successful fundraising in the long term. It is particularly pleasing that we were able to achieve a significant increase in our scholarship funding.

I would draw attention also to the two biggest contributions to the School from overseas. The Kuwait Foundation for the Advancement of Science (KFAS) have pledged to contribute just under £6 million over a ten year period to support a named Chair in the economics department and a range of activities related to economic, political and social issues in the Gulf States. We are greatly indebted to the work of our governor, Victor Dahdaleh, in bringing this negotiation with the Kuwaitis to a successful conclusion near the end of the year, and we hope this will be the beginning of a long and fruitful relationship with them.

We also worked during the year to establish a Chair in the name of IG Patel, one of my distinguished predecessors who served also as governor of the Reserve Bank of India. We were delighted when the Reserve Bank, and the State Bank of India on whose board he also served, agreed to be the lead donors. We attracted Sir Nicholas (now Lord) Stern, who has been working in the Treasury for the last few years, back to the School to be the IG Patel professor and to oversee a new India Observatory designed to bring together our research on issues related to the political economy of the sub-continent. Already, many plans are afoot and the first annual IG Patel lecture was delivered by Montek Singh Ahluwalia. Further events, both here and in India, will follow.

These are both good examples of the way in which our fundraising effort, by Mary Blair, can finance significant extensions to the School's academic interests.

The Estate

Our major estate project remains the New Academic Building at the south west corner of Lincoln's Inn Fields. That will provide an additional 125,000 sq feet of space and will very significantly increase the availability of large lecture theatres and teaching rooms. The programme remains on time and on budget and we expect to take possession in July 2008, allowing it to come in use for the 2008/2009 academic year. Since the construction is at the edge of our campus it has created very little disruption in the life of the School. We now need to plan the moves of the departments of Law and Management into the new building, which will create much needed flexibility for us on the rest of the site.

However, we are not yet near the end of our re-development. Both the two 1960s towers at the heart of the campus and the St. Philips building are in serious need of reconstruction. We have commissioned plans on how that reconstruction may be managed with as little upheaval as possible. During the course of the year we shall need to make firm decisions on which of these projects to undertake first, and how to ensure that the work of the School can continue during what is bound to be a difficult period. I am confident, though, that our estates team is up to the task of managing these initiatives. In addition to the major construction of the New Academic Building, we have undertaken a lot of refurbishment work on the campus recently, which has gone well and delivered significant improvements in the environment in which our faculty teach and our students learn. During summer 2007, we have added 160 study spaces and expanded the course collection space in the Norman Foster designed library, under the careful stewardship of Jean Sykes, Librarian and Director of Information Services. As we pursue these

projects we will also be able to improve further our environmental performance.

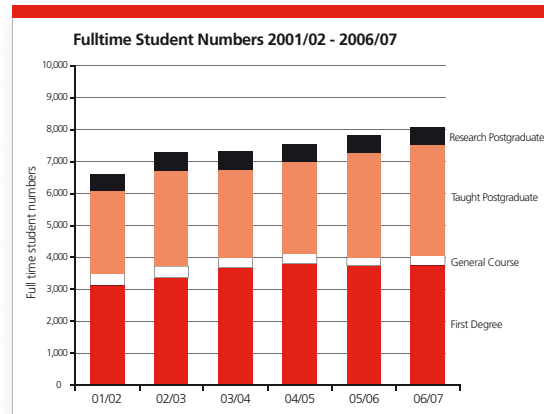
LSE Degrees

Last year I reported that we had asked the University of London for permission to exercise degree awarding powers ourselves. That permission was granted during the year, and, as from the 2008/2009 academic year, students entering the School will be studying for an LSE, rather than a University of London degree. There will be exciting new hoods and gowns, in a tasteful shade of purple, and brand new certificates. The response to this change amongst students and alumni has been very positive, as the granting of degrees in the name of the University of London has seemed anachronistic to some for a while.

Imperial College have concluded that their interests are best served by a withdrawal from the central University altogether. So far we have not decided to take that step, although it is fair to say that our links with the University are somewhat tenuous now. We are hoping for significant changes in the way in which the University is governed, following a recent review, which will give us more assurance that the central functions are managed with the interests of the colleges in mind. It is, after all, the colleges which teach the students and the central functions are in the matter of services to those teaching entities. We expect changes to be made during the course of this year, and we shall watch closely to see if they do give us the reassurance we need. It is very frustrating that change in the central university takes so long.

Financial Overview

For the financial year ending 31 July 2007 the School achieved a surplus,

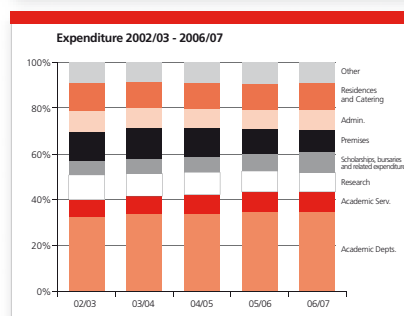
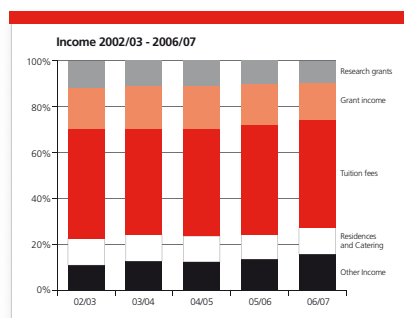
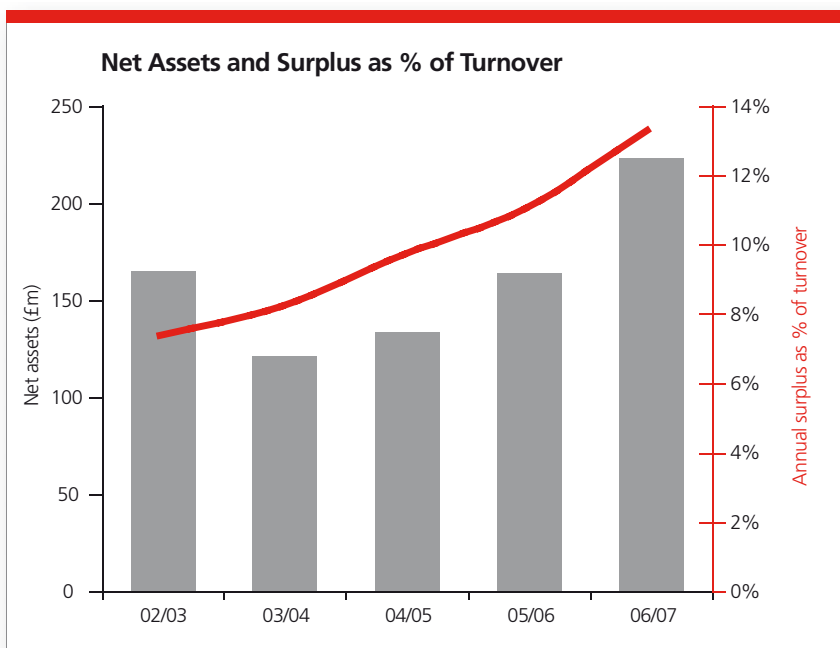


before exceptional items of £21.2m which is equivalent to 12.5 per cent of gross income and compares to a surplus of £13.7m for 2005/06 (9.2 per cent).

At the end of 2006 the School sold the Silverwalk residences for £5.1m. The properties, located in Rotherhithe, had provided 85 student spaces but their location some way from the School made them relatively unattractive. The sale has generated a surplus on disposal of £3.3m which is shown as an exceptional item. The sale of the garages at Silverwalk for £0.3m has been completed since the year end and is not included in the accounts for 2006/07.

The School's Finance and General Purposes Committee has adopted a target surplus range of 3 per cent to 4 per cent of income, recognising that a surplus is required to fund loan repayments, to support capital and infrastructure investment and to provide the School with the flexibility to invest in new academic initiatives.

The School has achieved surpluses in excess of this level in recent years reflecting increased contribution from summer schools, consultancy, executive



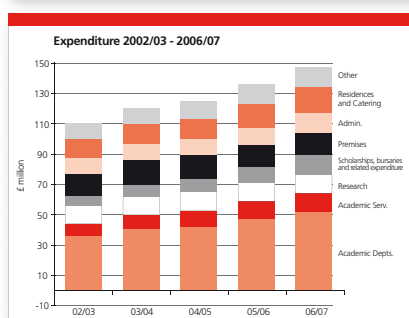
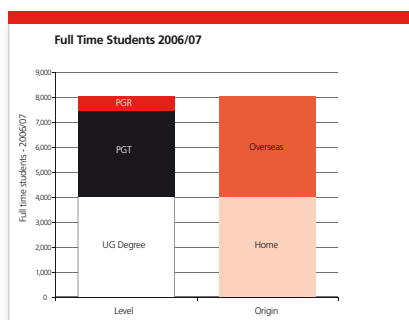


education, conferences and other activities additional to normal teaching and research. In addition, residences has added to our surpluses through a reduction in costs and increased contribution from vacation business. It is worth noting that the School has doubled its net assets over the last five years.

Consolidated Income and Expenditure

The income of the School and its subsidiaries increased 15 per cent to £172m (2005/06 £149m). Major contributions to this growth came from a 11 per cent increase in tuition fee income, a 33 per cent increase in 'other' income and a 55 per cent increase in endowment and investment income. The School's tuition fee income of £80.5m (2005/06 £72.3m) remains the most important source of income, representing 47 per cent of the total, 1 percentage point less than in 2005/06.

Overseas students (those from outside the United Kingdom or other European Union countries) account for roughly half the School's student population



and for over two-thirds of tuition fee income, reflecting both the international flavour of the School's student body and our world-wide reputation.

Turning to expenditure, non-pay spending grew by almost 9 per cent, in many areas this is less than the growth in related income. For example the significant increase in academic department spending comes from growth in the London summer school, some new short courses and the cost of teaching to support the additional student numbers in the year.

It is particularly pleasing to note that scholarship and bursary spending has grown by over one third to £9.8m reaching 13 per cent of tuition fee income. This level is amongst the highest in the higher education sector and with the success of the School's fundraising and the new bursary scheme that supports undergraduate home/EU tuition fees this will continue to rise over the next few years.

Total pay costs increased by 10 per cent, partly as a result of an increase in staff numbers. An underlying increase in pay of 7 per cent, well above cost of living award for 2006/07 reflects the School's continuing commitment to investment in staff. Although presenting a constant challenge in the competitive global market from which the School seeks to draw its faculty, the recruitment and retention of the best academics is critical to the School's continuing success.

Liquidity and financing

As the New Academic building project nears completion and our capital commitments fall due, our net debt is forecast to rise. Nevertheless, at the end of the 2006/07 the School's cash balances exceeded its long term debt. The cash flow from operating activities of £33.8m combined with the proceeds from the sale of Silverwalk, grant funding for the new academic building, advance payment of tuition fees and donations are all contributory factors in this achievement. The School put in place a 25 year £75m

amortising debt facility in 2003, with £65m of debt swapped into fixed rates. During the year, the Finance and General Purposes Committee has reviewed borrowing facilities, and concluded that the current facilities are sufficient to meet capital commitments beyond the completion of the New Academic Building. The requirement for financing facilities will be reviewed again after a firm decision is taken on the next major estate development.

Capital Expenditure

The School has undertaken two major capital projects during the year: the redevelopment of the New Academic building at 54 Lincoln's Inn Fields and the refurbishment of Passfield Hall of residence. Passfield was completed in September 2006 and has operated successfully throughout the year and the New Academic building project continues on schedule. Strong financial performance has allowed us to fund the work during 2006/07 without further recourse to our borrowing facility.

Funding Council Grants

Although the School has a relatively low proportion of HEFCE (Higher education Funding Council of England) grant funding compared with most UK higher education institutions, the £27.7m received from HEFCE together with the £0.5m from JISC (the Joint Information and Infrastructure Systems Committee) is an essential contribution to the financial viability of the School. Although there is speculation from time to time that some universities might 'go private' to have freedom in setting undergraduate fees, there are no such plans at LSE.

Research Income

The income generated by grants from the UK research councils was significantly increased from the previous year (+14 per cent). This is almost entirely due to the positive influence of the first full year of grants awarded since the introduction of full-economic costing. Grant income



Theatre in New Academic Building Artists impression: Courtesy of Grimshaw

continues to grow from other major sponsors such as UK Charities and the European Commission. The School is competitive in obtaining external funding for high quality peer reviewed research, where growth is a strategic goal. Where it is appropriate to our academic aims, we also participate in commercial non peer reviewed research, but growth of research purely for income generation is not a strategic aim

Enterprise LSE Limited and Subsidiary

Enterprise LSE Ltd is the wholly owned subsidiary of the School that exists to develop the potential for consultancy and related activities that the School's world-class faculty offer. 2006/07 has been a particularly successful year that has seen strong growth in consultancy work. Turnover has increased by 28 per cent to £5.6m generating a net profit of £1.3m that is paid through Gift Aid to the School to support teaching and research activities. It also provides an important opportunity for faculty to supplement their personal income, a useful mechanism for attracting and retaining key staff.

Towards the end of the year, the company exercised its option to acquire a 30 per cent equity share in Duke CE Ltd, the venture with Duke University that specialises in customised corporate education and that is rated number 1 in the world in this area in the FT rankings. By exercising Enterprise LSE's option to take an equity stake in Duke Corporate Education Ltd, the School is signalling a long term commitment to this highly successful partnership with Duke University.

Residences

In September 2006 the School significantly increased its residence bed space with the reopening of Passfield Hall and the addition of two new halls, Lillian Knowles House in Spitalfields and Northumberland House in Northumberland Avenue, increasing bed spaces by over 25 per cent to approximately 3,500 and allowing the School to offer all new students a guaranteed place in hall, a key factor in ensuring that the best students choose to attend LSE.

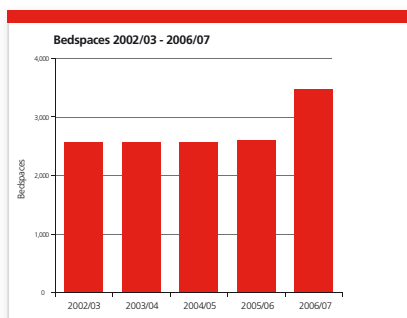
During vacation periods the halls operate on a commercial basis providing hotel accommodation for a wide range of customers, ranging from our own summer school students to casual visitors to London. The £5m per annum revenue generated from this activity is used entirely to subsidise student rents. It also enables us to continue to offer many rooms on a 31 week basis, in contrast to the emerging trend elsewhere of requiring students to contract for 40 weeks or longer.

Environment

This year we were judged by People and Planet to be the best university in London in terms of environmental performance, and we are committed to being amongst the best in the country. Finance and General Purposes Committee has approved £0.5m investment in energy saving measures. The School has been awarded funding from HEFCE to extend the successful student re-use project to 6 other universities. The New Academic Building has a range of environmental measures incorporated, including solar panels, bore hole cooling, heat recovery mechanisms, reuse of existing materials, FSC certified timber, flooring with recycled and recyclable content, waterless urinals, and more, with the objective of achieving an Excellent BREEAM rating.

Employment

The School commissioned a survey on employee attitudes and the results have been considered by Council and other School bodies. Overall employee satisfaction is high in comparison with other institutions, but with some issues to address in areas such as communication.



A Staff Council has been established to provide a forum for discussion and consultation on issues affecting employees,

I was particularly pleased that Bert Massey, Chair of the Disability Rights Commission, was able to open formally our step free access to the main entrance of Old Building. This was a difficult and expensive adaptation, but the School is committed to support staff and students with disabilities to achieve the best they can, and sending them to a back door just did not seem right.

The Future

LSE is in an excellent position: better in many ways than I would have forecast when I took up the position as Director in 2003.

We do have some challenges to address. In addition to the evident need to improve capacity and quality of facilities and to address the uncertainties of the external environment, we do need to ensure that our teaching support and pastoral care is on a par with the best in the UK. To that end we have set up a Task Force to review our teaching, which will report in the summer of 2008.

We have students of the highest quality from around the world, we have world class academic staff, we have support services and staff of high quality and commitment to LSE, we have an excellent reputation, strong partnerships, and clear plans for growth. We have a supportive Alumni community, and many important donors. We have a world leading public events programme. We have a strong financial position.

We are well positioned for the future.

Howard Davies
Director

Report of the Directors

Business Review and Principal Activities

The principal activities of the School in the year under review were those of Higher Education and Research, together with such additional activities as are relevant to facilitate them. Additional activities include the consultancy, conference and events, provision of catering and accommodation services and the publication of academic journals. A review of the events of the year, together with a summary of expected future developments, is given in the Report of the Director on pages 4-8 of these accounts.

Subsidiary Companies

The financial statements include the results of the subsidiary companies, Enterprise LSE Limited, LSE LETS Limited and LSE Foundation.

Principal Risks and Uncertainties Facing the School

Over 90% of the School's fee income is generated from masters and overseas students. Consequently fee income can be especially sensitive to the prevailing global, political and economic outlook. To mitigate and manage these risks the School continues to develop its understanding of the key factors that influence demand. International competition in the recruitment of world class academic staff is such

that pay levels are expected to come under continuing pressure.

Although HEFCE grants account for a smaller proportion of our income than for most universities, it is nevertheless an important source of revenue and therefore the current uncertainty over future funding methods for both teaching and research is a further complication in the planning process.

Financial Instruments

The School's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The School's principal financial instruments comprise investments, cash and bank deposits, bank loans together with trade debtors and trade creditors that arise directly from its operations.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The School has a limit of £10m term deposits that can be placed with any one bank.

The School's current practice is to maintain the majority of borrowings at fixed rates to fix the amount of future interest payments.

Environment

The School's Environmental Policy Statement is outlined on page 35.

Employment

The School aims to be an Equal Opportunities Employer.

The School's policy of employment with regard to disabled persons is to consider sympathetically the engagement of any suitable registered disabled person who may apply for a post and provide similar opportunities for training, career development and promotion as for other members of staff.

Directors

The Directors of the School are shown at page 40.

Auditors

RSM Robson Rhodes LLP (Robson Rhodes) merged its audit practice with that of Grant Thornton UK LLP (Grant Thornton) with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 27 July 2007, creating a casual vacancy which the directors have filled by appointing Grant Thornton. A resolution to reappoint Grant Thornton as auditors of the company will be proposed at the forthcoming Court of Governors Meeting.

Disclosure of Information to Auditors

At the date of making this report each of the company's directors, as set out on page 40, confirm the following

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and
- he or she has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Report of the Directors was approved by Council on 27 November 2007.



Howard Davies
Director

Key Performance Indicators	Notes	2007	2006
% Ratio of surplus to total income	1	14.5%	10.6%
% Ratio of HEFCE grants to total income	2	16.7%	18.0%
Days ratio of general funds to total expenditure	3	288 days	247 days
% Ratio of long-term liabilities to total general funds	4	39.2%	52%

1 % Ratio of surplus to total income = surplus as a percentage of total income. The School has established a target range of three to four per cent, necessary to fund infrastructure investment.

2 % Ratio of HEFCE grants to total income = HEFCE grant income as a percentage of total income. The School aims to develop its income from non HEFCE sources in order to keep this ratio to a minimum and reduce its dependency upon government funding.

3 Days ratio of general fund to total expenditure = 365 days X (general reserve plus general endowments)/total expenditure. The aim is to gradually increase this ratio over a number of years.

4 % Ratio of long-term liabilities to total general funds = long-term liabilities/(general reserve plus general endowments) The aim is to gradually reduce this ratio over a number of years.

Accounting Policies

The School is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the School is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 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 receives partial exemption in respect of Value Added Tax, and is unable to recover the majority of VAT paid to suppliers.

The School is incorporated under the Companies Act as a company limited by guarantee.

The accounts set out on pages 12 to 32 have been prepared in accordance with the following accounting policies:

(a) Basis of Accounting

The consolidated financial statements have been prepared on the historical cost basis of accounting as modified by the revaluation of investments and in accordance with applicable United Kingdom Accounting Standards.

(b) Format of the Accounts

The accounts are prepared to conform to the Companies Act 1985 and also with the Statement of Recommended Accounting Practice (SORP): Accounting for Further and Higher Education dated July 2003.

(c) Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the School and all its subsidiary undertakings for the financial year as set out in Note 12.

Where the School enters into a Joint Venture arrangement it consolidates its share of assets, liabilities, income and expenditure, in accordance with the requirements of FRS 9.

The consolidated financial statements do not include those of the Students' Union as it is a separate entity in which the School has, under existing arrangements, no financial interest and no control or significant influence over policy decisions.

(d) Income and Expenditure Account

The Income and Expenditure Account reflects all expenditure and general unrestricted income associated with the performance of the principal objects of the School, that is teaching and research, and also includes restricted income to the extent that expenditure has been incurred.

(e) Land and Buildings

Land and buildings are capitalised in the School's Balance Sheets at historical cost. Redevelopment projects costing over £250,000 are capitalised.

The Finance and General Purposes Committee has reviewed the usable lives of the School's buildings in line with FRS15 and the depreciation calculation is based on this assessment.

Freehold buildings are depreciated over the remainder of their useful economic lives which range between 10 and 76 years. Leasehold buildings are amortised over the remaining period of the lease.

Fire Certification Works at the School's Student Residences are depreciated over a period of 15 years.

An annual review for impairment of a fixed asset is carried out to determine whether events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable, or where an asset is deemed to have an economic life in excess of 50 years. No impairment has been charged to the 2006/07 accounts.

The School's buildings were valued in early 2001. This showed that the value of the Houghton Street site was at least £250m and the value of the Student Residences at least £75m.

Where buildings are acquired with the aid of specific grants or donations they are capitalised and depreciated as above. The related grants and donations are treated as deferred capital grants and are released to income in accordance with the depreciation policy.

(f) Furniture and Equipment

Equipment, including computers and software, costing less than £30,000 per individual item or group of related items is expensed in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its useful life which varies between 5 and 10 years.

(g) Operating Leases

Costs in respect of operating leases are charged on a straight line basis over the period of the lease term.

(h) Residences Finance Lease

The School's liability under this finance lease was calculated as the principal plus any accrued interest as at the year end. The annual interest charge on the lease was calculated as the interest element of the rental paid during the year plus any accrued interest. The School's only residence finance lease was repaid at the beginning of 2005/06.

(i) Stock

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

(j) Investments

Investments within Fixed Assets that are listed on a recognised stock exchange are carried at market value.

Investments that form part of Endowment Assets are included in the Balance Sheet at market value.

Investment income is accounted for on a receipts basis, no credit being taken for income where the due date falls after the current accounting period. Interest on deposit accounts is accounted for on the accruals basis.

Appreciation/depreciation in the market value of investments within Fixed Assets is added to or subtracted from the Revaluation Reserve and any profit or loss on realisation is brought into the Income and Expenditure Account. A diminution in market value is charged to the Income and Expenditure Account to the extent that it is not covered by a previous revaluation surplus.

Appreciation/depreciation in the market value of Endowment Asset investments and any profit or loss on realisation is added to or subtracted from the funds concerned.

(k) Provisions

Provisions are recognised when the School has a present legal or constructive obligation as a result of a past event, it



is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(l) Foreign Currency

Transactions denominated in Euros and other foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are recognised as part of income and expenditure.

(m) Pensions

The School participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements for the University of London (SAUL). Both are defined benefits schemes and are externally funded and contracted out of the State Second Pension (S2P) Scheme. The assets of the schemes are held in separate trustee-administered funds. The School is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reliable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the schemes in respect of the accounting period.

A provision has been made in respect of pension enhancements payable to staff who have retired under the previous superannuation scheme for academic and related staff, FSSU, in accordance with FRS 17 'Retirement benefits'.

(n) Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value including term deposits.

Tribute to Lord Grabiner who retires 31 December 2007 as Chairman of the Court of Governors

Tony Grabiner arrived at LSE from the Central Foundation Boys' Grammar School in Shoreditch in October 1963, graduating in 1967 after earning an LLB with first class honours and an LLM with distinction.



Photo: Malcolm Russell

He was called to the Bar in 1968, specialising in commercial law, commodities disputes, oil and gas litigation, arbitration and a host of related subject areas. He was appointed as standing junior counsel to the Department of Trade and then a junior counsel to the Crown.

In 1981, after only 13 years in practice and at the age of 36, he was appointed Queen's Counsel. Since 1994 he has sat as a Deputy High Court Judge of the Chancery and Queen's Bench Divisions. He is a director of the London Court of International Arbitration.

Lord Grabiner became a member of the LSE's Court of Governors in 1991 and vice-chairman in 1993. He was appointed Chair of the Court of Governors in 1998.

As Chairman of the Court, Lord Grabiner has been a powerful and unstinting driving force in the success of LSE, being particularly instrumental in achieving major reforms to the governance structure of the School, the development of the estate to continue to make LSE a more attractive student experience, and the opening of the new Lord Foster designed library in 2001.

Lord Grabiner's term as Chairman has been characterised by a concern for the long intellectual tradition of LSE and for its position in the context of the changing world. He has been a source of steadfast and sensible advice to successive Directors.

The School takes this opportunity to show its appreciation to Lord Grabiner for his service and efforts.

Consolidated Income and Expenditure Account



LSE and Abbey Santander sign support agreement

	NOTES	2007 £'000	2006 £'000
Income			
Funding Council grants	1	28,250	26,870
Tuition fees and education contracts	2	80,462	72,316
Research grants and contracts	3	16,085	15,361
Other income	4	38,204	31,217
Endowment and investment income	5	5,716	3,680
Total income		168,717	149,444
Expenditure			
Staff costs	6	85,813	78,160
Other operating expenses	7	55,726	51,308
Depreciation		3,422	3,409
Interest payable	8	2,583	2,830
Total expenditure		147,544	135,707
Surplus on continuing operations after depreciation of tangible fixed assets at cost and before exceptional items and tax		21,173	13,737
Exceptional items	9	3,339	2,172
Surplus on continuing operations at cost and before tax		24,512	15,909
Taxation	10	(64)	–
Surplus on continuing operations after depreciation		24,448	15,909
Transfer to accumulated income within general endowments		(65)	(105)
Surplus for the year retained within general reserve	23	24,383	15,804

The income and expenditure account is in respect of continuing activities.

As permitted by Section 230 of the Companies Act 1985, the income and expenditure account of the Company is not presented as part of these financial statements. Of the total surplus for the year of £24,383,000, a surplus of £24,111,000 was made by the Company.

There is no note of historical cost surpluses and deficits as the reported surplus has been calculated on the historical cost basis.

Statement of Total Recognised Gains and Losses

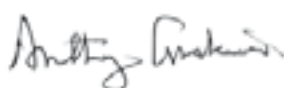
	NOTES	2007 £'000	2006 £'000
Surplus on continuing operations after depreciation of tangible fixed assets at cost and tax		24,448	15,909
New endowments	21	5,870	7,420
Revaluation of endowment asset investments	21	1,635	1,746
Endowment investment income for the year	21	1,985	1,803
Endowment expenditure for the year	21	(5,288)	(4,030)
Endowments transferred to deferred capital grants	21	(50)	(150)
Total recognised gains and losses relating to the year		28,600	22,698
Reconciliation of movement in reserves and endowments			
Opening reserves and endowments		136,367	113,669
Total recognised gains and losses for the year		28,600	22,698
Closing reserves and endowments		164,967	136,367



Balance Sheets

		Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
	NOTES				
Fixed Assets					
Tangible assets	11	207,822	207,238	194,360	193,767
Investments in subsidiary undertakings	12	–	150	–	150
Investments in joint ventures	13	416	–	81	–
		208,238	207,388	194,441	193,917
Endowment Assets	14	55,603	55,603	51,386	51,386
Current Assets					
Stock		83	83	68	68
Debtors	15	14,056	16,271	13,775	15,651
Bank deposits	16	37,000	37,000	4,000	4,000
Cash at bank and in hand	16	5,243	2,280	9,042	7,220
		56,382	55,634	26,885	26,939
Creditors: amounts falling due within one year	17	(37,923)	(36,977)	(28,270)	(28,180)
Net current assets/(liabilities)		18,459	18,657	(1,385)	(1,241)
Total assets less current liabilities		282,300	281,648	244,442	244,062
Creditors: amounts falling due after more than one year	17	(45,642)	(45,642)	(47,848)	(47,848)
Pension provision	19	(268)	(268)	(448)	(448)
NET ASSETS		236,390	235,738	196,146	195,766
Deferred capital grants	20	71,423	71,423	59,779	59,779
Endowments					
Specific	21	48,507	48,507	44,640	44,640
General	21	7,096	7,096	6,746	6,746
		55,603	55,603	51,386	51,386
Reserves					
General reserve	23	109,364	108,712	84,981	84,601
		109,364	108,712	84,981	84,601
TOTAL		236,390	235,738	196,146	195,766

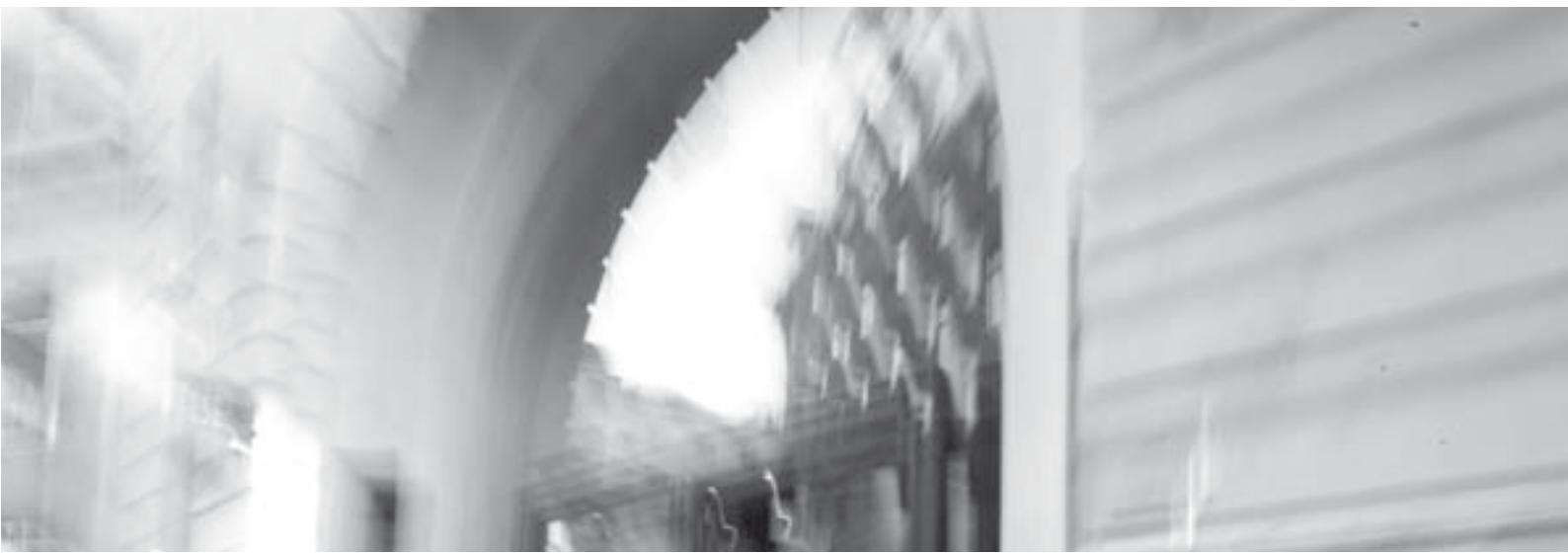
The financial statements on page 12 to 32 and the accounting policies on page 10 to 11 were approved by the Council on 27 November 2007 and were signed on its behalf by:



Lord Grabiner of Aldwych



Howard Davies



Consolidated Cash Flow Statement



Portrait of Professor Anthony Giddens unveiled at LSE

	NOTES	2007 £'000	2006 £'000
Cash flow from operating activities	24	33,804	21,804
Returns on investments and servicing of finance	25	(472)	19
Capital expenditure and financial investment	26	(2,649)	(3,773)
Management of liquid resources	27	(33,000)	(10,000)
Financing	28	(2,225)	(16,257)
Decrease in cash in the period		(4,542)	(8,207)
Reconciliation of net cash flow to movements in net funds/debt			
Decrease in cash in the period		(4,542)	(8,207)
Cash outflow from liquid resources	27	33,000	10,000
Changes in net debt resulting from cash flows	28	2,225	16,257
Movements in net debt in period		30,683	18,050
Net debt at 1 August		(26,262)	(44,312)
Net funds/(debt) at 31 July	29	4,421	(26,262)

Notes to the Accounts

1-3



Student music event at LSE

1 FUNDING COUNCIL GRANTS	NOTES	2007 £ '000	2006 £ '000
From the HEFCE			
Block Recurrent		26,624	25,008
Higher Education Innovations Fund		81	466
Project Capital Round 2/3		295	163
Other Specific Grants		154	277
Deferred Capital Grants Released in Year	20	594	572
		27,748	26,486
Joint Information Systems Committee and Other Grants		502	384
		28,250	26,870
2 TUITION FEES AND EDUCATION CONTRACTS			
Tuition Fees:			
Home/EU Students		19,930	17,936
Overseas Students		54,424	49,350
TRIUM MBA		973	881
Short Courses		4,932	3,938
Examination and Other Fees		203	211
		80,462	72,316
3 RESEARCH GRANTS AND CONTRACTS			
Research Councils		6,749	5,944
Government Departments		1,619	1,866
Charities		1,812	1,602
European Community		1,905	1,764
Other Outside Bodies		2,405	2,718
Specific Endowments	5	1,595	1,467
		16,085	15,361

Notes to the Accounts

4-5

4 OTHER INCOME	NOTES	2007 £'000	2006 £'000
Residences and Catering		20,233	16,484
Rental Income		1,818	1,751
Overheads – Reimbursed		459	295
Publications		954	900
Library		965	1,001
External Study Programme		3,228	2,549
Consultancy Services and Executive Education		5,610	4,476
VAT Partial Exemption Scheme and Voluntary Disclosure		760	351
Application Fees		409	446
Staff and Student Facilities		1,341	716
Departmental Outside Funds		1,825	1,657
Release of Deferred Capital Donations	20	376	365
Sundry		226	226
		38,204	31,217

5 ENDOWMENT AND INVESTMENT INCOME			
Transferred from Specific Endowments	21	5,288	4,030
Donations for General Purposes	21	29	71
Investment of General Endowments			
Interest and Dividends Receivable	21	126	178
Investment of General Funds			
Interest and Dividends Receivable		1,559	868
Realised Capital Profit		309	–
Research Grants and Contracts funded by Specific Endowments	3	(1,595)	(1,467)
		5,716	3,680



'Learn for you' day on Houghton Street

Notes to the Accounts

6 STAFF COSTS	2007 £'000	2006 £'000
Total staff costs for the year were:		
Wages and Salaries	71,916	65,946
Social Security Costs	6,245	5,745
Other Pension Costs	7,652	6,469
	85,813	78,160

The average weekly number of persons employed by the School during the year expressed as full-time equivalents was:	2007 Number	2006 Number
Research and Teaching	802	782
Operational Services	1,000	941
Medical Services	4	3
Subsidiaries	12	12
	1,818	1,738

DIRECTORS' REMUNERATION	2007 £'000	2006 £'000
Directors		
Emoluments (2006/07 – 10 Directors; 2005/06 – 11 Directors)	929	914
Retirement benefits are accruing to 9 directors under a defined benefit scheme, USS.		
Highest paid director		
Emoluments	238	226
Defined benefit pension scheme:		
Accrued pension at end of year	7	4
Accrued lump sum at end of year	21	12
Emoluments of the Director		
Salary	220	210
Benefits in kind	18	16
	238	226
Pension contributions	31	29
	269	255

The Director was the School's 'highest paid director' as disclosed above.



Notes to the Accounts

6-8

6 STAFF COSTS (Cont.)

The number of other Higher Paid Staff (excluding the Director) but including directors who received emoluments including benefits in kind but excluding employer's pension contributions in the following ranges was:

	Higher Paid Employees	
	2007 Number	2006 Number
£100,001-£110,000	8	10
£110,001-£120,000	13	11
£120,001-£130,000	7	1
£130,001-£140,000	6	3
£140,001-£150,000	1	2
£150,001-£160,000	2	1
£160,001-£170,000	1	–
	38	28

Total remuneration includes salaries and other additional payments relating to Summer School, TRIUM and consultancy and executive education delivered via Enterprise LSE Ltd. It does not include payments for private consultancy or income earned from activities outside LSE and its subsidiaries.

	2007 £'000	2006 £'000
7 OTHER OPERATING EXPENSES		
Academic Departments	6,283	4,931
Library and IT Services	4,755	4,586
Research Grants and Contracts	3,772	3,170
Scholarships and General Educational Expenditure	11,711	9,235
Premises	8,083	9,092
Administration and Central Services	3,634	3,012
Staff and Student Facilities	1,112	752
Residences and Catering	12,599	9,407
Miscellaneous	3,777	7,123
	55,726	51,308
Fees payable to the School's auditor of the annual accounts	47	45
Fees payable to the School's auditor and its associates for other services:-		
Audit of the annual accounts of the School's subsidiaries	6	7
Other services relating to taxation	8	17
All other services	9	8
	70	77

8 INTEREST PAYABLE

Loans repayable within five years	–	–
Loans not wholly repayable within five years	2,583	2,830
	2,583	2,830

Notes to the Accounts

9-11

9 EXCEPTIONAL ITEMS	2007 £'000	2006 £'000
External Programme	–	1,430
Liquidation of School Investments	–	742
Sale of Silver Walk Residences	3,339	–
	3,339	2,172

10 TAXATION	2007 £'000	2006 £'000
Taxation	64	–

The taxation charge relates to a provision for tax in a subsidiary company that is not recoverable by Gift Aid.

LAND AND BUILDINGS				
11 TANGIBLE FIXED ASSETS	FREEHOLD £'000	LONG LEASEHOLD £'000	EQUIPMENT £'000	TOTAL £'000
Group				
COST				
As at 1 August 2006	187,778	21,595	7,021	216,394
Additions in Year	14,992	3,363	259	18,614
Disposal in Year	(1,281)	(639)	–	(1,920)
As at 31 July 2007	201,489	24,319	7,280	233,088
DEPRECIATION				
As at 1 August 2006	14,717	2,526	4,791	22,034
Charge for Year	2,558	299	599	3,456
Disposal in Year	(149)	(75)	–	(224)
As at 31 July 2007	17,126	2,750	5,390	25,266
NET BOOK VALUE				
As at 1 August 2006	173,061	19,069	2,230	194,360
As at 31 July 2007	184,363	21,569	1,890	207,822

LAND AND BUILDINGS				
	FREEHOLD £'000	LONG LEASEHOLD £'000	EQUIPMENT £'000	TOTAL £'000
School				
COST				
As at 1 August 2006	187,778	20,945	6,806	215,529
Additions in Year	14,992	3,363	248	18,603
Disposal in Year	(1,281)	(639)	–	(1,920)
As at 31 July 2007	201,489	23,669	7,054	232,212
DEPRECIATION				
As at 1 August 2006	14,717	2,445	4,600	21,762
Charge for Year	2,558	299	579	3,436
Disposal in Year	(149)	(75)	–	(224)
As at 31 July 2007	17,126	2,669	5,179	24,974
NET BOOK VALUE				
As at 1 August 2006	173,061	18,500	2,206	193,767
As at 31 July 2007	184,363	21,000	1,875	207,238

Notes to the Accounts

11-13



Ramp for wheelchair users at Old Building

11 TANGIBLE FIXED ASSETS (cont.)**Group and School**

Fixed assets acquired by the School are funded from various sources including grants and donations. Many assets have conditions attached in the case of disposal and the proceeds may therefore not be available to the School.

The School's collections of books, manuscripts and objets d'art have been built up over many years, and include significant donations. Their value is not recorded in the accounts.

The School sold the Freehold and Leasehold of the Silver Walk property during the year. The proceeds from the sale were £5,075,000. The net book value of the property was £1,696,000. The sale of garages at Silver Walk for £300,000 was completed after 31 July 2007 and is not recorded in the accounts.

	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
12 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS				
Subsidiary Companies	–	150	–	150

Principal subsidiaries are:

Name	Nature of Business	Shareholding £1 Ordinary Shares	Number of Shares
Enterprise LSE Limited	Consultancy	100%	150,000
Enterprise LSE Cities Limited	Dormant	100%	2
LSE LETS Limited	Vacation Lettings	100%	2
LSE Asia Limited	Dormant	100%	2
VELSE Limited	Dormant	100%	2

All of the above are registered in England.

The results of the following subsidiary are also consolidated;

LSE Foundation Inc. (registered in the United States) has no share capital but is owned by the School and carries out fund-raising activities in the United States.

Enterprise LSE Charitable Trust does not have a share capital but is controlled by a trust deed requiring all income to be distributed to the LSE Group. The Trust was closed during the year.

On 1 July 2007 Enterprise LSE Limited exercised its share option to take up a 30% shareholding in Duke Corporate Education Ltd, a company incorporated in England.

	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
13 INVESTMENTS IN JOINT VENTURES				
Joint Ventures	416	–	81	–

The School has a 50% share in the Journal of Transport Economics and Policy being a Joint Venture with the University of Bath. Accounts have not yet been received for 2006/07 but the 2005/2006 Accounts show the School's share of turnover to be £46,600 and Operating Profit to be £1,600. These have not been disclosed on the face of the Income & Expenditure Account due to immateriality.

The School has a one third share in the TRIUM MBA course, being a 'Joint Arrangement that is not an entity' with NYU Stern and HEC Paris. This has been consolidated on a proportional basis in accordance with FRS9.

**14 ENDOWMENT ASSETS – Group and School****2007**
£'000**2006**
£'000**Movement in the year**

Balance at 1st August	51,386	44,492
Additions	25,581	8,072
Disposals	(22,950)	(2,874)
Appreciation of assets including reinvested profits on sales	1,635	1,745
Depreciation of Freehold Property	(49)	(49)
Balance at 31st July	55,603	51,386

Analysis of closing balance

UK Equities	16,554	16,237
Overseas Equities	5,307	4,770
Gilts	6,601	6,306
UK Corporate Bonds	9,470	8,847
Other	1,960	1,683
Money Market Funds	1,558	597
Invested	41,450	38,440
Freehold Property	2,126	2,176
Cash on Deposit	12,027	10,770
	55,603	51,386

Included within Freehold Property is an Investment of £33,000 in CVCP Properties PLC representing the School's allotment of shares that enabled the University sector to purchase the freehold of the UUK's Headquarters in Tavistock Square.

Notes to the Accounts

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	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
15 DEBTORS				
Amounts falling due within one year:				
Trade Debtors	4,784	3,812	4,447	3,876
Research Balances	3,050	3,050	2,174	2,174
Amounts due from Subsidiary Undertakings	–	3,402	–	3,049
Staff Loans for Housing	31	31	10	10
Other Debtors	4,104	3,954	5,030	4,886
Prepayments and Accrued Income	1,760	1,695	1,790	1,332
	13,729	15,944	13,451	15,327
Amounts falling due after more than one year:				
Trade Debtors	253	253	297	297
Staff Loans for Housing	74	74	27	27
	327	327	324	324
TOTAL	14,056	16,271	13,775	15,651

	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
16 CASH AT BANK AND IN HAND				
Cash at Bank	5,243	2,280	9,042	7,220
Fixed Term Deposits	37,000	37,000	4,000	4,000
	42,243	39,280	13,042	11,220

	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
17 CREDITORS				
Amounts falling due within one year:				
Bank Loans	2,207	2,207	2,226	2,226
Trade Creditors	5,527	5,328	3,589	3,580
Research Creditors and Prepayment	5,066	5,066	4,775	4,775
Short Courses	14	14	39	39
Amounts due to Subsidiary Undertakings	–	607	–	1,070
Taxation and Social Security	2,235	2,219	2,515	2,512
Other Creditors	1,558	1,558	1,230	1,230
Accrual for Building Works	708	708	1,838	1,838
Accruals and Deferred Income	20,608	19,270	12,058	10,910
	37,923	36,977	28,270	28,180
Amounts falling due after one year:-				
Bank Loans	45,642	45,642	47,848	47,848



Notes to the Accounts

18-21

	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
18 BORROWINGS				
Bank loans are repayable as follows:				
In one year or less	2,207	2,207	2,226	2,226
Between one and two years	2,207	2,207	2,226	2,226
Between two and five years	6,623	6,623	6,678	6,678
In five years or more	36,812	36,812	38,944	38,944
	<u>47,849</u>	<u>47,849</u>	<u>50,074</u>	<u>50,074</u>

The School has arranged a £75,000,000 loan facility repayable by December 2028 secured over three properties. To date the School has drawn £55,000,000 to repay historic debts and to repay finance leases.

The School has entered into interest rate swap agreements with a nominal value totalling £65,000,000.

The effective fixed rate costs of the loans and swaps taken together is between 5% and 5.5%.

	PENSIONS SUPPLEMENTATION £'000
19 PENSION PROVISION	
Group and School	
As at 1 August 2006	448
Utilised during the year	(68)
Transferred to Income and Expenditure Account	(112)
As at 31 July 2007	<u>268</u>

The pension provision is in respect of pension enhancements payable to staff who have retired under the previous superannuation scheme for academic and related staff, FSSU, in accordance with FRS 17, 'Retirement benefits'.

	NOTES £'000	FUNDING COUNCIL £'000	GRANTS AND OTHER DONATIONS £'000	TOTAL £'000
20 DEFERRED CAPITAL GRANTS				
Group and School				
As at 1 August 2006		32,649	27,130	59,779
Cash Received		10,736	1,932	12,668
Transferred from Endowments	21	–	50	50
Released to Income and Expenditure Account – School	1 and 4	(594)	(376)	(970)
Released to Income and Expenditure Account – Halls	1 and 4	(19)	(85)	(104)
As at 31 July 2007		<u>42,772</u>	<u>28,651</u>	<u>71,423</u>

Other Grants & Donations represent sums received to assist the School to acquire and develop specific academic and student residential buildings.

	NOTES	SPECIFIC £'000	GENERAL £'000	TOTAL £'000
21 ENDOWMENTS				
Group and School				
At 1st August 2006		44,640	6,746	51,386
Additions	5	5,870	29	5,899
Appreciation of Endowment Asset Investments		1,350	285	1,635
Investment Income	5	1,985	126	2,111
Depreciation of Freehold Property		–	(49)	(49)
Transferred to Income and Expenditure Account	5	(5,288)	(41)	(5,329)
Transferred to Deferred Capital Grants	20	(50)	–	(50)
At 31st July 2007		<u>48,507</u>	<u>7,096</u>	<u>55,603</u>

Notes to the Accounts

22-23



	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
22 REVALUATION RESERVE				
As at 1 August	–	–	942	942
Transfer to General Reserve	–	–	(942)	(942)
As at 31 July	–	–	–	–

All of the School's Fixed Asset Investments were sold in 2006.

	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
23 MOVEMENTS ON GENERAL RESERVE				
As at 1 August	84,981	84,601	68,235	67,737
Surplus for the Year	24,383	24,111	15,804	15,922
Transfer from Revaluation Reserve	–	–	942	942
As at 31 July	109,364	108,712	84,981	84,601

Notes to the Accounts

24-25

24 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2007		2006	
	£'000	£'000	£'000	£'000
Surplus of Income over Expenditure for the Year on Total Activity After Tax		24,448		15,909
Adjustment for Depreciation and Deferred Capital Grants				
Depreciation	3,422		3,409	
Profit on Sale of Tangible Fixed Assets	(3,352)		–	
Deferred Capital Grants Released	(1,074)		(1,041)	
		(1,004)		2,368
Adjustment for Investment and Financing Cash Flows				
Investment Income Receivable	(1,326)		(1,046)	
Profit on Disposal/Revaluation of Investments	(309)		(742)	
Interest Payable	2,583		2,830	
		948		1,042
Adjustment for Restricted Fund Cash Flows				
Transfer to Income and Expenditure Account	(5,329)		(4,030)	
Additions to Funds	5,899		4,091	
		570		61
Adjustment for Joint Venture Profit		(335)		139
Adjustments to Working Capital				
(Increase)/Decrease in Stocks	(15)		17	
Increase in Debtors	(281)		(3,376)	
Increase/(Decrease) in Creditors	9,672		(8,835)	
Less relating to:				
Bank Loans/Mortgages/Finance Leases	(19)		14,031	
		9,357		1,837
Adjustment for Pension Provision		(180)		448
Net cash Inflow from Operating Activities		33,804		21,804
25 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		2007		2006
		£'000		£'000
Income from Endowments		1,985		1,981
Other Investment Income		126		868
Interest Payable		(2,583)		(2,830)
		(472)		19



Notes to the Accounts

26-29

26 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2007 £'000	2006 £'000
Payments to Acquire Tangible Fixed Assets	(18,614)	(14,975)
Proceeds from Sale on Tangible Fixed Assets	5,082	–
Payments to Acquire Investments	(26,383)	(5,853)
Receipts from Sales of Investments	22,950	11,725
Deferred Capital Grants/Donations Received	12,668	2,001
Permanent Endowments Received	1,648	3,329
	(2,649)	(3,773)

27 MANAGEMENT OF LIQUID RESOURCES	2007 £'000	2006 £'000
Cash Added to Fixed Term Deposits	(33,000)	(10,000)

28 FINANCING	2007 £'000	2006 £'000
Bank Loan Repayments	(2,225)	(2,226)
Finance Lease Repaid	–	(14,031)
	(2,225)	(16,257)

29 ANALYSIS OF CHANGES IN NET DEBT	At 1 August 2006 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2007 £'000
Cash at Bank and in Hand	9,042	(3,799)	–	5,243
Endowment Cash	10,770	1,257	–	12,027
Less: Fixed Term Deposits within Endowment Cash	(10,000)	(2,000)	–	(12,000)
	9,812	(4,542)	–	5,270
Fixed Term Deposits	14,000	33,000	–	47,000
Debt due within one year	(2,226)	2,225	(2,206)	(2,207)
Debt due after one year	(47,848)	–	2,206	(45,642)
	(26,262)	30,683	–	4,421

30 PENSION COMMITMENTS**(i) USS**

The School participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The School is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement benefits', accounts for the scheme as if were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the Scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and Non-retired members

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

Males	19.8 years
Females	22.8 years

At the valuation date, the market value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million leaving a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate of 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the School's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Changes in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increase	Increase/decrease by 0.5%	Decrease/increase by £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 billion

30 PENSION COMMITMENTS (cont.)

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the School was £6,462,000 (2006 £5,600,000). The contribution rate payable by the School was 14% of pensionable salaries.

The scheme is open to the School's academic and academic-related support staff. As at 31 July 2007 there were 1,005 staff who were members of the scheme.

(ii) SAUL

The School participates in the Superannuation Arrangements of the University of London (SAUL), a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The School has adopted FRS17 for accounting for pension costs. It is not possible to identify the School's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8-12 of FRS 17. The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2005 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities :

Valuation method**Projected unit**

	Past Service	Future Service
Investment return on liabilities		
before retirement	5.5% p.a.	6.5% p.a.
after retirement	4.5% p.a.	4.5% p.a.
Salary growth (excluding an allowance for promotional increases)	4.15% p.a.	4.15% p.a.
Pension increases	2.65% p.a.	2.65% p.a.

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual Employers. As a whole, the market value of the scheme's assets was £982 million representing 93% of the liability for benefits after allowing for expected future increases in salaries. Following the two informal funding reviews as at 31 March 2004 and 31 March 2003, the Trustees of SAUL have undertaken a significant consultation exercise with Employers and representatives of Members regarding the level of contributions payable to SAUL. Following this consultation, the Employers have agreed to contribute 13% of salaries from August 2006 (previously 10.5% of salaries), an increase of 2.5% of salaries. Member contributions are also to increase, by 1% of salaries to 6% of salaries with effect from the same date. Employers who have recently joined SAUL ('New Employers') and certain employee groups (as agreed by the Trustees of SAUL), will pay 19.2% of salaries per annum from August 2006 until the second actuarial valuation after entry (or some other period as agreed with the Trustees).

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed the Scheme to be broadly balanced at the last formal valuation date (31 March 2005).

The next formal actuarial valuation is due as at 31 March 2008 when the above rates will be reviewed. The scheme is open to the School's secretarial/clerical/technical staff. As at 31 July there were 456 staff who were members of the scheme.

(iii)

The pensions of ex-members of staff who retired under the previous superannuation scheme for academic and related staff (FSSU) are supplemented as of right under the National Scheme for Supplementation of Superannuation Benefits. This supplementation is payable during the lifetime of the ex-member of staff and is increased each year by comparison with increases in public service pensions authorised under the Pensions (Increase) Act 1971.

At the year end a provision has been established to meet the future obligations, see note 19.

Notes to the Accounts

31-35

	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
31 CAPITAL COMMITMENTS				
54 Lincoln's Inn Fields (New Academic Building)	25,054	25,054	39,960	39,960
	25,054	25,054	39,960	39,960

	Group 2007 £'000	School 2007 £'000	Group 2006 £'000	School 2006 £'000
32 OPERATING LEASES				
At 31 July the School had annual commitments under non-cancellable operating leases as follows:				
Land and buildings				
Expiring in over five years	4,900	4,900	4,375	4,375

33 RELATED PARTY TRANSACTIONS

Due to the nature of the School's operations and the composition of the Court of Governors it is inevitable that transactions will take place with organisations in which a member of the Court of Governors may have an interest. All transactions involving organisations in which a member of the Court of Governors may have an interest are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures.

The School rents office space on commercial terms to British Venture Capital Associates (BVCA). Mr Wol Kolade, a director of the School, a member of Council and Chairman of the Audit Committee is Chairman of BVCA.

34 CONTINGENT LIABILITIES

The School is a member of UMALT, a company limited by guarantee, formed to provide a mutual association for terrorism risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their pro rata share, payments being spread over seven years through the use of a bank facility.

35 SCHOLARSHIP AND ACCESS FUNDS

The School has spent £9,745,000 during the year (£7,045,000 in 05/06) on student support using general funds and trust funds to support hardship grants and merit awards.

Access funds provided by the funding council are available solely for students; the School acts as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Access Funds Administered by the School

	2007 £'000	2006 £'000
Balance Unspent as at 1st August	24	38
Funding Council Grants	90	99
Interest Earned	2	2
Disbursed to Students	(90)	(115)
Balance Unspent as at 31st July	26	24

Notes to the Accounts

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36 FUNDING OF TANGIBLE FIXED ASSETS	At 1 August 2006 £'000	Additions funded by Loans and General Reserves £'000	Additions funded by Deferred Capital Grants £'000	Disposal £'000	Depreciation £'000	At 31 July 2007 £'000
Land and Buildings	192,130	5,687	12,668	(1,696)	(2,857)	205,932
Equipment	2,230	259	–	–	(599)	1,890
	194,360	5,946	12,668	(1,696)	(3,456)	207,822
Funded by :						
Deferred Capital Grants	59,779					71,423
Bank Loans	50,074					47,849
General Reserves	84,507					88,550
	194,360					207,822



Launch of Confucius Institute for Business, London

Notes to the Accounts

37 FIVE YEAR GROUP FINANCIAL SUMMARY	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Income					
Funding Council Grants	28,250	26,870	24,677	24,048	22,011
Tuition fees and education contracts	80,462	72,316	63,350	59,392	57,928
Research grants and contracts	16,085	15,361	15,032	14,192	14,098
Other income	38,204	31,217	28,696	27,574	24,115
Endowment and investment income	5,716	3,680	3,492	3,918	3,432
Total Income	168,717	149,444	135,247	129,124	121,584
Expenditure					
Staff costs	85,813	78,160	72,745	68,080	62,051
Other operating expenses	55,726	51,308	46,257	45,683	41,577
Depreciation	3,422	3,409	3,247	3,261	2,901
Interest payable	2,583	2,830	2,850	3,327	3,810
Total Expenditure	147,544	135,707	125,099	120,351	110,339
Exceptional items	3,339	2,172	–	–	–
Surplus for the year	24,512	15,909	10,148	8,773	11,245
Net Assets	236,390	196,146	172,338	145,661	130,714
Deferred Capital Grants	71,423	59,779	58,669	48,510	45,129
Endowments	55,603	51,386	44,492	39,040	35,843
Reserves	109,364	84,981	69,177	58,111	49,742
Total	236,390	196,146	172,338	145,661	130,714



Corporate Governance and Internal Control Statement

The following statement is given to assist readers of the financial statements to gain an understanding of the governance structure of the School and to indicate the School's arrangements for implementation of best practice for internal control and risk management.

The School is a charity and company limited by guarantee, which it has been since 1901, and as such its primary documents of governance are a Memorandum and Articles of Association. Although the School is not required to comply with the regulations of the London Stock Exchange, it complies with the Combined Code on corporate governance to the extent that its principles apply to universities.

The principal statutory bodies of the School are as follows.

The Court of Governors

As constitutional guardian, the Court has the following formal powers: the appointment of members of Court, its sub-committees and of the Council; amendment of the Memorandum and Articles of Association; appointment of the external auditors. Governors have the power of recall under the Articles of Association. If governors are dissatisfied with a decision made by the Council, the Articles provide for 10 members to requisition a special meeting of the Court. Such a meeting would be for discussion only, or, if due notice was given, could in extreme circumstances involve the removal of Council. The Court also provides guidance about the fundamentals of the School.

The Council

(The full voting members of the Council are the directors of the company under the Companies Acts)

The Council is the governing body of the School and its formal powers and terms of reference are set out in the Articles. Its primary role is to agree strategic direction and to maintain a focus on areas identified in the strategic plan (i.e. governance and management, risk management, financial strategy, estates strategy, human resource strategy, information strategy, academic strategy and external relations) and it concentrates its work on making key decisions in these areas.

Council is the body where responsibility ultimately rests for the administration and management of the School's financial affairs, including

- The maintenance of proper accounting records

- Compliance with the Memorandum of Association
- Compliance with the applicable accounting practices, such as the SORP for Further and Higher Education Institutions
- Compliance with the Financial Memorandum issued by the Higher Education Funding Council for England
- The approval of the School's budget and annual financial statements

It is also the corporate trustee of the School under the Charities Acts.

Council is supported in carrying out its role by a Finance and General Purposes Committee, a Remuneration Committee, an Estates Strategy Committee, a Risk Committee, an External Relations Committee, an Equality & Diversity Committee, a Library and Information Services Committee, a Health and Safety Committee, a Campaign Committee, an Audit Committee and a Chairman's Group.

The business of Council is conducted with due regard to the Nolan Committee's recommendations on Standards in Public Life. The seven principles of public life are issued with every set of Council minutes. The conduct of Council business has been further developed by the Council Effectiveness Review Group. This has resulted in the development of formal procedures for the conduct of business and voting on motions. A separate Register of Interests is also maintained by the Secretary to the Council and Clerk of the Court.

There are specific arrangements in place to ensure the cross-reporting of business between Court and Council. Responsibility for the effective maintenance of these procedures lies with the Secretary to the Council and Clerk of the Court.

The Academic Board, which also reports to the Council, is the principal academic body of the School. It considers all major issues of general policy affecting the academic life of the School and its development. It is supported by its own structure, consisting of five main strategic Committees supported by a number of other bodies. There are mechanisms in place for ensuring the exchange of business between it and Council.

Membership and attendance at Council and key Council Committees

The membership of Council consists of lay, academic and student governors and ex-officio members. The term of office for academic and lay governors is three years, renewable for a further period of up to three years, and student governor appointments are for one year. Full records of attendance are kept for Council and all of its key Committees.

The effectiveness of Council and its key Committees

Processes have been developed to consider Council's effectiveness as a governing body. Firstly, Council undertakes a self-assessment during its annual awayday. This is supported by a triennial self evaluation that is conducted using an external mediator. The last triennial evaluation was undertaken in July 2006.

The effectiveness of key Council Committees is considered via Council scrutiny of the minutes for these Committees and an annual review of their Terms of Reference.

The Chief Executive of the School

The Director is the Chief Executive of the School and the person to whom Council delegates powers for the organisation and supervision of the work of the School. The Director is also the Designated Officer within the terms of the Financial Memorandum with HEFCE. A summary of the Director's delegated powers is included in the Standing Orders of Council and reviewed as part of the annual review of Standing Orders undertaken by Council.

Internal Control

1. As the governing body of the School, the Council has responsibility for maintaining a sound system of internal control that supports the achievement of strategic and operational objectives, while safeguarding the public and other funds and assets for which it is responsible under the terms of the Articles and the Financial Memorandum with the HEFCE.

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

3. The system of internal control is based on an ongoing review process designed to identify the principal risks to the achievement of aims and objectives; to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. The review process covers business, operational, compliance and financial risks. This process has been in place for the year ended 31 July 2007 and up to the date of approval of the financial statements and is in accordance with HEFCE guidance.

4. As the governing body, the Council has the responsibility for reviewing the effectiveness of the system of internal control, and the following processes have been established in order to carry through that responsibility.

4.1 Council currently meets three times each term. Part of its remit is to review key elements of the strategic direction of the School. These reviews include consideration

of risk and control factors in relation to the School's strategic objectives, continuing operations and proposed new developments. The Strategic Plan incorporates specific measures of achievement and supporting performance indicators for each of the key strategic objectives, and regular reports are made to Council on progress towards achieving these measures and indicators.

4.2 The governance arrangements proposed in the guide issued by the Committee of University Chairmen in 2004 have been reviewed in detail and Council confirms that it complies with the recommendations of the guide in all material respects. The Council regularly monitors its performance in this area. An assessment of developments and progress in the School's governance is given by the Chairman in his report in the Annual Accounts

4.3 Council takes a close role in the monitoring and management of risk through its Risk Committee which reports directly to Council and is concerned primarily with strategic risks, but also with the overall arrangements for the management of operational risks and the further embedding of a risk-aware culture in the School. The Risk Committee's deliberations in respect of the School's strategic risks are informed by the corporate risk register which is updated during the year and presented at each Committee meeting.

4.4 The Finance and General Purposes Committee also plays a significant role in relation to risk by advising Council on financial risks to the Strategic Plan, including the financial implications of non-financial risks.

4.5 The primary focus of the Risk Committee's deliberations during the year under review has been on reviewing the main strategic risks faced by the School and the adequacy of the measures developed for controlling them. The Committee has also considered the risks connected with bodies claiming an association with the School and the further development of controls to manage the risks associated with such bodies, including the potential impact on the LSE brand as part of its consideration of brand risks. These matters were also the subject of discussion at the joint meeting of the Risk and Audit Committee in February 2007.

4.6 The identification of new and emerging strategic and operational risks arises primarily from regular meetings held by senior School officers and heads of administrative divisions, which are then evaluated through the Risk Committee. Where risk assessment by administrative officers has identified that urgent Council consideration is required, risks are addressed directly to Council, for example in relation to proposed major capital projects or third party collaborations.

4.7 The School has continued to devote attention, and has committed extra resources, to the development of its business continuity arrangements. A Director of Business Continuity has been appointed to lead these developments. This has initially involved the identification of a number of key business continuity risks to the School. These are now being analysed under the direction of the Business Continuity Steering Group, with the objective of mitigating the potential impact on the School's teaching, research and service activities should any of the key continuity risks crystallise.

4.8 The Audit Committee, which meets three times per year, receives regular reports on the work of the Risk Committee. The Head of Internal Audit also reports regularly to the Audit Committee on the adequacy and effectiveness of the constituent elements of the School's system of internal control, together with recommendations for improvements. Internal Audit's work includes continuing review of the strategic and operational risks associated with key School systems and units. A new Audit Strategy, which has the objective of focusing more closely on risks to the School's strategic objectives, was agreed by the Audit Committee on 28th June 2007.

5. Council's view of the effectiveness of the system of internal control is informed by reports from the Audit Committee, which receives and analyses regular reports from Internal Audit on all major systems and departments. The Internal Audit unit, which operates to standards defined in the HEFCE Code of Practice on Accountability and Audit was last reviewed for effectiveness by the HEFCE Audit Service in June 2005. The Head of Internal Audit provides an annual independent opinion on the adequacy and effectiveness of the overall system of internal control.

6. Council's view is also informed by comments made by the external auditors in their management letters and other reports and by the work of operational managers within the School who have responsibility for the development and maintenance of the internal control framework.



LSE Environmental Policy



In order to ensure that all of its activities are carried out in compliance with environmental regulations and in a sustainable manner, the LSE makes the following commitments:

- **Urban environment:** the School will endeavour to provide a more social and convivial built environment to its community, so as to favour a more social use of space;
- **New buildings:** the School will seek to ensure that all impacts of the construction process are minimised eg by taking a 'whole life approach' and that all new buildings comply with the highest environmental standards;
- **Existing buildings:** the School will work to ensure that the management of the campus and the halls of residence minimise the environmental impacts of the energy and materials that they consume eg by taking a 'whole life approach';
- **Purchasing policies:** the School will work with its partners to minimise the environmental impacts of the energy and materials that it purchases;
- **Waste management:** the School will work to ensure that all wastes are disposed of in an environmentally friendly and sustainable way, informed as widely as possible by the 'reduce-reuse-recycle' criterion;
- **Water management:** the School will work to ensure that more efficient systems of water management are introduced within the School premises;
- **Energy management:** the School will work to ensure that the energy efficiency of its buildings and equipment is maximised;
- **Travel:** the School will encourage staff and students to use more sustainable modes of transport such as cycling as they travel to and from the LSE. It will also provide facilities such as video conferencing that reduce the need for business travel, and it will investigate the ways in which the impacts of any remaining travel can be minimised and/or off-set;
- **Contractors:** the School will work to ensure that its contractors, sub-contractors and suppliers also work towards high standards of environmental performance;
- **Local communities:** the School will endeavour to be a good neighbour and a constructive partner in local initiatives;
- **Communication:** as part of all the above activities, the School will favour awarenessraising among staff and students by means of a clear, varied and interactive communication strategy;
- **Reporting:** as part of its EMS, the School will also develop a comprehensive and clear set of indicators and performance measures to monitor the different aspects of its environmental performance, and it will publish details of its activities and its performance in a yearly report that will be published on its web-pages and made available to staff, students and the public;
- **Shaping public policy:** the School will seek to use its academic resources to shape public policy on environmental issues and to ensure that LSE remains at the forefront of academic investigation and public debate in this area.

Endowment Investment Performance

The School's endowment funds that have been invested are split into three separate pools approved by the Charity Commission.

Pool A – includes all the endowments, trust and other funds where the School is permitted to spend capital as well as income.

Pool B – includes all the endowments, trust and other funds where expenditure out of capital is not permitted.

FER – separate investments are maintained for the Foundation for Economic Research that supports a research centre.

Pool A and Pool B are run along the lines of a unit trust with individual

endowments holding a number of units in in either Pool A or Pool B, sharing in the dividend income and capital growth in proportion to the number of units held.

The capital value of a unit in Pool A rose from £19.20 to £20.69 during the year, a gain of 7.7%. A distribution of 35.28 pence per unit was made in the year, equivalent to a yield of 5.4% on the opening market value giving a total return of 13.1% for the year. The unit value of Pool B rose by 3.7% from £20.82 to £21.59 and a distribution of 85.60 pence was made equivalent to a yield of 4.1% giving a total return of 7.8% for the year. The market value of the FER investments grew by 0.8% and a distribution equivalent to 4.7% of the opening market value was

made producing a total return of 5.5% for the year. The underlying investments tracked their indices within acceptable margins.

These investments are monitored by the School's Investments Committee and external advisors are used to advise on investment strategy. The committee has adopted a passive investment strategy investing the School's portfolio mainly into tracker funds. Pool A has also placed 10% into an Absolute Return Fund. Asset allocation targets and tolerance bands for each pool have been set by Investments Committee as follows,

	Market Value 31 July 2007 £	Asset Allocation Target %	Tolerance Band %	31 July Value Actual %
Pool A				
UK Equities	7,058,887	40	35-45	38.9
Overseas Equities	4,471,688	25	20-30	24.6
Bonds	2,665,535	15	12-18	14.7
Inflation Linked Gilts	1,768,648	10	8-12	9.7
Absolute Return	1,959,778	10	0-15	10.9
Cash	226,122	0	0-2	1.2
	18,150,658	100		100
POOL B				
UK Equities	3,411,249	45	40-50	40.9
Overseas Equities	834,630	10	7-13	10.0
Bonds	1,239,516	20		
			35-50	38.0
Gilts	1,925,725	20		
Cash	923,760	5	0-5	11.1
	8,334,880	100		100
FER				
UK Equities	6,083,785	40	35-45	41.0
Bonds	5,564,416	38.5		
			50-65	57.2
Gilts	2,906,180	19.5		
Cash	268,873	2	0-3	1.8
	14,823,254	42		100
Other Gilts	140,733			
Freehold Property	2,125,773			
Cash on Deposits	12,027,304			
TOTAL PORTFOLIO	55,602,602			

Further information on the School's Endowment Assets and Endowment Funds is in Notes 14 and 21.

Statement of Council's Responsibilities

In accordance with the Companies Act 1985 the Council, as board of directors, is responsible for the administration and management of the School's affairs, including running an effective system of internal controls, and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the School and enable it to ensure that the financial statements are prepared in accordance with the Companies Act 1985, the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum between the Higher Education Funding Council for England and the Council of the School, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the School and of the surplus or deficit and cash flows for that year. The designated office holder for this purpose is the Director. In causing the financial statements to be prepared, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the School will continue in operation. The

Council is satisfied that the School has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control

of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and General Purposes Committee on behalf of the Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Council and whose head provides the Council (through the Audit Committee) with a report on internal audit activities within the School and an opinion on the adequacy and effectiveness of the School's system of internal controls, including internal financial controls.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The maintenance and integrity of the London School of Economics and Political Science website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Report of the Auditors

Independent Auditors' Report to the Members of the Court of Governors of The London School of Economics and Political Science

We have audited the financial statements of the London School of Economics and Political Science for the year ended 31 July 2007, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes.

This report is made solely to the members of the School's Court of Governors. Our audit work has been undertaken so that we might state to the Members of the Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the School and the Members of the Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Members of the Council and Auditors

As described in the statement of responsibilities of the Council of the London School of Economics and Political Science, the Council is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act.

We report to you whether, in our opinion monies expended out of funds from whatever source administered by the School for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Higher Education Funding Council were applied in accordance with the financial memorandum and any other terms and conditions attached to them.

We report to you whether, in our opinion, the information given in the Report of the Directors is consistent with the financial statements.

We also report to you if, in our opinion, the School has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the School's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our

opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- (i) The financial statements give a true and fair view of the state of affairs of the London School of Economics and Political Science and the group at 31 July 2007, and of the surplus of income over expenditure, recognised gains and losses and cashflows of the group for the year then ended; and the statements have been properly prepared in accordance with the Companies Act and the Statement of Recommended Practice on Accounting in Higher Education Institutions.
- (ii) The information given in the Report of the Directors is consistent with the financial statements.
- (iii) In all material respects, income from the Higher Education Funding Council for England and income for specific purposes and from other restricted funds administered by the School have been applied only for the purposes for which they were received.
- (iv) In all material respects, income has been applied in accordance with the School's statutes and where appropriate in accordance with the financial memorandum with the Higher Education Funding Council for England dated 1 October 2003.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
and Registered Auditors
Hemel Hempstead, England

28 November 2007

Officers Responsible for the School's Finances

Lord Grabiner of Aldwych QC

Chairman

Court of Governors



Sir Anthony Battishill

Vice-Chairman

Court of Governors



Ms Presiley Baxendale QC

Vice-Chairman

Court of Governors
(resigned 31 July 2007)



Brian Smith

Chairman

Finance and General
Purposes Committee



Mr Richard Goeltz

Vice-Chairman
Finance and General
Purposes Committee

Chairman of Risk Committee



Howard Davies

Director



Professor Janet Hartley

Pro Director



Professor George Gaskell

Pro Director



Professor Sarah Worthington

Pro Director



Dr Ray Richardson

Deputy Director
(to 31 July 2007)



Mr Adrian Hall

Secretary and Director
of Administration



Mr Andrew Farrell

Director of Finance
and Facilities



Mr Michael Ferguson

Director of the Finance Division



Ms Ashley Wang

Financial Controller



Note: From 1 August 2007 the Deputy Director titles changed to Pro Director

Directors of the School and Members of the Council

Lord Grabiner of Aldwych QC
Chairman

Sir Anthony Battishill
Vice-Chairman

Ms Presiley Baxendale QC
Vice-Chairman
(resigned 31 July 2007)

Dr Ros Altmann

Mr Fadhil Bakeer-Markar
(appointed 1 August 2007)

Mr Stephen Barclay

Professor Christopher Brown
(Director until 31 July 2007)

Mr James Caspell
(resigned 31 October 2006)

Howard Davies

Mr Mario Francescotti

Professor George Gaskell
(Director from 1 August 2007)

Mr Richard Goeltz

Mr James Goudie QC

Mr Loyd Grossman

Professor Paul Johnson
(resigned 16 April 2007)

Mr Wol Kolade

Dr David Lane

Ms Anne Lapping

Professor Dominic Lieven

Professor Robin Mansell

Professor Peter Miller

Mr Ashley Mitchell

Dr Eileen Munro
(appointed 1 August 2007)

Professor Tim Murphy
(resigned 30 September 2006)

Mr Avinash Persaud

Ms Louise Robinson
(appointed 1 November 2007)

Professor Richard Sennett

Mr Brian Smith

Ms Zoe Sullivan
(appointed 14 December 2006, resigned 31 October 2007)

Mr Jimmy Tam
(appointed 1 August 2006, resigned 31 July 2007)

Professor Sarah Worthington
(appointed 14 December 2006)

Members of the Council not Directors of the School

Professor Christopher Brown
(non-Director from 1 August 2007)

Professor Janet Hartley
(appointed 1 August 2007)

Professor George Philip
(appointed 1 August 2007)

Dr Ray Richardson
(appointed 14 December 2006, resigned 31 July 2007)

Professor Sarah Worthington
(Director from 14 December 2006)

Company Secretary

Mr Adrian Hall

LSE academic departments

Accounting
Anthropology
Department of Management
Employee Relations and
Organisational Behaviour
Information Systems
Managerial Economics and Strategy
Operational Research
Development Studies Institute
Economic History
Economics
European Institute
Finance
Geography and Environment
Government
International History
International Relations
Law
Mathematics
Media and Communications
Methodology Institute
Philosophy, Logic and Scientific Method
Social Policy
Sociology
Statistics

LSE research centres

Asia Research Centre
BIOS (Centre for the Study of Bioscience,
Biomedicine, Biotechnology and Society)
ESRC Centre for Analysis of Risk and
Regulation
Centre for Analysis of Social Exclusion
Centre for the Analysis of Time Series
Centre for Civil Society
Centre for Discrete and Applicable
Mathematics
Centre for Economic Performance
Centre for the Economics of Education
Centre for Philosophy of Natural
and Social Science
Centre for the Study of Global
Governance
Centre for the Study of Human Rights
Centre for Urban Research
Cold War Studies Centre
Financial Markets Group
(including the Paul Woolley Centre for the
Study of Capital Markets Dysfunctionalities)
Greater London Group
LSE Environment

LSE Health and Social Care
LSE London
Mackinder Centre for the Study
of Long Wave Events
Mannheim Centre for the Study
of Criminology and Criminal Justice
Suntory and Toyota International Centres
for Economics and Related Disciplines



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The School seeks to ensure that people are treated equitably, regardless of age, disability, race, nationality, ethnic or national origin, gender, religion, sexual orientation or personal circumstances. The information in this booklet can be made available in alternative formats, on request. Please contact: Ashley Wang, Email: a.wang@lse.ac.uk

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