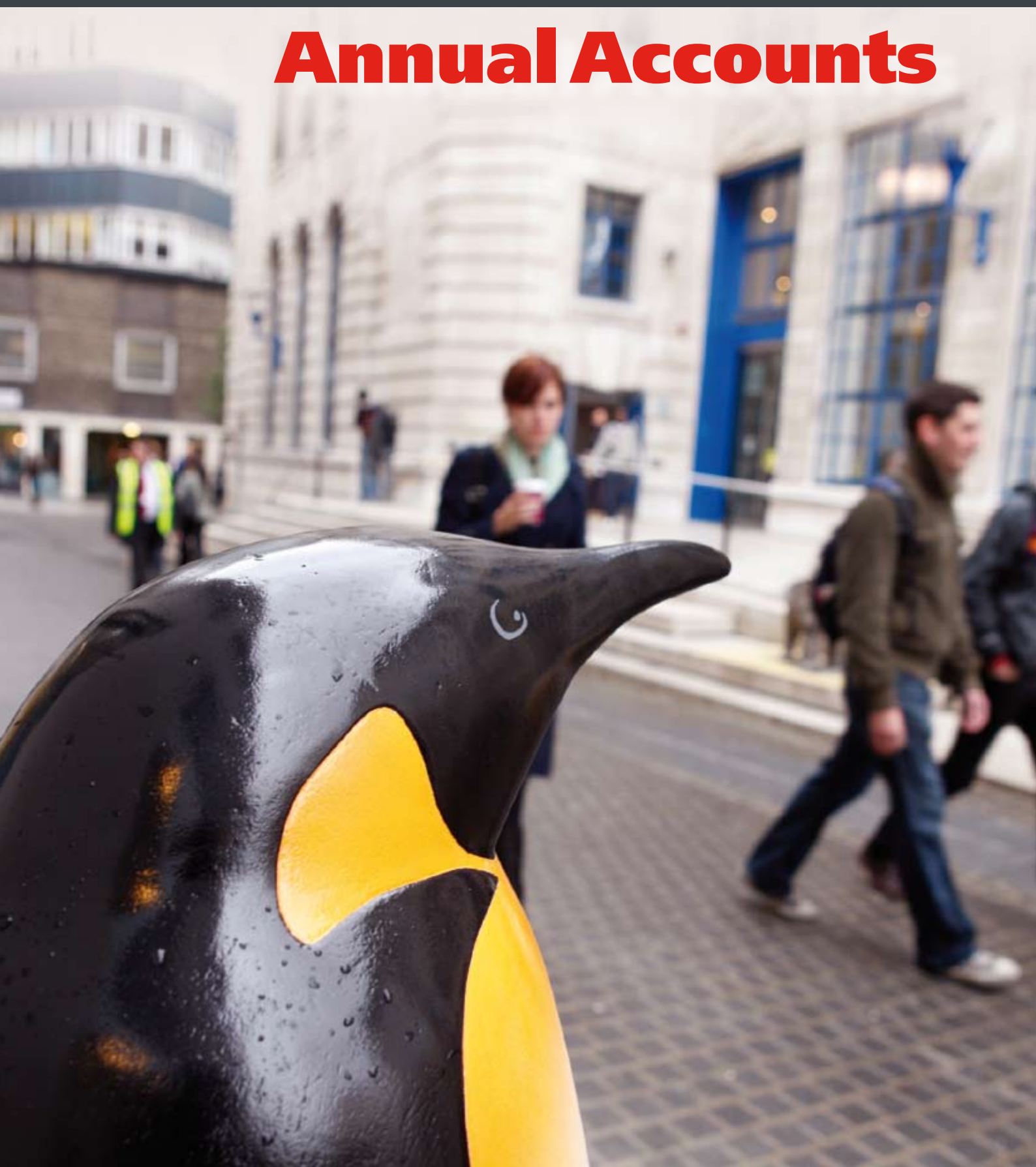




THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■

for the year ended 31 July 2009

Annual Accounts



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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, anthropology, information systems, accounting and finance.

LSE was founded in 1895 by Beatrice and Sidney Webb, Graham Wallas and George Bernard Shaw. From that date 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 society. 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 LSE to deliver lectures and seminars on subjects of wide 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 LSE each year.

LSE is one of the most international universities in the world. Most students, including the majority of postgraduates, come from outside the UK. So do many of the faculty. Partnerships with a select number of the finest social science universities in the world help to extend 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 many university league tables and in other measures of quality, for both teaching and research.

The LSE community

LSE has a cosmopolitan staff and student body, located within a city centre campus. It draws students from everywhere and from all social, educational and ethnic backgrounds. There are currently around 9,000 full-time students. They come from about 140 countries. The School is also in contact with nearly 100,000 alumni around the world.

The School has over 1,500 full-time and over 1,400 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.

The School's governing body is the Council, responsible for strategy, and its members are company directors of the School. The Court of Governors deals with some constitutional matters and has influence in the School through pre-decision discussions on key policy issues and the involvement of individual governors in the School's activities.

Teaching and learning

Students at LSE receive research-led teaching from an internationally renowned academic staff. At the heart of this is intellectual challenge. Through exposure to the latest developments in social science and to the thinking of visiting world leaders, business figures and academics in debates and public lectures, students are challenged and inspired by LSE's vision of intellectual excellence combined with real-world engagement.

LSE offers a very wide range of undergraduate and postgraduate courses in the social sciences. Teaching is carried out through 21 academic departments and a number of interdisciplinary institutes, and in partnership with internationally known higher education institutions.

Economics is the largest department with over 1,000 students. Other large departments include Law, Accounting, Finance, Government and International Relations. Between them LSE departments span the full range of social science disciplines including Anthropology, Management, Philosophy, Mathematics, Statistics, Sociology and more.

Following a review by a Teaching Task Force, LSE is investing an extra £3m per year to ensure that its teaching is of the highest quality.

LSE awards more than £12 million a year in student support, enabling talented students from all backgrounds to undertake programmes at all levels. A generous part of this funding comes from alumni, corporations, foundations and friends all over the world. In addition, many students secure external funding and many support themselves financially through part time work.

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, comprising 5 of LSE's 19 research centres. At LSE, the full range of social science expertise is covered.

LSE confirmed its position as a world-leading research university with outstanding success in the 2008 UK Research Assessment Exercise (RAE 2008). LSE had the highest percentage of world-leading research of any university in the country, topping or coming close to the top of a number of rankings of research excellence. It was judged –

- equal second in the UK when universities were ranked using a grade point average of their research strengths;
- first when universities were ranked according to the percentage of their research receiving the top 4* (world-leading) grade.

LSE submitted over 90 per cent of eligible staff for assessment.

Individual subject areas at LSE also headed national tables of excellence in RAE 2008. LSE came top nationally by grade point average in Economics, Law, Social Policy and European Studies, with Anthropology coming second. If results were analysed by the percentage of research receiving a 4* grade, Anthropology came top.

The School is now concentrating on preparations for the replacement to the RAE – the Research Excellence Framework (REF). The REF will for the first time measure the impact of research, an area in which LSE has traditionally excelled.

Engagement

LSE's founders established the School to bring academic expertise to bear on the problems of society.

LSE academics are engaged in public debate and the policymaking process. They are frequently to be found in the media, commenting on issues from the global economy to the government of London. Many serve on government panels and advise international organisations, businesses and charities.

The public lectures programme at LSE embodies the School's engagement agenda and caters to the thirst for informed debate. Global leaders in politics, business and the academic world come to LSE to discuss the issues of the day. Most events are open to the general public. Many are recorded and made available online – or webcast live – so that audiences globally may benefit.

The School is significantly upgrading its ability to transfer its knowledge and expertise to wider society, including through its external facing corporate website (www.lse.ac.uk)



which includes new portals on LSE research and experts, the development of blogs by notable academics, and the introduction of media podcasts.

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) and Peking University (Beijing), with a developing relationship with 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, Sciences Po and the national University of Singapore, LSE is a member of the Global Public Policy Network.

Other forms of Study

LSE's study abroad programme, the General Course, offers students at institutions overseas the opportunity to spend a year of fully integrated undergraduate study at the School. The School also contributes to the University of London External System, which offers diploma and degree programmes by distance learning in fields such as economics, management finance and the social sciences to students worldwide. The School also has Summer Schools in London and in China (with Peking University), which provide an opportunity for students from around the world to take courses delivered by internationally renowned specialists in their fields.

Connecting with business

LSE Enterprise offers a gateway to a range of LSE expertise through a professional consultancy service that matches the skills and talents of LSE's academic consultants with the specific needs of clients.

The School also offers a range of specialist teaching programmes for businesses and professionals, including customised executive education in collaboration with Duke Corporate Education Ltd. LSE also offers the TRIUM Global Executive MBA Programme jointly with NYU Stern School of Business and HEC School of Management (Paris) for senior executives from more than 30 countries.

Careers

The School is heavily targeted by employers and graduates from LSE are in great demand. Until very recently, large numbers of LSE graduates entered the financial service industry. Finance remains an important employer despite current conditions. Other popular professions are law, government service or

education, as well as consulting, the media, other professions or further academic study or research. The top five employers of LSE graduates are the UK government, Ernst & Young, PwC, KPMG and Deloitte.

LSE students' average earnings are significantly above the UK average six months after graduation, and for 2007 and 2008 graduates, LSE starting salaries were the highest of any UK university

Alumni

The School is in contact with 92,000 alumni in 196 countries. The network covers 75 local alumni groups and contact networks in Africa, the Americas, Asia, Europe and the Middle East, as well as special interest groups in areas such as the environment, law, media and real estate. LSE alumni include Nobel Prize winners, past and present heads of state and leaders and opinion formers in fields such as academia, business, civil society, law, the media and politics.

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, researchers and others with relevant interests.

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 Dmitry Medvedev, 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.

Since 2004, LSE has also run an Asia Forum series: major overseas conferences as part of the School's strategy to enhance its long standing relationship with the rapidly developing Asian region. The fifth of these is due to take place in Beijing in March 2010.

The 3rd Global Public Policy Network (GPPN) Conference was held in Beijing in October 2008. As with previous events in Paris (2006) and Singapore (2007), the 2008 conference brought prominent policy academics and practitioners from around the world together to engage in a dialogue on the theme of 'Harmonising Globalisation: Seeking Solutions to Common Problems'.

Miscellany

- LSE staff and alumni have included fifteen Nobel Prize winners, in economics, peace and literature.
- 34 past or present world leaders have studied or taught at LSE.
- LSE students borrow approximately five times the national average of books from their university library.

Report of the Chairman of the Council and Court of Governors



The year 2008/09 has seen continued advances at LSE in the areas of quality needed to keep the School in its pre-eminent position as a university of the social sciences.

The School has maintained its position as one of the top universities in the UK and continues to feature in the top place of the most recent versions of the national university rankings. However, the reduction in Quality Research grant from the HEFCE, in spite of our excellent performance in the Research Assessment Exercise (RAE), was an unwelcome development which cast a long shadow over the year. We appreciate the importance for the UK of encouraging and developing the STEM (Science, Technology, Engineering and Mathematics) subjects – one of the reasons for our reduction in grant. But we believe that the diversion of funds to those STEM areas underestimates the contribution which we as social scientists make to society. These Annual Accounts contain many examples of that contribution, in the UK and abroad.

Notable among the School's core research work has been the International Growth Centre, started in the last year to promote sustainable growth in developing countries. We and Oxford University are the hubs of the network to direct this massive project set up by the Department for International Development. Work is beginning in Ethiopia, Ghana and Tanzania. At home our work continues, for example in tackling social exclusion, and in promoting in the schools of poor neighbourhoods an understanding of higher education and the social sciences. There are countless other examples of work for the public good in the core activities of the School.

A sad event during the year was the death of Ralf Dahrendorf, one of the LSE's great Directors, who led the School 1974/84. An ardent European and internationally renowned academic, he made a major contribution to the School's academic and international reputation and helped to lay the basis for the research strength which is such a notable feature of the School today.

I would like to thank the LSE Council for its work over the past year. It has been a busy one, with decisions about the future size of the School, its financial basis in the face of the recession, estate development, the student experience, and discussions about teaching quality and future research funding. In particular I thank Ashley Mitchell, Ros Altmann and James Goudie QC who have stepped down this year, after the maximum six years' service. I would like to welcome and introduce our new Council members: Bronwyn Curtis, Tim Frost and Vivina Berla. I also pay tribute to the contributions of our many other members of the Court who contribute to debates on broad issues at our termly Court meetings.

The LSE Council has been active to ensure that its governance of the School is fit for the purpose of trusteeship. Pending the next triennial review of its effectiveness in 2010 the Council has strengthened the role of the Audit Committee and asked it to work closely with the Risk Committee on improved controls for risk. The Remuneration Committee's remit has been made more strategic, as has the business of the Council itself.

I must also thank Howard Davies, the Director, and his team for the sound guidance they have given on key decisions and for the excellent services they have overseen. In this regard too I would like to thank Adrian Hall and his team for the personal support they have given to me.

I am confident, as is the Council as governing body, that LSE is in a sound position during turbulent times and is progressing well towards its objectives.

Peter Sutherland
Chairman of Court and Council



Report of the Director of the School



In last year's annual report I ended by drawing attention to the difficult economic situation and to the threats to universities' finances posed by the recession, which at that time was in its early stages. I noted that universities were bound to be affected by the downturn in a number of ways, through the impact on their investments, through a tightening of public expenditure (in due course) and perhaps through an impact on student demand and the ability of students and their families to afford higher education, and particularly post-graduate studies.

Since then, the economy has deteriorated further, and while there are signs of recovery in Asia and continental Europe, the UK remains in recession. It is also clear that, in the medium term, government funding to universities, and indeed to the rest of the public sector, is going to be cut back. But it is fair to say that so far, LSE has been less badly affected than many other universities. For us, student demand remains strong, both at home and overseas. Our Executive Education programmes have held up well, as have vacation bookings in our residences, an important source of income for the School. Fundraising has been more difficult, however. While the Annual Fund, the aggregation of many small donations to the School, continues to do well and to grow year on year, it has been more difficult to attract larger donations over the last year.

Overall, however, LSE has remained on an even keel in financial terms. Our end of year result, explained in detail later, is still very positive. The surplus is not as large as it was last year, but is comfortably above the Funding Council guideline, which suggests that we should aim for a surplus of between three and four percent of turnover. We have achieved a result as least as positive as that for the last five years.

Looking forward, the prospect is not so easy. We have already suffered a significant cut in research funding, even though we did very well in the Government's research assessment exercise. And there must be a strong possibility that both teaching and research grants will be cut back further in the future. Also, we have benefited in the past from steady growth in student numbers. Continued income growth is, of course, a very favourable background against which to plan one's finances. And our income, in most years, has typically grown by a little more than our expenditure. But as I explained last year, we do not plan to grow student numbers further in the medium term. Our Council has confirmed a ceiling of nine-thousand full-time students for 2012, and we are already very close to that ceiling. So in future we will not be able to rely on volume growth to create buoyancy in our income.

We have reviewed that decision over the last year and remain confident that it is the right approach to take. It is prudent in the light of the economic situation, where we cannot assume that student demand will remain as buoyant in the future as it has been in the past. There has been a short term boost in demand for graduate courses as the job market has been difficult, but that may well turn out to be a temporary phenomenon. More important, for LSE in particular, there are signs that during a period of quite rapid growth in student numbers we allowed student satisfaction to slip back a little. So our current focus is on improving student satisfaction and on enhancing the quality of the teaching we provide. The recommendations of the Teaching Task Force under Professor Janet Hartley have been taken forward over the last year. We have recruited more teaching staff in order to reduce class sizes. That investment has not yet been reflected in the form of improvement in student satisfaction, but we hope it will be over the next couple of years.

In other areas, however, we shall need to be careful with our expenditure. We have looked hard at the plans for non-academic departments in particular over the next years and cut back on some planned increases in spending. We have also re-phased the planned investments in our

facilities. We can continue to make progress in improving the estate, and the New Student Centre building is moving ahead as planned, but there are other areas where we may need to defer investment a little. On the other hand, the sharp fall in commercial property prices in London, driven by recessionary conditions, has allowed us to acquire a couple of new properties within the envelope of our estate, which will provide us with much needed elbow room as we redevelop the centre of the campus in the next few years. We have bought Sardinia House on Sardinia Street, and the White Horse Pub which completes our ownership of the Island Site, as we know it, and therefore gives us much needed additional flexibility for the further development of that site in the future.

As far as the estate is concerned, over the last year the most important new development was the opening of the New Academic Building, foreshadowed in last year's report. We were delighted that Her Majesty the Queen and the Duke of Edinburgh agreed to perform the opening ceremony on 5 November. That went well, and more importantly, the building has very soon become an indispensable part of our facilities, with a large number of classes and lectures taking place in its excellent rooms and theatres. We carried out a building satisfaction survey among those who have their offices there, in both the Management and Law Departments, after six months of occupancy. I am pleased to say that the level of satisfaction with the new building was very high.

On the academic front, the most important event of the year for our faculty was the publication of the results of the government's research assessment exercise in December 2008. The last RAE was completed seven years earlier. In quality terms we were delighted with the outcome. Each academic was required to submit four published pieces of work, which were then graded on a scale from one to four stars by panels of peer reviewers. The School's overall grade point average was 2.96, the second highest in the country among multi-faculty institutions. The percentage of four star papers we submitted was the highest in the country overall. Several of our departments were ranked number one, including two large disciplines, Law and Economics. And our economists had the highest grade point average of any discipline in any university in the country.

We could hardly have done much better in terms of our submission. Yet, as I have already mentioned, the surprising outcome was that our research grant from the Funding Council was cut by just over 13 per cent, or about £2.6 million. And that was against an overall increase in government research funding of almost eight percent. What drove this counterintuitive outcome? To simplify a little, two factors were at work. First, since on this occasion, unlike the last, the rankings were created on the basis of assessments of individuals' contributions, rather than a ranking of whole departments, it was inevitable that the funding on offer would be spread to a larger number of universities than before. There are small pockets of excellence around the country, which the Funding Council has rewarded this time. But the second factor, which interacted with the first, is that the Funding Council, no doubt influenced by policy statements by the Prime Minister and others in government, chose to ring fence funding for STEM (Science, Technology, Engineering and Mathematics). The combination of those



From the left: The John Watkins Plaza; LSE Literary Weekend; The entrance to the New Academic Building

two decisions meant that funding to institutions concentrating on the Social Sciences and the Humanities was cut back quite sharply. In London, for example, both SOAS (School of Oriental and African Studies) and the Institute of Education suffered percentage cut backs on a scale comparable to those we experienced.

We have made representations to government, at the highest level, about the inequity of this arrangement, and the risk it poses to the integrity of the research assessment exercise as a whole. The response we have received to these representations has, frankly, been unsympathetic and unsatisfactory. It is clear that we cannot hope for any significant improvement in the position within the next few years, which means we have to find other solutions if we wish to continue to carry out the volume of world class research that we have been able to sustain in the past.

One more encouraging development on the research front came with the opening of a major new initiative called the International Growth Centre which is a partnership with Oxford University, but based at LSE. It amounts to a kind of outsourcing by the Department for International Development for much of their own research on how best to focus their aid programmes to promote economic growth in the poorest countries. It is unusual for an academic centre in that there will be off-shoots in individual countries in Africa and Asia. The first such off-shoot is in operation already in Tanzania. The work will involve academics from LSE and elsewhere. The Secretary for International Development, Douglas Alexander, came to the School in December to open it. We are very pleased by this development, which fits in especially well with our aim of raising the School's profile in Africa, in terms both of research and of student recruitment.

Financial overview

For the financial year ending 31 July 2009 the School achieved a financial surplus for reinvestment of £17.6m, equivalent to 8.7 per cent of gross income, compared to a surplus of £26.7m for 2007/08 (14.1 per cent of gross income). This reduction in overall surplus was planned and reflects a growing level of investment in teaching, research and academic services.

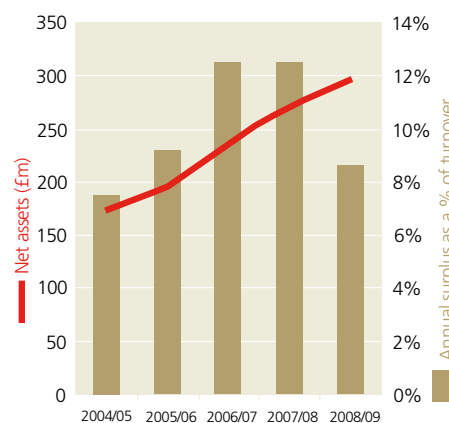
The School's Finance and General Purposes Committee adopted a target surplus range of 3 per cent to 4 per cent of income in 2003, recognizing that a sustainable surplus is required to fund loan repayments, to support capital and infrastructure investment and to provide the School with the flexibility to invest in new academic initiatives.

As I have said the School has achieved surpluses in excess of this level in recent years through a combination of growth in student recruitment, substantial contributions generated from activities that have been developed to achieve full utilization of the School's physical and intellectual assets, and sound budgeting and financial management processes. It is particularly important to note that while student recruitment has been at or above target in recent years the standards of entry requirement have not been lowered, indeed in many cases they have been increased. Over the next few years the School has plans for investment of £200m in capital improvements. This is all aimed at ensuring the School can continue to attract the best faculty and students even in the current economic circumstances and provide them with an excellent environment to study and work.

Income – Total

Gross income grew by 6.8 per cent in total. Tuition fees increased by 5.8 per cent, and now represent 48 per cent of income. There was strong growth in research grants and contracts income (up by 14.1

Net assets and surplus as % of turnover

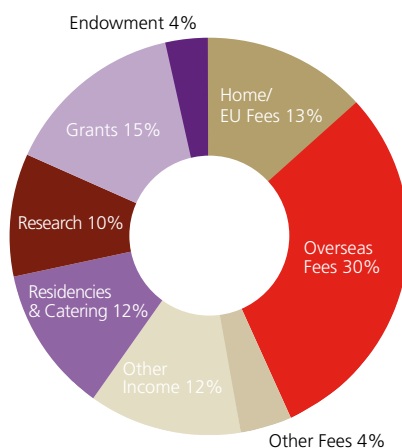


per cent) and income from other sources grew by 15 per cent. Nearly half the increase relates to the settlement of the School's new VAT partial exemption scheme and related VAT recovery.

Despite the increasingly uncertain economic outlook, during the year fundraising delivered a net increase in the School's total endowment to £57.4m. Endowment and investment income during 2008/09 fell by 13.4 per cent reflecting lower returns on endowment investments, and on the School's cash balances marginally offset by higher cash balances during the year.

Although reported Funding Council grants fell by 0.5 per cent compared to 2007/08, this is attributable to changes in the income from non-recurrent grants recognized during 2008/09. These figure do not include the £2.6m reduction in QR grant that will affect us from 2010/11. Recurrent HEFCE grants increased by 1.6 per cent, reflecting an increase in the unit of undergraduate funding and a rather smaller increase in the recurrent research grant.

Income



Report of the Director of the School

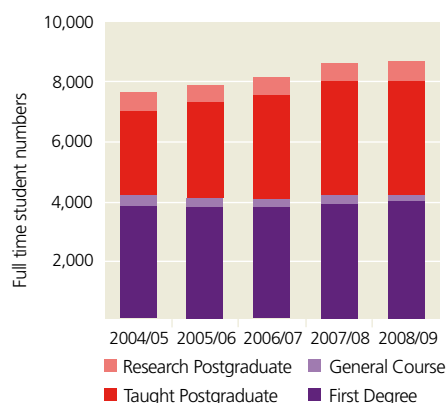


Students

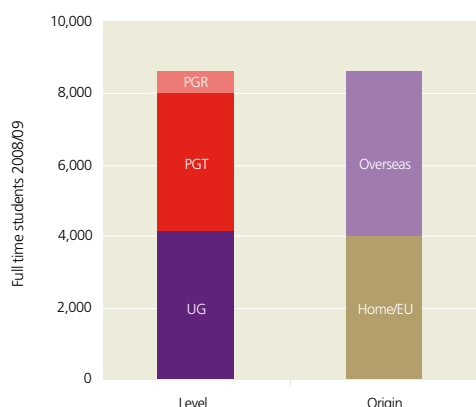
The School had 8,627 full time students in 2008/09, an increase of 92 over the previous year, and slightly ahead of the plan for School expansion to 9,000 full time students by 2012.

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.

Full-time student numbers 2004/05 – 2008/09



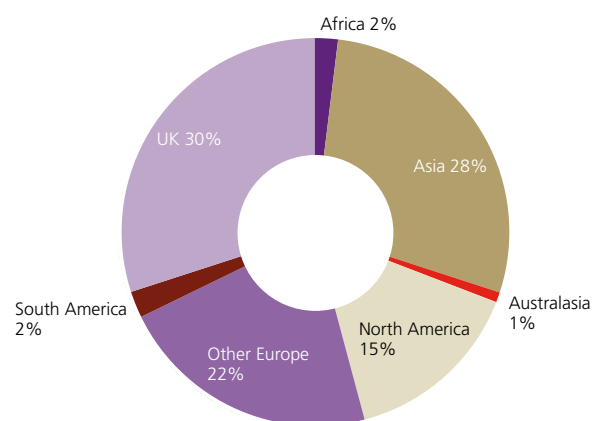
Full-time student 2008/09



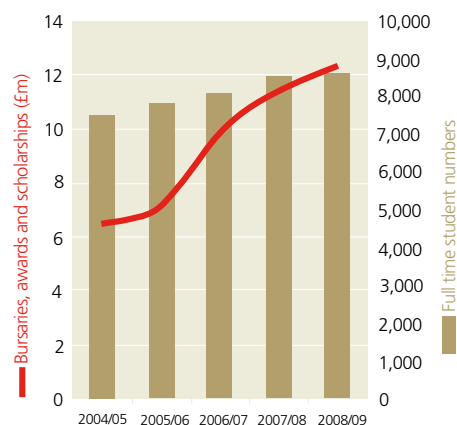
Financial support for students

It is especially pleasing to report that over the past five years, through a combination of reinvestment of income and successful fundraising, the School has almost doubled the funds awarded in bursaries, scholarships and awards. In 2008/09 total awards exceeded £12.3m, a 7.5 per cent increase on 2007/08, and they are at a level which is amongst the highest in the UK higher education sector.

Full-time student in 2008/09 by continent



Bursaries, awards and scholarships



Income 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 £28.2m received from HEFCE together with £0.4m from JISC (the Joint Information and Infrastructure Systems Committee) is an essential contribution to the financial viability of the School, as have been the various rounds of SRIF research capital funding. As noted previously the School has been dismayed that despite an extremely successful RAE our research (QR) grant will fall substantially beyond 2009/10. This comes after a number of years where the grant has failed to keep pace with the increasing costs of research or adequately to reflect the costs of operating in central London.

On teaching grant, the continuing disparity between the amount we are paid to teach home and EU undergraduates (the government set tuition fee plus the HEFCE teaching grant) and the cost of delivering the teaching remains a concern for the School.



From the left: An audience at one of the School's public lectures; Blue Rain art installation, LSE Library; Houghton Street

Income – Halls of Residence

The School operates 3,765 bed spaces in 11 halls of residence and University of London halls. 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. LSE Lets Limited's £5.2m per annum revenue is generated from this activity and used to subsidise student rents. This enables us to continue to offer many rooms on a 31 contract week basis, in contrast to the commercial providers who have a growing presence in London and require students to contract for 40 weeks or longer.

Residences operate on a 'self financing' basis, with room rents set a level which, after the subsidy from vacation business, are sufficient to cover operating costs, rents and capital charges.

LSE Enterprise Limited and DUKE CE Limited

LSE Enterprise Ltd is the wholly owned arm of the School that exists to develop the potential for consultancy, executive education and related activities that the School's world-class faculty offers.

The company delivers its activities through its two trading operations – LSE Executive Education and LSE Consulting. Projects range from the development of groups of civil servants from many different countries through structured executive programme teaching to complex interdisciplinary commercial research projects applying academic methodologies to major policy questions. These activities connect academics to senior decision makers as well create opportunities for their research to deliver impact on practitioners and policy.

Other initiatives include the successful joint venture with Duke Corporate Education to supply customised strategy courses to multi-national organisations which has continued to bring in a strong royalty income to the company.

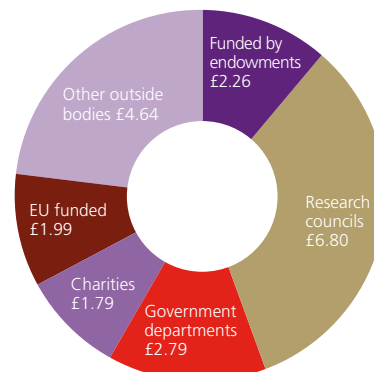
Despite the challenging business environment, 2008/09 has been a very successful year for the company with turnover up by 9.4 per cent and the operating surplus, which will be remitted to the School through Gift Aid, up by 7.1 per cent to £2.0m. The Gift Aid paid to the School supports teaching and research activities and the company also provides

an important opportunity for faculty to supplement their income, a useful mechanism for attracting and retaining key staff. In 2008/09 this transfer was worth £1.8m (2007/08 £1.4m) to LSE academics.

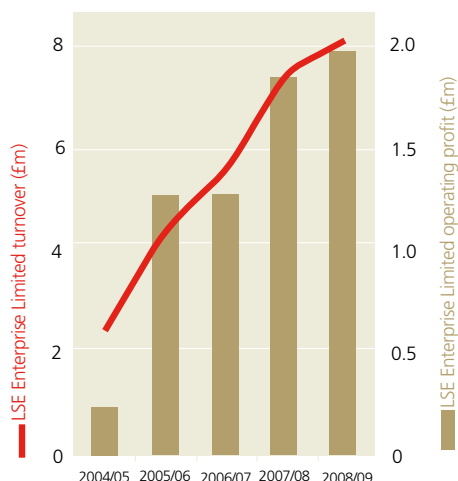
Research Income

Income generated from research contracts grants and endowments continues to grow, increasing by 14 per cent to £20.3m in 2008/09. The UK Research Councils remain the largest funders of research, accounting for a third of the School's overall research income. Income from this source remains stable with a small increase of 3.8 per cent as the initial financial impact of full economic costing support by the Research Councils has now matured. There was a substantial increase of 67 per cent in Government funded research. A number of DfID-sponsored projects began in the period, including the International Growth Centre, accounting for 50 per cent of the increase. There was an increase of 23 per cent in endowment funded research, mainly due to generous donations from Paul Woolley, the Kuwait Foundation and the Grantham Foundation for the Protection of the Environment. The start of several major European Union contracts under the Seventh Framework Programme contributed significantly to the 10 per cent increase from this sponsor category. The 11.5 per cent reduction in research funded from charitable sources is mainly due to the completion of two major projects sponsored by the Joseph Rowntree Foundation and the Leverhulme Trust. Research funded by other external

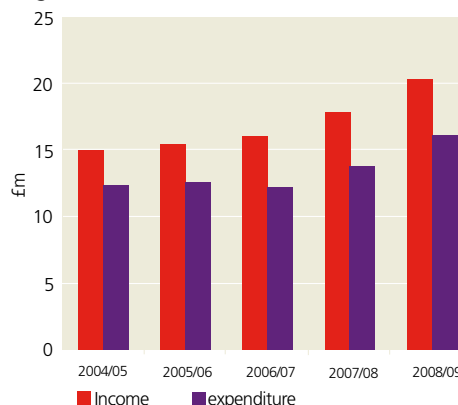
2008/09 research funding source



LSE Enterprise turnover and operating profit



Research grants and contracts



Report of the Director of the School



sources increased by 19.8 per cent. Notably new projects were secured from the Alfred Herrhausen Society to support the Urban Age project. Other large awards in this category included funding from Munich Re and the Reserve Bank of India.

The School's strategy remains to compete successfully for high quality peer reviewed research. Where it is possible and appropriate to our academic aims, we also participate in commercial non-peer reviewed research, though undertaking research of low academic benefit purely for income generation is not a strategic aim.

Expenditure – Total

Total expenditure grew by 13.3 per cent, with pay costs increasing by 12.7 per cent, of which 5.4 per cent was attributable to the pay awards in May and October 2008, 2.7 per cent resulted from promotion and increments, 3.6 per cent from a net increase of 77 staff, with the balance being accounted for by an increase in one-off payments and honoraria. The 5 per cent RPI linked award in October 2008 was significantly higher than expected. Other operating expenditure grew in total by 12.4 per cent, reflecting the growth in research activity, the investment in an offsite IT facility, expanded trading activities and estates refurbishment projects.

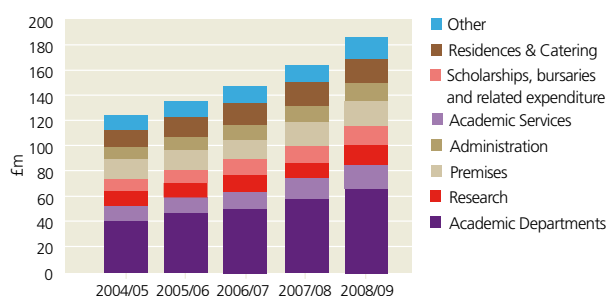
Balance sheet and liquidity

During 2008/09 the School's net assets grew by 9.4 per cent and the cash at bank and bank deposits increased to £70.7m. It is noteworthy that this significant overall improvement in liquidity has been achieved during a period of substantial capital investment. Looking to the future, the School has a £65m amortising loan facility of which £35m is currently drawn. The School's Finance and General Purposes Committee reviews borrowing capacity on a regular basis and considers it adequate to accommodate our medium term capital investment plans.

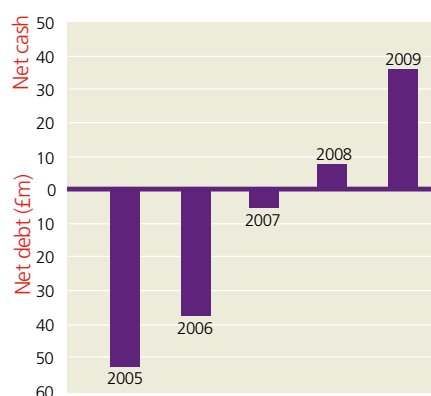
Endowments and fundraising

During 2008/09 the School received £8.1m in new endowments. A significant proportion of this arises from the fulfilment of pledges made by donors in previous years. The current challenge for the School is how to renew this 'pipeline' of pledges in the current economic environment.

Expenditure



Net debt/cash



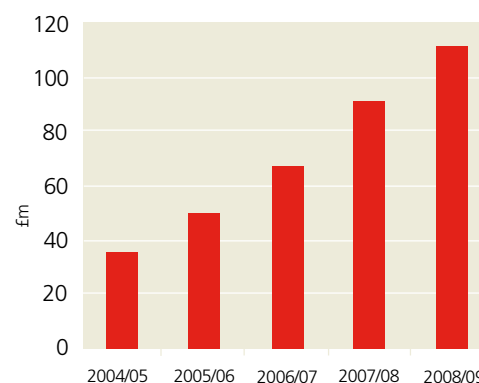
Capital Expenditure

Over the last five years the School has invested £112m in fixed asset additions. Just after the start of 2008/09 the £65m development of the New Academic Building at 54 Lincolns' Inn Fields and a £2m project to refurbish the main refectory were completed, both on time and budget. During the year £1.3m was invested in our Library, improving access to the course collection, improving and expanding storage and modifying the entrance to cope with ever increasing demands on this flagship facility. As noted above, at the end of year the School took the opportunity to acquire Sardinia House for £8.9m and just after the end of the year acquired the freehold of the White Horse Public House.

During the year £2.5m was invested in furniture and equipment mainly for the New Academic Building and a new software package for the halls of residence.

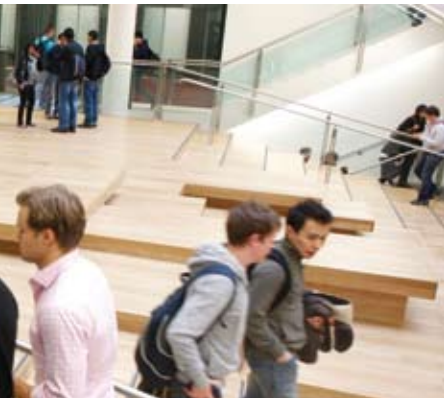
Once again, strong financial performance has allowed us to fund this without recourse to our borrowing facility.

Cumulative investment in tangible assets



Principal Risks and Uncertainties

The School's Strategic Plan addresses the key risks threatening the achievement of the School's strategic objectives over the next five years.



From the left: Students in the New Academic Building Atrium; The Grantham Institute signing

Protecting and developing the School's reputation is key to its future. The maintenance of the highest standards for recruitment of both staff and students remains central to the School.

With a high proportion of income from student fees, the global economic situation and issues relating to student visas and immigration represent risks faced by the School. They are mitigated by the geographic diversity of the School's student intake, the current high number of applications per place, provision for potential under recruitment in our financial planning, and a low debt gearing.

As discussed above, actions are in place to address the risk that arises from student satisfaction with teaching not being at the desired level. A process of five year planning and detailed annual monitoring operates to ensure that teaching programmes are relevant and world class in academic content. This also ensures that courses with lower student demand are reviewed and updated or replaced.

The School has developed and participates in a range of programmes to attract students from underrepresented groups. As described earlier, substantial sums have been raised from donors and contributed directly from tuition fee income to provide awards and bursaries to encourage those very able students to study at the School who do not otherwise have the financial means to do so. The quality of teaching is primarily determined by the quality of the faculty and the School continues to seek out and attract world class academics with competitive salaries, promotion prospects and sabbatical leave entitlement.

The importance of HEFCE income has already been referred to. The announcement of a significant cut in the School's research funding from 2009/10 has already prompted a range of compensatory actions to be agreed. Should, as seems increasingly likely, public funding be reduced further the School would revisit these responses and review its longer term investment plans. In doing so the School's governing body, Council will remain absolutely committed to protecting and improving the quality of teaching and research.

Financial planning is undertaken over a ten year time horizon to reflect the long term nature of both staff development and capital investment planning. The School's Finance and General Purposes Committee reviews these plans and risks at least three times a year so that appropriate actions can be taken to address deviations from financial objectives.

The staff survey carried out in 2006 indicated high levels of satisfaction with the School as a place to work. Since then the central administration, the Library and IT Services have all retained Investors In People accreditation. A Staff Consultative Council has been established to build on the existing sound base of good staff relations and improve employee engagement. It is planned to repeat the staff survey in 2009 as part of a process of monitoring risk in this area.

The risk that the School's infrastructure could fail to meet the increasing demands and expectations of staff and students is being addressed through an Estates strategy for the refurbishment and redevelopment of the campus. An extensive condition survey of the site was completed during the year and a substantial increase in staffing in the School's Estates department has been approved to ensure the works identified in the survey and the overall Estate strategy are delivered.

Following the appointment of a Director of Business Continuity the School has developed an integrated and comprehensive approach to the planning for and coordination of responses to major adverse or unforeseen events. Work in this area has seen the successful implementation of an outsourced off-site data storage, backup and recovery facility and most recently comprehensive plans to deal with the implications of a flu pandemic.

Conclusion

I think it is fair to say that, overall, 2008/09 was another year of good progress for LSE. We continued to recruit excellent faculty and lively, highly motivated students from around the globe. Our sound financial position allows us to face the future with a reasonable degree of confidence. The environment for universities will not be easy in the next three to five years, but we are better placed than most to survive and prosper.

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 consultancy, conferences and events, the 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 4-9 of these accounts.

Subsidiary companies

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

Key performance indicators

	Notes	2008/09	2007/08
% Ratio of surplus to total income	1	8.7%	14.1%
% Ratio of HEFCE grants to total income	2	14.6%	15.6%
Days ratio of general funds to total expenditure	3	304 days	270 days
% Ratio of long-term liabilities to total general funds	4	21.7%	31.9%

1. % Ratio of surplus to total income = surplus as a percentage of total income. The School has established a target range of 3 per cent to 4 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 and reduce its dependency upon government funding.

3. Days ratio of general funds to total expenditure = 365 days x general reserve/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. The aim is to gradually reduce this ratio over a number of years.

Principal risks and uncertainties facing the school

Please see page 8.

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 £20m that can be placed with any one bank group.

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 42.

Employment

The School promotes equal opportunities as an employer.

The School's policy of employment with regard to disabled persons is to consider positively any 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 48.

Auditors

The School's current auditor is Grant Thornton UK LLP. A resolution to reappoint Grant Thornton UK LLP as auditor of the School 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 48, confirms 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 24 November 2009.

Howard Davies
Director

LSE and Public Benefit



From the left: Public lecture in the Old Theatre; New Academic Building, Verdant Atrium

LSE is both a company and a charity. The Charities Act 2006 places an obligation on charities to demonstrate explicitly how they provide public benefit, whereas previously it was presumed that charities advancing education delivered public benefit.

The Charities Commission has issued guidance on public benefit requiring, inter alia, that there must be clearly identifiable benefits related to the aims of the charity; that the benefits must be to the public, or to a section of the public; that where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions or by ability to pay fees; that people in poverty must not be excluded from the opportunity to benefit.

LSE makes a significant contribution, via its research, teaching and other activities, not just to the advancement of education, but to 9 of 12 specific categories of charitable purposes set out in the Charities Act 2006, as follows:

- the prevention or relief of poverty;
- the advancement of education;
- the advancement of health or the saving of lives;
- the advancement of citizenship or community development;
- the advancement of the arts, culture, heritage or science;
- the advancement of amateur sport;
- the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;
- the advancement of environmental protection or improvement;
- the relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage.

In many cases the charitable relevance of the School's academic activities is self evident: DESTIN (the Development Studies Institute), the Centre for the Study of Human Rights and IDEAS (the Centre for the Study of International Affairs, Diplomacy and Grand Strategy) all contribute in the field of human rights and conflict resolution, and the Grantham Research Institute on Climate Change and the Environment to the advancement of environmental protection, DESTIN and CASE (the Centre for Analysis of Social Exclusion) contribute on poverty, hardship and disadvantage, LSE Aids and LSE Health on health, and many more.

We also teach courses covering all of these areas, and produce graduates who work in these fields, in government, charities, NGOs and other organisations. Many LSE academics either advise policy makers or participate in relevant policy areas themselves.

And as a whole, the School contributes to the advancement of education, preservation of academic heritage in the library archives, and to the advancement of social science.

LSE has not always been renowned for its contribution to arts and culture, but as a result of generous benefactions has been able to commission three major public art works in the last year ('Blue Rain', Michael Brown; 'Squaring the Block', Richard Wilson; 'Elenchus-Aporia', Joy Gerrard). The much loved Penguin sculpture by Yolanda vanderGaast, one of several works donated by Louis Odette, disappeared, and a replacement has been commissioned. The New Academic Building hosted a first annual Literary Festival in February

2009, and there is an active programme of free public art exhibitions, music performances and other cultural events at the School. The School provides facilities for amateur sport, and it is an area that we look to advance in the near future.

The School is particularly aware of the need to ensure that people from all backgrounds can benefit from its activities, that access to the benefits is not unreasonably restricted by fees charged and that people in poverty are not excluded from the opportunity to benefit.

Some activities of the School – most notably degree courses and research – are economically dependent on fee income. The School invested £12.3m in scholarships and financial support in 2008/09 to enable people who could not otherwise afford to undertake courses to attend LSE. The School also provides funding to students from particularly challenging areas to study at LSE, and supports the Scholars at Risk programme.

We know that not everyone has the same level of educational opportunity, support or information and have been involved in widening participation and access initiatives for the last ten years. The School aims to raise levels of aspirations amongst London schoolchildren so that they consider best how to fulfil their potential. We work with children at primary school through to students who are 16+ and thinking about entry to university. We focus particularly on pupils whose parents have not experienced UK higher education and groups which have traditionally had low participation rates in higher education. The programmes we run include: 'Moving On' sessions for year 6 pupils which present the opportunities of different levels of education; 'ACE (Aiming for a College Education) and ACE High days' for year 10 and 11 pupils to encourage them to think about university and to explain something about the ways universities work; LSE Mentoring Programme to raise aspirations and improve attainment of years 10 to 12 pupils by allocating a student mentor to an individual pupil over a period of six months; Summer Schools for year 11 pupils to give a 'taster' of courses in business, finance, mathematics and psychology; 'Pathways to Law' for pupils in years 11 to 13 which provides taster sessions on law, careers and university advice sessions and mock trials at LSE; student shadowing schemes for pupils in year 12 and 13 who want find out about life at university, 'LSE Choice' for year 13 pupils, which comprises a week-long summer school and two Saturday morning sessions to enable students to study one of the subjects offered at the School.

We regard LSE as a community and many of our students are committed to working as volunteers within the local community. Students participate actively in our widening participation activities, by acting as 'student ambassadors', mentors and in the 'email a student' scheme which allows prospective students the chance to get in touch with a current student. Last year around 200 students took part in our 'student tutoring' scheme – they were undergraduates, postgraduates and general course students, many of whom came from outside the UK but all studying at LSE. Students go into primary and secondary schools in central London for up to a morning or an afternoon a week for a minimum of 12 weeks. They assist the teacher but also act as role models for pupils, many of whom come from a disadvantaged backgrounds.

LSE and Public Benefit



The School has an exceptional Disability and Well-Being office that leads the provision of support to students with disabilities to ensure that they can benefit from study at LSE.

Many of the activities and resources of the School are available without charge to members of the public. Over 50,000 people attended free public lectures and events at the School in 2008/09. Over 250,000 per month now refer to the LSE website, which contains materials in text form, and audio and video resources for public lectures. The School's library, the British Library of Political and Economic Science, is available to other academic institutions and to members of the public. It has more registered users not at LSE than at LSE.

In addition to the nearly 9,000 students studying full time at LSE, nearly 4,000 students benefit from LSE Summer School courses in London and China, and 15,000 students on the University of London External Programme, while not studying for LSE degrees, are using course content developed at LSE, as are students at universities worldwide using texts written by LSE staff based on their academic research.

The most exciting recent development in our charitable activities is the International Growth Centre, in partnership with Oxford University, funded by DFID, which promotes sustainable growth in developing countries by providing demand-led policy advice based on frontier

research. We have recently signed agreements to open offices in Ethiopia and Tanzania.

The public benefits are funded from three main sources: government funding for teaching and research, donations from generous individuals and charitable foundations, and funds generated by LSE Enterprise Limited's activities and LSE Lets Limited's which are gift aided to the School. The charitable work of the School is also supported by governors who give their time, and many academics who donate their external public event fees to support research at the School. There is a serious risk that changes in fees and funding policy based on an instrumentalist view of education will erode the ability of the School to continue to deliver the breadth of public benefits that its charitable activities deliver today, and we will do all we can to avoid that.

Notwithstanding the current economic situation, LSE will continue to produce graduates who are in demand in financial institutions in the City and across the world, and that is fine. But anyone who wants to understand the richness of life at LSE should take some time to understand its charitable role, and the public benefit that it brings, across the world. It is the ability to do both that makes it a unique and very special place.



LSE Research



From the left: Elenchus-Aporia sculpture in the New Academic Building; International Forum

A selection of significant research activities in the School.

LSE Health

LSE Health is a leading research centre dedicated to the production and dissemination of high quality research in health policy, health economics and demography.

Located within LSE Health and Social Care, it brings together a core team of academics and researchers with multidisciplinary expertise and is closely affiliated with the Departments of Social Policy, Management and Accounting.

Bridging the gap between research and policy is central to LSE Health's aims and its unique research base contributes to LSE's established world presence and reputation. Staff have served as advisors to governments in countries as diverse as Austria, China, South Africa and Russia and hold appointments with a wide range of national and international editorial boards, advisory boards, technical committees, professional associations, and scientific and research councils. This work has had a notable policy impact both in the UK and abroad.

As well as health policy and health economics, the centre's recent key work includes research on behavioural economics and risk, health in developing countries, and demography and population. There have also been policy reviews ranging from an examination of research on economic incentives for preventive care for Health England to a review of health systems performance across different European countries for the Commonwealth Fund in the US and pharmaceutical policy in India.

Funding for research programmes comes from a variety of sources, including public bodies, charitable trusts and private corporations. Currently, research is funded by, among others, the UK Economic and Social Research Council (ESRC), the Department of Health for England, the World Bank, the World Health Organisation, The OECD, the European Union, the Joseph Rowntree Foundation, the Nuffield Trust, the Wellcome Trust, the King's Fund and the Office of Fair Trading.

LSE African Initiative

The LSE African Initiative will engage with African institutions and talent to develop connections, encourage accessibility and promote knowledge exchange. This long-term mutual collaboration will inspire and support generations of students and scholars who will themselves affect global change.

Thanks to the support of the LSE Annual Fund and DESTIN, LSE has been able to establish its first Chair in African Development. Professor Thandika Mkandawire, took up the post in September.

Of Malawian origin, he is an economist with particular expertise on development issues. He was formerly Director of the Council for the Development of Social Science Research in Africa (CODESRIA), a Senior Research Fellow at the Centre for Development Research in Copenhagen and has taught at the universities of Stockholm and Zimbabwe.

This initial support has equipped LSE to develop the LSE African Initiative and with further philanthropic support from alumni and friends, the School hopes to:

- endow the Chair in African Development;

- offer several new junior research fellowship posts to visiting African scholars next academic year;
- develop a summer school, hosted jointly in anglophone and francophone Africa;
- establish doctoral research workshops and collaboration;
- develop international research projects with African partners.

CASE

The Centre for Analysis of Social Exclusion (CASE) was established in October 1997. CASE is a multi-disciplinary research centre, which focuses on the exploration of different dimensions of social exclusion and examination of the impacts on them of public policy. It has particular interests in the measurement of inequality, concepts of equality, low-income neighbourhoods, social security and wider welfare policies. The Centre is home to the research and consultancy group, LSE Housing, and also houses a number of postgraduate research students working on topics related to its core areas of interest.

CASE organises regular seminars on empirical and theoretical issues connected with social exclusion, including the Welfare Policy and Analysis Seminar, supported by the Department for Work and Pensions, and Social Exclusion Seminars. It also publishes a series of discussion papers, research summaries and reports. Its annual turnover is around £700k, including funding from the Economic and Social Research Council, charitable trusts, central and local government and the voluntary sector.

CASE is located within the Suntory and Toyota International Centres for Economics and Related Disciplines (STICERD) and is affiliated to the School's Department of Social Policy.

IDEAS

LSE IDEAS is a centre for the study of international affairs, diplomacy and grand strategy. Its mission is to use LSE's vast intellectual resources to help train skilled and open-minded leaders and to study international affairs through world-class scholarship and engagement with practitioners and decision-makers. As its name implies, IDEAS aims at understanding how today's world came into being and how it may be changed.

LSE IDEAS holds the Philippe Roman Chair in History and International Affairs, a one-year distinguished visiting professorship for leading scholars based outside the UK. In 2009/10 the Chair will be held by Professor Gilles Kepel of Sciences Po and in 2010/11 the Chair will be held by Professor Niall Ferguson.

LSE IDEAS was founded in 2008 and now runs a series of regional and topical programmes which includes research on the international affairs of the Balkans, China, Latin America, Africa, Southeast Asia and on transatlantic relations. IDEAS is a centre of PhD training within the LSE and hosts a number of visiting fellows, both advanced doctoral students and academics, from across the globe. The centre also has training programmes for foreign service officers from several countries. IDEAS is home to two internationally esteemed journals, *Cold War History*, the most prominent journal in its field, and *International Politics*, a leading journal dedicated to transnational issues and global problems. LSE IDEAS also publishes three report series, featuring

LSE Research



contributions from the world's leading experts in their fields and providing in-depth analysis on major issues in international affairs.

The Grantham Research Institute on Climate Change and the Environment

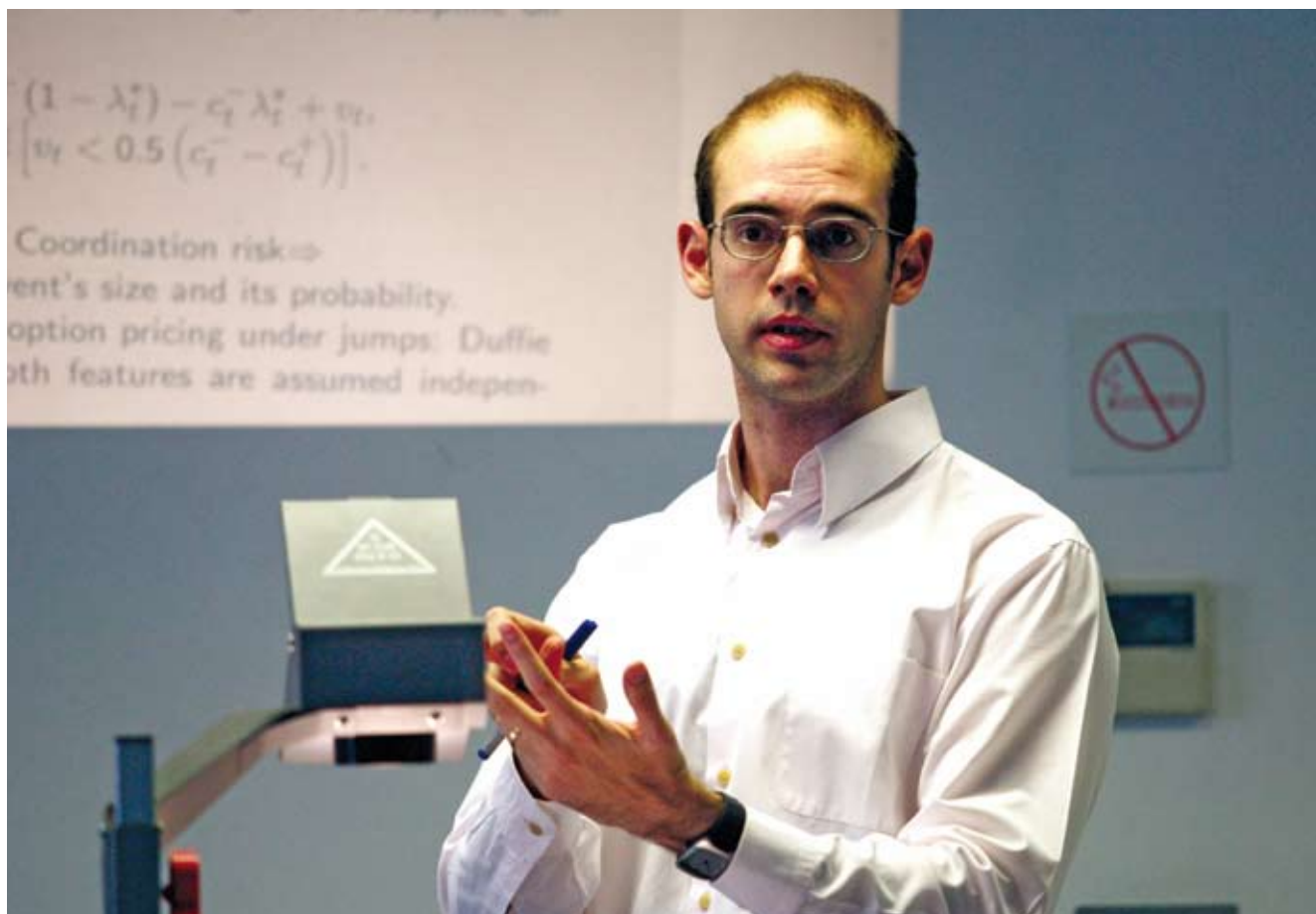
Climate change poses new risks and challenges to economies and societies around the world. How will our economic, social and political systems respond to the challenges? How do we adjust to the impacts of climate change? In response to the pressing global concern over climate change and its impacts on the environment, LSE, in partnership with the Grantham Foundation for the Protection of the Environment, established The Grantham Research Institute on Climate Change and the Environment in October 2008.

The Institute brings together international expertise from across the social sciences to establish a world-leading research hub for policy-relevant research, teaching and training in climate change and the environment. The Institute collaborates with the Grantham Institute of Climate Change at Imperial College London, providing a platform for Imperial's science, engineering and healthcare experts and LSE's social and economic specialists to build linkages between the natural and social scientific study of climate change.

The Institute generates policy-relevant research on the economics of climate change, specifically on international target-setting and burden-sharing, carbon markets, international technology support, and the economics of deforestation and biofuels. Through organising a series of conferences, seminars, public lectures and workshops on climate change, the Institute aims to promote engagement and raise awareness amongst policy-makers, national governments, international governmental organisations and the corporate sector. The Institute is chaired by Lord Stern of Brentford, the author of 2006 Stern Review and winner of two prestigious environmental awards: the Blue Planet Prize, and the Royal Geographical Society's Patron's Medal, in recognition of his work on the economics of climate change.

International Growth Centre (IGC)

The groundbreaking International Growth Centre (IGC) was launched in 2008 to promote sustainable growth in developing countries by providing demand-led policy advice based on frontier research. The IGC was initiated by the Department for International Development and it is directed from hubs at the LSE and Oxford. The policy work brings research to focus on the key issues facing policy-makers in IGC's partner countries. Through the IGC, developing countries benefit from the advice of world-class experts on finance, agricultural yields, the energy sector and the economy.





From left to right: LSE Language Centre; New Academic Building; classes in the New Academic Building

The IGC has three core (interconnected) components: research, networking and policy engagement. It is based on a network structure with the LSE-Oxford hub at the centre of the organisation, taking primary responsibility for the global research and policy interface. The hub builds partnerships with a range of individuals, networks and institutions to create an International Growth Network. The International Growth Network engages with policy-makers, researchers and private sector and civil society representatives in the client countries seeking advice on growth.

The Centre translates leading edge research into concrete policies to promote and sustain economic growth in the developing world. With active teams in Ethiopia, Ghana and Tanzania, the IGC recognises the need to engage with a range of actors on the ground to be effective in formulating long-term policies which are relevant to the circumstances of the country in question. The Centre strongly believes that effective growth requires long-term country engagement and to implement this, the IGC combines world-class research with local knowledge to achieve its goals in developing countries.

Financial Markets Group (FMG)

The Financial Markets Group Research Centre (FMG) was established in 1987 at LSE and it is now one of the leading centres in Europe for academic research into financial markets. The Group has developed strong links with investment banks, commercial banks and regulatory bodies and attracts support from a large number of City institutions, both private and public. The FMG, led by Professor Christopher Polk, brings together a core team of senior academics and young researchers to undertake cutting edge theoretical and empirical research in the areas of financial markets, financial decision-making and financial regulation.

The Group's annual Visitors' Programme attracts some of the world's most renowned finance academics and exceptionally talented young researchers who actively participate in the FMG's research programmes. Research at the FMG spans through a number of thematic research programmes. Each one hosts a number of associated projects on key research areas. As part of its dissemination strategy, FMG hosts a series of regular seminars including the Capital Markets Workshop, Financial Regulation Seminar and Taxation Seminar.

The Group also disseminates its research through its publications: the FMG Special Papers and Discussion Papers which offers specialist analysis on topical and scientific issues. FMG also produces *The Quarterly Review*, a popular quarterly containing updates on the Centre's activities, research programmes and articles on current research issues. *The Quarterly Review* is distributed to around 2,000 subscribers around the world.

LSE Cities

LSE Cities, an international centre for urban excellence, was launched in July 2009 with an endowment of £1 million from Deutsche Bank each year over a period of five years expanding the work of the former LSE Cities programme. The centre is aimed at improving lives of people who live in cities across the world. With 75 per cent of the world's population set to be living in cities by 2050, it's crucial to understand the environmental and social impact of urban settlements. LSE Cities aims to contribute to knowledge production, dissemination and application critical for the development of cities worldwide.

LSE Cities carries out research, outreach and teaching activities in the urban field that cut across disciplinary boundaries. The new centre will continue to hold an annual Urban Age conference in different cities on emerging

themes that affect the social, economic and environmental life of cities. Through executive teaching programmes, summer schools, short courses, research projects and advisory consultancies LSE Cities will assist urban decision makers to investigate and apply socially and environmentally sensitive innovations at both the macro and the micro level. Its research and teaching activities will be designed to expand and improve conceptual frameworks, apply new methodologies, encourage debate about issues raised by developments in research and practice and introduce new themes that will contribute to urban policy development.

LSE Cities, to be located in the Department of Sociology, will start on 1 January 2010 and will be directed by Ricky Burdett, LSE Centennial Professor in Architecture and Urbanism.

Research Centres

Full details of LSE research can be found at www.lse.ac.uk

Accounting Policies



The School is an exempt charity within the meaning of Schedule 2 of the Charities Act 2006 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 15 to 35 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 2006 and also with the Statement of Recommended Accounting Practice (SORP): Accounting for Further and Higher Education, dated July 2007.

(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.

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) Income Recognition

Funding council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account for the periods for which the students are registered. Where the amount of the tuition fee is reduced, income received is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and included within operating income. Where the School disburses funds it has received as paying agent on behalf of the Funding Council or other body, and has no beneficial interest in the funds, the receipt and subsequent disbursement of the funds have been excluded from the income and expenditure account.

Recurrent Income from grants, contracts and other services rendered is accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned. Any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers against the order received or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Increases/decreases in value arising on the revaluation or disposal of endowment assets, ie, the appreciation/depreciation of endowment assets are added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset and crediting or debiting the endowment fund and reported in the statement of total recognised gains and losses.

(f) Land and Buildings

Land and buildings are capitalised in the School's Balance Sheets at historical cost.

The Finance and General Purposes Committee has reviewed the usable lives of the School's buildings and the depreciation policy is based on this.

Freehold land, separately identified since 2005, is not depreciated. Freehold buildings are depreciated over the remainder of their useful economic lives which range between seven and 75 years. Where applicable, freehold buildings completed or acquired since 31 August 2008 are depreciated by components as follows:

Building – 75 years

Roof – 25 years

Mechanical Services – 15 years

Lifts – 10 years.

Leasehold buildings are depreciated over the remaining period of the lease.

Fire Certification Works at the School's Student Residences are depreciated over a period of 15 years. Capital projects which are still under construction are capitalised but not depreciated.

An annual review for impairment of fixed assets is carried out to determine whether events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable and for assets deemed to have an economic life in excess of 50 years. No impairment has been charged to the 2008/09 accounts.



From left to right: Students in one of the conference rooms, NAB; IT at LSE; Sculpture in NAB

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.

(g) Furniture, Equipment and Software

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 and software is stated at cost and depreciated over its useful life which varies between three and 10 years.

(h) Operating Leases

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

(i) Stock

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

(j) Investments

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

(k) Joint Venture Entities and Associates

The School's share of income and expenditure in joint venture entities is recognised in the institution's income and expenditure account in accordance with Financial Reporting Standard 9. Similarly, the institution's share of assets and liabilities in associate entities is recognised in the institution's balance sheet in accordance with Financial Reporting Standard 9.

In accordance with Financial Reporting Standard 9 the gross equity method is used when consolidating joint venture entities and associate entities are consolidated using the equity method.

(l) 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.

(m) 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.

(n) 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, 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.

(o) Charitable Donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received.

Endowment funds

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the School
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

Total return on investment for permanent endowments

The entire investment return initially accrues to an unapplied total return fund. Any income earned on the endowment investments and any capital gains or losses will be shown as endowment and investment income in the income and expenditure account.

The total return, less any part of the return which has previously been applied for the purposes of the institution, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as deferred capital grants. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

(p) Financial Instruments

The School uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods or the contracts. In instances where the derivative financial instrument ceases to be a hedge for an asset or liability, then it is marked to market and any resulting profit or loss recognised at that time.

(q) 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.

Consolidated income and expenditure account



From the left: The Verdant Atrium, NAB; Students on the New Academic Building roof terrace; Clement House

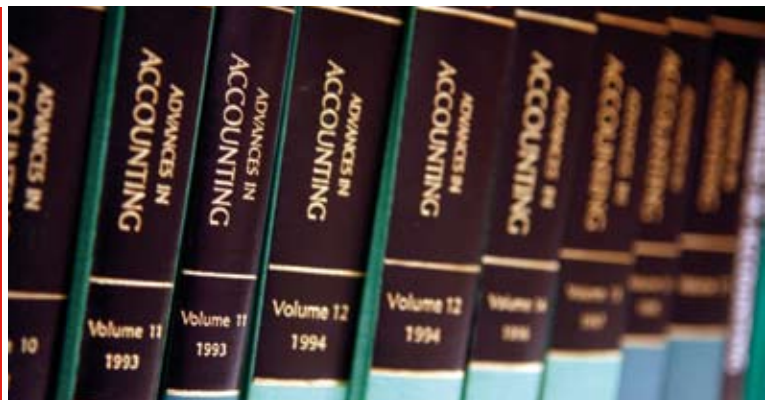
	NOTES	2008/09 £'000	2007/08 £'000
INCOME			
Funding Council grants	1	29,549	29,701
Tuition fees and education contracts	2	96,679	91,371
Research grants and contracts	3	20,272	17,772
Other income	4	49,154	42,744
Endowment and investment income	5	7,205	8,324
Total income		202,859	189,912
EXPENDITURE			
Staff costs	6	107,726	95,159
Other operating expenses	7	69,952	62,101
Depreciation	11	5,184	3,687
Interest payable	8	2,444	2,519
Total expenditure		185,306	163,466
Surplus on continuing operations after depreciation of tangible fixed assets at cost and before exceptional items and tax		17,553	26,446
Exceptional items	9	–	302
Surplus on continuing operations after depreciation of tangible fixed assets at cost and before tax		17,553	26,748
Taxation		–	56
Surplus on continuing operations after depreciation of tangible fixed assets at cost and tax		17,553	26,804
Surplus for the year retained within general reserve	22	17,553	26,804

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

As permitted by Section 408 of the Companies Act 2006, 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 £17,553,000, a surplus of £17,640,000 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	2008/09 £'000	2007/08 £'000
Surplus on continuing operations after depreciation of tangible fixed assets at cost and tax		17,553	26,804
New endowments	21	8,050	10,816
Endowment withdrawn	21	(5,275)	(4,584)
Movement in fair value of endowment asset investments	21	(2,262)	(2,929)
Total recognised gains and losses relating to the year		18,066	30,107
Reconciliation of movement in reserves and endowments			
Opening reserves and endowments		193,021	162,914
Total recognised gains and losses for the year		18,066	30,107
Closing reserves and endowments		211,087	193,021

Balance sheets



From the left: Books in the Library; Bankside Hall of Residence

Company Registration No 70527

	NOTES	Group 2009 £'000	School 2009 £'000	Group 2008 £'000	School 2008 £'000
Fixed Assets					
Tangible assets	11	242,255	241,700	230,104	229,525
Investments in subsidiary undertakings	12	–	150	–	150
Investments in joint ventures	13	418	–	417	–
		242,673	241,850	230,521	229,675
Endowment Assets	14	57,366	57,366	56,853	56,853
Current Assets					
Stock		82	82	77	77
Debtors	15	19,455	22,475	15,413	17,201
Cash at bank and in hand	16	21,685	16,648	5,086	2,867
Bank deposits	16	49,000	49,000	48,000	48,000
		90,222	88,205	68,576	68,145
Creditors: amounts falling due within one year	17	(59,037)	(56,620)	(41,544)	(40,776)
Net current assets		31,185	31,585	27,032	27,369
Total assets less current liabilities		331,224	330,801	314,406	313,897
Creditors: amounts falling due after more than one year	17	(34,688)	(34,688)	(43,434)	(43,434)
Provision for Pension Liabilities	19	(214)	(214)	(207)	(207)
NET ASSETS		296,322	295,899	270,765	270,256
Deferred capital grants	20	85,235	85,235	77,744	77,744
Endowments					
Expendable	21	33,738	33,738	32,942	32,942
Permanent	21	23,628	23,628	23,911	23,911
		57,366	57,366	56,853	56,853
Reserves					
General reserve	22	153,721	153,298	136,168	135,659
		153,721	153,298	136,168	135,659
TOTAL		296,322	295,899	270,765	270,256

The financial statements on pages 19 to 39 were approved by the Council on 24 November 2009 and were signed on its behalf by

Peter Sutherland
Chairman of Court and Council

Howard Davies
Director

Consolidated cash flow statement



	NOTES	2008/09 £'000	2007/08 £'000
Cash flow from operating activities	23	37,192	34,578
Returns on investments and servicing of finance	24	1,796	3,349
Capital expenditure and financial investment	25	(10,139)	(17,747)
Management of liquid resources	26	(1,000)	(18,000)
Financing	27	(10,524)	(2,225)
Increase/(decrease) in cash in the period	28	17,325	(45)
Reconciliation of net cash flow to movements in net funds/debt			
Increase/(decrease) in cash in the period		17,325	(45)
Cash outflow from liquid resources	26	1,000	18,000
Changes in net debt resulting from cash flows	27	10,524	2,225
Movements in net debt in period		28,849	20,180
Net funds at 1 August		24,601	4,421
Net funds at 31 July	28	53,450	24,601

Notes to the accounts



From the left: The Atrium in the Student Services Centre; LSE IT rooms

		2008/09 £'000	2007/08 £'000
1 FUNDING COUNCIL GRANTS	NOTES		
From the HEFCE			
Block Recurrent		27,729	27,293
Library Grants		234	234
Higher Education Innovations Fund		272	605
Other Specific Grants		276	275
Deferred Capital Grants Released in Year	20	660	549
		29,171	28,956
Joint Information Systems Committee and Other Grants		378	745
		29,549	29,701
2 TUITION FEES AND EDUCATION CONTRACTS			
Tuition Fees :			
Home/EU Students		27,123	23,968
Overseas Students		61,083	60,190
TRIUM MBA		1,612	1,235
Short Courses		6,398	5,701
Examination and Other Fees		463	277
		96,679	91,371
3 RESEARCH GRANTS AND CONTRACTS			
Research Councils		6,799	6,549
Government Departments		2,794	1,669
Charities		1,792	2,024
European Community		1,992	1,819
Other Outside Bodies		4,635	3,870
Specific Endowments	5	2,260	1,841
		20,272	17,772

Notes to the accounts



		2008/09	2007/08
		£'000	£'000
4 OTHER INCOME	NOTES		
Residences and Catering		24,421	23,005
Rental Income		1,118	1,176
Other Services Rendered		1,478	600
Publications		1,107	982
Library		991	1,040
External Study Programme		4,691	3,870
Consultancy Services and Executive Education		8,100	7,404
VAT Partial Exemption Scheme and Voluntary Disclosure		2,812	79
Application Fees		865	521
Staff and Student Facilities		923	1,528
Academic Department Income Attributable to Other Activities		2,000	1,975
Release of Deferred Capital Donations	20	576	472
Sundry		72	92
		49,154	42,744
5 ENDOWMENT AND INVESTMENT INCOME			
Income from Expendable Endowments		949	1,600
Income from Permanent Endowments		1,074	1,086
Income from Endowments	21	2,023	2,686
Released from Endowments		5,225	4,297
		7,248	6,983
Research Grants and Contracts funded by:			
Expendable Endowments		(1,790)	(1,454)
Permanent Endowments	3	(470)	(387)
		(2,260)	(1,841)
Investment of General Funds:			
Interest and Dividends Receivable		2,217	3,182
		7,205	8,324
6 STAFF COSTS			
Total staff costs for the year were:			
Wages and Salaries		90,097	79,923
Social Security Costs		7,770	6,896
Other Pension Costs		9,859	8,340
		107,726	95,159



From the left: LSE Careers Centre; LSE Global Village for Adult Learners' Week; Ngozi Okonjo-Iweala, Managing Director of the World Bank

6 STAFF COSTS (continued)	2008/09	2007/08
The average monthly number of persons employed by the School during the year expressed as full-time equivalents was:	Number	Number
Research and Teaching	830	806
Operational Services	1,115	1,063
Medical Services	1	2
Subsidiaries	15	13
	1,961	1,884
DIRECTORS' REMUNERATION	£'000	£'000
Directors		
Emoluments (2008/09 – nine Directors; 2007/08 – nine Directors)	912	899
Retirement benefits are accruing to 9 directors under a defined benefit scheme, USS.		
Highest paid director		
Emoluments	257	247
Defined benefit pension scheme:		
Accrued pension at end of year	13	10
Accrued lump sum at end of year	40	30
Emoluments of the Director		
Salary	240	229
Benefits in kind	17	18
	257	247
Pension contributions	34	32
	291	279

The Director of the School was the School's 'highest paid director' as disclosed above. For the year 2008/09, the Director voluntarily waived entitlement to £5,000 salary.

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	
	2008/09	2007/08
	Number	Number
£100,001 – £110,000	33	18
£110,001 – £120,000	9	10
£120,001 – £130,000	13	7
£130,001 – £140,000	9	1
£140,001 – £150,000	13	2
£150,001 – £160,000	1	1
£160,001 – £170,000	1	1
£170,001 – £180,000	1	1
£180,001 – £190,000	3	–
£190,001 – £200,000	1	–
£200,001 – £210,000	1	–
	85	41

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

Notes to the accounts



	2008/09	2007/08
	£'000	£'000
7 OTHER OPERATING EXPENSES		
Academic Departments	7,988	7,047
Library and IT Services	8,617	6,041
Research Grants and Contracts Direct Costs	4,082	3,698
Scholarships and General Educational Expenditure	14,604	13,264
Premises	11,384	9,715
Administration and Central Services	2,896	2,330
Staff and Student Facilities	1,669	1,652
Residences and Catering	13,352	13,421
Miscellaneous	5,360	4,932
	69,952	62,100
Other operating expenses include:		
Fees payable to the School's auditor for the audit of the annual accounts	50	49
Fees payable to the School's auditor and its associates for other services:		
Audit of the annual accounts of the School's subsidiaries	6	6
Other services relating to taxation	3	8
All other services	19	8
	78	71
8 INTEREST PAYABLE		
Loans not wholly repayable within five years	2,444	2,519
	2,444	2,519
9 EXCEPTIONAL ITEMS		
Sale of Silver Walk property	–	302
	–	302
10 TAXATION		
LSE LETS tax credit	–	56



From the left: LSE Library;
Plaza Cafe

11 TANGIBLE FIXED ASSETS	LAND AND BUILDINGS		EQUIPMENT	TOTAL
	FREEHOLD	LONG LEASEHOLD		
Group	£'000	£'000	£'000	£'000
COST				
As at 1 August 2008	228,722	23,074	7,565	259,361
Additions in Year	14,548	302	2,485	17,335
Transfer	–	(377)	377	–
As at 31 July 2009	243,270	22,999	10,427	276,696
DEPRECIATION				
As at 1 August 2008	19,991	3,263	6,003	29,257
Charge for Year	3,873	507	804	5,184
Transfer	–	(19)	19	–
As at 31 July 2009	23,864	3,751	6,826	34,441
NET BOOK VALUE				
As at 1 August 2008	208,731	19,811	1,562	230,104
As at 31 July 2009	219,406	19,248	3,601	242,255
	LAND AND BUILDINGS		EQUIPMENT	TOTAL
	FREEHOLD	LONG LEASEHOLD		
School	£'000	£'000	£'000	£'000
COST				
As at 1 August 2008	228,722	22,424	7,322	258,468
Additions in Year	14,548	302	2,485	17,335
Transfer	–	(377)	377	–
As at 31 July 2009	243,270	22,349	10,184	275,803
DEPRECIATION				
As at 1 August 2008	19,991	3,182	5,771	28,944
Charge for Year	3,873	482	804	5,159
Transfer	–	(19)	19	–
As at 31 July 2009	23,864	3,645	6,594	34,103
NET BOOK VALUE				
As at 1 August 2008	208,731	19,242	1,551	229,524
As at 31 July 2009	219,406	18,704	3,590	241,700

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 objects d'art have been built up over many years, and include significant donations. Their value is not recorded in the accounts.

Notes to the accounts



	Group 2009 £'000	School 2009 £'000	Group 2008 £'000	School 2008 £'000
12 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS				
Subsidiary Companies	–	150	–	150
Principal subsidiaries are:				

Name	Nature of Business	Shareholding	Number of Shares
LSE Enterprise Limited	Consultancy	100%	150,000
LSE LETS Limited	Vacation lettings	100%	2
VELSE Limited	Dormant	100%	0
LSE Asia Limited	Dormant	100%	0

All of the above are registered in England.

LSE Foundation Inc. (registered in the United States) has no share capital but is owned by the School and carries out fundraising activities in the United States. The results of the LSE Foundation Inc. have been included in the Income and Expenditure Account.

	Group 2009 £'000	School 2009 £'000	Group 2008 £'000	School 2008 £'000
13 INVESTMENTS IN JOINT VENTURES				
Joint Ventures	418	–	417	–

The School has a 50 per cent 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 2008/09 but the 2007/08 Accounts show the School's share of Turnover to be £46,000 and Operating Profit to be £1,330.

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.



From the left: LSE Asia Forum, Singapore; Detail of Clement House; Students' Union

14 ENDOWMENT ASSETS – Group and School	2009 £'000	2008 £'000
Movement in the year:		
Balance at 1 August	56,853	53,550
Additions	5,881	4,995
Sales	(2,832)	(3,875)
Movement in fair value of endowment asset investments	(2,262)	(2,929)
(Decrease)/Increase in Cash Balance	(274)	5,112
Balance at 31 July	57,366	56,853
Analysis of closing balance:		
UK Equities	16,637	15,187
Overseas Equities	7,584	5,116
Gilts	147	7,142
UK Corporate Bonds	12,848	9,199
Other	1,912	2,152
Money Market Funds	1,340	885
Invested	40,468	39,681
Share of Freehold Property	33	33
Cash on Deposit	16,865	17,139
	57,366	56,853

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



	Group 2009 £'000	School 2009 £'000	Group 2008 £'000	School 2008 £'000
15 DEBTORS				
Amounts falling due within one year:				
Trade Debtors	6,036	4,414	5,331	3,881
Research Balances	5,652	5,652	4,812	4,812
Amounts due from Subsidiary Undertakings	–	4,656	–	3,342
Staff Loans for Housing	51	51	29	29
Other Debtors	5,252	5,238	3,411	3,400
Prepayments and Accrued Income	1,889	1,889	1,406	1,313
	18,880	21,900	14,989	16,777
Amounts falling due after more than one year:				
Trade Debtors	213	213	229	229
Staff Loans for Housing	362	362	195	195
	575	575	424	424
TOTAL	19,455	22,475	15,413	17,201
16 CASH AT BANK AND IN HAND				
Cash at Bank	21,685	16,648	5,086	2,867
Fixed Term Deposits	49,000	49,000	48,000	48,000
	70,685	65,648	53,086	50,867
17 CREDITORS				
Amounts falling due within one year:				
Bank Loans	1,800	1,800	2,190	2,190
Trade Creditors	4,037	3,906	5,038	4,952
Research Creditors and Prepayments	9,334	9,334	4,956	4,956
Short Courses	111	111	29	29
Amounts due to Subsidiary Undertakings	–	1,204	–	1,331
Taxation and Social Security	2,676	2,676	2,630	2,629
Other Creditors	1,952	1,952	1,456	1,456
Accrual for Building Works	60	60	1,094	1,094
Accruals and Deferred Income	39,067	35,577	24,151	22,139
	59,037	56,620	41,544	40,776
Amounts falling due after one year:				
Bank Loans	33,300	33,300	43,434	43,434
Deferred VAT payments	1,388	1,388	–	–
	34,688	34,688	43,434	43,434



From the left: A lecture in the Thai Theatre, NAB; Dr Ben Bernanke, Chairman of the Federal Reserve of the United States at LSE public lecture; LSE main entrance

	Group 2009 £'000	School 2009 £'000	Group 2008 £'000	School 2008 £'000
18 BORROWINGS				
Bank loans are repayable as follows:				
In one year or less	1,800	1,800	2,189	2,189
Between one and two years	1,800	1,800	2,189	2,189
Between two and five years	5,400	5,400	6,568	6,568
In five years or more	26,100	26,100	34,677	34,677
	35,100	35,100	45,623	45,623

As at 31 July 2009 the School has a £65,100,000 loan facility. To date the School has drawn net £35,100,000 to repay historic debts and 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 per cent and 5.5 per cent. The School would have had to pay £9,700,000 to liquidate the swaps as at 31 July 2009.

19 PROVISION FOR PENSION LIABILITIES	Pensions
Group and School	
As at 1 August 2008	207
Transferred from Income and Expenditure Account	7
As at 31 July 2009	214

The pensions supplementation 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'.

20 DEFERRED CAPITAL GRANTS	NOTES	Funding Council £'000	Other Grants and Donations £'000	TOTAL £'000
Group and School				
As at 1 August 2008		43,698	34,046	77,744
Cash Received		5,042	3,792	8,834
Released to Income and Expenditure Account – School	1 & 4	(660)	(576)	(1,236)
Released to Income and Expenditure Account – Residence		(19)	(88)	(107)
As at 31 July 2009		48,061	37,174	85,235

Notes to the accounts



21 ENDOWMENTS	NOTES	Restricted Expendable £'000	Restricted Permanent £'000	Restricted Total £'000	Total £'000
Group and School					
As at 1 August 2008		32,942	23,911	56,853	56,853
Capital Value		30,225	21,730	51,955	51,955
Accumulated Income		2,717	2,181	4,898	4,898
At 1 August 2008		32,942	23,911	56,853	56,853
Net Additions		7,813	237	8,050	8,050
Appreciation of Endowment Asset Investments		(1,383)	(879)	(2,262)	(2,262)
Investment Income	5	949	1,074	2,023	2,023
Expenditure for the year		(6,583)	(715)	(7,298)	(7,298)
At 31 July 2009		33,738	23,628	57,366	57,366
Represented by:					
Capital Value		31,030	21,080	52,110	52,110
Accumulated income		2,708	2,548	5,256	5,256
		33,738	23,628	57,366	57,366
22 MOVEMENTS ON GENERAL RESERVE					
		Group 2009 £'000	School 2009 £'000	Group 2008 £'000	School 2008 £'000
As at 1 August		136,168	135,659	109,364	108,712
Surplus for the Year		17,553	17,639	26,804	26,947
As at 31 July		153,721	153,298	136,168	135,659



From the left: Suspended glass roof in the Verdant Atrium, NAB; Dr Susilo Bambang Yudhoyono Indonesian President at LSE public lecture; The course collection, LSE Library

23 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2009		2008	
	£'000	£'000	£'000	£'000
Surplus of Income over Expenditure for the Year on Total Activity Before Tax		17,553		26,804
Adjustment for Depreciation and Deferred Capital Grants				
Depreciation	5,184		3,688	
Deferred Capital Grants Released	(1,343)		(1,129)	
		3,841		2,559
Adjustment for Investment and Financing Cash Flows				
Investment Income Receivable	(2,248)		(3,053)	
Interest Payable	2,444		2,519	
		196		(534)
Adjustment for Restricted Fund Cash Flows				
Transfer to Income and Expenditure Account	(7,298)		(7,270)	
Additions to Funds	8,050		10,811	
		752		3,541
Adjustment for Joint Venture Profit		(1)		(1)
Adjustments to Working Capital				
Decrease in Stocks	5		6	
Increase in Debtors	(4,042)		(1,357)	
Increase in Creditors	19,271		3,639	
Less relating to:				
– Bank Loans/Finance Leases	(390)		(18)	
		14,844		2,270
Adjustment for Pension Provision		7		(61)
Net Cash Inflow from Operating Activities		37,192		34,578

Notes to the accounts



24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2009 £'000	2008 £'000
Income from Endowments	2,023	2,686
Other Investment Income	2,217	3,182
Interest Payable	(2,444)	(2,519)
	<u>1,796</u>	<u>3,349</u>

25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Payments to Acquire Tangible Fixed Assets	(17,335)	(23,917)
Payments to Acquire Investments	(5,881)	(4,990)
Receipts from Sales of Investments	2,832	3,875
Deferred Capital Grants/Donations Received	8,834	5,397
Permanent Endowments Received	1,411	1,888
	<u>(10,139)</u>	<u>(17,747)</u>

26 MANAGEMENT OF LIQUID RESOURCES

Cash Added from Fixed Term Deposits	<u>(1,000)</u>	<u>(18,000)</u>
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27 FINANCING

Bank Loan Repayments	<u>(10,524)</u>	<u>(2,225)</u>
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28 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2008 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2009 £'000
Cash at Bank and in Hand	5,086	16,599	–	21,685
Endowment Cash	17,139	(274)	–	16,865
Less: Fixed Term Deposits within Endowment Cash	(17,000)	1,000	–	(16,000)
	<u>5,225</u>	<u>17,325</u>	<u>–</u>	<u>22,550</u>
Fixed Term Deposits	65,000	1,000	–	66,000
Debt due within one year	(2,190)	10,524	(10,134)	(1,800)
Debt due after one year	(43,434)	–	10,134	(33,300)
	<u>24,601</u>	<u>28,849</u>	<u>–</u>	<u>53,450</u>



From the left: Primary school visit as part of widening participation; Penny Wong, Australia Minister for Climate Change and Water, at LSE public lecture; Staff at the LSE Teaching Day

29 PENSION COMMITMENTS

The School participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements or the University of London (SAUL). Both are defined benefits schemes and are externally funded and contracted out of the State Second Pension (S2P) Scheme.

Pension Scheme	USS		SAUL	
	2009	2008	2009	2008
Active members	1,138	1,038	541	479
Contribution rate made by School	14%	14%	13%	13%
Contribution made (in £'000)	7,951	7,037	1,501	1,339

During the year, the School introduced a salary sacrifice scheme on pension contributions.

(i) USS

The School participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 130,000 active members. The scheme is open to the School's academic and academic-related support staff.

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 board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

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

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

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – No age rating

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

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

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

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

Notes to the accounts



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

The institution combination rate required for future service benefits alone at the date of the valuation was 16 per cent of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution combination rate to 16 per cent of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103 per cent to 74 per cent. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the funds actual investment performance over the year and changes in market conditions. Market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions.

On the FRS17 basis, using a AA bond discount rate of 7.1 per cent per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86 per cent. An estimate of the funding level measured on a buy-out basis at that date was approximately 46 per cent.

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

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Increase/decrease by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (mortality used at last actuarial valuation, rated down by a further year)	Increase by £1.6 billion

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes, the management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it will 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 will 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 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 is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

(ii) SAUL

The School participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The School has adopted Financial Reporting Standard 17 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 (ie, cash amounts) in accordance with paragraphs 8-12 of Financial Reporting Standard 17. The scheme is open to the School's secretarial/clerical/technical staff. As at 31 July there were 541 staff who were members of the scheme.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 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:



From the left: Square the block, artwork on the Kingsway; Douglas Alexander opening the International Growth Centre; Robert and Dilys Rawson who left a legacy to the Department of Geography at LSE

Valuation method	Projected Unit	
	Past Service	Future Service
Investment return on liabilities		
before retirement	6.9% p.a.	7.0% p.a.
after retirement	4.8% p.a.	5.0% p.a.
Salary growth (excluding an allowance for promotional increases)	4.85% p.a.	4.85% p.a.
Pension increases	3.35% p.a.	3.35% p.a.

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,26 million representing 100 per cent of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13 per cent of Salaries and 6 per cent of Salaries respectively following the valuation.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation date (31 March 2008).

The next formal actuarial valuation is due at 31 March 2011 when the above rates will be reviewed.

(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.

	Group 2009 £'000	School 2009 £'000	Group 2008 £'000	School 2008 £'000
30 CAPITAL COMMITMENTS				
54 Lincoln's Inn Fields (New Academic Building)	–	–	6,643	6,643
	–	–	6,643	6,643

The Council approved £3.5m of preliminary work in respect of future New Student Centre project. Total cost of New Academic Building, opened in November 2008 was £65m.

	Group 2009 £'000	School 2009 £'000	Group 2008 £'000	School 2008 £'000
31 OPERATING LEASES				
At 31 July the School had annual commitments under non-cancellable operating leases as follows:				
Land and buildings	5,156	5,156	5,037	5,037
Equipment and facilities	950	950	913	913
	6,106	6,106	5,950	5,950

32 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 rented office space on commercial terms to British Venture Capital Association (BVCA) until 30 June 2009. Mr Wol Kolade, a director of the School, a member of Council and Chairman of the Audit Committee is a Council member and immediate past Chairman of BVCA.

The School received payments from Morgan Stanley Inc. for sponsorship of careers fairs. Howard Davies, Director of the School, is a board director of Morgan Stanley Inc.

Notes to the accounts



33 CONTINGENT LIABILITIES

The School is not involved in any legal dispute where material financial liabilities are anticipated.

34 SCHOLARSHIPS AND ACCESS FUNDS

The School has spent £12,309,000 during the year (£11,450,000 in 07/08) on Student Support using general funds and trust funds to support hardship grants and merit awards.

Access Funds Consolidated and School	2009 £'000	2008 £'000
Balance Unspent as at 1 August	23	26
Funding Council Grants	52	80
Interest Earned	1	3
Disbursed to Students	(58)	(86)
Balance Unspent as at 31 July	18	23

Funding Council grants 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.

	At 1 August 2008 £'000	Additions funded by Loans and General Reserves £'000	Additions funded by Deferred Capital Grants £'000	Depreciation £'000	At 31 July 2009 £'000
35 FUNDING OF TANGIBLE FIXED ASSETS					
Land and Buildings	228,542	8,986	8,834	(4,380)	241,982
Equipment	1,562	2,843	–	(804)	3,601
	230,104	11,829	8,834	(5,184)	245,583
Funded by:					
Deferred Capital Grants	77,774				85,235
Bank Loans	45,624				35,100
General Reserves	106,736				125,248
	230,134				245,583

36 POST BALANCE SHEET EVENT

The School exchanged a contract to purchase Sardinia House in July 2009 and completed the purchase August 2009. The cost of purchase has been included in the balance sheet as at 31 July 2009.

In September 2009, the School purchased the freehold of the White Horse Public House.



*From the left: Graduation;
Mary McAleese, President
of Ireland meeting students
after her public lecture; The
Library atrium*

37 FIVE YEAR GROUP FINANCIAL SUMMARY

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Income					
Funding Council Grants	29,549	29,701	28,250	26,870	24,677
Tuition Fees and Education Contracts	96,679	91,371	80,462	72,316	63,350
Research Grants and Contracts	20,272	17,772	16,085	15,361	15,032
Other Income	49,021	42,744	38,204	31,217	28,696
Endowment and Investment Income	7,205	8,324	5,716	3,680	3,492
Total Income	202,726	189,912	168,717	149,444	135,247
Expenditure					
Staff Costs	107,726	95,159	85,813	78,160	72,745
Other Operating Expenses	69,818	62,100	55,791	51,308	46,257
Depreciation	5,184	3,688	3,422	3,409	3,247
Interest Payable	2,445	2,519	2,583	2,830	2,850
Total Expenditure	185,173	163,466	147,609	135,707	125,099
Exceptional items	–	302	3,339	2,172	–
Surplus for the year	17,553	26,748	24,447	15,909	10,148
Net Assets	296,322	270,765	236,390	196,146	172,338
Deferred Capital Grants	85,235	77,744	73,476	59,779	58,669
Endowments	57,366	56,853	53,550	51,386	44,492
Reserves	153,721	136,168	109,364	84,981	69,177
Total	296,322	270,765	236,390	196,146	172,338

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. Constitutional documents comprise the 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 LSE also observes the CUC Governance Code of Practice, a voluntary Code which reflects good practice in the governance of higher education institutions in the UK.

The principal statutory bodies of the School are as follows.

The Court of Governors (which constitutes the members of the company)

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. As members of the company, governors have the power of recall under the Companies Acts. If governors are dissatisfied with a decision made by the Council, they (ie, 10 members according to the Companies Acts) can 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 Council (The full voting members of the Council are the directors of the company)

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, ie, teaching and learning, the student experience, research and engagement. The Council monitors the performance of the School in key areas such as institutional sustainability, academic profile and market position, financial health, estates and infrastructure, staffing and human resource strategy, leadership and management, knowledge transfer, and the delivery of major projects. Council is the corporate trustee of the School under the Charities Acts.

Council is supported in carrying out its role by a number of standing committees: Finance and General Purposes, Audit, Remuneration, Strategic Risk, Estate Strategy, Health and Safety, Library and Information Services, Equality and Diversity; and also by a range of advisory committees: Development, External Relations, Human Resources, Residences Management. The Council also utilises ad hoc committees, to act on its behalf on urgent matters between formal meetings (the Chairman's Group) and high-level selection panels, including those for the Chairman, Vice Chairmen, Director and Pro-Directors.

There are specific arrangements in place to ensure the cross-reporting of business between Court and Council.

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 of committees and there are mechanisms for ensuring the exchange of business between it and 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 Higher Education Funding Council for England (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 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. This process has been in place for the year ended 31 July 2009 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 meets up to nine times per year. 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 (CUC) in 2004 and updated in March 2009 have been reviewed in detail and Council confirms that it complies with the recommendations of the guide in all material respects.

4.3 The identification of new and emerging strategic and operational risks arises primarily from continued dialogue between senior School officers, the Pro Directors and heads of academic and administrative departments/divisions, along with more routine horizon scanning activities. Where it is thought that a new and emerging risk requires urgent attention, this is first assessed by the Director's Management Team (DMT), which decides on i) the most appropriate course of action (if any) to be taken and ii) where to assign senior management responsibility for that action. Where the DMT risk assessment identifies that urgent Council consideration is required, risks may be addressed directly to Council, for example, in relation to proposed major capital projects or third party collaborations.

4.4 Council also takes a close role in the monitoring and management of risk through its Strategic Risk Committee, which reports directly to Council. The Committee is primarily concerned with strategic risk management issues and issues of risk and governance. However, the Committee also considers arrangements for the management of operational risks and the further embedding of a risk-aware culture in the School.

4.5 The Strategic Risk Committee's deliberations are informed by a strategic risk register. This is presented at each Committee meeting and reviewed to ensure that it remains current. During 2008/09, membership of the Committee was broadened to include senior Officers of the School who are responsible for managing risk on a day-to-day basis. This, coupled with the inclusion of risk considerations in the formulation, approval and



From the left: the Library archive; Cafe 54; LSE launched the first Executive Summer School in 2009

delivery of Service Development Plans, has assisted in embedding strategic risk management throughout the institution. Work is current underway to trial local risk registers in departments of the School, as part of the ongoing maturation of strategic risk management arrangements.

4.6 The Strategic Risk Committee meets jointly with the Audit Committee, to discuss matters of mutual interest and to ensure an holistic approach to controls assurance. At their meeting in June 2009, the two Committees collectively reviewed the Strategic Risk Register and reviewed specifically progress in addressing strategic IT risk management issues during the year.

4.7 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 and the financial implications of non-financial risks. The Strategic Plan has been subject to extensive consultation within the School during 2008/09, culminating in a new Strategic Plan for 2009/14 which was published in Autumn. An early task for the Council in 2009/10 will be to agree targets and mechanisms for monitoring progress with the achievement of the Strategic Plan, and also means by which to assure themselves as to the 'health' of the institution, drawing on a range of performance indicators which are benchmarked, wherever possible, against those of peer institutions.

4.8 In response to the global economic downturn, the Council took the precautionary measure, in November 2008, of establishing a Recession Planning Contingency Group under the Chairmanship of the Pro-Director (Planning and Resources). The RPCG monitors a range of early warning indicators, to enable the institution to act with speed and agility should financial sustainability be threatened. The Finance and General Purposes Committee has modeled a range of scenarios and revisited the draft budget for 2009/10 and financial projections for the five year planning period, taking steps as necessary to ensure that the institution would be in a position to continue with its planned programme of investment without risk to the achievement of surplus targets.

4.8 The School has continued to develop its business continuity arrangements through the year. The principal objective of these arrangements is to mitigate the potential impact on the School's teaching and research activities should any of the identified principal continuity risks crystallise. Building on activities undertaken during 2007/08 to develop the School's central emergency management infrastructure more localised, departmental business continuity arrangements are being introduced to afford an added degree of assurance. Institutional business continuity planning arrangements have been tested by means of desk top simulations, with opportunities taken to improve robustness where necessary. The structures put in place have proved effective in managing a range of adverse incidents in-year, from severe weather conditions to lengthy power outages, and a number of contingency measures remain in place to provide an adequate response to any 'flu pandemic, or similar.

4.11 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. In 2008/09, the Audit Committee received a report from the Internal Audit Service following a review of data quality based on student number returns (HESES). Whilst the finding was one of significant assurance, it was noted that some institutional datasets, notably estate management statistics, would require further investment before they could afford a similar degree of assurance.

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 service, 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.

7 A HEFCE Assurance Service visit was carried out during Summer 2009, the results of which will be reported to Council during 2009/10.

8 A review of School governance will be carried out during 2009/10 and will include a review of the effectiveness of the Council.

LSE Environmental Policy and report on environmental progress



Environmental Policy

'The fundamental purpose of the London School of Economics and Political Science (LSE) is to increase understanding of a complex and changing world through excellent teaching and research in the social sciences and by promoting its work to policy makers and practitioners in the public, private and voluntary sectors. Founded in 1895, LSE adopted the motto *rerum cognoscere causas* – to understand the causes of things. The School seeks to support the leaders of the future to responsibly shape the world in which we live by creating an institutional culture which collectively works to deliver the LSE Environmental Policy.

LSE

- Employs over 2,780 members of staff
- Educates over 8,600 students from 140 countries
- Houses 3,479 students in 11 halls of residence across 5 London boroughs
- Manages another 28 buildings covering over 115,700 m² GIA in Camden and the City of Westminster, including a nursery, 12 catering outlets, a world renowned library, a public house and a 27 acre sports ground in Surrey

Policy Aims

The LSE recognises that its activities, products and services have environmental, social and economic impacts. LSE is committed to acting responsibly to minimise its environmental impact through the following aims:

- 1 Reduce the use of natural resources
- 2 Prevent the physical degradation of ecosystems
- 3 Prevent pollution from emissions and discharges, in particular those that directly contribute to climate change
- 4 Provide leadership in the field of sustainability
- 5 Create a vibrant community in which staff, students and visitors have the opportunity to individually and collectively support the School in protecting the environment

Policy Objectives

Biodiversity and Urban Landscapes

- Monitor, maintain and enhance biodiversity and habitats on the School estate

Community Involvement

- Communicate with interested parties on the Environmental Policy including contacts in the immediate neighbourhood, the regional, national and global community. This includes but is not limited to the education, business, media, and alumni communities.

Construction and Refurbishment

- Reduce consumption of new materials and increase the reuse and recycling of materials
- Incorporate environmental criteria into material and contract specifications to reduce whole life cycle environmental impacts
- Create built environments that meet the highest environmental standards

Education for Sustainable Development

- Research: Shape public policy on environmental and social issues and ensure that LSE remains at the forefront of academic investigation and public debate in these areas through the work of the Grantham Research Institute on Climate Change and the Environment, the Centre for Environmental Policy and Governance, the Centre for Climate Change Economics and Policy and the Department of Geography and Environment.
- Teaching and Learning: Ensure that LSE graduates have a full understanding of the environmental and social dimensions of leadership
- Training and Guidance: Ensure that staff, students and visitors are able to access information on sustainable lifestyles to support the development of responsible global citizens

Energy and Water

- Reduce consumption and increase efficiency of energy and water use in buildings and equipment
- Reduce emissions and discharges from buildings and equipment

Health, Welfare and Safety

- Support the communication and delivery of the LSE Health and Safety Policy and the LSE Well Being Policy to ensure the health, safety and well being of all staff, students and visitors

Income and Investment

- Support the communication and delivery of the LSE Socially Responsible Investment Statement to ensure ethical sources of income, ethical investment and divestment from activities with negative impact on environmental or human welfare

Transport

- Minimise emissions arising from commuting, business travel choices and deliveries

Procurement

- Require contractors, sub-contractors and suppliers to meet or exceed all relevant environmental legislation and regulations and work to improve the environmental performance of the School
- Support the communication and delivery of the LSE Fair Trade Policy

Waste and Resources

- Use the zero-waste 'rethink-reduce-reuse-recycle' criterion in waste and resource management

Environmental Management System

The Environmental Management System will deliver these objectives and continually improve environmental performance by:

- Planning, implementing, checking and reviewing of policies, plans and procedures
- Developing targets and performance indicators for each objective
- Complying with and exceeding all relevant environmental legislation, regulations and other requirements
- Achieving external accreditation, including ISO14001
- Publicly communicating progress, including the production of an annual report



From the left: Increased bicycle racks across the campus; Richard Wilson unveiling of Square the Block; planters on the terrace of the NAB

Environmental Progress

As of 1 June 2009, a Sustainability Team of 4.5 posts is in place, managed by the Head of Facilities Management reporting to the Director of Estates. The team comprises:

- Environmental and Sustainability Manager
- Carbon Reduction Manager
- Environmental Compliance and Sustainable Waste Officer
- Sustainability Projects Officer
- Residences Sustainability Officer

Key achievements in 2008/09 included:

Being ranked second in the People and Planet Green League 2009

Achieving Bronze (first phase) EcoCampus in late 2008 (leading towards ISO14001)

Winning National Recycling Award – Best Waste Minimisation Project 2008 for HEFCE funded End of Term Reuse Leadership

Being awarded Carbon Trust Standard and Green 500 Platinum award for Carbon Reduction Progress 2009

Winning Green Gown 2009 for Sustainable Construction and Refurbishment for the New Academic Building

An Environmental Management and Review Group (EMRG) chaired by Howard Davies, with expert input from Professor Lord Nicholas Stern and Professor Judith Rees, the SU and key members of senior management meets termly to review strategic issues in relation to the delivery of the Environmental Policy

Environmental Management Working Groups have been established in four priority areas: Library and ITS; Residences and Catering; SU; and Estates. They are supported by similar groups in HR, Purchasing and the Sustainable Futures student group. The Secretariat has ensured that all Service Development Plans include environmental action plans.

Staff and student sustainability champions are active across the campus and halls of residence.

Examples of activities to deliver the LSE Environmental Policy include:

Buildings

- The NAB achieved BREEAM (Building Research Establishment Environmental Assessment Method) rating of 'Excellent'.
- The St Philips project team has set the requirement for a BREEAM 'Excellent' rating (aspirational 'Outstanding') and an A rated DEC along with a strong regard for operational sustainability in the design process.
- Specifications for Refurbishment projects and for Residences now incorporate requirements to meet strict environmental standards
- Buildings Condition Surveys have been combined with energy efficiency assessments and the DEC's to enable the mapping of refurbishment to deliver ever more sustainable buildings
- NAB roof garden demonstrates the potential for biodiversity planting which will be integrated in all future developments
- Houghton Street poster boards for student posters

Resource Management

- Diverted 42 tonnes of campus furniture into reuse and an additional 9 tonnes from end of term reuse in halls of residence.
- Recycling rate of 72 per cent (minimum) in the NAB with the innovative Bin the Bin system (communal recycling stations rather than individual desk bins) and food waste composting.
- For the rest of campus and halls 37 per cent recycling, 63 per cent landfill.
- Successful collaboration with the London Borough of Islington in Rosebery Hall on a food waste composting scheme (also featured on Hungarian TV)
- The launch of a zero waste tender process which aims to increase recycling rates across campus and halls to 85 per cent by May 2010 including waste reduction, zero waste to landfill and food waste composting

Carbon Management

- The total energy consumption in 2007/08 for the main LSE site was 27.3m kWh with a total cost of £1.4m. This resulted in the release of carbon emissions equating to 16.1 tonnes CO₂.
- From August 2009, Northumberland House will be Carbon Neutral (electricity purchased on 'green energy' tariff, heating and hot water supplied via Whitehall District heating, generated using CHP).

Full details of activities are available at the LSE and Environment website – www.lse.ac.uk/collections/environment

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 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 decreased from £19.46 to £18.03 during the year, a reduction of 7.3 per cent. A distribution of 34.51 pence per unit was

made in the year, equivalent to a yield of 1.9 per cent on the opening market value giving a total return of -5.4 per cent for the year. The unit value of Pool B decreased by 5.0 per cent from £19.79 to £18.81 and a distribution of 87.82 pence was made equivalent to a yield of 4.6 per cent giving a total return of -0.4 per cent for the year. The market value of the FER investments decreased by 4.5 per cent and a distribution equivalent to 4.8 per cent of the opening market value was made producing a total return of 0.3 per cent 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 reviews the asset allocations on a regular basis. The equity components of the portfolio are invested in index tracking funds. Pool A has also placed 10 per cent into an Absolute Return Fund however this investment has been liquidated after 31 July 2009. Asset allocation targets and tolerance bands for each pool have been set by Investments Committee as follows,

ENDOWMENT INVESTMENT PERFORMANCE	Market Value 31 July 2009	Asset Allocation Target	Tolerance Band	31 July Value Actual
POOL A	£k	%	%	%
UK Equities	7,490	40	55-80	73.3
Overseas Equities	6,892	35		
Bonds	2,867	15		
Gilts	–		0-20	14.6
Absolute Return	1,913	10		
Properties	–			
Cash	470	0	0-5	2.3
	19,632	100		
POOL B				
UK Equities	3,526	45	40-50	46.6
Overseas Equities	692	10	7-13	9.2
Bonds	1,148	20	35-50	38.4
Gilts	1,760	20		
Cash	439	5		
	7,565	100		100
FER				
UK Equities	5,622	40	35-45	42.8
Bonds	4,708	38	50-65	53.9
Gilts	2,363	20		
Cash	430	2		
	13,123	100		100
Other Gilts	147			
Freehold Property	34			
Cash on Deposits	16,865			
TOTAL PORTFOLIO	57,366			

Statement of Council's responsibilities



From the left: Dmitry Medvedev, Russian President; David Milliband, Climate Change Conference, LSE

In accordance with the Companies Act 2006 the Council, as directors, are 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 2006, 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 independent auditors to the Court of Governors of the London School of Economics and Political Science



We have audited the consolidated and School financial statements (the 'financial statements') of the London School of Economics and Political Science for the year ended 31 July 2009 which comprise the accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the group and School balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the School's Court of Governors in accordance with the charter and statutes of the School, Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Court of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Court of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditors

The Council's responsibilities for preparing the Report of the Directors and the group financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Responsibilities on page 45.

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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, and have been prepared in accordance with the Companies Act 2006.

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the School have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England.

We also report to you whether the information in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Report of the Director of the School that is cross referred from the Business review and principal activities; Principal risks and uncertainties facing the school sections of the Report of the Directors and also that specific information presented in the LSE Environmental Policy and report on environmental progress that is cross referred from the Environment section of the Report of the Directors.

In addition we report to you if in our opinion the School has not kept adequate accounting records, if the School's financial statements are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This information comprises only About LSE, the Report of the Chairman of the Court of Governors, the Report of the Director of the School, the Report of the Directors, the LSE and Public Benefit, the Five Year Analysis

of Income and Expenditure, the Corporate Governance and Internal Controls Statement, the Environmental Policy and Report on Progress, the Endowment Investment Performance, the Officers Responsible for the School's Finances and the Directors of the School and Members of the Council. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Internal Controls Statement (included as part of the Corporate Governance and Internal Controls Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information..

Basis of opinion

We conducted our audit in accordance with the 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 group and 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the School's affairs as at 31 July 2009 and of the group surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education
- the financial statements have been prepared in accordance with the Companies Act 2006
- the information given in the Report of the Directors is consistent with the financial statements for the year ended 31 July 2009
- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the School during the year ended 31 July 2009 have been applied for the purposes for which they were received
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the School's statutes and, where appropriate, with the financial memorandum with the funding council.

Judith Newton

Senior Statutory Auditor for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants, Hemel Hempstead
24 November 2009

Officers responsible for the School's finances



Peter Sutherland KCMG

Chairman
Court of Governors



Sir Anthony Battishill

Vice-Chairman
Court of Governors



Ms Anne Lapping

Vice-Chairman
Court of Governors



Mr Brian Smith

Chairman
Finance and General Purposes Committee



Mr Richard Goeltz

Vice-Chairman
Finance and General Purposes Committee



Howard Davies

Director



Professor Janet Hartley

Pro Director



Professor George Gaskell

Pro Director



Professor Sarah Worthington

Pro Director



Mr Adrian Hall

Secretary and Director
of Administration



Mr Andrew Farrell

Director of Finance and Facilities



Mr Mike Ferguson

Director of the Finance Division



Ms Ashley Wang

Financial Controller



Directors of the School and the members of the Council during the year 2008/09



Ex-Officio Members

Peter Sutherland

Chairman of the Court and Council

Sir Anthony Battishill

Vice Chairman of the Court and Council

Anne Lapping

Vice Chairman of the Court and Council

Howard Davies

Director of the School

Professor George Gaskell

Pro-Director of the School

Professor Sarah Worthington

Pro-Director of the School

Brian Smith

Chairman of the Finance and General Purposes Committee

Aled Dilwyn Fisher

General Secretary of the Students' Union

Lay Members

Dr Ros Altmann (resigned 31.07.09)

Stephen Barclay

Angela Camber

Shami Chakrabarti (appointed 01.08.08)

Alan Elias (appointed 01.08.08)

Mario Francescotti

James Goudie QC (resigned 31.07.09)

Kate Jenkins (appointed 01.08.08)

Wol Kolade

Ashley Mitchell (resigned 31.07.09)

Academic Members

Professor Paul Kelly (appointed 01.08.08)

Dr David Lane

Professor Robin Mansell

Professor David Marsden (appointed 01.08.08)

Professor Eileen Munro

Professor Richard Sennett

Student Member

Louise Robinson (resigned 31.10.08)

Sophie de la Hunt (appointed 01.11.08)

Non-Director Members

Professor Chris Brown

Vice Chairman of the Academic Board

Professor Janet Hartley

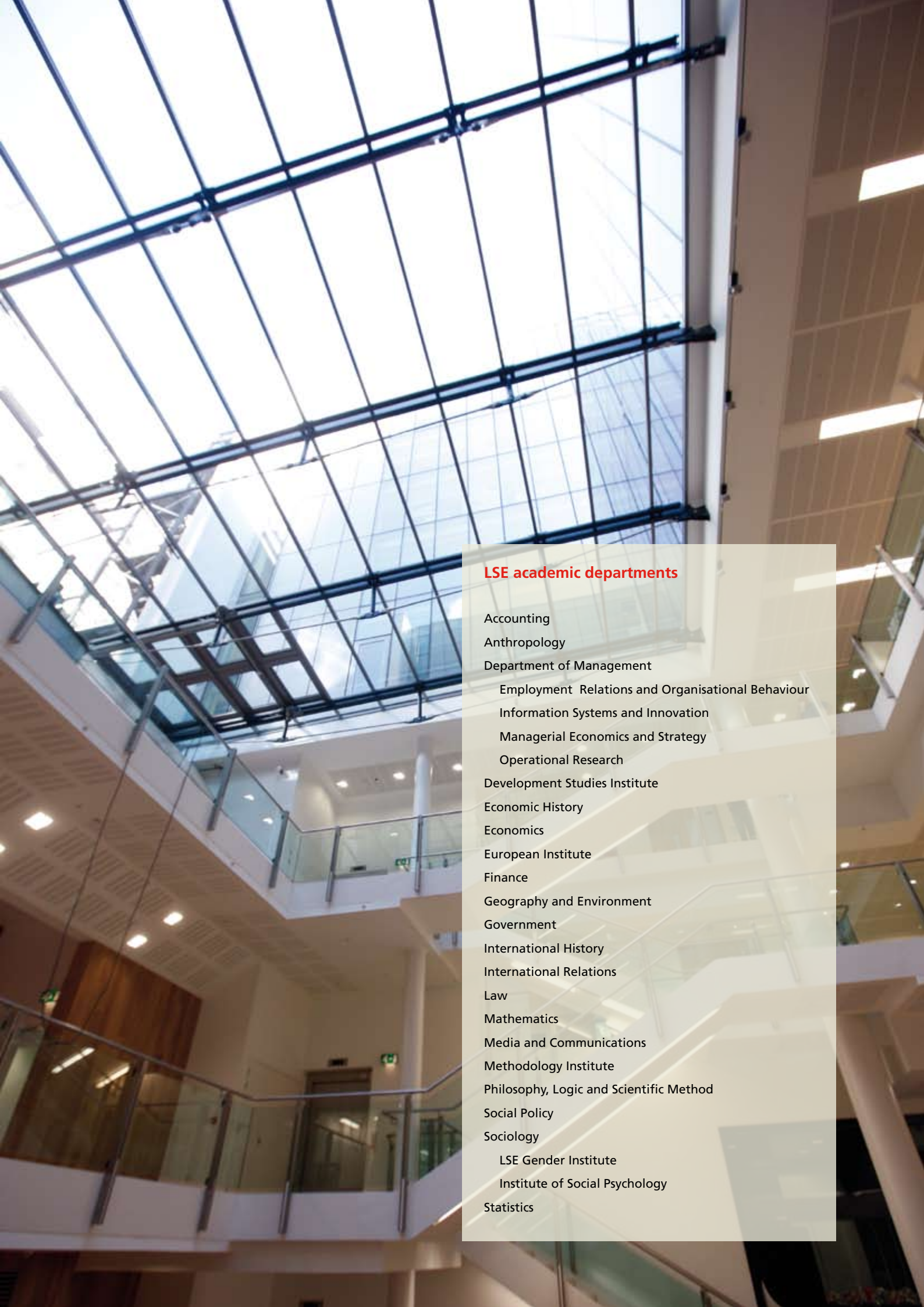
Pro-Director of the School

Professor George Philip

Vice Chairman of the Appointments Committee

Company Secretary

Mr Adrian Hall



LSE academic departments

Accounting
Anthropology
Department of Management
 Employment Relations and Organisational Behaviour
 Information Systems and Innovation
 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
 LSE Gender Institute
 Institute of Social Psychology
Statistics

