

**The Fellowship of the School of
Economic Science**

Financial Statements

for the

Year Ended 31 March 2006

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FINANCE DIVISION

**The Fellowship of the School of
Economic Science**

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for the Year Ended 31 March 2006**

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The Fellowship of the School of Economic Science

Annual Report and Accounts 2006 Report of the Trustees

1. Status and Trustees

The Charity is the Fellowship of the School of Economic Science ("the Fellowship"), established in 1937 and registered as an educational charity (no. 313115). The governing instrument of the Fellowship is the Rules as amended on 23 July 1996.

The Fellowship membership currently consists of 236 men and women in total who are appointed by the Executive Committee through a process of invitation and acceptance in accordance with Rule 3.

Trustees:

The Trustees of the Charity ("the Charity Trustees") are listed below. They are also the full members of its Executive Committee and have all served in office throughout the year.

Graham Skelcey* (Chairman)
Alan Bryan
Dr Ann David
Martin Kettle* (Treasurer)
Ian Mason
John Meltzer
Jeremy Sinclair
Hugh Venables*
Peter Watson (General Secretary)

*Members of the Finance Sub-Committee

2. Structure, Governance and Management

The Rules set out the Principal Objects of the Charity. These are:

- 1) To promote the study of natural laws governing the relations between men* in society and all studies related thereto and to promote the study of the laws, customs and practices by which communities are governed and all studies related thereto.
- 2) To organise a School for the furtherance of these objects, such School to be known as the School of Economic Science.
- 3) To advance for the public benefit education in the United Kingdom and in particular by establishing or maintaining or assisting one or more schools for children.

(* This term was used in a generic sense)

The Fellowship is made up of 222 Ordinary Members, and 14 Associate Members. Appointment to membership is by invitation from the Executive Committee and is subject to the requirement that the prospective member shall have completed a course in Economics to the satisfaction of his or her tutor. Associate Members do not have a voting entitlement.

The Fellowship meets at least once each year in Annual General Meeting for the purpose of approving the Chairman's Report and the Financial Statements, and for electing the Officers and other members to form an Executive Committee for the ensuing year. A quorum of two thirds of the members is required.

The Chairman and the Treasurer are officers elected annually under Rule 8 and Rule 9 respectively of the Fellowship's Rules. The Chairman is also the Chairman of the Fellowship and the Principal of the School of Economic Science ("the School"). The other Charity Trustees are elected annually at the Annual General Meeting of the Fellowship in accordance with Rule 12.

Each of the Charity Trustees can be contacted via the School's Head Office at 11 Mandeville Place, London W1U 3AJ.

The Fellowship of the School of Economic Science Report of the Trustees (Continued)

Consideration is presently being given to a more formal initial and periodic training arrangement for Trustees.

Property Trustees

Rule 15 provides for the appointment by the Executive Committee of not more than five nor less than three "Trustees" ("the Property Trustees") for the purpose of holding and dealing with "any freehold or leasehold properties from time to time acquired by the Fellowship and the proceeds of sale thereof and all monies or other property of the Fellowship in their hands upon the terms of a Trust Deed....". The current Property Trustees are:

John Barnes
Ian Mason
John Meltzer
Hugh Venables

John Barnes was also appointed as the Treasurer of the Endowment Fund under Rule 10.

Finance Sub-Committee

The Executive Committee appointed a Finance Sub-Committee under Rule 12 (6) comprising:

Martin Kettle
Graham Skelcey
Hugh Venables

Two special advisers also attend the sub-committee meetings: Geoffrey Pearce, who is also the Fellowship's Chief Accountant and John Barnes, the Treasurer of the Endowment Fund.

Management Arrangements

The day-to-day management of the Fellowship's affairs is undertaken by the members of the Executive Committee, local representatives within the regional Branches, other advisers and assistants appointed from within the School from time to time, and external advisers. Each Branch Leader is the principal local representative.

The School year is divided into three terms, and the Executive Committee normally meets three times each term. Additional meetings are arranged ad hoc to deal with any matters requiring urgent consideration. Twice each year, normally in the early summer and late autumn, the Executive Committee meets for a full day to consider matters of a more strategic nature outside the normal run of business.

In addition to the headquarters in London, there are currently 19 regional Branches of the School in Great Britain, each overseen by a Branch Leader. They meet annually for a three-day residential period, during which some members of the Executive Committee attend for sessions to discuss current issues and other matters relating to the management and organisation of the School.

All decisions on matters of policy and strategy are made by the Executive Committee. Implementation decisions involved in the day to day operations of the School are made by the relevant person within the general management structure and should be within the policy/strategy framework laid down by the Executive Committee on behalf of the Fellowship.

There is provision in Rules 19 for an officer, two or more members of the Executive Committee or at least ten Ordinary Members of the Fellowship to call an Extraordinary General Meeting at any time to discuss and vote upon matters of major significance (eg. major changes in policy or strategy, proposed actions outside the scope of established policy etc.)

Advisers

The Charity appoints external advisers for various purposes which are set out overleaf.

**The Fellowship of the School of
Economic Science
Report of the Trustees (Continued)**

Advisers:

Bankers

National Westminster Bank plc
2a Charing Cross Road
London WC2H 0NN

Solicitors

Field Fisher Waterhouse
34 Vine Street
London EC3N 2AA

Collyer-Bristow
4 Bedford Row
London WC1R 4DF

Auditors

Oury Clark Chartered Accountants
Registered Auditors
Herschel House
58 Herschel Street
Slough
Berkshire SL1 1PG

Investment Advisers

Gerrard Limited
2 Lambeth Hill
London EC4V 4GG

Insurance Brokers

Somerville Insurance Services Limited
Buzzards Hall
Sudbury
Suffolk CO10 4DF

Trustees' Responsibilities

As trustees we acknowledge the law applicable to charities in England & Wales when preparing financial statements for each financial year, which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing the financial statements giving a true and fair view, the Trustees have followed best practice and:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements;
- Prepared the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

As Trustees we are responsible for ensuring that accounting records are maintained, which disclose with reasonable accuracy the financial position of the charity, and financial statements are produced that comply with applicable law. We are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Fellowship of the School of Economic Science Report of the Trustees (Continued)

Governance and Risk Management

The Trustees are required to certify each year that the major risks to which the Charity is exposed have been assessed and that appropriate steps are being taken to minimise those risks. The work of completing a comprehensive risk management structure and associated procedures is well advanced

Ian Mason, the Fellowship's internal chief legal adviser, continued as Executive Committee member with overall responsibility for these matters during the year. The practical implementation of the risk management procedures was undertaken by:

Tim Collier	Risk Manager
Greg Hickey	Assistant Risk Manager

They were assisted by a team of "Activity Specialists", appointed to provide guidance and advice in respect of the main categories of risk as relevant to the Fellowship's activities.

It is the aim of the risk management team to provide a comprehensive set of policy statements and guidance notes covering the main risk areas for the benefit of all who assist in this process (eg. house stewards and bursars, Branch Leaders and local risk managers). Considerable progress has been made with this exercise and in particular an approved Health and Safety policy statement has been issued to all relevant people.

The key risk management controls are:

- formal agendas for all Executive Committee meetings, circulated in advance in draft form for comments/additions
- Risk Management as a regular agenda item, with reports 'by exception' from each committee member
- the issuing of 'action lists' within 48 hours of each committee meeting and follow up at the next meeting
- annual budgets and interim budget monitoring for the various 'cost centres'
- strategic planning, budgeting and management accounting
- a comprehensive organisational structure with lines of reporting
- clear authorisation and approval procedures
- circulation of information throughout the managerial organisation on principal legal requirements (eg health & safety, protection of the vulnerable, provision for the disabled etc.), and on issues arising from time to time

A Governance policy statement to accord with legal requirements is in the course of preparation and should be finalised well before the end of this year.

3. Objectives and Activities

The fulfilment of the Objects stated in the Rules is the reason for the School's existence. The function of the organisational structure is to assist this by providing, so far as possible, the necessary facilities such as accommodation, equipment, management etc. and seeking to ensure compliance with legal and regulatory requirements.

In order to achieve the principal objectives of the Fellowship, the following activities have taken place during the past year. These have not changed since the last Report.

In London, regular evening classes were offered in the subjects of philosophy and economics, and various other public courses were offered, including short courses on specific aspects of applied philosophy, and on other specialist subjects such as art, drawing, music and aesthetics. In addition, a wider coverage of special study subjects has been available to existing students of the School including art, calligraphy, dance, law, medicine, music, scriptural studies, Renaissance studies and Sanskrit. There were also Symposium events, mainly for students in the first year. The Economics Faculty again hosted a public Colloquium with visiting speakers as well as contributions from students in the School. Weekly music recitals, open to the public, were presented at the central London building in Mandeville Place during term time, with visiting students from music colleges for whom these events provided an opportunity to gain experience of performing in public.

The Fellowship of the School of Economic Science Report of the Trustees (Continued)

Philosophy courses were also provided regularly at all Branch locations, and a number additionally offered courses in economics and/or other subjects.

Various one-off talks, concerts, seminars and other public events were organised during the year both in London and in Branches. In particular, the School again organised the major arts and crafts event known as Art in Action at its main residential centre at Waterperry House, Waterperry near Oxford, which attracted some 25,000 visitors during the four-day period.

Students who have attended the School for a few terms are encouraged to take up the practice of meditation, and in due course thereafter are invited to attend residential study and practice events at Waterperry House near Oxford, Nanpantan Hall near Loughborough, and at other venues in northern England and Scotland.

Links

Students of the School who were parents of young children were instrumental in establishing the Independent Educational Association Limited in 1975. This is a separate charity, which operates four Schools (the St James' Schools) for the education of children between the ages 4 and 18. One member of the Executive Committee is currently a member of the Governing Board of the IEAL. The School has continued to support the children's schools both financially and by the provision of voluntary services directly and in the form of fundraising activities. The IEAL has also provided facilities for use by the School, in particular in the form of accommodation for some of the regular philosophy group meetings.

Students in the North-East and North-West Branches of the School set up children's schools, known as The Alcuin School and St James Independent School (North West) respectively. The latter is part of IEAL and the former is under another specially created charitable foundation.

Students of the School also established another separate charity known as the Education Renaissance Trust some years ago. There continues to be close links with this organisation and the School supports its work by providing accommodation and other facilities from time to time.

The School also has links with the Lucca Leadership Trust and The Art Academy, in which some of its students play an active part.

Trading Subsidiary

When Waterperry House was purchased there was an established horticultural enterprise. The School has maintained and expanded this. The operation is run by a separate trading company known as Waterperry Gardens Limited, which is a wholly owned subsidiary of the Fellowship, and now incorporates a substantial garden centre in addition to the renowned ornamental gardens and associated orchards, nurseries etc. The enterprise provides local employment, a facility for horticultural studies and training, and extensive recreational and horticultural sales facilities for public use and enjoyment.

The results of Waterperry Gardens Limited have been consolidated with those of the Fellowship and are included in the Consolidated Statement of Financial Activities and Group Balance Sheet. A separate Statement of Financial Activities and Balance Sheet show the position of the Charity alone.

Volunteer Services

The School benefits from extensive provision of volunteer services, many of which form part of the practical application of the philosophy that it teaches, within the School environment. It is in fact one of the main principles of work in the School that no one should benefit by way of financial gain so that, for example, none of the tutors receives any remuneration in respect of their services. Basically, it is only the main office staff and a few others (most working full time) who are paid employees.

Student volunteers provide staffing for the refreshment and bookshop facilities that are provided for students attending the School's classes and at many other events. The majority of the staff of Art in Action are also students of the School working on a voluntary basis.

The Fellowship of the School of Economic Science Report of the Trustees (Continued)

4. Achievement and Performance

The School's function is the provision of services in the field of education, founded upon spiritual principles expressing the natural laws applicable to humanity as discerned from the great spiritual and philosophical teachings of the world. It is not a fundraising charity, although it occasionally appeals to its own students for donations to help fund special projects. Consequently, it does not set fundraising targets or, generally speaking, specific aims for expansion.

Other than maintaining its provision of regular courses and other events for the benefit of both the public at large and enrolled students, as described in the preceding section, the specific aims for the year 2005/6 can be summarised as:

- To extend/improve facilities for the Branches.
- To eliminate shortfalls on the Charity's revenue account.
- To review and improve advertising and publicity arrangements.

In response to these aims, the following has taken place.

- Additional accommodation has been purchased in Edinburgh for the regional headquarters of the Scottish Branch, allowing expansion of the lecture facilities by over 100%.
- A new freehold property has been purchased in Colchester for the East Anglia Branch, providing greatly enhanced lecture and event facilities in self-contained accommodation.
- Further alterations and improvements have been made to the recently purchased freehold property used by the North-west Branch, providing more space for lectures and events.
- In addition, a substantial project involving the renewal of roof balustrades together with repair and cleaning of the external surfaces of the main front building has been carried out at Waterperry House. Work on the frescoes in the New Hall by some of the artists in the School is virtually complete and the hall is now open for public viewing.
- The Charity's revenue account shows a significant surplus for the 2005/6 financial year.
- External consultants have been appointed to review and make recommendations for updating all aspects of advertising and publicity material, and to undertake a comprehensive re-structuring of the School's web site network in order to achieve greater consistency of presentation throughout the whole organisation, and facilitate access.

Waterperry Gardens Limited has undertaken further expansion of its sales area in order to provide scope for increasing the turnover and profitability of the business.

5. Other Issues

During the last year the School has been the subject of criticism and, in certain instances, strident attacks by some former pupils of the St James and former St Vedast Schools and others mainly via the Internet. The original basis of this was complaints by some former pupils, relating mainly to the period 1975-85 that they had been mistreated during their time at school. This led the Governors of the St James Schools to take the decision to arrange an independent inquiry into the complaints, which took place in the latter part of 2005. The Inquiry found that there was evidence of inappropriate punishment and some physical abuse during the period in question, and the Governors have instigated a process of reconciliation. Complainants have associated the School with this situation due to the fact that the children's schools were effectively set up by parents who were students in the School, the head-teachers and staff were then all students of the School, and the former Leader of the School, Leon MacLaren, was closely involved in formulating the educational policy. The School has offered to assist the

**The Fellowship of the School of
Economic Science
Report of the Trustees (Continued)**

process of reconciliation in any way that it can practically do so. It should be stated that the children's schools now have, and for many years have had a very good reputation in the educational world.

The School is concerned that some of the material that has appeared on the Internet is inaccurate and misleading, apparently motivated by malice, and it will take steps to correct such misinformation so far as possible.

6. Financial Review and Results for the Year

The Fellowship made an operating surplus of £98,720, shown under the column headed "Unrestricted Funds" in the Consolidated Statement of Financial Activities. Although there was a substantial increase in investment income, legacies and gift aid received during the year, this was largely offset by substantial amounts spent on major refurbishment works at several properties (£340,000), and on legal and professional fees that covered a range of issues and advice (£55,000).

The total income of £4,077,124 was 35% higher than 2004/5 (ignoring the profit on sale of a property). £531,000 of the £1.062 million increase was attributable to the Art in Action event that was not held in the previous year. This event made a small loss due to below typical attendance, probably attributable to exceptionally hot weather. The £311,000 increase in investment income arose from bank deposits of over £8 million resulting from the sale of Sarum Chase in January 2005. £406,000 was used to acquire properties for two of the School's Branches and a further £267,000 was applied to repaying a bank loan on another Branch building. £160,000 of the £566,000 cost of the two new properties was raised by donations from the students at these Branches. The School is free of outside debt except for a longstanding loan of £140,000 from a former student that is repayable in 2008.

The School is very dependent upon the generosity of past and present students. There is a policy of endeavouring to keep fees at a level that most people can afford, and those students whose financial circumstances are such that they cannot afford standard rates pay reduced fees. Consequently the School's income from fees, bank interest and sales of books and food was less than its operational expenditure by £208,000 in the year (£332,000 – 2004/5). However, this deficit was more than offset by donations and bequests of nearly £350,000 in 2005/6 (£265,000 in 2004/5), thus producing an overall surplus.

The sales of the trading subsidiary, Waterperry Gardens Limited, were improved by 10% to £1.325 million. As a result the company made a small profit before tax of £1,271, which was a substantial improvement on the previous year when a loss of £35,063 was recorded. The profit was after charging £62,550 depreciation, and as capital expenditure amounted to £44,000 the business cash position improved. During the year the management structure was reorganised and a performance incentive scheme introduced for senior managers with effect from the beginning of 2006.

Reserves Policy

The charity has unrestricted reserves of £12.8 million, which it has used over the years to acquire freehold properties that are needed in order to conduct its numerous educational and residential courses.

Eight out of the nineteen Branches have their own building. A number of others aim to acquire a building when they have a sufficient number of students to justify the investment. Two Branches have already raised a total £139,000 from student donations for this purpose, which is shown under the restricted income fund in the accounts.

Another building is also likely to be needed in the London area as many classes are being conducted temporarily at one of the St James Schools premises. In addition, further major refurbishment and improvement works are still needed in parts of the present estate. Accordingly, the Trustees have set up a designated fund amounting to nearly £8.0 million to meet these requirements, which are expected to develop over the next three years or so. £2.0 million of this is earmarked as a longer-term property maintenance fund, with the intention of using earned interest to pay for major repairs and improvements so far as possible after the present programme has been completed. Further details are set out in Note 15 to the accounts.

**The Fellowship of the School of
Economic Science
Report of the Trustees (Continued)**

Investment Policy


For the present, the Trustees have placed the cash surplus amounting to nearly £9 million at the start of the financial year in low risk investments – initially in charity bonds and subsequently in a high interest deposit account with one of the major banks with a guarantee to pay the best interest rate, and a 14 day notice of withdrawal account. This money is being kept available to pay for new buildings at the appropriate time. It is not considered appropriate to consider investing in longer term, higher yielding and higher risk markets at the present time. The investment policy is regularly reviewed by the Executive Committee with advice from the Finance Sub-Committee.

7. Plans for the Future

The plans for the coming year can be summarised as:

- To continue with the core activities by offering regular public courses in philosophy. Economics and other subjects are offered in London and some of the Branches (according to local tutoring facilities and public interest), together with the various other activities and events described in section 3.
- To continue to respond to opportunities for improving Branch facilities, in particular by the acquisition of improved accommodation where appropriate.
- To complete the review and updating of advertising and publicity material and to implement the recommendations of the external consultant so far as is deemed appropriate.
- To seek to achieve greater consistency in the various aspects of publicity material and presentation.
- To complete the comprehensive re-structuring of the School's web site network.
- To take steps to communicate an accurate public perception of the School.

**Approved by the Trustees on 18 July 2006
And signed on their behalf by:**

G. Skelcey  Chairman

M. Kettle.....  Treasurer

**Report of the Independent Auditors' to the Trustees of
The Fellowship of the School of
Economic Science**

We have audited the financial statements on pages 10 to 22, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 16 and 17.

This report is made solely to the Fellowship's Trustees, as a body, in accordance with Section 43 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the Fellowship's Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fellowship and the Fellowship's Trustees as a body, for our audit work, for this report or for the opinions we have formed.

Respective Responsibilities of the Trustees and the Auditors

As described in the Statement of Trustees' Responsibilities on page 3 you are responsible as trustees for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Trustees' Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 Trustees in the preparation of the financial statements, and of whether the Accounting Policies are appropriate to the Fellowship's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charity (as consolidated) and the charity as at 31 March 2006 and of the consolidated and charity incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.

Oury Clark

Chartered Accountants & Registered Auditors
Herschel House
58 Herschel Street
Slough
Berkshire, SL1 1PG



Date: 18 July 2006

**The Fellowship of the School of
Economic Science
Consolidated Statement of Financial Activities
For the year ended 31 March 2006**

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds £	2005 Total Funds £
Incoming Resources					
Incoming resources from charitable activities					
Courses & Residential Fees		1,256,875	-	1,256,875	1,199,956
Art Festivals Income		562,427	-	562,427	29,279
Incoming resources from generated funds					
Activities for Generating Funds					
Turnover from Trading Subsidiary	10	1,299,788	-	1,299,788	1,177,897
Investment Income		384,835	6,411	391,246	73,589
Gift Aid, Legacies & Donations		314,277	34,515	348,792	264,808
Ancillary Activities Income	2	258,922	-	258,922	269,483
Other incoming resources					
Net Gains on Disposal of Fixed Assets		-	-	-	8,968,043
<i>Total incoming resources</i>		<u>4,077,124</u>	<u>40,926</u>	<u>4,118,050</u>	<u>11,983,055</u>
Resources Expended					
Charitable activities					
Premises & Residential Costs		1,052,080	-	1,052,080	957,172
Operational Expenses		822,281	-	822,281	681,087
Art Festivals' Costs		573,225	-	573,225	59,909
Costs of generating funds					
Operating Costs of Trading Subsidiary	10	1,308,714	-	1,308,714	1,220,678
Ancillary Activities Costs		174,033	-	174,033	182,200
Governance costs	2	<u>48,071</u>	<u>-</u>	<u>48,071</u>	<u>15,125</u>
<i>Total resources expended</i>		<u>3,978,404</u>	<u>-</u>	<u>3,978,404</u>	<u>3,116,171</u>
<i>Net incoming resources before transfers</i>		98,720	40,926	139,646	8,866,884
Transfers					
Gross Transfers between Funds	15	<u>135,705</u>	<u>(135,705)</u>	<u>-</u>	<u>-</u>
<i>Net incoming/(outgoing) resources before other recognised gains & losses</i>		234,425	(94,779)	139,646	8,866,884
Other Recognised Gains/(Losses)					
Gains/(losses) on Investment Assets	11	<u>1,615</u>	<u>-</u>	<u>1,615</u>	<u>(5,015)</u>
<i>Net movement in funds</i>		236,040	(94,779)	141,261	8,861,869
Reconciliation of Funds					
Funds brought forward at 1 April 2005		<u>20,815,600</u>	<u>233,844</u>	<u>21,049,444</u>	<u>12,187,575</u>
<i>Total funds carried forward at 31 March 2006</i>		<u>21,051,640</u>	<u>139,065</u>	<u>21,190,705</u>	<u>21,049,444</u>

All gains and losses arising in the year are included in the Statement of Financial Activities and arise from continuing activities.

**The Fellowship of the School of
Economic Science
Charity Statement of Financial Activities
(Excluding Waterperry Gardens Limited)
For the year ended 31 March 2006**

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds £	2005 Total Funds £
Incoming Resources					
Incoming resources from charitable activities					
Courses & Residential Fees		1,256,875	-	1,256,875	1,199,956
Art Festivals Income		562,427	-	562,427	29,279
Incoming resources from generated funds					
Investment Income		402,227	6,411	408,638	90,901
Gift Aid, Legacies & Donations		314,277	34,515	348,792	264,808
Ancillary Activities Income	2	258,922	-	258,922	269,483
Other incoming resources					
Net Gains on Disposal of Fixed Assets		-	-	-	8,968,043
<i>Total incoming resources</i>		<u>2,794,728</u>	<u>40,926</u>	<u>2,835,654</u>	<u>10,822,470</u>
Resources Expended					
On charitable activities					
Premises & Residential Costs	3	1,077,080	-	1,077,080	982,172
Operational Expenses	3	822,281	-	822,281	681,087
Art Festivals' Costs		573,225	-	573,225	59,909
Costs of generating funds					
Ancillary Activities Costs	3	174,033	-	174,033	182,200
Governance costs	3	48,071	-	48,071	15,125
<i>Total resources expended</i>		<u>2,694,690</u>	<u>-</u>	<u>2,694,690</u>	<u>1,920,493</u>
<i>Net incoming resources before transfers</i>		100,038	40,926	140,964	8,901,977
Transfers					
Gross Transfers between Funds	15	<u>135,705</u>	<u>(135,705)</u>	<u>-</u>	<u>-</u>
<i>Net incoming/(outgoing) resources before other recognised gains& losses</i>		235,743	(94,779)	140,964	8,901,977
Other recognised gains/losses					
Gains/losses on Investment Assets	11	<u>1,615</u>	<u>-</u>	<u>1,615</u>	<u>(5,015)</u>
<i>Net Movement in Funds</i>		237,358	(94,779)	142,579	8,896,962
Reconciliation of Funds					
Funds brought forward at 1 April 2005		<u>20,498,060</u>	<u>233,844</u>	<u>20,731,904</u>	<u>11,834,942</u>
<i>Total funds Carried Forward at 31 March 2006</i>		<u>20,735,418</u>	<u>139,065</u>	<u>20,874,483</u>	<u>20,731,904</u>

All gains and losses arising in the year are included in the Statement of Financial Activities and arise from continuing activities.

**The Fellowship of the School of
Economic Science
Consolidated Balance Sheet at 31 March 2006**

	Note	2006 £	2005 £
Fixed Assets			
Tangible fixed assets	8	<u>11,353,662</u>	<u>10,692,385</u>
Current Assets			
Stocks		363,604	339,862
Debtors	12	1,818,415	1,852,578
Investments	11	11,449	9,834
Cash at bank and in hand	13	8,215,297	8,931,274
		<u>10,408,765</u>	<u>11,133,548</u>
Liabilities			
Creditors: Amounts falling due within one year	13	431,722	373,565
		<u>9,977,043</u>	<u>10,759,983</u>
<i>Net current assets</i>			
		<u>9,977,043</u>	<u>10,759,983</u>
<i>Total fixed and current assets</i>		<u>21,330,705</u>	<u>21,452,368</u>
Creditors: Amounts falling due after one year	13	140,000	402,924
		<u>21,190,705</u>	<u>21,049,444</u>
<i>Net assets</i>			
		<u>21,190,705</u>	<u>21,049,444</u>
The Funds of the charity			
Restricted Income Funds	15	139,065	233,844
Unrestricted Income Funds:			
Designated	15	7,915,509	8,220,911
Undesignated	15	13,136,131	12,594,689
		<u>21,190,705</u>	<u>21,049,444</u>

Approved by the Trustees on 18 July 2006
and signed on their behalf by:

G. Skelcey  Chairman

M. Kettle  Treasurer

**The Fellowship of the School of
Economic Science
Charity Balance Sheet at 31 March 2006
(Excluding Waterperry Gardens Limited)**

	Note	2006 £	2005 £
Fixed Assets			
Tangible fixed assets	8	11,157,354	10,477,668
Investment	10	7,002	7,002
		<u>11,164,356</u>	<u>10,484,670</u>
Current Assets			
Stocks		110,200	117,279
Debtors	12	1,837,063	1,859,087
Investments	11	11,449	9,834
Cash at bank and in hand		8,179,246	8,918,481
		<u>10,137,958</u>	<u>10,904,681</u>
Liabilities			
Creditors: Amounts falling due within one year	13	287,831	255,136
		<u>287,831</u>	<u>255,136</u>
<i>Net current assets</i>		<u>9,850,127</u>	<u>10,649,545</u>
<i>Total fixed and current assets</i>		<u>21,014,483</u>	<u>21,134,215</u>
Creditors: Amounts falling due after one year	13	140,000	402,311
		<u>140,000</u>	<u>402,311</u>
<i>Net assets</i>		<u>20,874,483</u>	<u>20,731,904</u>
The Funds of the Charity			
Restricted Income Funds	15	139,065	233,844
Unrestricted Income Funds:			
Designated	15	7,915,509	8,220,911
Undesignated	15	12,819,909	12,277,149
		<u>20,874,483</u>	<u>20,731,904</u>

Approved by the Trustees on 18 July 2006
and signed on their behalf by:

G. Skelcey  Chairman

M. Kettle  Treasurer

**The Fellowship of the School of
Economic Science
Consolidated Cash Flow Statement
For the year ended 31 March 2006**

	2006 £	2006 £	2005 £	2005 £
Net Cash Inflow/(Outflow) from Operating Activities (Note 1)		(42,603)		(170,027)
Returns on Investment and Servicing of Finance				
Interest paid	(16,473)		(14,717)	
Interest received	389,976		72,853	
Dividends received	<u>-</u>		<u>650</u>	
Net Cash Inflow from Returns on Investment and Servicing of Finance		373,503		58,786
Investing Activities				
Payments to acquire fixed assets	(773,592)		(883,502)	
Receipts from sale of fixed assets	-		9,116,854	
Payments to acquire investments	-		-	
Receipts from sale of investments	<u>-</u>		<u>144,977</u>	
Net Cash Inflow/(Outflow) from Investing Activities		<u>(773,592)</u>		<u>8,378,329</u>
Net Cash Inflow/(Outflow) before Financing		(442,692)		8,267,088
Financing				
Loans acquired	-		275,111	
Loans repaid	<u>(273,285)</u>		<u>(26,837)</u>	
Net Cash Inflow/(Outflow) from Financing (Note 3)		<u>(273,285)</u> <u>(715,977)</u>		<u>248,274</u> <u>8,515,362</u>
Increase/(Decrease) Cash and Cash Equivalents (Note 2)		<u>(715,977)</u>		<u>8,515,362</u>

**The Fellowship of the School of
Economic Science
Notes to the Cash Flow Statement
For the year ended 31 March 2006**

**1 Reconciliation of Net Incoming Resources before
Revaluation and Investment Disposals per the
Consolidated Statement of Financial Activities to
Net Cash Inflow/(Outflow) from Operating
Activities**

	2006 £	2005 £
Operating surplus	139,646	8,866,884
Depreciation charges	112,315	112,521
(Profit) on disposal of fixed assets	-	(8,968,043)
(Increase)/decrease in stocks	(23,742)	11,961
(Increase) / decrease in debtors	40,643	(55,414)
Increase/(decrease) in creditors	62,038	(79,150)
Interest received	(389,976)	(72,853)
Dividends received	-	(650)
Interest paid	16,473	14,717
	<u>(42,603)</u>	<u>(170,027)</u>

**2 Analysis of Changes in Cash and Cash Equivalents
during the Year**

	2006 £	2005 £	Movement in year £
Cash at bank and in hand	<u>8,215,297</u>	<u>8,931,274</u>	<u>(715,977)</u>

3 Analysis of Changes in Financing during the Year

	2006 £	2005 £	Movement in year £
Secured loan	3,439	275,111	(271,672)
Other loans	<u>195,433</u>	<u>197,046</u>	<u>(1,613)</u>
	<u>198,872</u>	<u>472,157</u>	<u>(273,285)</u>

4 Analysis of Net Funds

	At 31 March 2005 £	Cash Flow £	At 31 March 2006 £
Cash in hand, at bank	8,931,274	(715,977)	8,215,297
Debt due after one year	(402,311)	262,311	(140,000)
Debt within one year	<u>(69,846)</u>	<u>10,974</u>	<u>(58,872)</u>
Total	<u>8,459,117</u>	<u>(442,692)</u>	<u>8,016,425</u>

**5 Reconciliation of Net Cash Flow to Movement in
Net Funds**

	£	£
Decrease in cash in the period	(715,977)	
Cash inflow from increase in debt financing	<u>273,285</u>	(442,692)
Change in net funds resulting from cash flows		
Net funds at 1 April 2005		<u>8,459,117</u>
Net funds at 31 March 2006		<u>8,016,425</u>

**The Fellowship of the School of
Economic Science
Notes to the Accounts
For the year ended 31 March 2006**

1. Statement of Accounting Policies

Accounting Convention

These accounts are prepared under the Charities Act 1993 on the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting and Reporting by Charities: the Charities SORP 2005. The group accounts consolidate the accounts of the Fellowship of the School of Economic Science and its wholly owned subsidiary trading company: Waterperry Gardens Limited. The subsidiary's accounts are made up to 31 December 2005 (for the reason stated in note 10).

Incoming Resources

- i) Fees, donations, legacies and other income are taken to income in the year of receipt or in the case of legacies on receipt of official notification that a specified payment will be made. Courses and Residential Fees are paid by students attending the early parts of the philosophy courses by the term.
- ii) Interest is taken to income in the year to which it relates.
- iii) Donations under gift aid, together with the associated income tax recovery, are taken to income when the donations are received.
- iv) Courses and Residential Fees.

Students attending the early parts of the philosophy courses, which make up a majority of this income, pay a fee covering their attendance at these classes. However, students in the middle and senior parts of the School pay an annual composite fee that also includes the cost of their residential accommodation and study days attendance.

Resources Expended

Expenditure is accounted for on an accruals basis. Overheads and other costs have been directly apportioned to the appropriate activity except for some expense items that have been apportioned according the space occupied. The irrecoverable element of VAT is included with the item of expense to which it relates.

Governance costs comprise the costs of running the charity, including external audit, any legal advice for the Trustees, and all costs of complying with constitutional and statutory requirements, such as the cost associated with the annual meeting of the Fellowship and preparing statutory accounts.

Depreciation

Freehold land and buildings:

It is the policy of the Trustees to maintain buildings held for charitable use in such condition that their useful economic life is indeterminate. In the opinion of the Trustees, the favourable location of those properties, combined with this policy, results in the residual value of the properties (by reference to their purchase price) being not less than their present carrying value in the accounts. Consequently no depreciation is charged on those properties.

Other tangible fixed assets are depreciated over their estimated useful lives as follows:

Long leasehold property	2% on cost
Improvements	5% - 10% on cost
Motor vehicles	25% on cost
Equipment etc.	10% - 25% on cost

Generally, equipment is capitalised when the cost is over £2,500, but there is some leeway for branches. Certain temporary items of equipment included in equipment have been written off at the rate of 50% on cost.

Stocks

Stocks are stated at the lower of the cost and net realisable value.

**The Fellowship of the School of
Economic Science
Notes to the Accounts
For the year ended 31 March 2006 (Continued)**

1. Accounting Policies (Continued)

Fund Accounting

“Unrestricted Funds” consist of those funds which the charity may use in furtherance of its charitable objectives at the discretion of the Trustees. Certain of these funds may be set aside by the Trustees for specific purposes and are described as “Designated Funds”.

“Restricted Funds” consist of funds obtained from donors who have specified that the monies given shall be used by the Charity for a specific purpose.

2. Ancillary Activities Income

	2006 £	2005 £
Sales of:		
Books	97,893	114,216
Refreshments	116,837	115,091
Tapes/CDs	2,567	984
Income from room hire and rents	37,423	20,133
Various other sources of income	4,202	19,059
	<u>258,922</u>	<u>269,483</u>

3. Analysis of Total Resources Expended

	Courses & Residentials	Arts Festivals	Ancillary Trading	Governance	2006 Total	2005 Total
	£	£	£	£	£	£
Charity						
Direct supply costs	128,303	455,051	152,817	-	736,171	349,807
Welfare	126,171	21,318	-	-	147,489	124,065
Staff costs	260,474	46,000	-	-	306,474	286,198
Publicity	218,173	47,335	-	-	265,408	215,483
Premises – running costs	545,958	-	21,216	-	567,174	575,047
Premises – major repairs	340,554	-	-	-	340,554	100,042
Legal & professional	22,935	-	-	32,537	55,472	670
Audit Fees	-	-	-	11,750	11,750	11,750
Administration	185,496	-	-	3,784	189,380	180,707
Depreciation	46,297	3,521	-	-	49,818	51,724
Total Resources Expended - Charity	<u>1,874,361</u>	<u>573,225</u>	<u>174,033</u>	<u>48,071</u>	<u>2,669,690</u>	<u>1,895,493</u>
Subsidiary company	-	-	-	-	1,308,714	1,220,678
Total Resources Expended - Group	<u>1,874,361</u>	<u>573,225</u>	<u>174,033</u>	<u>48,071</u>	<u>3,978,404</u>	<u>3,116,171</u>

Note:

Courses and residential costs above includes relevant operational expenses shown on the consolidated statement of financial activities – page 10.

**The Fellowship of the School of
Economic Science
Notes to the Accounts
For the year ended 31 March 2006 (Continued)**

4. Staff Emoluments

	2006	2005
Average numbers (including part-timers) (Equivalent to 10.0 FTE (10.4 – 2005))	<u>16</u>	<u>18</u>
Gross pay	266,716	252,125
Social security costs	25,570	24,581
Other pension costs (note 6)	<u>14,188</u>	<u>9,492</u>
	<u>306,474</u>	<u>286,198</u>

No employee was paid at the rate of more than £60,000 p.a.

5 Pensions

The Fellowship does not operate an independent scheme, but contributes 7% of the salary of those staff who have decided to enter into a personal pension arrangement, direct to the insurer. There is also a stakeholder pension scheme available, with Norwich Union.

6. Trustees

No Trustee received any remuneration from the Fellowship, and one Trustee living outside London was reimbursed travelling expenses to attend trustees' meetings of £1,542.

7. Changes in Resources Available for Charity Use

	Unrestricted Funds £
Net movement in funds for the year	237,358
Net increase in tangible fixed assets	<u>(679,686)</u>
Net increase in funds available for future activities	<u>(442,328)</u>

8 Tangible Fixed Assets (all in UK)

Group	Freehold Property	Leasehold Property	Equipment/ Improvements Etc	Total
Cost	£	£	£	£
Balance at 1 April 2005	10,339,127	137,351	1,262,900	11,739,378
Additions	654,994	-	118,598	773,592
Disposals	<u>-</u>	<u>-</u>	<u>(43,232)</u>	<u>(43,232)</u>
Balance at 31 March 2006	<u>10,994,121</u>	<u>137,351</u>	<u>1,338,266</u>	<u>12,469,738</u>
Depreciation				
Balance at 1 April 2005	-	64,933	982,062	1,046,995
Charge for the year	-	10,791	101,524	112,315
Disposals	<u>-</u>	<u>-</u>	<u>(43,234)</u>	<u>(43,234)</u>
Balance at 31 March 2005	<u>-</u>	<u>75,724</u>	<u>1,040,352</u>	<u>1,116,076</u>
Net Book Value				
At 31 March 2006	<u>10,994,121</u>	<u>61,627</u>	<u>297,914</u>	<u>11,353,662</u>
At 31 March 2005	<u>10,339,127</u>	<u>72,418</u>	<u>280,840</u>	<u>10,692,385</u>

**The Fellowship of the School of
Economic Science
Notes to the Accounts
For the year ended 31 March 2006 (Continued)**

8 Tangible Fixed Assets (continued)

Charity	Freehold Property	Leasehold Property	Equipment/ Improvements Etc	Total
Cost	£	£	£	£
Balance at 1 April 2005	10,339,127	13,441	687,069	11,039,637
Additions	654,994	-	74,512	729,506
Disposals	-	-	(37,234)	(37,234)
Balance at 31 March 2006	<u>10,994,121</u>	<u>13,441</u>	<u>724,347</u>	<u>11,731,909</u>
Depreciation				
Balance at 1 April 2005	-	2,420	559,551	561,971
Charge for the year	-	269	49,549	49,818
Disposals	-	-	(37,234)	(37,234)
Balance at 31 March 2006	<u>-</u>	<u>2,689</u>	<u>571,866</u>	<u>574,555</u>
Net Book Value				
At 31 March 2006	<u>10,994,121</u>	<u>10,752</u>	<u>152,481</u>	<u>11,157,354</u>
At 31 March 2005	<u>10,339,127</u>	<u>11,021</u>	<u>127,520</u>	<u>10,477,668</u>

All assets are used in furtherance of the charitable activities of the organisation.

9 Capital Commitments

At 31 March 2006, there were no capital expenditure commitments not provided for in these accounts. (2005 - Nil)

10 Investments in Subsidiary

	2006 £	2005 £
Share Capital	<u>7,002</u>	<u>7,002</u>

Waterperry Gardens Limited is a wholly owned subsidiary, its shares having been subscribed by members of the Fellowship in their personal capacity and then donated to the Fellowship. The Fellowship has leased the relevant premises to Waterperry Gardens Limited. Included in Debtors is a short term loan in lieu of overdraft requirements amounting to £105,000 (2005 - £78,595) which has subsequently been repaid. £60,000 of this loan was provided in the period between 31 December 2005 and 31 March 2006 and has not been eliminated on consolidation.

**The Fellowship of the School of
Economic Science
Notes to the Accounts
For the year ended 31 March 2006 (Continued)**

The principal activity of Waterperry Gardens Limited is horticulture. A summary of the trading results for the year is set out below. Audited accounts for the year ended 31 December 2005 have been filed with the Registrar of Companies. It is not possible for practical operational reasons to bring the year end of the company into line with that of the charity.

	2006	2005
	£	£
Turnover	1,324,788	1,202,897
Operating expenses	1,322,625	(1,241,914)
	2,163	(39,017)
Interest payable	(2,375)	(1,715)
Interest receivable	1,483	903
Net profit for the year before taxation	1,271	(39,829)
Taxation	(2,589)	4,736
Net profit for the year retained by the Company	(1,318)	(35,093)
Less: Elimination of transactions with the Fellowship	(6,125)	(6,785)
Included in Consolidated SOFA	(7,443)	(41,878)

Turnover and Operating Costs shown in the Consolidated Statement of Financial Activities (Page 10) are after deducting the net value of transactions with the Charity.

11 Investments

Quoted Securities	2006	2005
	£	£
Market value at 1 April	9,834	159,826
Disposals at opening book value		
Proceeds 2005 £144,977; loss £5,978	-	(150,955)
Additions	-	-
Net profit on revaluation	1,615	963
Market Value at 31 March	11,449	9,834
Cost at 31 March	8,265	8,265

All the Quoted Securities were listed on a UK Stock Exchange.

Material Investments (more than 5% of portfolio):

	Holding	2006 Market Value £	2006 Cost £
Halifax Group plc Ord. Shares of 20p each	1092	10,494	7,915
Royal Bank of Scotland Ord. Shares of £1 each	51	955	350

**The Fellowship of the School of
Economic Science
Notes to the Accounts
For the year ended 31 March 2006 (Continued)**

12 Debtors

	Group		Charity	
	2006	2005	2006	2005
	£	£	£	£
Subsidiary company	58,309	37,962	105,000	78,595
Trade debtors	8,512	6,079	-	-
Inland Revenue	37,852	22,908	37,040	18,896
Prepayments	26,030	30,851	13,651	12,552
Other debtors	31,367	99,044	31,372	99,044
Deferred taxation	6,345	5,734	-	-
Loan to The Independent Educational Association Limited	1,650,000	1,650,000	1,650,000	1,650,000
	<u>1,818,415</u>	<u>1,852,578</u>	<u>1,837,063</u>	<u>1,859,087</u>

13 Creditors due within one year

	Group		Charity	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	172,131	148,220	116,608	111,756
Accruals	133,920	90,924	74,426	42,382
Student loans	47,433	53,433	47,433	53,433
Bank loan	3,439	12,800	3,439	12,800
Branch external loan	8,000	3,000	8,000	3,000
Taxes & social security costs	44,508	39,620	16,247	8,035
Fees received in advance	6,041	6,484	6,041	6,484
Other creditors	16,250	19,084	15,637	17,246
	<u>431,722</u>	<u>373,565</u>	<u>287,831</u>	<u>255,136</u>

Creditors due after one year

None of the creditors have terms of repayment in excess of one year, except loans:

	Group		Charity	
	2006	2005	2006	2005
	£	£	£	£
Repayable within one year	58,872	69,233	58,872	69,233
After one year	140,000	402,924	140,000	402,311
	<u>198,872</u>	<u>472,157</u>	<u>198,872</u>	<u>471,544</u>

14. Net Assets of the Funds of Charity & Group

	Fixed Assets	Investments & Cash at Banks	Other Current Assets	Long Term Liabilities	Fund Balance
	£	£	£	£	£
Restricted Funds	-	139,065	-	-	139,065
Designated Funds	-	7,915,509	-	-	7,915,509
Unrestricted Funds	11,157,354	136,121	1,666,434	(140,000)	12,819,909
Total Funds - Charity	11,157,354	8,190,695	1,666,434	(140,000)	20,874,483
Subsidiary Reserves	196,308	36,051	83,863	-	316,222
Total Funds - Group	11,353,662	8,226,746	1,750,297	(140,000)	21,190,705

**The Fellowship of the School of
Economic Science
Notes to the Accounts
Year ended 31 March 2006**

15. Movement in Funds

	Fund Balance 1.4.2005 £	Income £	Expenditure £	Transfers to other Funds £	Funds Balance 31.3.2006 £
Restricted Funds					
Future branches' properties	233,844	40,926	-	(135,705)	139,065
Designated Funds					
London Buildings Repair Fund	1,000,000	-	-	(305,582)	694,418
General Repair Fund	2,000,000	-	-		2,000,000
Branches Buildings Funds	220,911	180	-		221,091
New Building Fund	5,000,000	-	-		5,000,000
Total Designated Funds	8,220,911	180	-	(305,582)	7,915,509
Unrestricted Funds					
Charity General Funds	12,277,149	2,778,771	2,677,298	441,287	12,819,909
Subsidiary Company	317,540	1,299,788	1,301,106	-	316,222
Total General Funds	12,594,689	4,078,559	3,978,404	441,287	13,136,131
Consolidated Funds	21,049,444	4,119,665	3,978,404	-	21,190,705

Notes regarding the above funds

1. Movement on Restricted Funds:

The fund at the beginning of the financial year contained the value of donations and gift aid received from students at three branches in England for the specific purpose of acquiring buildings in their locality for holding courses instead of relying on rented accommodation. During the year the East Anglia branch purchased a property in Colchester for £228,205, which was partially funded by £135,705 raised from their students for this purpose, and partially by a £70,000 loan from London. In the accounts the cost of the building has been capitalised, and the £135,705 raised from students has been transferred from restricted to general funds.

2. Purpose of Designated Fund:

The four items making up the designated funds represent the Trustees' view of the major repairs needed to the present buildings within the next three years and the expected cost of acquiring new premises, where justified, in line with the policy of owning rather than renting accommodation. The make up of this fund is reviewed by the Trustees annually in light of any new information about present estate and future property needs. The interest earned on the general repair fund will be used to pay for major repairs to the buildings in the longer term to ensure that they are kept in a sound condition in line the note under "depreciation" to the accounting policy stated on page 16.