

# Financial Statements 2013/14



# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### Report of the Members of the Board of Trustees

#### 1 Constitution and Organisation

The Liverpool School of Tropical Medicine (LSTM) was formally inaugurated on 22 April 1898 and incorporated on the 30 January 1905 as the Incorporated Liverpool School of Tropical Medicine. LSTM was registered as a charity on 11 October 1963. LSTM is a company limited by guarantee and holds no share capital and is governed by a Board of Trustees.

The Incorporated Liverpool School of Tropical Medicine changed its name on 30 November 1992 to The Liverpool School of Tropical Medicine.

The Secretary of State for Business, Innovation and Skills by an Order of Parliament, under section 129 of the Education Reform Act 1988, designated LSTM as a Higher Education Institute (HEI) eligible to receive Higher Education Funding Council for England (HEFCE) funding directly on the 19th of July 2013.

#### 2 Memorandum of Association

LSTM's Memorandum and Articles of Association was amended by special resolution and adopted at an EGM on 10 January 2007. It lists the main objects as:-

- To engage in, promote and encourage research, study and instruction in connection with the origin, character, alleviation, prevention and cure of every or any type of tropical disease which now is or may hereafter become known in any part of the world where such disease either manifests itself or has effects; and to advance and encourage learning and the practice of all sciences and arts allied with or which may be usefully studied in connection with the matters aforesaid, and to collect and circulate information with regard to such diseases, sciences and arts.

#### 3 Vision and Mission

VISION: To save lives in resource poor countries through research, education and capacity strengthening.

MISSION: To reduce the burden of sickness and mortality in disease endemic countries through the delivery of effective interventions which improve human health and are relevant to the poorest communities.

#### 4 Objectives

The year ending 31 July 2014 represents the second year in our current 5 year strategic plan, which was presented and adopted by the Board on the 22 June 2012. These strategic objectives set out how LSTM would facilitate the continuous development of the organisation in support of its evolving needs. The objectives are listed below.

- promote the discovery and development of new diagnostics, drugs, vaccines, public health pesticides and other tools for use against a broad range of infectious diseases
- translate knowledge and research into policy and practice
- strengthen the capacity of the health sector in developing countries
- build the marketing and advocacy capability of LSTM and develop a structure and plan
- ensure that LSTM is seen as a global leader and the "partner to turn to" in its core areas
- identify and enter into strategic partnerships that are consistent with LSTM's reputation and prestige
- obtain degree awarding powers
- expand the numbers of postgraduate and CPD courses delivered
- obtain Higher Education Institution Status
- develop senior management capacity and ensure appropriate succession planning is in place
- achieve a minimum of Athena Swan silver award status
- maintain LSTM's Investors in People Status
- consolidate a 5-year IT road-map with enhanced provision for knowledge management

LSTM management undertakes regular monitoring and evaluation under the supervision of the Board of Trustees to ensure that the items are contemporary and are followed up each year.

# Liverpool School of Tropical Medicine

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### Operating and Financial Review

#### 5 The Nature, Objectives and Strategies of the Charity

The research undertaken by LSTM aims to advance knowledge by increasing our understanding of important diseases of the Tropics including Malaria, TB, HIV and Neglected Tropical Diseases including snake envenoming. This basic information is being used to create improvements in health through the development of safe, affordable and accessible health intervention "products" and better deployment and implementation of these interventions. The success of these aims will depend on effective integration of LSTM's unique resources and expertise in basic science, clinical trials and health technology assessment.

LSTM promotes a multidisciplinary approach to research. The need to foster interactions between research teams in distinct but related disciplines underpins the business rationale of the organisation. The rich blend of clinicians, sharing facilities and working in close proximity with biochemists, chemists, molecular biologists, entomologists, parasitologists, epidemiologists and social scientists is intended to stimulate novel approaches to many of the major issues remaining in tropical infectious diseases research and development. LSTM undertakes a truly innovative research programme that spans early stage discovery through to development allowing it to partner appropriately with industry in the later stages of many of these programmes to ensure that the research is translated into products or policies and practices that will fundamentally benefit the populations of disease endemic countries.

The Learning and Teaching programme has also been revitalised with a diverse portfolio ranging from short courses of 3 days to 3 months duration through to full one-year Masters Programmes. These developments reconfirm the long and successful commitment to teaching; a track record in developing people, core staff and their related research teams, with 105 PhD students from many countries and numerous visiting scientists working within collaborative programmes.

Programmes are epitomised by the success of our Malawi-Liverpool-Wellcome (MLW) unit in Blantyre providing a major role in developing a first rate cadre of clinical and non-clinical Malawian and UK staff benefiting from close linkages with, and direct access to the facilities and expertise within the Liverpool base. This has come with a financial cost where it is envisaged that the MLW programme will be costing LSTM in the order of £500k per annum to support. This includes salaries, travel, accommodation costs and professional consultant salaries.

LSTM's success is based on the quality of its research achieving an RAE Grade 5 for clinical laboratory based research in immunology and infection in the last assessment exercise.

LSTM is a truly global company that receives parts of its funds in dollars to be spent in that currency. The balances held at the year end relate to committed expenditure and therefore allocating any surplus or deficit to the income and expenditure account would be misleading.

A representative record of those activities undertaken by LSTM to further its charitable purposes for the public benefit are included in the published Annual Report for the year ended 31 July 2014. LSTM have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Commission.

#### 6 Key Performance Indicators (KPIs)

##### Principal Risks and uncertainties

The full scope of principal risks are monitored and mitigated within the institutions risk register and include measured and mitigated risk around sources of income, particularly; financial growth target, student numbers/income, grant income overhead contribution and over dependency on specific funders/major clients. Research grants and consultancy exceeded £50 million for the first time in LSTM's history, representing 77.6% of the total LSTM group income. The principal risk to research turnover growth is the accessibility and success of research grant applications and this is again mitigated through risk monitoring.

- **Research turnover growth** is fundamental to the organisation with a target to increase income by over 60% within the strategic plan. The second year target was £47,919k and this has been achieved with an actual research grants (£39,996k) and consultancy (£10,774) turnover of £50,770k.
- **Improvement to the research infrastructure** is perceived as a direct contributor to the quality and timescale for achieving high quality scientific results. In fact facilities quality separates LSTM from other UK institutions and contextualises the institution as a global player. This investment in laboratories is fully supported by the Board of Trustees. This investment is matched to the increasing turnover as an indicator of LSTM's proactive aspirations.

	2010	2011	2012	2013	2014
<b>Capital investment to turnover</b>	4.02%	8.76%	0.90%	7.31%	5.64%

- **Risks to the future of the institution.** Sensitivity analysis allowing for a reduction of 20% on the turnover on major funders has little effect on the bottom line of LSTM if sensibly managed, whilst any increase reflects a clear additional contribution to the infrastructure.
- **The main risk to the continuation of the institution is a reduction of the HEFCE grant funding** which is considered in the context of the total income, reflected in the accounts. Within the analysis below, the target is to control the HEFCE income to within 12.5% of total income target.

	2010	2011	2012	2013	2014
<b>% of HEFCE income to turnover</b>	12.14%	11.26%	11.11%	11.61%	10.99%

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

- **LSTM's business plan** continues to be robust, bolstered by forward committed research contracts amounting to over £115 million.

**Other Key performance indicators** reflect the organisation's robust financial model

**Cash flow** within a competitive project environment, constantly demanding higher and higher working capital, the figures reflect, even on prudent evaluation, a sustainable model.

	2010	2011	2012	2013	2014
<b>Net cash flow as a % of total income</b>	3.1%	-0.9%	2.6%	14.4%	-1.6%

Further analysis reflecting other indicators provides evidence of LSTM's continuing forecast working capital strength over the next two years. Net liquidity days are the product of the 365 day year and net ready assets, all divided by the year's expenditure less depreciation.

	2010	2011	2012	2013	2014
<b>Net liquidity days</b>	195	160	155	207	185

### 7 Student Numbers

LSTM is funded according to the level of activity that it generates each year. In 2013-14, 92 FTE postgraduate HEFCE funded EU students and 39 postgraduate overseas students attended the postgraduate taught courses. These figures include all Masters provision, and the Diploma in Tropical Medicine & Hygiene. LSTM also contributes to the teaching of a number of University of Liverpool undergraduate courses. In 2013-14 this represented an equivalent of 13 FTEs. PhD students register throughout the academic year. At 1 December 2013, there were 28 EU and 56 non-EU students registered on research degrees.

LSTM also has its own portfolio of non credit-bearing courses, which do not attract HEFCE grant funding. Courses are delivered both in Liverpool and overseas and range from 3 month professional diplomas through to short vocational courses lasting from 1 day to 3 weeks. In 2013-14, 364 students attended non credit-bearing courses delivered in Liverpool and over 1500 students attended training courses and workshops delivered overseas by LSTM staff. Some of the overseas courses are funded from external sources and so do not contribute additional student fees, but they illustrate LSTM's commitment to education and training in a global sense.

### 8 Curriculum Developments

In 2013-14, LSTM continued to deliver seven MSc programmes, with different pathways within the Masters in International Public Health programme according to students' individual interests and career intentions. The constituent modules of a Masters programme are regularly evaluated in response to student feedback and input from external sources, in order to provide students with the most relevant and current experience. The new cohort of Masters students benefitted from the introduction of two new modules – HIV in Resource Limited Settings, and Medical Bacteriology. Students particularly enjoyed the use of videoconferencing which allowed them to interact with experts based on the ground in Malawi and Mozambique, and the use of clinical simulations and role play.

### 9 Transparency Arrangements

The Board of Trustees conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board. Full minutes of all meetings are available from the Secretary to the Board at: Liverpool School of Tropical Medicine, Pembroke Place, Liverpool, L3 5QA.

The Secretary to the Board maintains a register of financial and personal interests of the Board members. The register is available for inspection at the above address.

### 10 Finances

The Group generated a surplus in the year of £2,235k (2012/13 of £2,189k).

The Group has accumulated general reserves of £16,859k and cash balances of £19,120k. LSTM wishes to continue to accumulate reserves and cash balances in order to create a contingency fund in accordance with the reserves policy.

LSTM has four subsidiary companies; LSTM Consulting Ltd (formerly Liverpool Associates in Tropical Health Ltd), Innovative Vector Control Consortium (IVCC), EchiTab Study Group (UK) Ltd and Liverpool International Health Ventures Ltd (LIHV).

The principal business activity of LSTM Consulting is the provision of technical assistance across the spectrum of international health through consultancy, training and project management services. LSTM Consulting has five further subsidiary companies; LATH Management Services Ltd (LMS), LSTM (Kenya) Ltd, Liverpool Associates in Tropical Health Nigeria Ltd (LATH Nigeria), LSTM Consulting (USA) Inc. and LATH (Umoyo) Ltd. LMS and LATH Nigeria were dormant in the year.

IVCC is a registered charity, primarily concerned with the development of new insecticides and information tools for the control of vector borne diseases.

EchiTab Study Group UK (Ltd) is a company formed to develop research in snake antivenom with the Nigerian Ministry of Health. This company was dormant in the year.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

LIHV was formed as a holding company to develop future trading subsidiary companies in the Group. Currently LIHV holds two subsidiaries, Well Travelled Clinics Ltd (WTC), a company formed to deliver pre travel health advice and Liverpool International Health I.P. Ltd (LIHIP), a company set up to hold LSTM's intellectual property. LIHIP commenced trading for the first time during the year.

### 11 Post-Balance Sheet Events

There are no post balance sheet events.

### 12 Staff and Student Involvement

LSTM considers good communication with its staff to be very important and, to this end, it publishes a regular newsletter which is available to all staff. There are regular monthly management reports to the Staff Forum meetings. LSTM encourages staff and student involvement through membership of formal committees and provides positions on the management committee to representatives from the LSTM staff forum. LSTM's Investors in People accreditation was renewed in 2013 and LSTM achieved the Athena Swan Bronze Award in May 2014.

### 13 Taxation

LSTM's activities do not fall to be charged to corporation tax, given that income and gains are applied for and used exclusively for charitable purposes. Except for IVCC, LSTM's subsidiaries do fall under the scope of corporation tax.

### 14 Employment of Disabled Persons

LSTM considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with LSTM continues. LSTM's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

### 15 Disability Statement

LSTM seeks to achieve the objectives set down in the Disability Discrimination Act 2000 and in particular makes the following commitments:

- i. as part of the redevelopment of the buildings it has installed lifts and ramps so that most of the facilities may be accessible to people with a disability;
- ii. The admissions policy for all students is described in the LSTM prospectus. Appeals against a decision not to offer a place are dealt with under the complaints policy.

### 16 Planned Maintenance Programme

LSTM's management review the funding available for maintenance and identify an appropriate budget to deliver a prioritised planned maintenance programme for the year.

### 17 Endowments

LSTM holds endowment funds from the following:

Andrew Campbell Prize, Corlett Prize, David Haddock Prize, John Hay Prize, Jephcott Prize, Jervis Prize, Toosey Prize, White Waller Prize, W. Glynn Williams Prize, Blacklock Medal, Holt Medal, Milne Medal, Cicely Williams Medal, Yorke Medal, William Hesketh Leverhulme Scholarship, Joseph P. Caplan Bursary, Jean Clayton Fellowship, Mildred Ellerker Award, Gatsby, Sir Eric Griffith-Jones Memorial Fellowship Fund, Thomas Mark Fund, Kenneth Newell Bursary, Rhodes-Gilles Fund, Gwendolen Clayton Memorial Scholarships, David Smith Fund, A. M. Browne Bursary.

### 18 Professional Advisers

LSTM's current professional advisors are as follows :

#### Financial Statement and Funding Auditors:

Grant Thornton UK LLP  
Royal Liver Building  
Liverpool L3 1PS

#### Internal Auditors:

Baker Tilly Business Services Ltd  
3 Hardman Street  
Manchester M3 3HS

#### Bankers:

The Royal Bank of Scotland plc.  
1 Dale Street  
Liverpool L2 2PP

#### Solicitors:

Brabners LLP  
Horton House  
Exchange Flags  
Liverpool L2 3YL

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 19 Members

The Board of Trustees are also the nominated directors under Companies Act 2006 and their term of office is for three years. The members who served on the Board during the year were as follows:

Name	Date of appointment retirement* re-appointment **	Status of appointment	Capacity and Committees Served
Mr JH Ross, BA	December 2013**	Elected	Chairman of the Board Nominations & Governance Remuneration
Mr IM Jones ACIB	December 2013**	Elected	Hon Treasurer Vice Chairman of the Board Chairman of Finance & Investment Remuneration
Dr A Banke-Thomas MB:BS, MPH (Hons), M Health Policy & Prog. Mgt.	June 2014	Elected	Board Member (Student Rep)
Mr J Brown LLB (Hons), SOL (Hons)	December 2012**	Elected	Chairman of Audit Remuneration
Mr N Earlam	December 2013	Elected	Finance & Investment
Dr TT Francis BSc	December 2013**	Elected	Audit Remuneration
Prof J Hemingway CBE, FRS, DSc, PhD, BSc	September 2001	Ex Officio / staff	Director of LSTM Nominations & Governance Remuneration Finance & Investment
Dr A Hoskins MB, BAO, BCH, MCommH, FFPH	December 2013**	Elected	Board Member
Prof MJ Jackson BSc, PhD, MRCPPath, FRCPPath	December 2013* December 2013**	Nominated/UoL Elected	Audit
Prof J Keaton MBE, BSc, LLD	October 2013*	Nominated/UoL	Finance & Investment
Rt Hon S O'Brien MP	March 2013	Elected	Nominations & Governance
Mr JH Schofield BA, ACA	December 2013**	Elected	Deputy Hon Treasurer Finance & Investment
Prof N Thrift FBA, DL	December 2012	Elected	Board Member
Prof S Ward BSc, PhD	December 2012	Ex Officio / staff	Deputy Director of LSTM
Mr ACM Winter MCSI, MIOd, MA Oxon	December 2013**	Elected	Board Member
Mr RE Holland FCCA, MBA	June 2001	Non member	Secretary to the Board
Mr N Banatvala, MBBS, MSC, MD, FFPH, FRCP	May 2010	Non member (WHO advisor)	Observer to the Board

University of Liverpool referred to as UoL

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 20 Donations

The Board of Trustee members take this opportunity to thank all donors to LSTM, including Her Majesty the Queen.

#### Revenue Donations

The names of contributors whose donations exceeded £1,000 are listed below:

The Elder Dempster Nigeria and Ghana Independence Trust; The Oglesby Charitable Trust; Lord Leverhulme's Charitable Trust; The Gunter Charitable Trust; The Lord Cozens Hardy Charitable Trust; Johnson and Johnson Corporate Citizenship Trust; Macpherson Charitable Trust; The Farrington Hopkins Trust; The Westcroft Trust; and a number of other anonymous donors.

The names of contributors whose donations are under £1,000 are shown below:

The David Cutforth Charitable Trust; Mr P.J.H.Wills Charitable Trust; The Selwyn Lloyd Charitable Trust; Bassil Shippam and Alsford Trust; Judith M. Wheeldon; The Wyndham Charitable Trust; Mrs M.J. Lane; The Charles Brotherton Charitable Trust; Miss Shirley Harrop; JJ & RM Eyre; Miss Sophie Harrop; World Friendship; Mr Mark Earl; Mr Kevin Alexander; The Millfield Trust; Mr & Mrs D.M. Behrend; Mr Thomas J. Grant; The Westcroft Trust; Nicholas Barber C.B.E.; Mr J.B. Bibby; Lady C.M. Bibby; G M Morrison Charitable Trust; Mr T.P. Naylor; Mr E. Boko; Mr & Mrs Toosey; Gillian Summers; Mr Stephen Constance; Terry and Elsie Prendergast; Alice Liverton; Mrs Gwyneth Macaulay; Thomas Lane Womans Club; Rosalind Phillips; Peter Rudd-Clarke; Mr Richard Burger; Mr Adam Chamberlain; Jonathon Charwat; Mr Philip McCormack; Jeremy Drew; Mrs Sally Ferretti; Ms Samantha J. Lees; Mr David Webster; The estate of the Late Mr Jack Fenwick; Mrs Barbara Fenwick; PJH Wills Charitable Trust; The David Cutforth Charitable Trust; The Stanfield Trust; The Delphine M. Dickson Trust; The Privy Purse Charitable Trust and a number of anonymous donors.

#### Capital Donations

There were no capital donations during this period.

### 21 Statement of Corporate Governance and Internal Controls

LSTM is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which LSTM has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. Its purpose is to help the reader of the accounts understand how the principles have been applied.

With the exception of the full implementation of the Turnbull guidance as noted below under 'internal control', in the opinion of the Board of Trustees, LSTM complies with all the provisions of the UK code of corporate governance in so far as they apply to the Higher Education Sector and it has complied throughout the year ended 31 July 2014.

#### The Board of Trustees

The composition of the Board of Trustees is set out on page 6. It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board is provided with regular and timely information on the overall financial performance of LSTM together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Board of Trustees meets on a termly basis.

The Board of Trustees conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board. These committees are:

- Audit
- Finance & Investment
- Nominations and Governance
- Remuneration

All Board members are able to take independent professional advice in furtherance of their duties at LSTM's expense and have access to the Secretary to the Board who is responsible to the Board of Trustees for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Secretary are matters for the Board of Trustees as a whole.

Formal agendas, papers and reports are supplied to members in a timely manner prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Board has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationships, which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Director are separate.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### Appointments to the Board of Trustees

Any new appointments to the Board are a matter for consideration of the Board as a whole. The Board of Trustees has a Nominations and Governance Committee comprised of four members which is responsible for the selection and nomination of any new member for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

Members of the Board of Trustees are appointed for a term of office of three years. Retiring Trustees shall be eligible for re-election subject to paragraph 3.5.1 and paragraph 3.5.2 of the amended Articles.

### Audit Committee

The Audit Committee is comprised of three members of the Board (excluding the Director and Chair), one member of staff and 2 co-opted independent members. The Committee operates in accordance with written terms of reference approved by the Board of Trustees.

The Audit Committee meets on a termly basis and provides a forum for reporting by LSTM's internal and financial statements auditors who have access to the Committee for independent discussion without the presence of LSTM management.

LSTM's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and internal auditors undertake periodic follow up reviews, to ensure that such recommendations have been implemented.

The Audit Committee also advises the Board of Trustees on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

### Remuneration Committee

Throughout the year ending 31 July 2014, LSTM's Remuneration Committee comprised the Chairman, Treasurer, Chair of the Audit Committee and 2 other Board members. The committee's responsibility is to make recommendations on the remuneration and benefits of the Director, the Director of Strategic Operations and other senior members of staff in LSTM.

Details of remuneration for the year ended 31 July 2014 are set out in notes 8 & 9 of the financial statements.

### Internal Control

The Board of Trustees is ultimately responsible for LSTM's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Board of Trustees has delegated to the Director of LSTM as Accounting Officer, the day-to-day responsibility for reviewing the adequacy of the system of internal financial control and making any appropriate amendments. The Director is also responsible for reporting to the Board any material weaknesses or breakdowns in internal financial control.

The Board of Trustees is of the view that there is a formal on going process for identifying, evaluating and managing LSTM's significant risks that have been in place and operational for the year ended 31 July 2014. The Board regularly review this process. The process continues to be developed with the adoption of a prioritised corporate risk action plan to include timescales and responsible officers. The process is now embedded within all levels of LSTM.

## 22 Going Concern

After making appropriate enquiries, the Board of Trustees considers that LSTM has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

## 23 Strategic Reporting

As a registered charity, the strategic report is contained in the following sections:

- 3 Vision and Mission
- 4 Objectives
- 5 The Nature, Objectives and Strategies of the Charity
- 6 Key Performance Indicators (KPIs)

## 24 Trustees' Responsibilities

The trustees are responsible for preparing the Operating and Financial Review, Corporate Governance Statement and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the charitable company and group for that period. In preparing these financial statements, the trustees are required to:



## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2014

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business;
- ensure that funds received from HEFCE have been properly applied for the purposes for which they were received.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

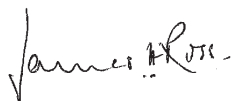
In so far as each of the trustees is aware:

- there is no relevant audit information of which the group's and company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

A resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting, under the heading "Independent Auditors".

Signed on behalf of the Board of Trustees



JH Ross, OBE  
Chairman  
3 November 2014

# Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2014

## Statement on the System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by Liverpool School of Tropical Medicine.

The system can provide only reasonable and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of Trustees;
- regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

Liverpool School of Tropical Medicine has an internal audit service, which operates in accordance with the requirements of the Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which LSTM is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Trustees on the recommendation of the Audit Committee. The Chair of the Audit Committee provides the Board with a report on internal audit activity in LSTM at a minimum annually. The report includes the financial statement and funding auditor's and internal auditor's independent opinion on the adequacy and effectiveness of LSTM's system of internal control, risk management controls and governance processes, including internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditor, the executive managers within LSTM who have responsibility for the development and maintenance of the financial control framework and comments made by LSTM's financial statement and funding auditor in their management letters and other reports.



Professor J Hemingway CBE, FRS, DSc, PhD, BSc  
Director  
3 November 2014

# Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2014

## Independent Auditor's Report to the Governing Body of Liverpool School of Tropical Medicine

We have audited the financial statements of Liverpool School Tropical Medicine ('LSTM') for the year ended 31 July 2014 which comprise the group and LSTM's income and expenditure account, the group and LSTM's statement of total recognised gains and losses, the group and LSTM's balance sheet, the group and LSTM's cash flow statements, the statement of principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B (4) of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992. Our audit work has been undertaken so that we might state to the LSTM's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than LSTM and its Governing Body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Governing Body and auditor

As explained more fully in the Governing Body's Responsibilities Statement set out on pages 8 and 9, the Governing Body (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006 and the Education Reform Act 1988 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and LSTM's affairs as at 31 July 2014 and of its incoming resources and application of resources, including its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- 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 requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Opinion on other matters prescribed by HEFCE's Financial Memorandum dated July 2010 and the funding agreement with the National College for Teaching and Leadership

In our opinion, in all material respects:

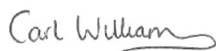
- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the funding council's Financial Memorandum and any other terms and conditions attached to them.

### Matters on which we are required to report by exception

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

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

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the Statement of Internal Control included as part of the Corporate Governance Statement is inconsistent with our knowledge of LSTM.



Carl Williams  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Liverpool  
3 November 2014

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2014**

**Income and Expenditure Accounts**

	Notes	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
<b>Income</b>					
Funding Council Grants	2	7,186	7,186	6,968	6,968
Tuition fees and education contracts	3	3,037	3,037	2,629	2,629
Research grants and contracts	4	39,996	32,107	38,833	31,534
Other income	5	14,742	12,019	11,298	9,235
Endowment and Investment income	6	226	226	229	201
Surplus on disposal of investments	7	203	203	37	37
<b>Total income</b>		<b>65,390</b>	<b>54,778</b>	<b>59,994</b>	<b>50,604</b>
<b>Expenditure</b>					
Staff costs	8	19,622	18,347	17,981	16,322
Other operating expenses	10	42,508	33,693	38,833	31,210
Depreciation	14	1,019	1,010	989	978
Interest payable	11	-	-	-	-
<b>Total expenditure</b>		<b>63,149</b>	<b>53,050</b>	<b>57,803</b>	<b>48,510</b>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		2,241	1,728	2,191	2,094
Taxation	12	(6)	-	(2)	-
<b>Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments and tax</b>	13	<b>2,235</b>	<b>1,728</b>	<b>2,189</b>	<b>2,094</b>

The income and expenditure account is in respect of continuing activities and there were no operations that were acquired or discontinued by the Liverpool School of Tropical Medicine Group during the year.

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2014**

**Statement of the Total Recognised Gains and Losses**

	Notes	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	13	2,235	1,728	2,189	2,094
Appreciation/(depreciation) of endowment asset investments (realised)	22	230	230	222	222
Endowment income retained for year	22	33	33	(2,602)	(2,602)
Revaluation of endowment asset investments (unrealised)	22	121	121	1,501	1,501
Revaluation of investments	23	75	75	518	518
<b>Total recognised gains/(losses) relating to the year</b>		<b><u>2,694</u></b>	<b><u>2,187</u></b>	<b><u>1,828</u></b>	<b><u>1,733</u></b>
<b>Reconciliation</b>					
Opening reserves and endowments		28,121	27,308	26,293	25,575
Total recognised gains/(losses) for the year		2,694	2,187	1,828	1,733
<b>Closing reserves and endowments</b>		<b><u>30,815</u></b>	<b><u>29,495</u></b>	<b><u>28,121</u></b>	<b><u>27,308</u></b>

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2014**

**Balance Sheets as at 31 July**

	Notes	Group 2014 £000	LSTM 2014 £000	Group 2013 £000	LSTM 2013 £000
<b>Fixed assets</b>					
Tangible assets	14	42,502	42,187	39,883	39,559
Investments	15	-	54	-	54
		<u>42,502</u>	<u>42,241</u>	<u>39,883</u>	<u>39,613</u>
Endowment assets	16	<u>12,895</u>	<u>12,895</u>	<u>12,511</u>	<u>12,511</u>
<b>Current assets</b>					
Stock		57	17	66	21
Debtors	17	12,973	11,999	11,200	10,472
Investments	18	12,297	12,297	12,032	12,032
Cash at bank and in hand		19,120	7,152	20,203	9,389
		<u>44,447</u>	<u>31,465</u>	<u>43,501</u>	<u>31,914</u>
<b>Creditors: amounts falling due within one year</b>	19	38,318	26,395	38,803	27,759
<b>Net current assets</b>		<u>6,129</u>	<u>5,070</u>	<u>4,698</u>	<u>4,155</u>
<b>Total assets less current liabilities</b>		61,526	60,206	57,092	56,279
<b>NET ASSETS</b>		<u>61,526</u>	<u>60,206</u>	<u>57,092</u>	<u>56,279</u>
<b>Deferred capital grants</b>	21	30,711	30,711	28,971	28,971
<b>Endowments</b>					
Restricted permanent	22	6,410	6,410	6,273	6,273
Unrestricted permanent	22	6,485	6,485	6,238	6,238
		<u>12,895</u>	<u>12,895</u>	<u>12,511</u>	<u>12,511</u>
<b>Reserves</b>					
Revaluation reserves	23	1,061	1,061	986	986
General reserve	24	16,859	15,539	14,624	13,811
		<u>17,920</u>	<u>16,600</u>	<u>15,610</u>	<u>14,797</u>
<b>TOTAL FUNDS</b>		<u>61,526</u>	<u>60,206</u>	<u>57,092</u>	<u>56,279</u>

The financial statements on pages 11 to 31 were approved by the Board of Trustees on 3 November 2014 and were signed on behalf of the Directors by:-



IM Jones - Honorary Treasurer



Professor J Hemingway - Director

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2014**

**Cash Flow Statements**

	Notes	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
<b>Cash flow from operating activities</b>	25	33	(1,192)	9,816	7,032
Returns on investments and servicing of finance	26	259	259	(2,373)	(2,401)
Taxation	12	(6)	-	(2)	-
Capital expenditure and financial investment	27	(1,321)	(1,321)	(1,792)	(1,793)
Cash (outflow) / inflow before use of liquid resources and financing		<u>(1,035)</u>	<u>(2,254)</u>	<u>5,649</u>	<u>2,838</u>
Management of liquid resources	28	17	17	2,991	2,991
<b>(Decrease) / increase in cash in the year</b>		<u><b>(1,018)</b></u>	<u><b>(2,237)</b></u>	<u><b>8,640</b></u>	<u><b>5,829</b></u>
<b>Reconciliation of net cash flow to movement in net funds</b>					
(Decrease) / increase in cash in the year		(1,018)	(2,237)	8,640	5,829
Cash inflow / (outflow) from liquid resources	28	(17)	(17)	(2,991)	(2,991)
Movement in net funds in year		<u><b>(1,035)</b></u>	<u><b>(2,254)</b></u>	<u><b>5,649</b></u>	<u><b>2,838</b></u>
Net funds at 1 August	29	17,398	6,684	11,749	3,846
<b>Net funds at 31 July</b>	29	<u><b>16,363</b></u>	<u><b>4,430</b></u>	<u><b>17,398</b></u>	<u><b>6,684</b></u>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### Notes to the Accounts

#### 1 Statement of Principal Accounting Policies

##### i) Accounting convention

These financial statements have been prepared under the historic cost convention as modified by the revaluation of Investments and Endowment Asset Investments, and in accordance with applicable Accounting Standards. They conform to the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions 2007, on the basis that the School receives funds from the Higher Education Funding Council for England (HEFCE).

##### ii) Basis of consolidation

The consolidated financial statements include the financial statements of LSTM and its subsidiary undertakings, LSTM Consulting Limited, Liverpool International Health Ventures Limited, IVCC Limited, and Echitab Study Group (UK) Limited. Inter-group transactions are eliminated fully on consolidation.

##### iii) Recognition of income

Income from research grants and contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from investments is credited to the Income and Expenditure Account on a receivable basis. Any payments received in advance of such performance are recognised on the balance sheet as liabilities.

##### iv) Pension schemes

LSTM's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF). Both schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Contributions to the schemes are charged to the income and expenditure account as though they were defined contribution schemes. This is in accordance with the accounting for multi employer pension schemes whereby the asset and liabilities cannot be readily split between participating members. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services (note 30).

##### v) Foreign currencies

Transactions denominated in 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 dealt with in the determination of income and expenditure for the financial year.

##### vi) Land and buildings

The main LSTM buildings are erected on freehold land and are depreciated over a period of 50 years.

Other LSTM buildings which are erected on leasehold land are depreciated over the life of the lease or over a period of 50 years, whichever is the shorter.

Building work capitalised has in part been funded by specific benefactions. The related benefaction received in advance is being released to the Income and Expenditure Account over the assets' useful life. The release of capital grant has matched the depreciation policy.

##### vii) Fixtures and equipment

Equipment has been capitalised if costing £5,000 or more. The equipment will be written off over its useful life which is assumed to be 4 years. Equipment acquired under a research contract is treated as revenue expenditure within that research contract.

##### viii) Investments

Endowment asset investments and current asset investments are included in the balance sheet at market value. The subsidiary undertakings are stated at cost, adjusted by any necessary impairment.

LSTM's treasury management policy is for all endowments to be invested in a portfolio of long term investments, while working balances and revenue reserves are invested short term with interest received credited to the income and expenditure account. The long term investments are managed by external fund managers accountable to LSTM's Finance & Investment Committee. The short term investments are in the money market and are the day to day responsibility of the Director of Finance, working with external cash managers. The investment objective is to achieve maximum return with minimum risk.

Non-endowment investments are held as current assets as they are available to be drawdown on demand.



# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 1 Statement of Principal Accounting Policies (continued)

ix) **Liquid resources**

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

x) **Taxation status**

LSTM is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988. LSTM 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 S 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. LSTM Consulting Ltd and LIHV Ltd are trading companies liable to corporation tax. LSTM is registered for VAT. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

xi) **Stock and work in progress**

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Work in progress is valued on the basis of direct costs plus overheads attributable based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

xii) **Deferred government grants**

Government grants in respect of capital expenditure are treated as deferred capital grants and are credited to the income and expenditure account over the estimated useful life of the assets to which they relate.

xiii) **Maintenance of premises**

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

xiv) **Provisions**

Provisions are recognised when LSTM has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

xv) **Reserves policy**

The Board of Trustees approved a strategic plan covering a five year period to 31 July 2017. This plan anticipates LSTM's free reserves being augmented by the end of the period. The Board has targeted, at the end of the five year period of the strategic plan for free reserves to represent a minimum of 3 months pay expenditure.

xvi) **Accounting for charitable donations**

**Unrestricted Donations**

Charitable donations are recognised in the accounts when the charitable donation has been received or, before receipt, if there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

**Endowment Funds**

Where charitable donations are to be retained for the benefit of LSTM as specified by the donors, these are accounted for as endowments. There are two main types:

- 1) Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream which can be applied to any objective
- 2) 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

### 2 Funding Council Grants

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Recurrent grant - HEFCE	7,186	7,186	6,968	6,968
FEC support grant - HEFCE	-	-	-	-
	<u>7,186</u>	<u>7,186</u>	<u>6,968</u>	<u>6,968</u>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 3 Tuition Fees and Education Contracts

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
UK Higher Education students	433	433	300	300
Non-EU students	991	991	907	907
Short Courses	1,416	1,416	1,286	1,286
	<u>2 840</u>	<u>2 840</u>	<u>2 493</u>	<u>2 493</u>
Higher Education contracts	-	-	-	-
Other contracts	197	197	136	136
	<u><u>3,037</u></u>	<u><u>3,037</u></u>	<u><u>2,629</u></u>	<u><u>2,629</u></u>

### 4 Research Grants and Contracts

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Research Council	3,495	3,495	1,961	1,961
UK based charities	7,105	7,986	5,962	6,946
UK Central Government and other bodies	12,148	7,955	7,060	6,679
UK Industry, commerce and public	109	109	432	432
European Commission	4,229	4,229	5,931	5,931
Other overseas bodies	12,910	8,333	17,487	9,585
Total	<u><u>39,996</u></u>	<u><u>32,107</u></u>	<u><u>38,833</u></u>	<u><u>31,534</u></u>

Included within UK based charity income is £1.1 million allocated to LSTM by IVCC, a UK registered charity under the control of LSTM. This income has been recognised as UK based charity income by being matched against the related charitable expenditure incurred by the Group. IVCC allocates funding to research institutions on a competitive basis as validated by its External Scientific Advisory Committees.

### 5 Other Income

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Other income generating activities	1,095	231	1,066	251
Implementation research consultancy	10,774	8,357	7,774	6,132
Other grant income	217	217	215	215
Releases from deferred capital grants	614	614	616	616
Donations for general purposes	25	25	21	21
Donations for specific purposes	224	224	122	122
Subvention from North West Regional Health Authority	356	356	325	325
Other income	1,437	1,911	1,159	1,553
Gift aid from subsidiary	-	84	-	-
	<u><u>14,742</u></u>	<u><u>12,019</u></u>	<u><u>11,298</u></u>	<u><u>9,235</u></u>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 6 Endowment and Investment Income

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Dividend income and interest receivable	63	63	49	49
Income from general endowment asset investments (note 22)	123	123	113	113
Other endowment income	-	-	-	-
Other interest receivable	40	40	67	39
	<u>226</u>	<u>226</u>	<u>229</u>	<u>201</u>

### 7 Surplus on disposal of investments

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Total surplus	203	203	37	37
	<u>203</u>	<u>203</u>	<u>37</u>	<u>37</u>

### 8 Staff Costs

	Group Year ended 31 July 2014 Number	LSTM Year ended 31 July 2014 Number	Group Year ended 31 July 2013 Number	LSTM Year ended 31 July 2013 Number
Professorial	19	19	16	16
Academic and academic related	96	96	74	74
Research	205	185	187	168
Secretarial and clerical	64	58	58	50
Technical	21	15	17	13
Other	3	3	3	3
	<u>408</u>	<u>376</u>	<u>355</u>	<u>324</u>

The average number of persons (including senior post-holders) employed during the year, expressed as full-time equivalents, was:

#### Staff costs for the above persons:

	£000	£000	£000	£000
Wages and salaries	16,107	15,041	14,733	13,408
Social security costs	1,340	1,242	1,273	1,157
Other pension costs	2,142	2,031	1,877	1,726
Restructuring costs	33	33	98	31
	<u>19,622</u>	<u>18,347</u>	<u>17,981</u>	<u>16,322</u>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 8 Staff Costs (continued)

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Academic services - academic and academic related staff	4,732	4,732	4,861	4,861
Academic services - support staff	1,222	1,222	1,078	1,078
Academic services - laboratory staff	242	242	261	261
Academic support services staff	631	631	419	419
Research grants staff	10,542	9,641	8,800	8,090
Administration and central services staff	1,380	1,380	1,699	1,178
Premises staff	427	427	366	366
Other income-generating activities staff	413	39	399	38
Staff restructuring	33	33	98	31
<b>Total</b>	<b>19,622</b>	<b>18,347</b>	<b>17,981</b>	<b>16,322</b>

	Group Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000
Employment costs for staff on permanent contracts	19,455	17,812
Employment costs for staff on short-term and temporary contracts	134	71
Restructuring costs	33	98
	<b>19,622</b>	<b>17,981</b>

The restructuring costs were approved by the School's remuneration committee.

The number of staff, including senior post-holders and the Director, who received emoluments in the following ranges was:

	Group Year ended 31 July 2014		Group Year ended 31 July 2013	
	Number senior post- holders	Number Other Staff	Number senior post- holders	Number Other Staff
£100,001 to £110,000	-	3	-	4
£110,001 to £120,000	-	1	-	3
£120,001 to £130,000	-	3	1	2
£130,001 to £140,000	-	1	-	-
£140,001 to £150,000	1	2	-	2
£150,001 to £160,000	-	2	-	3
£160,001 to £170,000	-	2	-	-
£180,001 to £190,000	-	-	-	2
£190,001 to £200,000	-	1	-	-
£210,001 to £220,000	-	1	1	-
£230,001 to £240,000	1	-	-	-
	<b>2</b>	<b>16</b>	<b>2</b>	<b>16</b>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 9 Senior Post-holders' Emoluments

	Year ended 31 July 2014 Number	Year ended 31 July 2013 Number
The number of senior post-holders including the Director was:	2	2

Senior post-holders' emoluments are made up as follows:

	£000	£000
Salaries	355	325
Benefits in kind	-	-
Pension contributions	20	18
<b>Total emoluments</b>	<b><u>375</u></b>	<b><u>343</u></b>

The above emoluments include amounts payable to the Director of:

	£000	£000
Salary	233	216
Benefits in kind	-	-
	<b><u>233</u></b>	<b><u>216</u></b>
Pension contributions	<b><u>-</u></b>	<b><u>-</u></b>

The pension contributions of the Director and senior post-holders are in respect of employer's contributions to the USS and are paid at the same rate as for other employees.

The members of the Board other than the Director and the staff members did not receive any payment from LSTM other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

#### Overseas activities

LSTM's business is such that a substantial amount of overseas activities are carried out by all staff, which includes senior post-holders and higher paid staff. It is not believed appropriate to account for this expenditure in a separate note.

### 10 Other Operating Expenses

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Teaching courses related costs	288	288	292	292
Laboratory and other costs	1,603	1,257	1,363	941
Teaching and other support services	1,403	1,403	1,029	1,029
Research grants costs	36,727	28,202	34,218	27,314
Administration and central services	530	610	986	643
General education	243	219	(538)	(454)
Premises running costs	943	943	883	845
Premises maintenance	721	721	550	550
Planned maintenance	50	50	50	50
<b>Total</b>	<b><u>42,508</u></b>	<b><u>33,693</u></b>	<b><u>38,833</u></b>	<b><u>31,210</u></b>

#### Other operating expenses include:

Auditors' remuneration:

financial statements audit	33	14	43	22
internal audit	23	23	16	16
other services from either external or internal audit	<b><u>7</u></b>	<b><u>7</u></b>	<b><u>14</u></b>	<b><u>12</u></b>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 11 Interest Payable

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
On bank loans, overdrafts and other loans:				
Repayable within 5 years, not by instalments	-	-	-	-
Repayable within 5 years, by instalments	-	-	-	-
Repayable wholly or partly in more than 5 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 12 Taxation

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
United Kingdom corporation tax	6	-	2	-

### 13 Surplus on Continuing Operations for the Year

The surplus on continuing operations for the year is made up as follows :

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
LSTM's surplus for the year	2,235	1,644	2,189	2,094
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	84	-	-
<b>Total</b>	<b>2,235</b>	<b>1,728</b>	<b>2,189</b>	<b>2,094</b>

### 14 Tangible Fixed Assets

	Freehold land and building £000	Fixtures and Equipment £000	Total £000
<b>GROUP</b>			
<b>Cost or Valuation</b>			
At 1 August 2013	45,578	1,808	47,386
Additions	3,465	224	3,689
Disposals	(53)	-	(53)
<b>At 31 July 2014</b>	<b>48,990</b>	<b>2,032</b>	<b>51,022</b>
<b>Depreciation</b>			
At 1 August 2013	6,062	1,441	7,503
Charge for year	824	195	1,019
Eliminated in respect of disposals	(2)	-	(2)
<b>At 31 July 2014</b>	<b>6,884</b>	<b>1,636</b>	<b>8,520</b>
<b>Net Book Value at 31 July 2014</b>	<b>42,106</b>	<b>396</b>	<b>42,502</b>
Net Book Value at 31 July 2013	39,516	367	39,883
Financed by other capital grant	27,095	7	27,102
Financed by HEFCE capital grant	3,609	-	3,609
Financed by other	11,402	389	11,791
	<b>42,106</b>	<b>396</b>	<b>42,502</b>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 14 Tangible Fixed Assets (continued)

	Freehold land and building £000	Fixtures and Equipment £000	Total £000
<b>LSTM</b>			
<b>Cost or Valuation</b>			
At 1 August 2013	45,226	1,788	47,014
Additions	3,465	224	3,689
Disposals	( 53)	-	( 53)
<b>At 31 July 2014</b>	<b><u>48,638</u></b>	<b><u>2,012</u></b>	<b><u>50,650</u></b>
<b>Depreciation</b>			
At 1 August 2013	6,032	1,423	7,455
Charge for year	817	193	1,010
Eliminated in respect of disposals	( 2)	-	( 2)
<b>At 31 July 2014</b>	<b><u>6,847</u></b>	<b><u>1,616</u></b>	<b><u>8,463</u></b>
<b>Net Book Value at 31 July 2014</b>	<b><u>41,791</u></b>	<b><u>396</u></b>	<b><u>42,187</u></b>
Net Book Value at 31 July 2013	<u>39,194</u>	<u>365</u>	<u>39,559</u>
Financed by other capital grant	27,095	7	27,102
Financed by HEFCE capital grant	3,609	-	3,609
Financed by other	11,087	389	11,476
	<b><u>41,791</u></b>	<b><u>396</u></b>	<b><u>42,187</u></b>

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

The net book value of tangible fixed assets includes no amount in respect of assets held under finance leases.

### 15 Investments

	LSTM Year ended 31 July 2014 £000	LSTM Year ended 31 July 2013 £000
Investments in subsidiary companies	<u>54</u>	<u>54</u>

LSTM owns 100% of the issued ordinary £1 shares of LSTM Consulting Limited, a company incorporated in England and Wales. Its principal business activity is carrying out technical assistance on health issues in tropical countries.

LSTM owns 100% of the issued ordinary £1 shares of Liverpool International Health Ventures Limited, a company incorporated in England and Wales. Its principal business activity is being a holding company for both a travel clinic and an intellectual property company.

LSTM owns 100% of the issued ordinary £1 shares of EchiTAB Study Group (UK) Limited, a company incorporated in England and Wales. Its principal business activity is to develop an anti-venom unit within Nigeria. The company was dormant in the year.

LSTM owns 100% of IVCC Limited, a company incorporated in England and Wales. IVCC is a company limited by guarantee and holds no share capital. Its principal business activity is to carry out research into controlling vector-borne diseases such as malaria and dengue.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 16 Endowment Assets

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Balance at 1 August 2013	12,511	12,511	13,390	13,390
Additions	671	671	981	981
Disposals	(391)	(391)	(370)	(370)
Appreciation on disposals / revaluation	121	121	1,501	1,501
Increase/(decrease) in cash balances held at fund managers	(17)	(17)	(2,991)	(2,991)
<b>Balance at 31 July 2014</b>	<b><u>12,895</u></b>	<b><u>12,895</u></b>	<b><u>12,511</u></b>	<b><u>12,511</u></b>
Represented by:				
Fixed interest stocks (listed)	853	853	901	901
Equities (listed)	10,453	10,453	10,285	10,285
Cash balances	999	999	1,018	1,018
Other	590	590	307	307
<b>Total</b>	<b><u>12,895</u></b>	<b><u>12,895</u></b>	<b><u>12,511</u></b>	<b><u>12,511</u></b>

### 17 Debtors

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Amounts falling due within one year				
Trade debtors	457	323	733	105
Amounts owed by subsidiary undertakings	-	953	-	219
Balances due on research grants and contracts	11,159	9,912	8,790	8,783
Prepayments and accrued income	1,357	811	1,677	1,365
<b>Total</b>	<b><u>12,973</u></b>	<b><u>11,999</u></b>	<b><u>11,200</u></b>	<b><u>10,472</u></b>

### 18 Investments

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Cost at 1 August 2013	11,018	11,018	11,005	11,005
Additions	672	672	309	309
Disposals	(1,011)	(1,011)	(296)	(296)
<b>Cost at 31 July 2014</b>	<b><u>10,679</u></b>	<b><u>10,679</u></b>	<b><u>11,018</u></b>	<b><u>11,018</u></b>
Unrealised surplus at 1 August 2013	986	986	468	468
Revaluation for the year	75	75	518	518
<b>Market value as at 31 July 2014</b>	<b><u>11,740</u></b>	<b><u>11,740</u></b>	<b><u>12,004</u></b>	<b><u>12,004</u></b>
Cash balances at investment brokers	557	557	28	28
<b>Total</b>	<b><u>12,297</u></b>	<b><u>12,297</u></b>	<b><u>12,032</u></b>	<b><u>12,032</u></b>
Represented by:				
Fixed interest stocks (listed)	8,465	8,465	7,191	7,191
Equities (listed)	2,265	2,265	2,413	2,413
Cash balances	978	978	1,607	1,607
Other	589	589	821	821
<b>Total</b>	<b><u>12,297</u></b>	<b><u>12,297</u></b>	<b><u>12,032</u></b>	<b><u>12,032</u></b>



# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 19 Creditors: Amounts Falling Due Within One Year

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Bank loans and overdrafts	35	-	100	-
Unexpended balances of research grants and contracts	26,834	16,582	28,343	20,128
Trade creditors	2,625	2,569	458	424
Amounts owed to subsidiary undertakings	-	18	-	-
Other taxation and social security	411	400	372	364
Accruals	8,413	6,826	9,530	6,843
	<u>38,318</u>	<u>26,395</u>	<u>38,803</u>	<u>27,759</u>

### 20 Borrowings

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
<b>Bank loans and overdrafts</b>				
Bank loans and overdrafts are repayable as follows:				
In one year or less, or on demand	35	-	100	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u>35</u>	<u>-</u>	<u>100</u>	<u>-</u>

### 21 Deferred Capital Grants

	Group Funding Council £000	Group Other Funding £000	Group Total £000	LSTM Total £000
At 1 August 2013				
Buildings	3,697	25,234	28,931	28,931
Equipment	-	40	40	40
Cash received				
Buildings	-	2,354	2,354	2,354
Equipment	-	-	-	-
Released to income and expenditure account				
Buildings	( 88)	( 493)	( 581)	( 581)
Equipment	-	( 33)	( 33)	( 33)
<b>Total</b>	<u>3,609</u>	<u>27,102</u>	<u>30,711</u>	<u>30,711</u>
At 31 July 2014				
Buildings	3,609	27,095	30,704	30,704
Equipment	-	7	7	7
<b>Total</b>	<u>3,609</u>	<u>27,102</u>	<u>30,711</u>	<u>30,711</u>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 22 Endowments

	Group and LSTM		
	Permanent Endowments		
	Restricted £000	Unrestricted £000	Total £000
At 1 August 2013 - Capital value	5,979	6,105	12,084
- Accumulated income	294	133	427
Appreciation of endowment asset investments (realised)	201	29	230
Appreciation of endowment asset investments (unrealised)	( 28)	149	121
Income for year	145	123	268
Transferred to income and expenditure account	( 181)	( 54)	( 235)
Capital expenditure	-	-	-
	<u>6,153</u>	<u>6,283</u>	<u>12,436</u>
At 31 July 2014 - Capital value	<u>6,153</u>	<u>6,283</u>	<u>12,436</u>
- Accumulated income	<u>257</u>	<u>202</u>	<u>459</u>

#### Representing

Fellowships and scholarships funds	5,244	-	5,244
Prizes funds	56	-	56
Other funds	1,110	6,485	7,595
Total	<u>6,410</u>	<u>6,485</u>	<u>12,895</u>

Of the restricted permanent endowments, £3,456k capital and £52k income relates to the William Hesketh Leverhulme Scholarship Trust. This is a subsidiary charity of LSTM.

Of the unrestricted permanent endowments, £4,437k capital and £202k income relates to the LSTM Professorial Endowment Funds. This is a subsidiary charity of LSTM.

### 23 Revaluation Reserves

	Investment Revaluation Reserve £000	Currency Revaluation Reserve £000	Group Total £000	LSTM Total £000
At 1 August 2013	986	-	986	986
Revaluations in the period (as per note 18)	75	-	75	75
<b>At 31 July 2014</b>	<u>1,061</u>	<u>-</u>	<u>1,061</u>	<u>1,061</u>

### 24 Movement in General Reserves

	Group Departmental Funds £000	Group Other Funds £000	Group Total £000	LSTM Total £000
<b>Income and Expenditure Account Reserve</b>				
At 1 August 2013	23	14,601	14,624	13,811
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	-	2,235	2,235	1,728
Transfer between funds	( 2)	2	-	-
<b>At 31 July 2014</b>	<u>21</u>	<u>16,838</u>	<u>16,859</u>	<u>15,539</u>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 25 Reconciliation of Operating Surplus to Net Cash Inflow/(Outflow) from Operating Activities

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Surplus on continuing operations after depreciation of assets at valuation	2,241	1,728	2,191	2,094
Depreciation (note 1 & 14)	1,019	1,010	989	978
Deferred capital grants released to income (note 21)	( 614)	( 614)	( 616)	( 616)
Profit on disposal of investments	( 203)	( 203)	( 37)	( 37)
(Increase) / decrease in stocks	9	4	( 6)	( 6)
(Increase) / decrease in debtors	(1,773)	(1,527)	(3,000)	(3,281)
Increase / (decrease) in creditors	( 420)	(1,364)	10,524	8,101
Interest receivable (note 6)	( 226)	( 226)	( 229)	( 201)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>33</b>	<b>(1,192)</b>	<b>9,816</b>	<b>7,032</b>

### 26 Returns on Investments and Servicing of Finance

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Income from long term investments and unrestricted permanent endowments	186	186	162	162
Net income/expenditure from restricted permanent endowments	33	33	(2,602)	(2,602)
Other interest received	40	40	67	39
<b>Net cash inflow/(outflow) from returns on investment and servicing of finance</b>	<b>259</b>	<b>259</b>	<b>(2,373)</b>	<b>(2,401)</b>

### 27 Capital Expenditure and Financial Investment

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Purchase of tangible fixed assets	(3,689)	(3,689)	(4,385)	(4,385)
Payments to acquire endowment assets	(671)	(671)	(981)	(981)
Payments to acquire investments	(1,201)	(1,201)	(319)	(319)
Receipt from sale of tangible fixed assets	51	51	1	-
Receipt from sale of investments	1,214	1,214	333	333
Receipt from sale of endowment assets	621	621	592	592
Deferred capital grants received	2,354	2,354	2,967	2,967
Endowments received	-	-	-	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(1,321)</b>	<b>(1,321)</b>	<b>(1,792)</b>	<b>(1,793)</b>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 28 Management of Liquid Resources

	Group Year ended 31 July 2014 £000	LSTM Year ended 31 July 2014 £000	Group Year ended 31 July 2013 £000	LSTM Year ended 31 July 2013 £000
Movement in endowment assets (cash)	17	17	2,991	2,991
<b>Net cash inflow from management of liquid resources</b>	<b>17</b>	<b>17</b>	<b>2,991</b>	<b>2,991</b>

### 29 Analysis of Changes in Net Funds

	At 1 August 2013 £000	Cashflows £000	Other changes £000	At 31 July 2014 £000
<b>Group</b>				
Cash in hand, and at bank	20,203	(1,083)	-	19,120
Endowment asset investments (note16)	(2,705)	(17)	-	(2,722)
Overdrafts	( 100)	65	-	( 35)
	<u>17,398</u>	<u>(1,035)</u>	<u>-</u>	<u>16,363</u>
Net funds due within 1 year	17,398	(1,035)	-	16,363
Net funds due after 1 year	-	-	-	-
<b>Total</b>	<b><u>17,398</u></b>	<b><u>(1,035)</u></b>	<b><u>-</u></b>	<b><u>16,363</u></b>
<b>LSTM</b>				
Cash in hand, and at bank	9,389	(2,237)	-	7,152
Endowment asset investments (note16)	(2,705)	(17)	-	(2,722)
Overdrafts	-	-	-	-
	<u>6,684</u>	<u>(2,254)</u>	<u>-</u>	<u>4,430</u>
Net funds due within 1 year	6,684	(2,254)	-	4,430
Net funds due after 1 year	-	-	-	-
<b>Total</b>	<b><u>6,684</u></b>	<b><u>(2,254)</u></b>	<b><u>-</u></b>	<b><u>4,430</u></b>

### 30 Pension and similar obligations

LSTM's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF) although a small number of staff belong to the National Health Service Superannuation Scheme (NHSS). All schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. The total pension cost for the period was £2,142,000 ( 2013 £1,877,000).

#### Universities Superannuation Scheme (USS)

LSTM 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.

The appointment of directors to the board of the trustee is determined by the trustee 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; and a minimum of three and a maximum of five are independent 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.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 30 Pension and similar obligations (continued)

#### Universities Superannuation Scheme (USS) (continued)

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the 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 actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial 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 (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates 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% 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% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables - No age rating
Female members' mortality	S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% 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 past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS 17 basis, using a AA bond discount rate of 4.5% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 30 Pension and similar obligations (continued)

#### Universities Superannuation Scheme (USS) (continued)

Surpluses or deficits which arise at future valuations may impact on LSTM'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 contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

<b>Assumption</b>	<b>Change in assumption</b>	<b>Impact on scheme liabilities</b>
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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 but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of 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 was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include :

#### *New Entrants*

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

#### *Normal pension age*

The normal pension age was increased for future service and new entrants, to age 65.

#### *Flexible Retirement*

Flexible retirement options were introduced.

#### *Member contributions increased*

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

#### *Cost sharing*

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

#### *Pension increase cap*

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 30 Pension and similar obligations (continued)

#### Universities Superannuation Scheme (USS) (continued)

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and at 31 July 2014, LSTM had 261 active members participating in the scheme (2013 238 members).

The total pension cost for LSTM was £1,639,000 (2013 £1,358,000). The contribution rate payable by LSTM was 16% of pensionable salaries.

#### University of Liverpool Pension Fund (ULPF)

LSTM participates in the University of Liverpool Superannuation Scheme, (ULPF) a defined benefit scheme in the UK. The final salary section of the Fund is closed to new entrants with effect from 31 July 2011 and from 1 August 2011, new members are eligible to join the care section of the Fund. An actuarial valuation was carried out at 31 July 2012 and updated to 31 July 2013 by a qualified actuary, independent of the scheme's sponsoring employer.

The contributions made by the employer over the period have been £250,000 (2013 £223,000). The employer currently pays contributions at the rate of 13.4% of pensionable pay. Member contributions are payable in addition at the rate of 7.5% of pensionable pay for Final Salary members and 6.5% of pensionable pay for CARE members. These contribution rates are currently under review following the outcome of the triennial valuation of the scheme as at 31 July 2012.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities, the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.8% per annum (2012 4.4%) and salary increases would be 3.55% per annum (2012 2.85%). The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £294m (2012 £246m) and the value of the past service liabilities was £248m (2012 £237m) leaving a surplus of £46m (2012 £9m).

During the year, LSTM contributed to 89 employees within this scheme (2013 104 employees). There was a total of 1,611 active members in this scheme at 31 July 2006.

#### National Health Service Superannuation Scheme (NHSSS)

LSTM participates in the National Health Service Superannuation Scheme, (NHSSS) a defined benefit scheme which is a statutory, unfunded, multi employer, defined benefit scheme in which LSTM is unable to identify its share of the underlying liabilities and assets and is accounted for on a contributions basis.

The contributions made by the employer over the financial year have been £182,000 (2013 £151,000), equivalent to 14% of Pensionable Salaries.

### 31 Post Balance Sheet Events

There are no post balance sheet events

### 32 Contingent Liability

The Group has received a capital grant of £8.4 million from the North West Development Agency in connection with the construction of the CTID building. It has also received a capital grant of £1.4 million (which will rise to £1.5 million) in connection with the construction of the Wolfson building. These grants have certain conditions with which the Group will need to comply in future periods. At this time the Group believes it will be able to comply with these conditions when necessary.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2014

### 33 Capital Commitments

	Group and LSTM	
	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Commitments contracted for at 31 July	<u>2,225</u>	<u>12</u>
Commitments under finance leases entered into but not yet provided for in the financial statements	<u>Nil</u>	<u>Nil</u>

### 34 Financial Instruments

LSTM incurs foreign currency risk on sales and purchases that are denominated in currencies other than sterling. LSTM uses forward exchange contracts to hedge this risk. At 31 July, LSTM had forward contracts with the following difference to the prevailing market rate:

	Group and LSTM	
	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Sell currency and buy £	<u>351</u>	<u>( 710)</u>

### 35 Related Party Transactions

The group has taken advantage of the exemptions included in Financial Reporting Standard No 8 in not disclosing the transactions within other group companies as all such transactions have been eliminated on consolidating the group results for the year.

Due to the nature of LSTM's operations and the composition of the Board of Trustees (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving an organisation in which a member of the Board may have an interest are conducted at arm's length and in accordance with LSTM's financial regulations and normal procurement procedures.

### 36 DFID Funding

Included within UK Central Government income (note 4) and implementation research consultancy (note 5) are the following DFID funded research projects, together with their income for the year:

	LSTM Year ended 31 July 2014 £000	LSTM Year ended 31 July 2013 £000
CNTD Global Programme Lymphatic Filariasis	5,120	4,937
EBSR	1,053	1,050
Health Systems Financing	1,264	817
ICOSA	777	808
LQAS work - ORISSA	34	-
Making It Happen Phase 2	5,813	3,814
Reducing Maternal & Neonatal Deaths in South Africa	121	690
Reducing Maternal & Neonatal Deaths in Kenya	730	-
HEART Call Down	2	-
OPM PEAKS Core Services	31	18
	<u>14,945</u>	<u>12,134</u>





# Contact Us

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Company registration number: 83405  
VAT registration number: 887125885  
Registered charity number: 222655

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