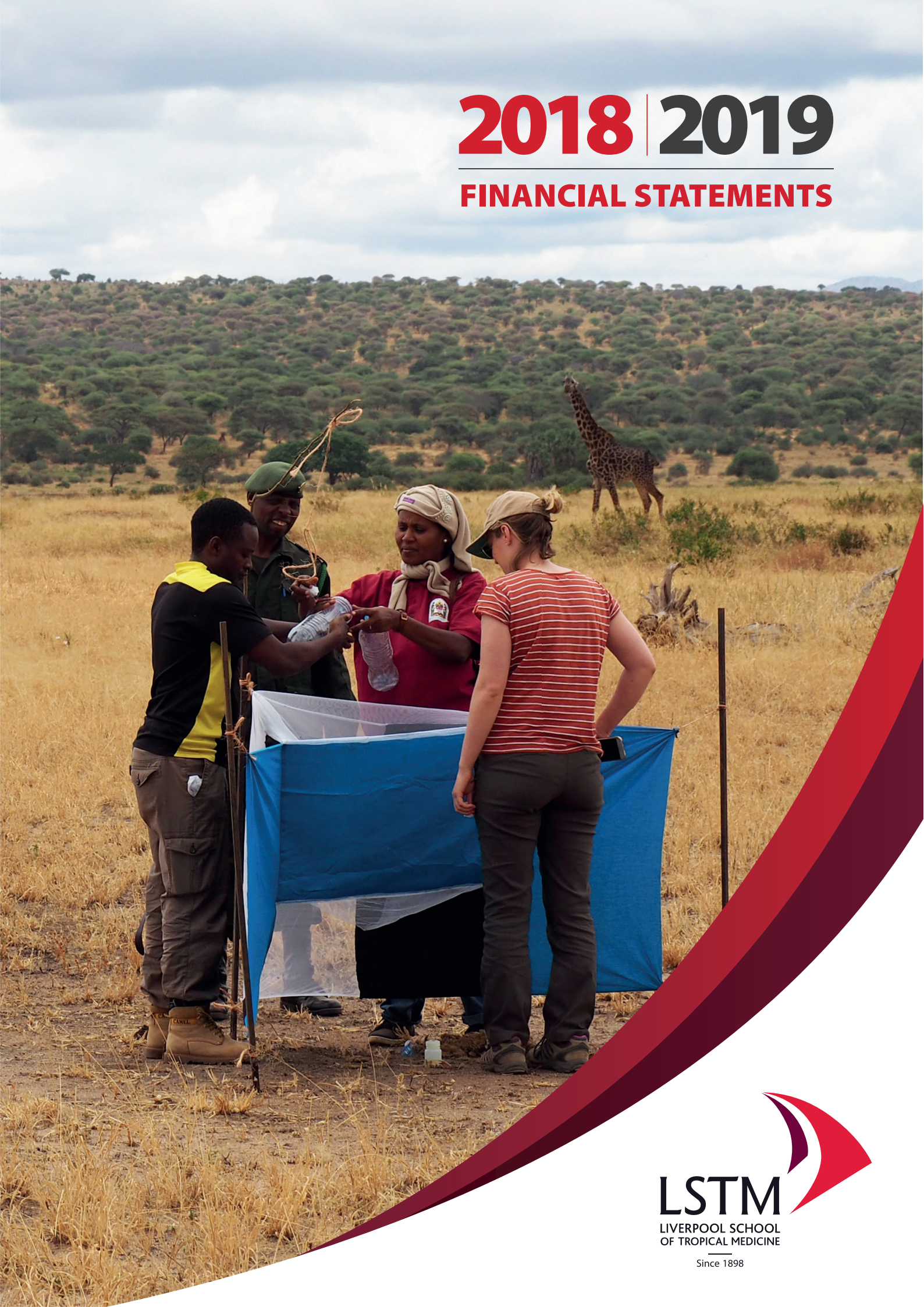


# 2018 | 2019

## FINANCIAL STATEMENTS



**LSTM**  
LIVERPOOL SCHOOL  
OF TROPICAL MEDICINE

Since 1898



# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

### **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 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 19 July 2013.

In 2018 HEFCE was replaced by the Office for Students (OfS) and UK Research and Innovation (including Research England).

#### **2 Memorandum of Association**

LSTM's Memorandum and Articles of Association was amended by special resolution and adopted at the AGM on 24 November 2017. 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 is now 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 Statement of Public Benefit**

LSTM is a registered charity subject to regulation by the Office for Students (OfS), previously HEFCE, and the Charity Commission under the Charities Act 2016. LSTM reports annually on the ways in which it has delivered charitable purposes for the public benefit.

The Board of Trustees, in reviewing LSTM's activities in this regard, has taken into account the Charity Commission's guidance on public benefit. The Board is satisfied that the activities of LSTM as described in these Reports and Financial Statements, and detailed in the Annual Report, fully meet the public benefit requirements.

#### **4 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.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2019

### 5 Objectives

The year ended 31 July 2019 represents the 2nd year of the new strategic planning period 2017-2023. This 6 year strategic plan to 31 July 2023 takes LSTM up to its 125<sup>th</sup> anniversary in 2023. LSTM has enjoyed an exceptional period of transformation and growth over the past 20 years. Much success has been celebrated by LSTM; the Board of Trustees, senior leaders, partners, students, staff and the global health community, and much work continues to take forward our achievements into new strategic goals beyond this year.

LSTM's future success is dependent on the quality, commitment and ability of its staff as well as a continued favourable research climate for global health issues. LSTM has had an exceptionally productive and stable cohort of senior academic and administrative staff leading the sustainable growth of the organisation over the last two decades, providing a solid foundation for a new Dean of Education in 2017/18 and a new Director in 2018/19.

Our major strategic goals for the 2017-2023 period are:

- Strengthen the translational impact of our activities
- Expand our teaching portfolio
- Plan for growth

These 3 goals are expanded into 10 actions throughout this strategic cycle. We will:

1. Expand significantly our teaching portfolio in line with market demand
2. Identify, attract, retain and develop internationally competitive leaders in translational research
3. Align our research portfolio with global infection priorities
4. Ensure that our research focus covers the T1-T4 translational continuum
5. Ensure that our learning and teaching developments and research activities are aligned and integrated
6. Accelerate transition or research outputs into health impact
7. Enable genuine interdisciplinary activity
8. Enable effective global partnerships with multiple stakeholders in teaching and research
9. Consolidate and enhance our relationships with major funders
10. Provide the environment that supports the above

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

## Financial Statements for the year ended 31 July 2019

### Operating and Financial Review

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

LSTM continues to focus itself as a global leader in its field. Through the added strength and reach of its partnership working, both in the UK and overseas, our group turnover has achieved £243m in 2018/19 (£128m excluding gifts in kind). The organisation focuses on providing high quality scientific evidence and translating our scientific discovery into policies and practices and working collaboratively in over 70 countries to fulfil our mission of improving the health of the world's poorest people. Supporting the Millennium Development Goals for malaria, TB, HIV, neglected tropical diseases (NTDs) and maternal and neonatal health remains central to LSTM's mission.

LSTM is a centre of excellence in research and postgraduate teaching. Our multidisciplinary approach to global health research allows us to translate research innovation and scientific breakthroughs from laboratory research into effective interventions for those most in need, working in partnership with researchers and academic organisations in Low and Middle Income Countries. LSTM's research portfolio has now reached £562 million and staff numbers and estate continue to grow, without any borrowing.

We intend to remain at the cutting edge of innovation in research and intervention by attracting the best researchers from around the world to address some of the biggest problems in global health today and to attempt to break the cycle of poor health and poverty. Providing unrivalled, relevant, learning opportunities to students within the UK and across the world is also key, offering students the opportunity to excel in their careers in public health, medicine and academia and to set them on their paths to be global health leaders.

LSTM is now two years into the strategic planning period 2017-2023, and leading up to the celebration of the 125<sup>th</sup> anniversary of LSTM, the mission, and the values to which LSTM aspires, remain unchanged. LSTM, and its subsidiary companies, are an increasingly visible part of the local economy around which new initiatives can be seeded, benefitting both LSTM and the region in which it is embedded.

LSTM has always had a strong translational element to its activities and translational research is well embedded in many parts of LSTM. Our focus continues in this area to ensure our activities are relevant and have an increased beneficial impact on global health. Because of our focus on the whole translational research trajectory, LSTM is ideally placed to work with partners to support the implementation of effective knowledge innovations across a broad range of disease areas. We excel in a co-ordinated and multi-disciplinary approach to strengthen capacity for delivering large scale operational and translational research and operate as a centre of excellence in research synthesis for evidence-informed policy and practice. In terms of demographic changes in resource poor setting, there is now an overlap between non-communicable diseases and infectious diseases, and it is important for LSTM to adapt to this changing environment.

The granting of HEI status, announced in July 2013, allows LSTM to operate more freely within the sector to achieve greater ambition and the direct funding status allows the continued growth and development of postgraduate and CPD courses to meet the needs of our academic community. LSTM continues to focus on education for medical, public health and humanitarian students and professionals, with globally renowned courses in tropical and infectious diseases. Coupled with the development of online platforms, that will enable a blended learning approach to meet the flexible demand for courses, LSTM will further grow and align our offer to meet market needs. This will be realised further during the new strategic planning period with an ambitious ten-year teaching and learning growth plan.

Whilst being an international organisation a local focus is essential for the continued growth and health of LSTM. Multi-sectoral partnerships are already a major part of our activity and these will be strengthened and increased. LSTM engages successfully with the largest number of funders and industrial partners and is a key player in the

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2019

local Knowledge Quarter initiative. There are wider stakeholder partnerships with The Royal Liverpool and Broadgreen University Hospitals Trust, Liverpool Health Partners, Liverpool City Region Local Enterprise Partnership and numerous education partners. The CEIDR initiative (housed in the new Liverpool Life Science Accelerator building – LLSA), with dedicated ex-industry leadership, is going from strength to strength and will facilitate and increase our collaborative working with industry.

LSTM participated in the Research Excellence Framework (REF) 2014 assessment. The results illustrate the quality assessment of research and LSTM took 24<sup>th</sup> place out of 128 institutions, per the Times Higher Education (THE) analysis. In addition, LSTM scored exceptionally well on the THE ranking of institutions on impact by taking 6<sup>th</sup> place out of 128. These achievements are testament to the high quality and impact of research undertaken at LSTM. The next REF is planned for 2021 and LSTM are aiming to further improve ratings in both areas of assessment and focus continues to prepare staff for this exercise.

LSTM has undergone a cultural transformation during 2019 with issues such as equality and diversity and the gender pay gap being addressed. LSTM also recognises its role in safeguarding and protecting beneficiaries, research participants, patients and communities with whom we have contact through our work and in protecting any vulnerable staff, students, volunteers and other representatives. A tremendous amount of progress has been made in this area during the year and LSTM now has a designated safeguarding officer who is the first point of contact for safeguarding enquiries or for raising concerns. We endorse and support the principles of the Universal Declaration of Human Rights, (UN, 1948); the UN Convention on the Rights of The Child, (UNICEF, 1989); the Declaration on the Elimination of Violence Against Women, (UN, 1993) and the UN Global Compact (UN, 1997).

## 7 Key Performance Indicators (KPIs)

### Principal Risks and Uncertainties

The full scope of principal risks is monitored and mitigated within the institution's 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.

LSTM Group has reported a deficit in 2018/19 : a total comprehensive expense of £11.4m. This result is primarily due to the need to expense £15.2m to increase the Universities Superannuation Scheme (USS) pension deficit provision. This has been a requirement across the sector, following the 2017 actuarial valuation of the scheme. LSTM however has a strong balance sheet and despite this unrealised and exceptional expense in the year, still maintains significant positive net assets. The provision is considered exceedingly prudent and it is currently anticipated that the position may improve in 2019/20 based on the post balance sheet calculation disclosed in the financial statements, which shows a £10.8m decrease in the provision to £11.0m

Other key financial risks include the following :

- **Exposure to foreign exchange fluctuations on US\$ or Euro denominated grant income** : this is mitigated through hedging receipts through forward exchange contracts. Hedge accounting is used where it can make a significant impact to reduce fluctuations in unrealised foreign exchange gains and losses.
- **Brexit** : LSTM is monitoring the progress of Brexit negotiations, and have developed a related risk register which is monitored by a Brexit Committee. The key risks are a fall in EU students/staff/research grants, supply chain interruption and the impact of fluctuation in exchange rates. The financial impact of Brexit on LSTM is not anticipated to be severe, and a fall in the value of Sterling can actually boost grant revenues received in US dollars or Euros.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2019

- **Failure to maintain the pipeline of research grants and consultancy** : Research grants and consultancy income of £102m (excluding gifts in kind) is 8% higher than in 2017/18, following considerable growth (31%) the previous year. This income represents 79% (2017/18: 81%) of the total LSTM group income, excluding income in kind of £115m as explained further in notes 7 and 8. 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 30% (excluding subsidiary companies) within the new strategic plan which will end in 2022/23. Sensitivity analysis shows that a reduction of 20% on the turnover from major funders has little effect on the bottom line of LSTM if sensibly managed due to a related reduction in expenses. However, any significant change in funding policy from LSTM's major donors could have a major effect.

This year, LSTM has achieved significant growth, with actual research grants (£81m) and consultancy (£21m) turnover of £102m. This figure is before reflecting pharmaceutical drug and related services income in kind.

- **Improvement to the research infrastructure** is perceived as a direct contributor to the quality and timescale for achieving high quality scientific results and attracting additional funding to LSTM. In fact, quality of facilities separates LSTM from other UK institutions and contextualises the institution as a global player. Investment in laboratories is fully supported by the Board of Trustees. This investment is enabled by the generation of surpluses and capital funding from Research England/Office for Students, the Wolfson Foundation and others.

There are a number of accounting entries both positive and negative which influence the final comprehensive expense of £11.4m in 2018/19. Stripping out all these adjustments LSTM achieved an operating surplus of £0.5m in the year, and the Group an operating surplus of £3.9, as shown in the table below.

	<b>LSTM</b>	<b>Group</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total comprehensive expense for the year</b>	(13,751)	(11,373)
USS pension deficit funding costs	15,226	15,226
Unrealised surplus on revaluation of investments and endowments	(1,462)	(1,675)
Foreign exchange movements in relation to hedged currencies	630	1,704
Gift aid from subsidiary	(115)	-
<b>Underlying operating surplus for the year</b>	<b>528</b>	<b>3,882</b>

In order to measure performance and progress against the 6 year strategic plan LSTM uses a range of key performance indicators (KPIs), some of which are also part of LSTM's statutory reporting to Office for Students (OfS). The KPI below reflects underlying operating surplus in the year, rather than total comprehensive income, as a percentage of income, to avoid distortion from the non-operational costs shown in the above table

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Underlying operating surplus as a % of total income (excluding gifts in kind)</b>	3.6%	2.0%	3.8%	3.0%

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2019

**Other Key performance indicators below** reflect the organisation's robust financial model. Figures for income below exclude pharmaceutical drugs and related services gifts in kind which would distort the ratio.

**Cash flow** within a competitive project environment that constantly demands higher and higher working capital, is a challenge. However, even on prudent evaluation LSTM has a sustainable model going forward. Although there were the non-cash accounting adjustments mentioned above, in particular the £15.2m expense in relation to the USS pension deficit provision, LSTM achieved a strong cash inflow in the year. This reflects largely an increase in research creditors driven by a strong research grant pipeline.

	2016	2017	2018	2019
<b>Net cash flow as a % of total income</b>	31.6%	-0.5%	-14.1%	14.9%

Further analysis reflecting other indicators provides evidence of LSTM's continuing forecast working capital strength. Net liquidity days are the product of the 365 day year and net ready assets, all divided by the year's expenditure, excluding the £15.2m USS pension deficit expense and depreciation.

	2016	2017	2018	2019
<b>Net liquidity days</b>	380	281	253	280

A financial buffer is created by increasing general reserves as a proportion of income. Income is before gifts in kind as this income does not require infrastructure support and inclusion would distort the KPI. In 2018/19 general reserves have decreased due to the £15.2m expense to increase the USS pension deficit provision. However, despite this, general unrestricted reserves at 31 July 2019 are £16.0m. The trend over recent years of surpluses has kept this ratio steady, but the exceptional expense in the year has reduced the ratio significantly in 2018/19.

	2016	2017	2018	2019
<b>General reserves as % of total income (excluding gifts in kind)</b>	32.6%	29.5%	26.7%	12.6%

The proportion of staff costs remains well below the sector average of 53%. This is due to the relatively high level of expenditure sent to partner organisations as part of collaborative research projects. Again, income used in the KPI excludes gifts in kind income as this is not linked to staffing levels.

	2016	2017	2018	2019
<b>Staff costs as a % of total income (excluding gifts in kind)</b>	30.9%	28.9%	26.9%	27.6%

These financial statements for the year ended 31 July 2019 have been prepared in accordance with the Statements of Recommended Practice : Accounting for Further and Higher Education 2014 (2014 SORP) and in accordance with financial reporting standards (FRS 102).



# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2019

### Financial Performance in the year

A summary of the Group's income and expense for the year before other gains and losses is shown below:

	2018/19	2017/18
	£'000	£'000
Funding body grants	11,385	9,955
Tuition fees and education contracts	4,337	3,947
Research grants and contracts income	80,286	75,735
Consultancy contracts income	20,565	21,210
Other income	11,040	4,018
<b>Total income (excluding gifts in kind)</b>	<b>127,613</b>	<b>114,865</b>
Staff costs	(35,387)	(31,036)
Non-pay expenses	(87,041)	(76,812)
Depreciation	(2,201)	(2,069)
<b>Total expenses (excluding gifts in kind)</b>	<b>(124,629)</b>	<b>(109,917)</b>
<b>Operating surplus before pension deficit funding costs</b>	<b>2,984</b>	<b>4,948</b>
Pension deficit funding costs	(15,226)	-
<b>Operating (deficit)/ surplus</b>	<b>(12,242)</b>	<b>4,948</b>

The operating deficit of £12.2m follows many years of surpluses, and reflects primarily the £15.2m expense to increase the USS pension deficit provision. Combined research grant and consultancy income has increased in the year reflecting a continuing strong pipeline of work. Funding body grants and tuition income have also shown a significant % increase, building on the teaching expansion plan which is a key part of the current 6 year strategic plan.

### Capital expenditure

There have been no major capital projects in the year; capital expenditure has been on fixtures, equipment and building improvements.

### Cash flow, financing and balance sheet

Group net assets have reduced in the year reflecting the deficit in the year. However, the balance sheet remains strong with £94m in cash, investments and endowments. The £21.8m provision for the USS pension deficit is based on a mandated calculation and is considered prudent in the light of post balance sheet estimates.

## 8 Student Numbers

LSTM's teaching revenue is dependent on the number of students recruited each year. In 2018/19, 81 FTE postgraduate OfS grant funded home and EU students and 36 FTE postgraduate overseas students attended the School's Masters programmes. This represents an overall 15% increase in FTE student numbers over 2017/18 due to an increase in recruitment to the International Public Health and Humanitarian programmes. Although not credit-bearing, the Diploma in Tropical Medicine and Hygiene and the Diploma in Tropical Nursing also attract OfS funding, and in 2018/19 a total of 156 home/EU students and 77 overseas students attended both courses.



# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

Overall this represents a 16% decrease over 2017/18 due to an under recruitment of home/EU students on the DTMH programme. This was partially offset by an over recruitment in overseas students.

LSTM delivers a portfolio of non-credit bearing short courses, which do not attract grant funding. These courses are delivered in Liverpool and overseas and range from three month professional courses through to short vocational courses lasting one to three days. In 2018/19, 198 students attended non-credit bearing courses delivered face to face in Liverpool or online. This is a 30% decrease on 2017/18 numbers however, these numbers do vary year on year reflecting the variable delivery pattern of the majority of these courses. A substantial number of students also attended training courses and workshops delivered overseas by LSTM staff, which demonstrates LSTM's commitment to increase the capability and capacity of the healthcare workforce in lower and middle-income countries.

In 2018/19 116 students (PhD, MPhil and MD) were registered on postgraduate research degrees, 20 of these students graduated with a postgraduate research degree during the course of the year.

### **9 Curriculum Developments**

#### **Delivering on LSTM's Teaching Expansion Plan**

As a key milestone of our Teaching Expansion Plan, we commenced delivery of the LEAP programme in February 2019. The Leadership Education Academic Partnership (LEAP) programme is a bespoke higher education programme designed to strengthen and diversify the leadership and management capabilities of humanitarians from around the world, culminating in a MSc Humanitarian Practice.

LEAP is part of a strategic partnership with Médecins Sans Frontières (MSF), an international medical humanitarian organisation and the University of Manchester. A launch event was held in April at LSTM to celebrate this milestone with a panel discussion from all 3 organisations discussing the topic of "The humanitarian professional at a crossroads: combining experience and knowledge in humanitarian practice."

The partnership bolsters LSTM's global expertise in the humanitarian arena and complements our existing offering of humanitarian programmes.

Within the wider strategic context of Developing the Next Generation of Global Health Leaders, we have also launched our online Global Health programme that commenced in September 2019. The programme will enable potential students to access a world-class offering whilst remaining in their home country and places of employment, thereby avoiding 'brain drain' effect whilst improving capacity and expertise.

We are also finalising the scoping process for a potential partner to support some in-country delivery of the programme in West Africa as our first satellite hub. This activity will commence in 2020 and forms part of a wider plan to have several satellite hubs across the globe that will broaden our reach and bring our educational offering to the key regions we work in whilst working in partnership with regional players.

#### **Student Advice and Wellbeing (SAW) Service**

The Student Advice and Wellbeing (SAW) Service was set up in April 2019 to ensure that students studying both at LSTM and who are based overseas receive comprehensive, professional and timely support. The SAW team provides a wide range of support mechanisms including; accommodation advice, support for students with disabilities, financial support via the Hardship Fund, the provision of support for students with psychological health conditions and offers support to students who pose safeguarding concerns. Both the Student Experience

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

Officer and the Student Welfare and Experience Manager are Safeguarding Focal Points for LSTM and report to the designated Safeguarding Officer. The Student Welfare and Experience Manager is responsible for developing protocols to enhance student welfare support including LSTM's Student Mental Health Policy and for providing relevant training to staff.

The SAW team are responsible for ensuring that all students who are enrolled on courses with LSTM including those who study online are provided with equal access to services where possible.

Support mechanisms include:

- A drop-in facility, operated Monday, Tuesday, Thursday and Friday from LSTM. Drop in sessions on Monday and Thursday are specifically aimed at MSc students during the lunch hour, in order to fit in around the academic timetable.
- SAW email address of which the SAW team monitor throughout the day. This facility is available to all students, regardless of where they are studying.
- One to one appointments where applicable. Students who are temporarily or permanently based overseas will be offered generic welfare appointments by phone, email or Skype.
- Online psycho-education resources including self-help books and eBooks.
- One to one therapeutic sessions and groupwork for students based at LSTM.
- An opportunity to take part in LSTM's Walking for Health Scheme, lunchtime craft for wellbeing sessions and a range of other health and fitness sessions aimed to improve physical and psychological wellbeing.
- Provision of social events and an opportunity to participate in off campus excursions and day trips aimed to enhance the student experience.

### **10 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.

### **11 Staff and Student Involvement**

An e-newsletter is regularly distributed to all members of staff. In addition, monthly Staff Forum meetings are held at which management reports any significant developments within LSTM. Staff representatives nominated through the Staff Forum sit on the School's Management Committee and there is a student representative on the Board of Trustees. New this year were Town Hall meetings used to discuss specific issues concerning LSTM employees. With regard to the 'student voice', two student representatives sit on the Quality Management Committee, which oversees the quality assurance of LSTM's taught provision. Furthermore, there is student representation on the Boards of Studies for each of the taught postgraduate programmes and for the postgraduate research degrees. The student body can also feedback through module questionnaires and via the Staff Student Liaison Committee. This year the Dean has had regular meetings with the student representatives to discuss welfare and academic issues.

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

### **12 Fundraising**

#### **Approach to fundraising**

Our fundraising efforts are focussed on relationship-based fundraising with trusts, foundations, corporates, high net worth and ultra-high net worth individuals.

We undertake thorough research (in line with GDPR) and manage all donor records on a secure, dedicated database.

We undertake detailed due diligence which is overseen by the Fundraising Steering Group and is then reported to Management Committee and the Trustees. High risk or high value donations are referred to the Trustees for a decision, ensuring that we manage risk as much as possible.

#### **Work with, and oversight of, any commercial participators/professional fundraisers**

Over the last year, we have engaged two professional consultants to support fundraising efforts for two non-core projects. In both of these cases, we undertook due diligence and secured comparable quotes. For the larger contract (relating to the BIRTH project), we also undertook a shortlisting and interview stage before commissioning their services.

Both of the consultants reported to the Director of Fundraising on a regular basis and worked to pre-agreed Terms of Reference and specific aims.

#### **Fundraising conforming to recognised standards**

All members of the fundraising team are members of the Institute of Fundraising, and the Director of Fundraising holds the Advanced Diploma in Fundraising, the highest qualification awarded by the Institute. LSTM has also signed up and paid the levy to the Fundraising Regulator, by virtue of which we also sign up to their Fundraising Code of Practice.

#### **Monitoring of fundraising carried out on our behalf**

We don't currently actively encourage volunteer fundraising on behalf of LSTM but do occasionally have a number of individuals who wish to undertake sponsorship events on our behalf. In all these cases, we liaise with the individuals involved, and ensure that donations can be collected in a secure and compliant way.

#### **Fundraising complaints**

Fundraising complaints made to the Fundraising Regulator will be referred to the Director of Fundraising. Any complaints received by the Regulator, or directly to LSTM, will be immediately referred to the Director and the Chair of the Board of Trustees, and an action plan promptly developed in responding to them. Safeguarding issues can be referred to LSTM's Safeguarding Lead.

#### **Protection of the public, including vulnerable people, from unreasonably intrusive or persistent fundraising approaches, and undue pressure to donate**

LSTM does not currently undertake any public fundraising campaigns, including direct mail, telephone, door-to-door or 'chugging' (street fundraising). Any mass-participation fundraising campaigns are marketed through reputable platforms such as JustGiving and Crowdfunder.co.uk.

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

All donors on the database have opted in to receiving our communications and their data is stored in line with GDPR 2018.

### **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. LSTM's subsidiaries fall under the scope of corporation tax, except for IVCC, which has charity status. Due to the continued growth of LSTM, during the year LSTM issued a tax strategy (which is available on the website) and HMRC appointed a Customer Compliance Manager. LSTM Finance has had several meetings with HMRC to keep them informed of tax processes and compliance to regulations.

### **14 Employment of Disabled Persons**

LSTM welcomes applications for employment from disabled persons and appoints on the basis of merit alone. The organisation works to the social model of disability and provides adjustments and additional support in the workplace so that all staff can operate effectively in their roles. We work to ensure all staff have opportunities for progression and development. Where an existing employee becomes disabled, every effort is made to ensure that the necessary support mechanisms are put in place to assist continued employment.

### **15 Disability Statement**

In accordance with the Equality Act 2010 and Public-Sector Equality Duty, LSTM is committed to creating an inclusive and accessible environment. This includes making improvements to the physical environment such as installing lifts, ramps, wheelchair-accessible toilets and clear signage, as well as providing disability awareness for staff. In addition, we take care to ensure that internal and external communications are inclusive and accessible.

The Code of Practice on Admissions may be viewed on the LSTM website at:

<http://www.lstmed.ac.uk/study/quality-manual> . Appeals against a decision not to offer a place are dealt with under the Procedure for Making a Complaint about the Admissions Process, also under the Quality Manual section of the website.

### **16 Planned Maintenance Programme**

LSTM's management, through the Building Steering Group, 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, Katherine Elliot Fund, Annie Evans Fund, Mamco Selab Scholarship Fund, Professorial Fund.



# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2019

### 18 Impact of decision to leave the European Union

On 23 June 2016 the UK voted to leave the European Union. Negotiations with the EU for the UK's exit commenced in March 2017, but at the time of going to press the outcome has not been determined and the implications for organisations are still not clear. LSTM will continue to review the implications and impacts until the situation is resolved. Factors likely to be specifically relevant to LSTM include the following :

- Currency volatility and stock prices and valuations
- Ability to apply for EU research and capital funding
- Attracting EU students to LSTM
- Restrictions in the movement of labour across borders
- The general macro-economic position and consumer confidence
- GDPR data risks

### 19 Post balance sheet events

The financial statements include a £15.2m expense to increase the Universities Superannuation Scheme (USS) pension deficit provision. This expense is based on a mandated calculation used across the sector. Subsequently, following a further assessment of the scheme, HEIs have been issued with a revised calculation model and the revised provision is disclosed as a post balance sheet event in note 23 to the financial statements. The revised calculation would result in a reduction in expense in relation to the provision of £10,818,000 to £4,408,000 (2018/19 expense per financial statements : £15,226,000). This would reduce the provision to £11,031,000 (2018/19 closing provision per financial statements £21,849,000)

### 20 Professional Advisers

LSTM's current professional advisors are as follows:

#### **Financial Statement & Funding Auditors:**

Grant Thornton UK LLP  
Royal Liver Building  
Liverpool, L3 1PS

#### **Bankers:**

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

#### **Internal Auditors:**

RSM Risk Assurance Services LLP  
3, Hardman Street  
Manchester, M3 3HF

#### **Solicitors:**

Brabners LLP  
Exchange Flags  
Liverpool, L2 3YL

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2019

### 21 Members

The Board of Trustees are also the nominated directors under the 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
James Ross, OBE	November 2016 **	Elected	<b>Chairman of the Board of Trustees</b> Nominations & Governance Remuneration
Jonathan Schofield BA, ACA	November 2016 **	Elected	<b>Hon Treasurer</b> Vice Chairman of the Board of Trustees Chairman of Finance & Investment Nominations & Governance Remuneration
Mark Allanson	March 2016	Elected	Trustee Remuneration
Dr Jenny Amery OBE	November 2018*	Elected	Trustee Nominations & Governance
Nick Earlam	November 2018*	Elected	Trustee Finance & Investment
Professor Janet Hemingway CBE, FRS, DSc, PhD, BSc, NAS (Foreign Associate), FMedSci FRCP (Hon), FRES (Hon), FAAM, Hon FFPH	December 2018*	Ex Officio / staff	Director of LSTM Nominations & Governance Finance & Investment
Professor David Laloo MB, BS, MD, FRCP, FRCM, RCPS (Glasg)	January 2019	Ex Officio/staff	<b>Director of LSTM</b> Nominations & Governance Finance & Investment
Jeremy Lefroy MP	November 2018**	Elected	Trustee IVCC Board Member
Dr Julian Lob-Levyt CBE	November 2018**	Elected	Trustee Remuneration
Rebecca Nightingale MSc, MRes, BSc	July 2017	Elected	Trustee (Student Rep)
John O'Brien, B.Comm, FCA	March 2017	Elected	Trustee Deputy Chairman of Finance & Investment
Sue Russell LLB (Hons)	August 2016	Elected	Trustee Chair of Audit Committee
Eileen Thornton, CBE, MEd, BA, FCSP, DipTP	July 2017	Elected	Trustee Audit Committee Nominations & Governance
Professor Stephen Ward BSc, PhD	November 2018**	Ex Officio / staff	Deputy Director of LSTM
Mr Andrew Wright	March 2019	Elected	Trustee
Robert Einion Holland FCCA, MBA	June 2001	Non- member	Secretary to the Board

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

Professor Janet Hemingway retired as Director on 31 December 2018, and Professor David Laloo, previously Dean of Clinical Sciences and International Public Health at LSTM, took over as Director on 1 January 2019.

On 1 August 2019, 2 new members of the Board were appointed : Joanne Dodd and Professor Nyovani Madise.

### **22 Statement of Corporate Governance and Internal Controls**

The Liverpool School of Tropical Medicine is a company limited by guarantee and currently has 67 members, 12 of whom make up the Board of Trustees. Members meet at the Annual General Meeting where they elect the Board of Trustees, effectively the company board of directors. It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

LSTM operates under the following principal governance arrangements:

- LSTM Memorandum of Articles of Association, incorporating the instrument and articles of government.
- Committee of University Chairs – The Higher Education Code of Governance Dec 2014
- UK Charity Legislation
- Equality Challenge Unit – Governing bodies, Equality and Diversity and the Equality Act 2010.

And with due regard to best practice within - The UK Corporate Governance Code.

The Board of Trustees conducts its business through a number of formal committees, delegating the day-to-day management of LSTM to the Director of LSTM. The Trustees comply with the requirements of the Act and of the Charities Act as to keeping financial records, the audit of accounts and the preparation and transmission to the Register of Companies. The Trustees also ensure that annual reports, annual returns and annual statements of account are completed by LSTM. Proper records of all proceedings at general meetings, meetings of Trustees, committees and all professional advice obtained are kept by the Secretary to the Board for the Chairman of the Board.

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 meet on a termly basis.

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 supplied 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 relationships, which could materially interfere with the exercise of the 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 2019**

Each committee chair and members receive delegated responsibility from the Board of Trustees. The Board of Trustees has also approved terms of reference for each committee.

- Audit Committee
- Finance and Investment Committee
- Nomination & Governance Committee
- Remuneration Committee

Collectively, these set out governance principles and arrangements for ensuring that LSTM is committed to maintaining the highest standards of corporate governance and are appropriate for the size and complexity of our organisation.

### **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 & Governance Committee comprised of 4 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 5.5, 5.5.1 and paragraph 5.5.2 of the Articles (November 2017).

### **Patron**

LSTM is honoured to have Her Royal Highness The Princess Royal KG KT GCVO as Patron. She succeeded her father, HRH the Duke of Edinburgh, in 1991. LSTM has enjoyed Royal Patronage since 1932 when HM King George VI became LSTM's first Patron.

### **President & Vice-Presidents**

LSTM's President and Vice-Presidents are distinguished individuals drawn from the field of academia, business and politics and are committed to assisting LSTM in fulfilling its mission. They willingly give their help and advice and support in approaches for charitable donations.

### **Audit Committee**

The Audit Committee has a maximum 7 members and is comprised of at least 2 members of the Board, 1 IVCC Board member and at least 1 co-opted independent member. The Committee operates in accordance with written terms of reference approved by the Board of Trustees. The Committee are comfortable that the Board representation is sufficient given the additional expertise of the co-opted members.

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 provide LSTM with independent advice and assurance in regard to the adequacy of 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,



# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

to ensure that such recommendations have been implemented. Management actions are reported to Management Committee alongside a summary of all reports. 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.

### **Finance and Investment Committee**

The Finance and Investment Committee has a maximum of 7 members and is comprised of at least 2 members of the Board. The Committee operates in accordance with written terms of reference approved by the Board of Trustees

The Finance and Investment Committee advise the Board on financial policy, provide oversight, monitor and approve relevant returns to OfS/UKRI, HESA and other stakeholders and review in depth annual financial statements, management accounts, cashflows, budgets and the performance of the investment portfolio.

### **Remuneration Committee**

Throughout the year ended 31 July 2019, LSTM's Remuneration Committee comprised the Chairman, Treasurer, and 2 other Board members. The committee's responsibility is to review the remuneration policy for all staff and to make recommendations on the remuneration and benefits of the Director, the Director of Strategic Operations and other senior members of staff in LSTM.

### **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 Accountable Officer, the day-to-day responsibility for reviewing the adequacy of the system of internal 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 2019. The Board regularly review this Risk framework and the approach to internal control is risk-based. The process continues to be embedded with the adoption of a prioritised corporate risk register to include timescales and responsible officers. The process is now embedded within all levels of LSTM and covers business, operational, compliance and financial risk procedures.

### **Value for Money**

LSTM strives to apply value for money considerations to all its processes and activities, and this is supported by strong awareness and vigilance across the senior management team. The Audit Committee receives an annual report on LSTM's value for money activity from a dedicated committee established several years' ago. The committee is made up from a cross section of the organisation. In addition, each internal audit review undertaken and submitted to the Audit Committee makes specific observations and judgements concerning the value for money demonstrated.

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

### **Risk Management**

A comprehensive risk management framework, defined in LSTM's Risk Management Policy, assists the management of LSTM in the identification of the key risks inherent in the delivery of its strategy. This is overseen by the Audit Committee in order to gain the necessary assurances on the efficacy of the framework and relay them to the Board of Trustees.

The Board of Trustees, through the Audit Committee, evaluates the risks inherent in all major plans and proposals, including the identification of the steps that would be required to mitigate, eliminate and control such risks. The Risk Register is reviewed by the Audit Committee on a routine basis and is presented to the Board of Trustees at each meeting.

### **23 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.

### **24 Strategic Reporting**

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

- 4 Vision and Mission
- 5 Objectives
- 6 The Nature, Objectives and Strategies of the Charity
- 7 Key Performance Indicators (KPIs) – Principal risks and uncertainties and financial performance in the year.

### **25 Responsibilities of the Governing Body**

In accordance with LSTM's Memorandum and Articles of Association, the Governing Body is responsible for the administration and management of the affairs of LSTM and are required to present audited financial statements for each financial year.

The Governing Body (the Governors, also referred to as the Trustees are also the directors of LSTM for the purposes of company law) is responsible for preparing the Report of the Members of the Board of Trustees including the Strategic Report 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 are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. In addition, the Trustees are required to prepare the financial statements in accordance with Office for Student's ('OfS') terms and conditions of funding for higher education institutions (issued March 2018) and the terms and conditions of its funding agreement with Research England through its accountable officer. 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 of LSTM and the Group and of the surplus or deficit, gains and losses, changes in reserves and cash flows of LSTM and the Group for that year

In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2019

- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain LSTM's transactions and disclose with reasonable accuracy at any time the financial position of LSTM and enable it to ensure that the financial statements comply with the OfS terms and conditions of funding for higher education institutions (issued March 2018), the Statement of Recommended Practice - Accounting for Further and Higher Education as issued in March 2014 and any subsequent amendments, OfS terms and conditions of funding for higher education institutions (issued March 2018), the Office for Students Accounts Direction (issued June 2018) and the Companies Act 2006. They are also responsible for safeguarding the assets of LSTM and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees have taken reasonable steps to:

- ensure that funds from OfS, Research England and other funding bodies are used only for the purposes for which they have been given and seek to achieve value for money in accordance with OfS' terms and conditions of funding for higher education institutions (issued March 2018) and the funding agreement with Research England and any other conditions which the funding body may from time to time prescribe;
- ensure that LSTM has a robust and comprehensive system of risk management, control and corporate governance, which includes the prevention and detection of corruption, fraud, bribery and irregularities;
- ensure that there is regular, reliable, timely and adequate information to monitor performance and track the use of public funds;
- plan and manage LSTM's activities to remain sustainable and financially viable;
- ensure that it informs the OfS of any material change in its circumstances, including any significant developments that could impact on the mutual interests of LSTM and OfS;
- ensure there are adequate and effective arrangements for the management and quality assurance of data submitted to HESA, the Student Loans Company, the OfS, Research England and other funding or regulatory bodies;
- ensure an effective framework – overseen by LSTM's academic board or equivalent – to manage the quality of learning and teaching and to maintain academic standards; and
- consider and act on the OfS' assessment of LSTM's risks specifically in relation to these funding purposes.

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

The Trustees confirm that:

- so far as each Trustee is aware, there is no relevant audit information of which LSTM's auditor is unaware; and
- the Trustees have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that LSTM's auditor is aware of that information.

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.

**James Ross, OBE**

**Chairman - 6 November 2019**



# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

### **Statement on the System of Internal Financial Control to 31 July 2019**

As HEI Accountable 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, grant and internal auditors' independent opinions 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 grant auditors in their management letters and other reports.



**Professor David Lalloo**  
**MB, BS, MD, FRCP, FFTM, RCPS (Glasg)**  
**Director**  
**6 November 2019**



# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

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

#### **Opinion**

We have audited the financial statements of Liverpool School of Tropical Medicine ('LSTM') and its subsidiaries (the 'group') for the year ended 31 July 2019, which comprise the group and LSTM's Statement of comprehensive income, the group and LSTM's Statement of changes in reserves, the group and LSTM's Balance sheet, the group and LSTM's Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and LSTM's affairs as at 31 July 2019 and of the group's and LSTM's deficit, and its income and expenditure, gains and losses, changes in reserves and the group's and LSTM's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or LSTM's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The Governing Body are responsible for the other information. The other information comprises the information included in the Report to the Members of the Board of Trustees set out on pages 1 - 18 other than the financial

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report, prepared for the purposes of company law, included in the Report of the Members of the Board of Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report incorporated in the Report of the Members of the Board of Trustees has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the group and LSTM and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included in the Report of the Members of the Board or Trustees.

### **Opinion on other matters prescribed by the Office for Student's ('OfS') Terms and conditions of funding for higher education institutions (issued March 2018) and the OfS's accounts direction (issued June 2018)**

In our opinion, in all material respects:

- funds from whatever source administered by LSTM for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them; and
- the requirements of OfS's accounts direction (issued June 2018) have been met.

### **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 by LSTM, or returns adequate for our audit have not been received from branches not visited by us; or
- LSTM's 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.

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2019**

### **Responsibilities of Governing Body for the financial statements**

As explained more fully in the Responsibilities of the Governing Body set out on pages 17 – 18, 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, and for such internal control as the governing body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governing body are responsible for assessing the group's and LSTM's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governing body either intend to liquidate the group or LSTM or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

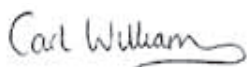
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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



**Carl Williams**  
**Senior Statutory Auditor**  
**for and on behalf of Grant Thornton UK LLP**  
**Statutory Auditor, Chartered Accountants**  
**Liverpool**  
**6 November 2019**

**Liverpool School of Tropical Medicine**  
**Financial Statements for year ended 31 July 2019**

**Statement of Comprehensive Income**

		Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
	Notes				
<b>Income</b>					
Funding body grants	5	11,385	11,385	9,955	9,955
Tuition fees and education contracts	6	4,337	4,337	3,947	3,947
Research grants and contracts	7	80,996	56,628	75,735	56,570
Other income	8	143,366	125,214	140,535	126,686
Investment income	9	1,178	963	521	459
Donations and endowment income	10	1,412	1,412	1,704	1,704
<b>Total income</b>		<b>242,674</b>	<b>199,939</b>	<b>232,397</b>	<b>199,321</b>
Staff costs	11	35,387	29,776	31,036	26,281
Pension deficit funding costs	23	15,226	15,226	-	-
Other operating expenses	13	202,088	168,056	194,336	165,947
Surplus on disposal of investments		(16)	(16)	(29)	(29)
Depreciation	17	2,201	2,188	2,069	2,042
Interest payable	14	30	30	37	37
<b>Total expenditure</b>		<b>254,916</b>	<b>215,260</b>	<b>227,449</b>	<b>194,278</b>
<b>(Deficit)/Surplus on continuing operations before other gains/(losses)</b>		<b>(12,242)</b>	<b>(15,321)</b>	<b>4,948</b>	<b>5,043</b>
Unrealised surplus on revaluation of investments and endowments		1,675	1,462	377	377
<b>(Deficit)/Surplus on continuing operations before taxation</b>		<b>(10,567)</b>	<b>(13,859)</b>	<b>5,325</b>	<b>5,420</b>
Taxation	15	(5)	(15)	(549)	(549)
<b>(Deficit)/Surplus for the year</b>	16	<b>(10,572)</b>	<b>(13,874)</b>	<b>4,776</b>	<b>4,871</b>
<b>Other comprehensive (expense)/income :</b>					
Change in fair value of hedging financial instruments		(801)	123	(467)	(195)
<b>Total comprehensive (expense)/income for the year</b>		<b>(11,373)</b>	<b>(13,751)</b>	<b>4,309</b>	<b>4,676</b>
<i>Represented by :</i>					
Restricted endowment comprehensive income for the year		184	184	322	322
Unrestricted endowment comprehensive income for the year		154	154	406	406
Expendable Restricted endowment comprehensive income for the year		17	17	(78)	(78)
Unrestricted comprehensive (expense)/income for the year		(14,666)	(14,848)	4,055	4,221
Restricted comprehensive income for the year		3,739	619	71	-
Unrestricted hedging reserve comprehensive (expense)/income for the year		(801)	123	(467)	(195)
<b>Total comprehensive (expense)/income in the year</b>		<b>(11,373)</b>	<b>(13,751)</b>	<b>4,309</b>	<b>4,676</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 or in the previous year.

The deficit for the year and total comprehensive expense for the year is attributable to the Liverpool School of Tropical Medicine. There are no non-controlling interests.



**Liverpool School of Tropical Medicine**  
**Financial Statements for year ended 31 July 2019**

**Statement of Changes in Reserves**

<b>GROUP</b>	<b>Unrestricted General Reserve £'000</b>	<b>Restricted General Reserve £'000</b>	<b>Unrestricted Hedging Reserve £'000</b>	<b>Permanent Unrestricted Endowments £'000</b>	<b>Permanent Restricted Endowments £'000</b>	<b>Expendable Restricted Endowments £'000</b>	<b>TOTAL  £'000</b>
<b>Balance at 1 August 2017</b>	<b>26,644</b>	<b>2,353</b>	<b>517</b>	<b>7,738</b>	<b>7,811</b>	<b>738</b>	<b>45,801</b>
(Deficit)/Surplus from statement of comprehensive income	4,055	71	(467)	406	322	(78)	4,309
Drawdown of capital	-	-	-	-	-	(90)	(90)
Other comprehensive income/(expense)	14	45	-	25	(13)	92	163
	4,069	116	(467)	431	309	(76)	4,382
<b>Balance at 31 July 2018</b>	<b>30,713</b>	<b>2,469</b>	<b>50</b>	<b>8,169</b>	<b>8,120</b>	<b>662</b>	<b>50,183</b>
(Deficit)/Surplus from statement of comprehensive income	(14,666)	3,739	(801)	154	184	17	(11,373)
Reclassification within Endowment Reserves	-	-	-	331	(331)	-	-
Other comprehensive income/(expense)	(3)	-	-	219	46	(86)	176
	(14,669)	3,739	(801)	704	(101)	(69)	(11,197)
<b>Balance at 31 July 2019</b>	<b>16,044</b>	<b>6,208</b>	<b>(751)</b>	<b>8,873</b>	<b>8,019</b>	<b>593</b>	<b>38,986</b>

<b>LSTM</b>	<b>Unrestricted General Reserve £'000</b>	<b>Restricted General Reserve £'000</b>	<b>Unrestricted Hedging Reserve £'000</b>	<b>Permanent Unrestricted Endowments £'000</b>	<b>Permanent Restricted Endowments £'000</b>	<b>Expendable Restricted Endowments £'000</b>	<b>TOTAL  £'000</b>
<b>Balance at 1 August 2017</b>	<b>26,282</b>	<b>-</b>	<b>72</b>	<b>7,738</b>	<b>7,811</b>	<b>738</b>	<b>42,641</b>
(Deficit)/Surplus from statement of comprehensive income	4,221	-	(195)	406	322	(78)	4,676
Drawdown of capital	-	-	-	-	-	(90)	(90)
Other comprehensive income/ (expense)	(1)	-	-	25	(13)	92	103
	4,220	-	(195)	431	309	(76)	4,689
<b>Balance at 31 July 2018</b>	<b>30,502</b>	<b>-</b>	<b>(123)</b>	<b>8,169</b>	<b>8,120</b>	<b>662</b>	<b>47,330</b>
(Deficit)/Surplus from statement of comprehensive income	(14,848)	619	123	154	184	17	(13,751)
Reclassification within Endowment Reserves	-	-	-	331	(331)	-	-
Other comprehensive income/(expense)	-	-	-	219	46	(86)	179
	(14,848)	619	123	704	(101)	(69)	(13,572)
<b>Balance at 31 July 2019</b>	<b>15,654</b>	<b>619</b>	<b>-</b>	<b>8,873</b>	<b>8,019</b>	<b>593</b>	<b>33,758</b>

**Liverpool School of Tropical Medicine**  
**Financial Statements for year ended 31 July 2019**

Company registration number : 00083405

**Balance Sheets as at 31 July**

	Notes	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
<b>Fixed Assets</b>					
Tangible fixed assets	17	59,855	59,531	60,823	60,520
Investments in subsidiaries	18	-	54	-	59
		<b>59,855</b>	<b>59,585</b>	<b>60,823</b>	<b>60,579</b>
<b>Current Assets</b>					
Stock		96	36	106	41
Debtors	19	26,082	15,472	28,784	20,690
Investments and endowments	20	40,585	37,311	40,361	35,790
Cash at bank and in hand	29	53,308	6,749	34,275	9,498
		<b>120,071</b>	<b>59,568</b>	<b>103,526</b>	<b>66,019</b>
Creditors : amounts falling due within 1 year	21	82,777	27,237	72,260	37,362
<b>Net Current Assets</b>		<b>37,294</b>	<b>32,331</b>	<b>31,266</b>	<b>28,657</b>
<b>Total Assets less Current Liabilities</b>		<b>97,149</b>	<b>91,916</b>	<b>92,089</b>	<b>89,236</b>
Creditors : amounts falling due after 1 year	22	35,141	35,141	35,283	35,283
Provisions : pension provisions	23	21,849	21,849	6,623	6,623
Provisions : other provisions	24	1,173	1,168	-	-
<b>NET ASSETS</b>		<b>38,986</b>	<b>33,758</b>	<b>50,183</b>	<b>47,330</b>
<b>Endowment Reserves</b>					
Permanent restricted endowments	26	8,019	8,019	8,120	8,120
Permanent unrestricted endowments	26	8,873	8,873	8,169	8,169
Expendable restricted endowments	26	593	593	662	662
		<b>17,485</b>	<b>17,485</b>	<b>16,951</b>	<b>16,951</b>
Restricted General Reserve	27	6,208	619	2,469	-
<b>Unrestricted Reserves</b>					
Unrestricted general reserve		16,044	15,654	30,713	30,502
Unrestricted Hedging reserve		(751)	-	50	(123)
		<b>15,293</b>	<b>15,654</b>	<b>30,763</b>	<b>30,379</b>
<b>TOTAL FUNDS</b>		<b>38,986</b>	<b>33,758</b>	<b>50,183</b>	<b>47,330</b>

The Financial Statements were approved by the Board of Trustees on 6 November 2019 and were signed on behalf of the Directors by :

*Jon Schofield*

J Schofield - Honorary Treasurer

*D Lalloo*

Professor D Lalloo - Director

**Liverpool School of Tropical Medicine**  
**Financial Statements for year ended 31 July 2019**

**Statement of cash flows**

		<b>Group</b>	<b>LSTM</b>	<b>Group</b>	<b>LSTM</b>
		<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
		<b>31 July 2019</b>	<b>31 July 2019</b>	<b>31 July 2018</b>	<b>31 July 2018</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(Deficit)/Surplus for the year		(10,572)	(13,874)	4,776	4,871
<b>Adjustment for non-cash items :</b>					
Depreciation	17	2,201	2,188	2,069	2,042
Deferred capital grants released to income	25	(852)	(852)	(771)	(771)
(Surplus) on disposal of investments		(16)	(16)	(29)	(29)
(Surplus) on disposal of endowments		(418)	(418)	(156)	(156)
Movement on endowment reserves		(143)	(143)	(50)	(50)
Movement on hedging reserve		(801)	123	(467)	(195)
Decrease/(Increase) in stock		10	5	(7)	(2)
Decrease/(Increase) in debtors		2,702	5,218	(11,992)	(6,888)
Increase/(decrease) in creditors		11,647	(9,002)	11,839	9,075
Increase/(decrease) in USS pension provision		15,226	15,226	-	-
Unrealised revaluation gains on investments and endowments	20	(1,675)	(1,462)	(465)	(465)
Unwinding of interest on finance lease	14	30	30	37	37
Interest receivable		(1,470)	(1,255)	(702)	(640)
Taxation	15	5	15	549	549
		<b>26,447</b>	<b>9,657</b>	<b>(145)</b>	<b>2,507</b>
<b>Cash flow from operating activities</b>		<b>15,874</b>	<b>(4,217)</b>	<b>4,631</b>	<b>7,378</b>
Taxation paid		(15)	(15)	(549)	(549)
<b>Net cash generated/(utilised) from operating activities</b>		<b>15,859</b>	<b>(4,232)</b>	<b>4,082</b>	<b>6,829</b>
<b>Cash flows from investing activities :</b>					
Income from long term investments and unrestricted permanent endowments		1,145	1,145	596	596
Net expenditure from restricted permanent endowments	26	(50)	(50)	(27)	(27)
Other interest received	9	325	110	106	44
Decrease/(increase) in investments		-	5	-	(5)
Cash acquired with subsidiary		5	-	246	-
Purchase of tangible fixed assets	17	(1,233)	(1,199)	(15,328)	(15,302)
Payments to acquire endowment assets	20	(1,803)	(1,803)	(1,800)	(1,800)
Payments to acquire investments	20	(125)	(125)	(8,552)	(3,985)
Receipt from sale of tangible fixed assets		-	-	-	-
Receipt from sale of investments		1,642	132	159	159
Receipt from sale of endowment assets		2,172	2,172	2,083	2,083
Deferred capital grants received	25	1,137	1,137	2,562	2,562
Movement in endowment assets (cash)	26	373	373	14	14
<b>Net cash generated from/(used in) investing activities</b>		<b>3,588</b>	<b>1,897</b>	<b>(19,941)</b>	<b>(15,661)</b>
<b>Cashflows from financing activities :</b>					
Interest element of finance lease rental payment		(30)	(30)	(37)	(37)
Capital element of finance lease rental payment		(384)	(384)	(310)	(310)
<b>Net cash used in financing activities</b>		<b>(414)</b>	<b>(414)</b>	<b>(347)</b>	<b>(347)</b>
<b>Increase/(decrease) in cash in the year</b>		<b>19,033</b>	<b>(2,749)</b>	<b>(16,206)</b>	<b>(9,179)</b>

# Liverpool School of Tropical Medicine

## Financial Statements for year ended 31 July 2019

### Notes to the Accounts

#### 1 Company Information

The Liverpool School of Tropical Medicine (LSTM) was formally inaugurated on 22 April 1898 and incorporated on 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 Liverpool School of Tropical Medicine. The registered office is at Pembroke Place, Liverpool, L3 5QA, UK.

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 19 July 2013. HEFCE was replaced as the funding and regulatory body by the Office for Students (OfS) on 1 April 2018 and LSTM is also eligible for funding from OfS and UK Research and Innovation (including Research England).

#### 2 Basis of Preparation

##### i) Basis of Preparation

These financial statements have been prepared in accordance with the Statements of Recommended Practice (SORP) : Accounting for Further and Higher Education 2014, and in accordance with applicable United Kingdom accounting standards including Financial Reporting Standard 102 (FRS 102), 'the Financial Reporting Standard applicable to the United Kingdom and the Republic of Ireland' and the Companies Act 2006. LSTM is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of current asset investments and derivative financial instruments).

Certain reclassifications have been made in the prior year comparative results, to conform to classifications used in the current year. These reclassifications have had no effect on the reported results in either the current or the prior year.

The Financial statements are presented in Sterling (£).

##### ii) Basis of Consolidation

The Consolidated financial statements include LSTM and entities controlled, both unilaterally and jointly, by LSTM, for the financial year to 31 July 2019. Where LSTM does not exercise control over an entity and is not in a position to extract economic benefits, the results of that entity are not consolidated. A full list of subsidiaries and NGOs in which LSTM has an interest is shown in note 18.

#### 3 Significant Judgements and Estimates

Preparation of the Financial statements requires management to make significant judgements and estimates. The items in the Financial statements where these judgements and estimates have been made include :

##### i) Deferral of balances

Due to the nature of research grants, which in the majority of cases span over several years, judgement is exercised in the decision over deferral of these balances to ensure income and expenditure are accounted for in the appropriate and matching period or when performance conditions have been met.

##### ii) Provisions

Provisions have been set up in relation to operational receipts and to the deficit on the University Superannuation Scheme (USS).

a) Operational provisions : Provisions have been made where cash receipts have a possibility that an element may have to be repaid or where a liability has been incurred prior to 31 July 2019 and where the amount can be reasonably calculated or estimated.

b) USS Pension Provision : In accordance with the requirements of the Statement of Recommended Practice : Accounting for Further and Higher Education, LSTM currently recognises a provision for its obligation to fund past deficits arising within the University Superannuation Scheme (USS). The USS provision is calculated using an approved consistent methodology used by all members, with estimates made regarding discount rate, growth of staff numbers and increase in staff salaries. LSTM's discount rate is based on advice to the USS members from Mercer. Estimates regarding growth in staff numbers and salaries reflect the new LSTM 6 year strategic plan which runs from 2017 to 2023.

# Liverpool School of Tropical Medicine

## Financial Statements for year ended 31 July 2019

### Notes to the Accounts

The recovery plan following the 2014 actuarial valuation requires employers to contribute 2.1% of salaries for the first 2 years, and 5.0% of salaries thereafter, towards repaying the deficit over a period of 17 years, of which 15 remain. Details of this provision are included in note 23 to the financial statements.

#### iii) Financial Instruments

All derivatives are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. Where a market for a financial instrument is not active, fair value is established using a valuation technique. The Group has applied hedge accounting in the year. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market based data.

#### iv) Gifts in Kind

Gifts in kind include two items :

a) pharmaceutical drugs gifted for mass drug administration (MDA) in several countries in Africa of £114,351,000 (2018 : £113,797,000). Given the nature of the activity this has been treated as implementation consultancy income. The valuation of the gifts is based on an estimate of the purchase cost of the drugs had LSTM had to purchase the drugs directly for the MDA programme multiplied by an estimate of the number of drugs required to treat patients. Income and expense are recorded at the point at which reliable figures are available for the number of patients treated, which is on the publication of the annual report to the funder.

b) experimental drugs gifted for testing on toxicology, efficacy etc alongside the provision of experienced staff time of £710,000 (2018 : £Nil) in order to further pre-clinical development of a small molecule anti-wolbachia Macrofilaricide drug for the treatment of Lymphatic Filariasis. Given the nature of the activity this has been treated as research grant and contract income. The valuation of the experimental drug in its current state is based on estimates made by the developers; the time is based on actual costs of staff time donated to the project. Income and expense are recorded at the point at which the work has been completed and milestone targets met.

#### v) Accounting for the Liverpool Life Science Accelerator (LLSA) building

LSTM signed a lease for occupation of research space in autumn 2017 and took occupation in September 2017. The lease is for 25 years, at £400,000 a year (excluding inflationary increases) and would ordinarily be considered as an operating lease. However, LSTM has an option to purchase its share of the building within 4 years of the start of the lease, which it intends to exercise and given this option LSTM has treated the building as a finance lease in 2017/18 and 2018/19.

### 4 Statement of Principal Accounting Policies

#### i) Income Recognition

Student fee income is stated gross of any expenditure which is not a discount and credited to the Statement of comprehensive income over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from contracts and other services rendered is credited to the Statement of comprehensive income when the goods or services are supplied to the external customers or the terms of the contract, including performance related conditions, have been satisfied. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions to overhead costs. Any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Investment income is credited to the Statement of comprehensive income on a receivable basis.

Funds LSTM receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of LSTM where it is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by LSTM; this is normally upon notification of the interest paid or payable by the Bank.



**Notes to the Accounts**

**ii) Grant Funding**

Government revenue grants including recurrent teaching and research grants from Office for Students (OfS) and UK Research and Innovation (UKRI), including Research England, are recognised in income over the periods in which LSTM recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when LSTM is entitled to the funds subject to any performance related conditions being met.

Grants (including research grants) from non-government sources are recognised in income when LSTM is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

**iii) Expenditure and Irrecoverable VAT**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of resources. Grants are reflected in the Balance sheet when a constructive obligation exists, notwithstanding that they may be paid in future accounting periods.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

**iv) Donations and Endowments**

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when LSTM is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when LSTM is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restrictions applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of LSTM.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and LSTM has the power to use the capital.
4. 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.

**v) Gifts in Kind**

Gifts in kind are recognised within research grant income and other income, and within operating expenses, where performance conditions have been met and when a fair value can be reasonably estimated. Fair value is estimated using market values at the date of the gift but where the date of the gift cannot be accurately determined it is estimated when information has been collected and verified.

**vi) Accounting for Retirement Benefits**

The two principal pension schemes for LSTM's staff are the Universities Superannuation Scheme (USS) and the University of Liverpool Pension Fund (ULPF). ULPF is a defined benefit scheme and USS changed from a defined benefit scheme to a hybrid scheme on 1 October 2016, providing defined benefits (for all members) as well as contribution benefits. LSTM also participates in the National Health Service Pension Fund, which is a defined benefit scheme. All three schemes are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

# Liverpool School of Tropical Medicine

## Financial Statements for year ended 31 July 2019

### Notes to the Accounts

Both the USS and ULPF are multi-employer schemes for which it is not possible to identify the assets and liabilities related to LSTM's members due to the mutual nature of the scheme and therefore these schemes are accounted for as defined contribution retirement benefit schemes.

LSTM participates in the USS which is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. LSTM is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", LSTM therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Statement of comprehensive income represents the contributions payable to the scheme. Since LSTM has entered into an agreement (the recovery plan) that determines how each employer within the scheme will fund the overall deficit, LSTM recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

#### vii) Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which LSTM pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions in defined contribution pension plans are recognised as an expense in the Statement of comprehensive income in the periods during which services are rendered by employees.

The assets of the three main LSTM pension schemes are held in separate trustee-administered funds. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. LSTM is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

As required by Section 28 of FRS 102 "employee benefits", LSTM therefore accounts for the schemes as if they were a wholly defined contribution scheme. As a result, the amount charged to the Statement of comprehensive income represents the contributions payable to the schemes.

#### viii) Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to LSTM and the Group. Any unused benefits are accrued and measured as the additional amount LSTM and the Group expects to pay as a result of the unused entitlement.

#### ix) Holiday Pay Accrual

The liability for untaken staff holiday entitlement at 31 July 2019 is accrued. The accrual is based on actual hours untaken at 31 July and valued using an estimate made of average salaries within LSTM. A 50% weighting factor is applied to acknowledge the limited probability that such a payout would be required for 100% of staff - LSTM is a going concern and 100% payout would only likely be required in the event of a wind up of an organisation.

#### x) Foreign Currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated at the exchange rate ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income. Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in Reserves.

# Liverpool School of Tropical Medicine

## Financial Statements for year ended 31 July 2019

### Notes to the Accounts

#### **xi) Finance Leases**

Leases in which LSTM assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of a finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### **xii) Operating Leases**

Rentals under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

#### **xiii) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

##### ***Land and Buildings***

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to LSTM.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over a period of 50 years.

Leasehold buildings are depreciated on a straight line basis over 50 years.

No depreciation is charged on assets in the course of construction.

##### ***Fixtures and Equipment***

Fixtures and equipment, including computers and software, costing less than the de minimus per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment (including computer and other equipment) is stated at cost and depreciated over 4 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

#### **xiv) Investments**

Endowment asset investments and current asset investments are included in the Balance sheet at market value. Investments in 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 Statement of comprehensive income. 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 drawn down on demand.

#### **xv) Stock**

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula. Where necessary provision is made for obsolete, slow moving and defective stocks.

#### **xvi) Cash and Cash Equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Liverpool School of Tropical Medicine**  
**Financial Statements for year ended 31 July 2019**

**Notes to the Accounts**

**xvii) Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered, less any impairment. Prepayments are valued at the amount prepaid net of any trade discounts due.

**xviii) Creditors**

Creditors are recognised where LSTM has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

**xix) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised in the Financial Statements when:

- (a) LSTM and the Group has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives LSTM a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LSTM. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives LSTM and the Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LSTM and the Group.

Contingent assets and liabilities are not recognised in the Balance sheet but are disclosed in the notes.

**xx) Financial Instruments**

Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in the Statement of comprehensive income. Outstanding derivatives at the reporting date are included under the appropriate category depending on the nature of the derivative.

LSTM and the Group hold derivative financial instruments in the form of foreign currency sterling forward currency contracts. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the balance sheet date. Changes in the fair value of derivatives are recognised in the surplus or deficit as appropriate, unless they are included in a hedging arrangement.

The Group applies hedge accounting for certain transactions entered into to manage the cash flow exposures of foreign currency research income. Forward currency contracts are held to manage the cash flow exposure to fluctuations in exchange rates and are designed as cash flow hedges.

Changes in the fair value of derivatives designated as cash flow hedges, and which are effective, are recognised directly in total funds. Any ineffectiveness in the hedging relationship (being excess of cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the surplus or deficit.

The gain or loss recognised in Other comprehensive income is reclassified to the Statement of comprehensive income when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

# **Liverpool School of Tropical Medicine**

## **Financial Statements for year ended 31 July 2019**

### **Notes to the Accounts**

#### **xxi) Taxation**

LSTM and IVCC are exempt charities within the meaning of Part 3 of the Charities Act 2011, it is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, LSTM is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

LSTM is registered for VAT. Irrecoverable VAT on inputs is included in the costs of such inputs. Irrecoverable VAT allocated to fixed assets is included in their cost.

Certain of LSTM's subsidiary entities are trading companies and are liable to Corporation Tax in the same way as any other commercial organisation.

#### **xxii) Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to LSTM are held as a permanently restricted fund which LSTM must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore LSTM is restricted in the use of these funds.

The Board of Trustees approved a strategic plan covering a six year period to 31 July 2023. This plan anticipates LSTM's free reserves being augmented by the end of the period. The Board has targeted, at the end of the six year period of the strategic plan, for free reserves to represent a minimum of 6 months pay expenditure.

#### **xxiii) Going Concern**

The Board of Trustees considers that LSTM has sufficient financial resources and is confident that its future income streams will maintain these resources.

The Board of Trustees has a reasonable expectation that LSTM has adequate resources to continue in operation for the foreseeable future. Therefore it continues to adopt the going concern basis in preparing the financial statements.



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**5 Funding Body Grants**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Recurrent teaching grants	1,570	1,570	1,342	1,342
Recurrent research grants	6,643	6,643	6,007	6,007
Specific grants	2,850	2,850	2,353	2,353
Release of deferred capital grants (note 25) :				
Buildings	117	117	110	110
Equipment	205	205	143	143
	<b>11,385</b>	<b>11,385</b>	<b>9,955</b>	<b>9,955</b>

**6 Tuition Fees and Education Contracts**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Masters fee income	1,342	1,342	1,109	1,109
PhD fee income	668	668	490	490
Fee income from diplomas	1,071	1,071	1,165	1,165
Fee income from short courses	115	115	109	109
Training and other courses	690	690	643	643
Fee income from University of Liverpool	451	451	431	431
	<b>4,337</b>	<b>4,337</b>	<b>3,947</b>	<b>3,947</b>

**7 Research Grants and Contracts**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Research Councils	9,056	9,056	7,045	7,045
UK based charities	10,314	11,731	14,276	13,504
UK Central Government and other bodies	21,970	12,396	19,157	12,379
UK industry and commerce	1,667	733	1,108	1,108
European Union	9,772	9,772	5,950	5,905
Other overseas bodies	27,354	12,332	24,639	13,069
Research & development expenditure credits	62	62	2,612	2,612
Other	801	546	948	948
	<b>80,996</b>	<b>56,628</b>	<b>75,735</b>	<b>56,570</b>

Included within UK based charities is £1,307,000 (2018 : £1,620,000) 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.

Included in other income are amounts relating to gifts of experimental drugs to be tested for efficacy and services to assist with the review (2019: £710,000; 2018 : £Nil). In accordance with FRS 102 the income has been shown above and offsetting costs are included in Other Operating Expenses (note 13).

Details of the estimates and judgements made in relation to these gifts are given in note 3 iv.

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**8 Other Income**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Diagnostic lab	344	344	286	286
Travel health related activities	1,093	-	993	-
Implementation research consultancy	20,568	5,805	21,210	7,764
Gifts in kind : Pharmaceutical drugs for MDA programme	114,351	114,351	113,797	113,797
Foreign Currency contracts	-	-	98	98
Health authority contracts	186	186	185	185
Health authority funded posts	337	337	411	411
Non-funding council releases of deferred capital grants (Note 25)	530	530	518	518
Other	5,957	3,546	3,037	3,480
Gift aid from subsidiary	-	115	-	147
	<b>143,366</b>	<b>125,214</b>	<b>140,535</b>	<b>126,686</b>

Included in other income are amounts relating to gifts of pharmaceutical drugs for a mass drug administration programme (MDA) in various countries in Africa. In accordance with FRS 102 the income has been shown above and offsetting costs are included in Other Operating Expenses (note 13).

Details of the estimates and judgements made in relation to these gifts are given in note 3 iv.

**9 Investment Income**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Dividend income and interest receivable	853	853	415	415
Other interest receivable	325	110	106	44
	<b>1,178</b>	<b>963</b>	<b>521</b>	<b>459</b>

**10 Donations and Endowment Income**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Endowment income	292	292	181	181
Unrestricted donations	65	65	53	53
Restricted donations	1,055	1,055	1,470	1,470
	<b>1,412</b>	<b>1,412</b>	<b>1,704</b>	<b>1,704</b>

**11 Staff Costs**

	Group Year ended 31 July 2019 Number	LSTM Year ended 31 July 2019 Number	Group Year ended 31 July 2018 Number	LSTM Year ended 31 July 2018 Number
The number of persons (including senior post holders) employed at 31 July each year, expressed as full-time equivalents, was :				
<i>Academic contracts</i>				
Teaching staff	12	12	11	11
Research staff	131	131	102	102
Teaching and research staff	67	67	82	82
Clinicians	14	14	14	14
<i>Non-academic contracts</i>				
Other	443	332	425	304
	<b>667</b>	<b>556</b>	<b>634</b>	<b>513</b>

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**11 Staff Costs (continued)**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Staff costs for the above persons were :				
Salaries	28,816	23,796	24,922	20,726
Social security costs	2,768	2,499	2,624	2,295
Pension costs	3,987	3,665	3,381	3,151
Restructuring costs	62	62	45	45
Accrued but untaken holiday costs	(246)	(246)	64	64
<b>Staff costs before adjusting for pension provision costs</b>	<b>35,387</b>	<b>29,776</b>	<b>31,036</b>	<b>26,281</b>
Pension deficit funding costs	15,081	15,081	(122)	(122)
<b>Total staff costs</b>	<b>50,468</b>	<b>44,857</b>	<b>30,914</b>	<b>26,159</b>

The pension provision costs represent the commitment by LSTM to fund the underlying deficit on the USS hybrid pension scheme. Under FRS 102 these amounts need to be provided for. The total provision at 31 July 2019 is £21,849,000 (see note 23).

Salaries of the higher paid staff, excluding employer's pension contributions were within the following ranges. 2017/18 figures are restated in line with the restatements made in note 12 :

	Group Year ended 31 July 2019		Restated Group Year ended 31 July 2018	
	Number of Key Management Personnel	Number of Other Staff	Number of Key Management Personnel	Number of Other Staff
£100,000 - £105,000	-	6	1	3
£105,001 - £110,000	1	4	-	4
£110,001 - £115,000	-	5	-	4
£115,001 - £120,000	-	2	1	-
£125,001 - £130,000	1	1	-	-
£130,001 - £135,000	-	1	-	-
£135,001 - £140,000	-	-	-	1
£140,001 - £145,000	-	1	-	2
£145,001 - £150,000	-	1	-	1
£155,001 - £160,000	-	1	-	2
£160,001 - £165,000	-	1	-	-
£175,001 - £180,000	-	-	-	1
£185,001 - £190,000	-	-	-	1
£190,001 - £195,000	-	-	2	-
£205,001 - £210,000	1	-	-	-
£220,001 - £225,000	1	-	-	-
£230,001 - £235,000	1	1	-	-
£240,001 - £245,000	-	1	-	1
£280,001 - £285,000	-	-	1	-
	<u>5</u>	<u>25</u>	<u>5</u>	<u>20</u>

**12 Key Management Personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the school. The figures below include compensation paid to key management personnel.

	Group/LSTM Year ended 31 July 2019 Number	Restated Group/LSTM Year ended 31 July 2018 Number
The number of key management personnel including the director was :	<u>7</u>	<u>7</u>

Key management personnel include the Director - only 5 of the Key management personnel earned a salary over £100,000 in 2018/19 and 2017/18 (see salary bandings note 11). 2017/18 figures have been restated to show this larger group which is more representative of those with the authority and responsibility for planning, directing and controlling the activities of the school.

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Key management personnel's total emoluments were made up as follows:

	31 July 2019 £'000	31 July 2018 £'000
Salaries	1,079	996
Social security costs	141	130
Pension Contributions	108	67
<b>Total emoluments</b>	<b>1,328</b>	<b>1,193</b>

During the year there was a change in Director of LSTM

- Janet Hemingway resigned as Director on 31 December 2018, but continued to work for LSTM in another capacity
- David Laloo, previously Dean of Clinical Sciences and International Public Health, was appointed Director on 1 January 2019

The above amounts include the actual remuneration paid to David Laloo who was Director at 31 July 2019, in both of his roles in the year.

Remuneration for both Janet Hemingway and David Laloo, in all roles is as follows :

	31 July 2019		31 July 2018
	£'000	£'000	£'000
	<i>D Laloo</i>	<i>J Hemingway</i>	<i>J Hemingway</i>
Salaries during period as Director	147	128	283
Salaries during period in another role	76	103	-
Social security costs during period as Director	20	18	38
Social security costs during period in another role	10	13	-
Pension Contributions during period as Director	21	-	-
Pension Contributions during period in another role	9	-	-
Total Salaries during the financial year, in both roles	223	231	283
Total social security costs during the financial year, in both roles	30	31	38
Total Pension contributions during financial year in both roles	30	-	-
<b>Total emoluments</b>	<b>283</b>	<b>262</b>	<b>321</b>
Total emoluments pro rata if Director for full year	<b>322</b>	<b>356</b>	

The pension contributions of the Director and key management personnel are in respect of employer's contributions to the USS and NHS pension schemes 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.

The total expenses paid to or on behalf of trustees was £4,559 (2018 : £5,137). This represents travel and subsistence expenses incurred in attending meetings and events in their official capacity.

### Senior staff pay

LSTM is a world leading research institution. We benchmark our rates of pay and HR practices against the higher education sector in general, and our key comparator group is Russell Group institutions. This reflects where we need to be in order to attract and retain the most talented people in our predominantly research field, particularly against global and national competition.

Average earnings in higher education are higher than the average for both the public and private sector and have grown faster than in the wider economy.

Director's pay is linked to a pay scale. Incremental progression is not automatic, however any pay awards are based on consideration of an individual's contribution, supported by evidence of exceptional performance. Determinations of pay for senior executive staff are made by the Remuneration Committee, the members of which are Board trustees, and which is chaired by the Chair of the Board; however, the Deputy Chair presides over discussions of the director's pay. The remuneration Committee adopts the CUC's Higher Education Senior Staff Remuneration Code and publishes a separate annual report.

2018/19 was a period of transition : there was a change of Director.

Janet Hemingway was the Director until 31 December 2018 and David Laloo took over the role on 1 January 2019.

The level of remuneration for Janet Hemingway for 2018/19 reflected her management and leadership of the institution over 17 years and its significant growth under her stewardship.

David Laloo's level of remuneration was determined taking account of the analysis of benchmark information to reflect the relevant market position. He took office in January 2019 and the first determination of contribution and his reward will not take place before end of financial year 2019/20.

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**Median salary info**

The FTE salary of Janet Hemingway as Director, expressed as a multiple of the median salary of all LSTM UK staff is 8.67.

The FTE total remuneration of Janet Hemingway as Director, expressed as a multiple of the median total remuneration of all LSTM UK staff is 7.46.

The FTE salary of David Laloo as Director, expressed as a multiple of the median salary of all LSTM UK staff is 7.08.

The FTE total remuneration of David Laloo as Director, expressed as a multiple of the median total remuneration of all LSTM UK staff is 6.96.

The basis of the calculation is as follows:

All staff costs are grossed up to reflect amounts payable on a full time equivalent basis.

Total remuneration includes employer pension payments, bonus payments and allowances.

Salary details for atypical and agency staff have been excluded due to difficulties in obtaining the data from third parties.

**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.

**13 Other Operating Expenses**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Research grants and contracts	61,853	41,721	54,637	39,342
Implementation research consultancy	17,498	3,944	19,677	6,621
Gifts in kind : Pharmaceutical drugs for MDA programme	114,351	114,351	113,797	113,797
Gifts in kind : LF Drug efficacy programme	710	710	-	-
Foreign currency contracts	781	630	91	-
Premises costs	3,305	3,305	2,189	2,189
Academic and related expenditure	1,785	1,785	2,693	2,693
Administrative and central services	1,805	1,610	1,252	1,305
	<b>202,088</b>	<b>168,056</b>	<b>194,336</b>	<b>165,947</b>

Other operating expenses include :

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Financial statements auditor's remuneration				
Financial Statements audit	68	30	62	27
Other services from the external auditor	46	18	21	19
Other auditor's remuneration				
Internal audit	43	43	25	25
Other services from internal auditors	-	-	-	-
Component auditors	23	-	8	-

**14 Interest Payable**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Finance lease interest for Accelerator Building	30	30	37	37
	<b>30</b>	<b>30</b>	<b>37</b>	<b>37</b>



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**15 Taxation**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Tax on RDEC claim	15	15	549	549
Deferred tax asset	(10)	-	-	-
Tax on RDEC claim	<u>5</u>	<u>15</u>	<u>549</u>	<u>549</u>

**16 (Deficit)/Surplus on Continuing Operations for the Year**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
LSTM's (deficit)/surplus for the year	(10,572)	(13,989)	4,776	4,724
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	115	-	147
	<u>(10,572)</u>	<u>(13,874)</u>	<u>4,776</u>	<u>4,871</u>

**17 Tangible Fixed Assets**

Group	Leasehold Buildings £'000	Freehold land and buildings £'000	Fixtures & Equipment £'000	TOTAL £'000
<b>Cost or valuation</b>				
At 1 August 2018	14,114	56,285	4,394	74,793
Additions	12	621	600	1,233
Disposals	-	-	-	-
<b>At 31 July 2019</b>	<u>14,126</u>	<u>56,906</u>	<u>4,994</u>	<u>76,026</u>
<b>Depreciation</b>				
At 1 August 2018	350	10,757	2,863	13,970
Charge for the year	340	1,056	805	2,201
Eliminated in respect of disposals	-	-	-	-
<b>At 31 July 2019</b>	<u>690</u>	<u>11,813</u>	<u>3,668</u>	<u>16,171</u>
<b>Net book value at 31 July 2019</b>	<u>13,436</u>	<u>45,093</u>	<u>1,326</u>	<u>59,855</u>
Net book value at 31 July 2018	<u>13,764</u>	<u>45,528</u>	<u>1,531</u>	<u>60,823</u>
Financed by Funding body capital grants	-	5,446	537	5,983
Financed by government capital grants	1,646	18,294	-	19,940
Financed by other grants and LSTM	11,790	21,353	789	33,932
	<u>13,436</u>	<u>45,093</u>	<u>1,326</u>	<u>59,855</u>

The amount for freehold land and buildings includes a value for land of £3,907,000 which is not depreciated.

The net book value of tangible fixed assets includes £8,961,000 (2018 : £9,150,000) in respect of assets held under finance lease. Depreciation of the finance lease asset was £189,000 (2018 : £189,000).

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**17 Tangible Fixed Assets (continued)**

	Leasehold Buildings £'000	Freehold land and buildings £'000	Fixtures & Equipment £'000	TOTAL £'000
<b>LSTM</b>				
<b>Cost or valuation</b>				
At 1 August 2018	13,762	56,285	4,338	74,385
Additions	12	621	566	1,199
Disposals	-	-	-	-
<b>At 31 July 2019</b>	<b>13,774</b>	<b>56,906</b>	<b>4,904</b>	<b>75,584</b>
<b>Depreciation</b>				
At 1 August 2018	285	10,757	2,823	13,865
Charge for the year	333	1,056	799	2,188
Eliminated in respect of disposals	-	-	-	-
<b>At 31 July 2019</b>	<b>618</b>	<b>11,813</b>	<b>3,622</b>	<b>16,053</b>
<b>Net book value at 31 July 2019</b>	<b>13,156</b>	<b>45,093</b>	<b>1,282</b>	<b>59,531</b>
Net book value at 31 July 2018	13,477	45,528	1,515	60,520
Financed by Funding body capital grants	-	5,446	537	5,983
Financed by government capital grants	1,646	18,294	-	19,940
Financed by other grants and LSTM	11,510	21,353	745	33,608
	<b>13,156</b>	<b>45,093</b>	<b>1,282</b>	<b>59,531</b>

The amount for freehold land and buildings includes a value for land of £3,907,000 which is not depreciated.

The net book value of tangible fixed assets includes £8,961,000 (2018 : £9,150,000) in respect of assets held under finance lease. Depreciation of the finance lease asset was £189,000 (2018 : £189,000).

**18 Investments in subsidiaries**

	LSTM Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2018 £'000
Investments in subsidiary companies	54	59

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 Consulting Limited has interests in the following companies and NGOs :

- LATH Nigeria (Dormant NGO)
- LATH Umoyo, Malawi (Dormant) - 50%
- LSTM Kenya - 100%
- LSTM Consulting USA - 100%
- LMS (Dormant) - 100%
- LATH South Sudan (NGO)

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 vehicle to remunerate employees of fellow group companies and a holding company for the following :

- Well Travelled Clinics Limited (WTC)
- Liverpool International Health I.P. Limited (LIHIP)

LSTM owns 100% of the issued ordinary £1 shares of EchiTab Study Group (UK) Limited, a company incorporated in England and Wales (Dormant).

LSTM is the sole member of IVCC, a company and registered charity 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.

LSTM owns 99% of the issued ordinary 10 Rupee shares of Liverpool School of Tropical Medicine Foundation India, a company incorporated in India. In 2017/18 £5,000 was transferred to India as paid up share capital. In 2018/19 this amount was returned following clarification regarding Indian company law.

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**18 Investments in subsidiaries (continued)**

LSTM also has an interest in the following, which are all NGOs apart from LSTM Tanzania which is a limited company :

- LSTM Malawi	}	Consolidated in LSTM Group Financial Statements
- LSTM Tanzania (Ltd Company)	}	
- CeSHHAR Zimbabwe (Charity)	}	
- LSTM DRC	}	Not consolidated due to negligible activity
- Liverpool Initiative for Health Development (Nigeria)	}	
- LSTM Sierra Leone	}	
- LSTM Uganda	}	

**19 Debtors : Amounts falling due within 1 year**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Trade debtors	1,641	1,532	940	624
Amounts owed by subsidiary undertakings	-	-	-	-
Other taxation and social security	10	-	-	-
Balances due on research grants and contracts	23,226	13,039	23,847	17,301
Prepayments and accrued income	955	901	2,794	2,662
Forward currency contracts	250	-	1,203	103
	<b>26,082</b>	<b>15,472</b>	<b>28,784</b>	<b>20,690</b>

A bad debt provision of £224,000 (2018 : £145,000) has been recognised against debtors of LSTM and the Group.

**20 Investments and Endowments**

	Group Investments Year ended 31 July 2019 £'000	Group Endowments Year ended 31 July 2019 £'000	Group TOTAL Year ended 31 July 2019 £'000	Group TOTAL Year ended 31 July 2018 £'000
Cost at 1 August 2018/2017	21,617	12,035	33,652	25,189
Additions	125	1,803	1,928	10,352
Disposals	(1,626)	(1,754)	(3,380)	(1,889)
<b>Cost at 31 July 2019/2018</b>	<b>20,116</b>	<b>12,084</b>	<b>32,200</b>	<b>33,652</b>
Unrealised revaluation reserve at 1 August 2018/2017	2,965	3,745	6,710	6,332
Unrealised revaluation in the year	1,563	112	1,675	377
<b>Unrealised revaluation reserve at 31 July 2019/2018</b>	<b>4,528</b>	<b>3,857</b>	<b>8,385</b>	<b>6,709</b>
<b>Market value at 31 July 2019/2018</b>	<b>24,644</b>	<b>15,941</b>	<b>40,585</b>	<b>40,361</b>
<i>Represented by :</i>				
Fixed interest stocks (listed)	14,660	1,942	16,602	14,961
Equities (listed)	3,217	12,333	15,550	15,234
Other	6,767	1,666	8,433	10,166
	<b>24,644</b>	<b>15,941</b>	<b>40,585</b>	<b>40,361</b>
<i>Represented by :</i>				
Fellowships and scholarship funds	-	7,511	7,511	8,007
Prize funds	-	131	131	131
Other funds	24,644	8,299	32,943	32,223
	<b>24,644</b>	<b>15,941</b>	<b>40,585</b>	<b>40,361</b>

Investments include money market investments & bank deposits, of greater than 3 months duration, of £5,530,000 (2018 : £6,615,000).

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**20 Investments and Endowments (continued)**

	<b>LSTM Investments Year ended 31 July 2019 £'000</b>	<b>LSTM Endowments Year ended 31 July 2019 £'000</b>	<b>LSTM TOTAL Year ended 31 July 2019 £'000</b>	<b>LSTM TOTAL Year ended 31 July 2018 £'000</b>
Cost at 1 August 2018/2017	17,046	12,035	29,081	25,189
Additions	125	1,803	1,928	5,781
Disposals	(116)	(1,754)	(1,870)	(1,889)
<b>Cost at 31 July 2019/2018</b>	<b>17,055</b>	<b>12,084</b>	<b>29,139</b>	<b>29,081</b>
Unrealised revaluation reserve at 1 August 2018/2017	2,965	3,745	6,710	6,332
Unrealised revaluation in the year	1,350	112	1,462	377
<b>Unrealised revaluation reserve at 31 July 2019/2018</b>	<b>4,315</b>	<b>3,857</b>	<b>8,172</b>	<b>6,709</b>
<b>Market value at 31 July 2019/2018</b>	<b>21,370</b>	<b>15,941</b>	<b>37,311</b>	<b>35,790</b>
<i>Represented by :</i>				
Fixed interest stocks (listed)	14,660	1,942	16,602	14,961
Equities (listed)	3,217	12,333	15,550	15,234
Other	3,493	1,666	5,159	5,595
	<b>21,370</b>	<b>15,941</b>	<b>37,311</b>	<b>35,790</b>
<i>Represented by :</i>				
Fellowships and scholarship funds	-	7,511	7,511	8,007
Prize funds	-	131	131	131
Other funds	21,370	8,299	29,669	27,652
	<b>21,370</b>	<b>15,941</b>	<b>37,311</b>	<b>35,790</b>

Investments include bank deposits of greater than 3 months duration of £2,056,000 (2018 : £2,044,000).

**21 Creditors : amounts falling due within 1 year**

	<b>Group Year ended 31 July 2019 £'000</b>	<b>LSTM Year ended 31 July 2019 £'000</b>	<b>Group Year ended 31 July 2018 £'000</b>	<b>LSTM Year ended 31 July 2018 £'000</b>
Unexpended balances of research grants and contracts	68,761	18,939	59,430	27,513
Trade creditors	1,337	673	1,230	1,088
Amounts owed to subsidiary undertakings	-	3,242	-	3,651
Other taxation and social security	801	787	684	684
Holiday accrual	367	367	626	613
Accruals	9,328	1,734	8,606	2,593
Forward currency contracts	1,195	507	739	275
Short Term element of finance lease liability (note 32)	412	412	375	375
Short term element of deferred capital grants (note 25)	576	576	570	570
	<b>82,777</b>	<b>27,237</b>	<b>72,260</b>	<b>37,362</b>

**22 Creditors : amounts falling due after 1 year**

	<b>Group Year ended 31 July 2019 £'000</b>	<b>LSTM Year ended 31 July 2019 £'000</b>	<b>Group Year ended 31 July 2018 £'000</b>	<b>LSTM Year ended 31 July 2018 £'000</b>
Long term element of deferred capital grants (note 25)	25,347	25,347	25,068	25,068
Long term element of finance lease liability (note 32)	9,794	9,794	10,215	10,215
	<b>35,141</b>	<b>35,141</b>	<b>35,283</b>	<b>35,283</b>

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**23 Pension Deficit Provision**

	Group/LSTM USS Year ended 31 July 2019 £'000
<b>At 1 August 2016</b>	5,854
Increase in provision during the year	769
<b>At 31 July 2017</b>	<b>6,623</b>
Increase in provision during the year	-
<b>At 31 July 2018</b>	<b>6,623</b>
Increase in provision during the year (staff costs, see note 11)	15,081
Increase in provision during the year (interest costs)	145
<b>Total increase in provision during the year</b>	<b>15,226</b>
<b>At 31 July 2019</b>	<b>21,849</b>

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation, has given rise to a significant increase in the deficit provision which has increased from £83.1 million to £248.4 million. £165.1 million of this increase is attributable to the change in the deficit contributions contractual commitment. More details are set out in note 30.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. As at 31 July 2019 and with all the other assumptions used to calculate the provision unchanged, this would have resulted in a reduction in expense of £10,818,000 to £4,408,000 and a revised provision of £11,031,000 (provision reported in financial statements : £21,849,000).

Management has assessed future employees within the scheme and salary payment over the period of the contracted obligations to calculate the value of the provision, and has made the following assumptions.

	Group/LSTM Year ended 31 July 2019	Group/LSTM Year ended 31 July 2018
Discount rate	1.62%	2.19%
Salary growth	2.50%	2.50%
Staff numbers growth	6.00%	6.00%

**Sensitivity analysis**

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below :

Change in assumptions at 31 July 2019	Approximate impact £'000	
0.5% pa decrease in discount rate	1,024	Increase in provision
0.5% pa increase in salary inflation over duration	1,009	Increase in provision
0.5% pa increase in salary inflation year 1 only	106	Increase in provision
0.5% increase in staff changes over duration	984	Increase in provision
0.5% increase in staff changes year 1 only	103	Increase in provision
1% increase in deficit contributions from April 2020	4,259	Increase in provision



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**24 Other provisions**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000
<b>At 31 July 2018</b>	-	-
Transfer from creditors to provisions in year	1,173	1,168
<b>At 31 July 2019</b>	<b>1,173</b>	<b>1,168</b>

Other provisions comprise primarily provisions re non-compliance on research grants (£270,000), an OfS provision related to potential clawbacks of prior years' funding (£226,000), and a provision for professional fees related to tax and regulatory set up of overseas offices (£341,000).

Information regarding settlement of the amounts provided for is anticipated in the next year.

In previous years provisions were included in creditors.

**25 Deferred Capital Grants**

	Group/LSTM Funding Council Year ended 31 July 2019 £'000	Group/LSTM Other Funding Year ended 31 July 2019 £'000	Group/LSTM TOTAL Year ended 31 July 2019 £'000
<b>At 1 August 2018</b>			
Buildings	4,925	20,471	25,396
Equipment	242	-	242
<b>Cash received</b>			
Buildings	637	-	637
Equipment	500	-	500
<b>Released to Statement of comprehensive income</b>			
Buildings	(117)	(530)	(647)
Equipment	(205)	-	(205)
<b>At 31 July 2019</b>	<b>5,982</b>	<b>19,941</b>	<b>25,923</b>

Deferred capital grants are shown in Creditors and are split between Creditors : < 1 year and Creditors : > 1 year as follows :

Creditors < 1 year	576
Creditors > 1 year	25,347
	<b>25,923</b>
<b>At 1 August 2017</b>	
Buildings	4,287
Equipment	347
<b>Cash received</b>	
Buildings	748
Equipment	38
<b>Released to Statement of comprehensive income</b>	
Buildings	(110)
Equipment	(143)
<b>At 31 July 2018</b>	<b>25,638</b>

Deferred capital grants are shown in Creditors and are split between Creditors : < 1 year and Creditors : > 1 year as follows :

Creditors < 1 year	570
Creditors > 1 year	25,068
	<b>25,638</b>

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**26 Endowment Reserves**

	Group/LSTM Permanent endowments Restricted Year ended 31 July 2019 £'000	Group/LSTM Unrestricted Year ended 31 July 2019 £'000	Group/LSTM Expendable Restricted Year ended 31 July 2019 £'000	Group/LSTM TOTAL Year ended 31 July 2019 £'000
<b>At 1 August 2018</b>				
- Capital value	7,758	6,983	655	15,396
- Accumulated income	176	202	6	384
- TOTAL	<b>7,934</b>	<b>7,185</b>	<b>661</b>	<b>15,780</b>
Reclassification between restricted and unrestricted	(331)	331	-	-
Appreciation of endowment assets investments (realised)	(39)	126	(30)	57
Appreciation of endowment assets investments (unrealised)	(2)	117	(2)	113
Income for the year	184	154	17	355
Transferred to statement of comprehensive income	(143)	(154)	(67)	(364)
Capital expenditure	-	-	-	-
<b>At 31 July 2019</b>				
- Capital value	7,386	7,557	623	15,566
- Accumulated income	217	202	(44)	375
- TOTAL	<b>7,603</b>	<b>7,759</b>	<b>579</b>	<b>15,941</b>
<i>Representing :</i>				
Fellowship and scholarship funds	6,990	-	579	7,569
Prize funds	139	-	-	139
Other funds	474	7,759	-	8,233
Investments	7,603	7,759	579	15,941
Cash relating to endowments	416	1,114	14	1,544
<b>Reserves</b>	<b>8,019</b>	<b>8,873</b>	<b>593</b>	<b>17,485</b>
	<b>Year ended 31 July 2018 £'000</b>	<b>Year ended 31 July 2018 £'000</b>	<b>Year ended 31 July 2018 £'000</b>	<b>Year ended 31 July 2018 £'000</b>
<b>At 1 August 2017</b>				
- Capital value	7,504	6,576	732	14,812
- Accumulated income	205	202	(31)	376
- TOTAL	<b>7,709</b>	<b>6,778</b>	<b>701</b>	<b>15,188</b>
Drawdown of endowments	-	-	(90)	(90)
Appreciation of endowment assets investments (realised)	30	124	2	156
Appreciation of endowment assets investments (unrealised)	224	283	11	518
Income for the year	251	130	107	488
Transferred to statement of comprehensive income	(280)	(130)	(70)	(480)
Capital expenditure	-	-	-	-
<b>At 31 July 2018</b>				
- Capital value	7,758	6,983	655	15,396
- Accumulated income	176	202	6	384
- TOTAL	<b>7,934</b>	<b>7,185</b>	<b>661</b>	<b>15,780</b>
<i>Representing :</i>				
Fellowship and scholarship funds	7,346	-	661	8,007
Prize funds	131	-	-	131
Other funds	457	7,185	-	7,642
Investments	7,934	7,185	661	15,780
Cash relating to endowments	186	984	1	1,171
<b>Reserves</b>	<b>8,120</b>	<b>8,169</b>	<b>662</b>	<b>16,951</b>

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**27 Restricted General Reserve**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000
<b>At 31 July 2017</b>	2,353	-
Movement in year on consolidated restricted reserves	116	-
<b>At 31 July 2018</b>	2,469	-
Movement in year on consolidated restricted reserves	3,120	-
Transfer of restricted donations reserve from general reserves	619	619
<b>At 31 July 2019</b>	<b>6,208</b>	<b>619</b>

The reserves of IVCC and CeSHHAR Zimbabwe are considered to be restricted due to their status as charities/Private voluntary organisations (PVOs) and their objects being narrower than those of the group. In addition, at 31 July 2019 donations where there is a restriction over how they are used were transferred to this reserve from the general reserve.

**28 Financial Instruments**

The carrying value of the Group and LSTM's financial assets and liabilities are summarised by category below :

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
<b>Financial assets</b>				
<i>Financial assets at fair value through the statement of consolidated income :</i>				
Listed investments and endowments	40,585	37,311	40,361	35,790
<i>Financial assets that are debt instruments measured at amortised cost :</i>				
Trade, research and other receivables	71,455	14,957	25,782	18,788
Cash and cash equivalents	53,308	6,749	34,275	9,498
<i>Financial assets measured at fair value through surplus or deficit</i>				
Foreign currency contracts	250	-	1,203	103
	<b>165,598</b>	<b>59,017</b>	<b>101,621</b>	<b>64,179</b>
<b>Financial liabilities</b>				
<i>Financial liabilities measured at amortised cost</i>				
Trade, research and other payables and accruals	79,877	24,588	69,267	34,845
Finance lease liability	10,206	10,206	10,590	10,590
<i>Financial liabilities measured at fair value through surplus or deficit</i>				
Foreign currency contracts	1,195	507	739	275
	<b>91,278</b>	<b>35,301</b>	<b>80,596</b>	<b>45,710</b>

The Group applies hedge accounting for certain transactions entered into to manage the cash flow exposures of US dollar and Euro research income. Foreign currency forward contracts are held to manage the exposure to fluctuations in US dollar and Euro rates and are designated as cash flow hedges.

Cash flows on both the US dollar and Euro research income and the foreign currency forward contracts are at regular intervals, based on predicted project related cash flows. The forward contracts had a mark to market valuation as at 31 July 2019 amounting to a liability of £1,117,000 (2018 : £464,000 asset). During 2018/19 a loss of £801,000 (2018 : loss of £467,000) was recognised in the cash flow hedge reserve for changes in the fair value of the forward contracts and a loss of £151,000 was recognised in expense for the year (2018 : a gain of £7,000). No amounts of ineffectiveness were recognised in the year (2018 : £Nil).

The foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates corresponding to the maturity of the contracts.

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The Group's income, expense, gains and losses in respect of financial instruments are summarised below :

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
<b>Financial assets</b>				
Total interest income for financial assets at amortised cost	325	110	106	44
<b>Fair value gains and (losses)</b>				
On financial assets measured at fair value through income and expenditure	(781)	(630)	7	98
On financial assets measured at fair value through the hedging reserve	(801)	123	(467)	(195)

**29 Cash and cash equivalents**

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000
<b>At 1 August 2018</b>	34,275	9,498
Cashflows	19,033	(2,749)
<b>At 31 July 2019</b>	<b>53,308</b>	<b>6,749</b>

**30 Pension and similar obligations**

LSTM and the Group'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 (NHSSS) and WTC Pension scheme. All schemes apart from the WTC scheme are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

The defined benefit 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 employee's services. The total pension cost for the year was £3,987,000 (2018 : £3,381,000).

**Universities Superannuation Scheme (USS)**

LSTM participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. LSTM is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", LSTM therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the statement of comprehensive income represents the contributions payable to the scheme. Since LSTM has entered into an agreement (the recovery plan) that determines how each employer within the scheme will fund the overall deficit, LSTM recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total contributions charged to the Statement of comprehensive income is £3,409,000 (2018 : £2,874,000).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 was completed after the year end.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2017 valuation was the fourth valuation for the scheme 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. At the valuation date, the value of the assets of the scheme was £60.0 billion, and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

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The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principals

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10 : CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20 : CPI +2.56% reducing linearly to CPI +1.7% by year 21 Years 21+ : CPI +1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	<b>2017 Valuation</b>
	<b>Pre retirement</b>
	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
	<b>Post retirement</b>
	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Mortality base table	
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a for males and 1.6% for females

The current life expectancies on retirement at age 65 are :

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

### University of Liverpool Pension Fund (ULPF)

LSTM participates in the University of Liverpool pension Fund (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. A full actuarial valuation was carried out at 31 July 2018 and the preliminary results have been updated to 31 July 2019 by a qualified actuary, independent of the scheme's sponsoring employer.

The contributions made by the employer over the period have been £234,000 (2018 : £247,000). The employer currently pays contributions at the rate of 16% 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.

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 discount rate would be 2.10% per annum (2018 : 2.65%) and salary increases would be 2.6% per annum (2018 : 2.5%). The valuation was carried out using the projected unit method.

At the valuation date the market value of the assets of the scheme was £507.0m (2018 : £476.0m) and the value of the past service liabilities was £449.0m (2018 : £371.2m) leaving a surplus of £58.0m (2018 : £104.8m).

During the year, LSTM contributed to 52 employees within this scheme (2018 : 60 employees). There was a total of 52 active members in this scheme at 31 July 2019.

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### 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 £296,000 (2018 : £262,000), equivalent to 14.38% of pensionable salaries.

There were a total of 37 active members in this scheme at 31 July 2019.

### 31 Contingent liability

The Group received a capital grant of £1.5m from the Regional Growth Fund in connection with the construction of the Wolfson building. This grant has certain conditions with which the Group will need to comply with up to 2018/19. At this time the Group believes that it will be able to comply with these conditions when necessary. An external audit of the grant was done in August 2019 and following the results of this audit LSTM anticipates this contingent liability to be removed.

A composite cross guarantee structure exists between Liverpool School of Tropical Medicine, Well Travelled Clinics Limited, Liverpool International Health Ventures Limited, Liverpool International Health I.P. Limited, IVCC and LSTM Consulting Limited. The aggregate amount outstanding under this agreement at the balance sheet date was £483,589 (2018 : £491,643).

### 32 Finance lease commitments

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
Amounts due in less than one year	412	412	375	375
Amounts due between one and five years	440	440	787	787
Amounts due in more than five years	9,354	9,354	9,428	9,428
	<b>10,206</b>	<b>10,206</b>	<b>10,590</b>	<b>10,590</b>

LSTM signed a lease for occupation of 2 floors of research space in autumn 2017 and took occupation in September 2017. The lease is for 25 years, at £400,000 a year. LSTM has an option to purchase its share of the building within 4 years of the start of the lease, and given this option LSTM has treated the building as a finance lease in 2017/18 and 2018/19.

### 33 Operating Lease Commitments

	Group Year ended 31 July 2019 £'000	LSTM Year ended 31 July 2019 £'000	Restated Group Year ended 31 July 2018 £'000	Restated LSTM Year ended 31 July 2018 £'000
Amounts due in less than one year	108	23	102	17
Amounts due between one and five years	169	21	155	7
Amounts due in more than five years	-	-	-	-
	<b>277</b>	<b>44</b>	<b>257</b>	<b>24</b>

2017/18 figures have been restated to reflect operating leases for an additional building in Liverpool.

### 34 Capital Commitments

	Group/LSTM Year ended 31 July 2019 £'000	Group/LSTM Year ended 31 July 2018 £'000
5% retention on building works	233	233
Leasehold improvements capital commitment	-	-
	<b>233</b>	<b>233</b>

Work took place in summer of 2018 and 2019 regarding building works therefore it is anticipated once this work is completed to LSTM's satisfaction the retention payment will be made during 2019/20.



### 35 Related Party Transactions

The Group has taken advantage of the exemptions included in FRS 102 section 33 in not disclosing the transactions with 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 and other bodies income (note 7) and implementation research consultancy income (note 8) are the following DFID funded research projects, together with their income for the year :

	Group Year ended 31 July 2019 £'000	Group Year ended 31 July 2018 £'000
Sustainable Insecticides for Public Health	9,331	8,015
CNTD Global Programme Lymphatic Filariasis	3,791	5,805
CouNTDown	1,700	1,798
Next generation snakebite therapies	1,233	-
Reducing Maternal and Neonatal Deaths in Kenya	1,069	1,567
READ-It	902	30
ReBuild	525	873
Integrated control of schistosomiasis and intestinal helminths	500	-
PBO study : Impact of LLINs	466	-
FIEBRE	421	-
HSG research uptake lessons	157	-
Capacity strengthening	151	-
ASCEND	55	-
K4D	52	-
MEOR Nepal	50	-
TDDAP	32	-
EBSR	-	785
Other smaller funding	12	6
	<b>20,447</b>	<b>18,879</b>

### 37 Impact of decision to leave the European Union

On 23 June 2016 the UK voted to leave the European Union. Negotiations with the EU for the UK's exit commenced in March 2017, but at the time of going to press the outcome has not been determined and the implications for organisations are still not clear. LSTM will continue to review the implications and impacts until the situation is resolved. Factors likely to be specifically relevant to LSTM include the following :

- Currency volatility
- Stock prices and valuations
- Ability to apply for EU research and capital funding
- Attracting EU students to LSTM
- Restrictions on the movement of labour across borders
- The general macro-economic position and consumer confidence
- GDPR data risks

Brexit is a standing item at monthly management committee meetings.



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