

# 201617

FINANCIAL STATEMENTS



# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2017**

### **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 1899 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 of July 2013.

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

LSTM's Memorandum and Articles of Association was amended by special resolution and adopted at an EGM on 19 December 2013. 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 Charities Commission under the Charities Act 2011. 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 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.

#### **5 Objectives**

The year ended 31 July 2017, represents the fifth and final year of the current strategic planning period. 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.

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As we close this period of the strategic plan 2012-2017, we reflect on the achievements of LSTM in relation to these broad objectives and recognise the success and achievements of all staff, senior leaders and the Board of Trustees, who have transformed LSTM during the last five years. 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.

Our major strategic goals for the 2017-23 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 of 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.

A new 6 year strategic plan, which was presented to and adopted by the Board on 10 July 2017, is now in effect for the 6 years ending 31 July 2023.

### **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 portfolio of research has achieved just under £100m of turnover in 2016/17. We have focused on our mission of improving health in the tropics, concentrating primarily on our strengths to reduce the incidence of major infectious diseases and supporting the Millennium Development Goals for malaria, TB, HIV, neglected tropical diseases (NTDs) and maternal and neonatal health.

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Going into the next strategic planning period 2017-2023, 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. In 2012, LSTM set 13 key strategic objectives that set out how LSTM would facilitate the continuous development of the organisation in support of its evolving needs. These objectives have either been met fully or form the continuing focus of our work beyond this current strategic planning period.

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.

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 market needs. This will be realised further during the next strategic planning period with an ambitious ten-year teaching and learning growth plan. The granting of Degree Awarding Powers for both teaching and research, announced at the very end of the academic year 2017, gives us the freedom to change this teaching model substantively, increasing the content and volume of what we teach and allowing us to reassess where and how we teach.

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 in its current portfolio of research grants and contracts of £466m. 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 new £27m Accelerator building, completed in 2017, and the CEIDR initiative with dedicated ex-industry leadership will facilitate and increase our collaborative working with industrial partners.

LSTM participated in the Research Excellence Framework 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.

## **7 Key Performance Indicators (KPIs)**

### **Principal Risks and Uncertainties**

The full scope of principal risks are 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. Exposure to foreign exchange fluctuations on US\$ or Euro denominated grant income is mitigated through hedging receipts through forward exchange contracts.

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Research grants and consultancy of £92m is a considerable increase on 2015/16, representing 82.7% (2015/16: 76.6%) of the total LSTM group income, and includes £21m of income in kind, (2015/16 : £nil), as explained further in note 7.

The principal risk to research turnover growth is the accessibility and success of research grant applications and this is again mitigated through risk monitoring.

The figures below reflect adoption of Financial Reporting Standard 102 (FRS 102) which is reflected in 2017, 2016 figures and restated 2015 figures.

- **Research turnover growth** is fundamental to the organisation with a target to increase income by over 60% within the strategic plan which ended in 2016/17. This has been achieved with an actual research grants (£76,308k) and consultancy (£15,878k) turnover of £92,186k. This figure reflects £21m of income in kind (2015/16 : £nil).
- **Improvement to the research infrastructure** is perceived as a direct contributor to the quality and timescale for achieving high quality scientific results. In fact quality of facilities separates LSTM from other UK institutions and contextualises the institution as a global player. This investment in laboratories is fully supported by the Board of Trustees. This investment is enabled by the generation of surpluses and capital funding from HEFCE, the Wolfson Foundation and others.

	2014	2015 restated	2016	2017
<b>Surplus / Total comprehensive income, as a % of total income</b>	3.4%	0.7%	4.1%	5.1%

- **Risks to the future of the institution.** 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.
- **LSTM's business plan** continues to be robust, bolstered by forward committed research contracts amounting to over £188m.

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

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

	2014	2015 restated	2016	2017
<b>Net cash flow as a % of total income</b>	-1.6%	7.6%	31.6%	1.4%

Further analysis reflecting other indicators provides evidence of LSTM's continuing forecast working capital strength over the next 3 years. Net liquidity days are the product of the 365 day year and net ready assets, all divided by the year's expenditure less depreciation.

	2014	2015 restated	2016	2017
<b>Net liquidity days</b>	185	255	380	268

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A financial buffer is created by increasing general reserves as a proportion of income.

	2014	2015 restated	2016	2017
<b>General reserves as % of total income</b>	25.8%	32.1%	32.6%	26.0%

The proportion of staff costs remain well below the sector average of 53.4%

	2014	2015 restated	2016	2017
<b>Staff costs as a % of total income</b>	30.0%	34.9%	30.8%	24.0%

## 8 Student Numbers

LSTM is funded according to the level of activity that it generates each year. In 2016/17, 110 FTE postgraduate HEFCE funded EU students and 30 postgraduate overseas students attended the postgraduate taught courses. These figures include all Master's provision and the Diploma in Tropical Medicine & Hygiene. Although not credit-bearing, the Diploma in Tropical Nursing also attracts HEFCE funding, and in 2016/17 a total of 61 EU students and 52 overseas students attended the 2 runs of this programme.

LSTM staff also contribute to undergraduate teaching at the University of Liverpool. In 2016/17 LSTM staff taught on six undergraduate modules, attended by a total of 204 students, which form part of the BSc Tropical Disease Biology degree at the University. LSTM staff also supervised 12 students registered on this degree who chose to undertake research projects in the School.

LSTM also has its own portfolio of non-credit-bearing taught programmes and short courses, which do not attract HEFCE grant funding. These are delivered both in Liverpool and overseas and range from 3 month professional awards through to short vocational courses lasting from 1 day to 3 weeks. In 2016/17, 167 students attended non-credit-bearing courses delivered in Liverpool and a substantial number of students attended training courses and workshops delivered overseas by LSTM staff. Some of the overseas courses are funded from external sources and so do not contribute additional student fees, but they illustrate LSTM's commitment to education and training in a global sense. Research students (PhD, MPhil and MD) register throughout the academic year. At 1 December 2016, there were 27 EU and 51 non-EU students registered on full-time research degrees, and 26 EU and 17 non-EU students registered on part-time research degrees.

## 9 Curriculum Developments

In 2016/17, LSTM continued to deliver seven MSc programmes, with four different pathways within the Masters in International Public Health programme. As part of the annual review process, the Masters programmes and their constituent modules are regularly evaluated in response to student feedback and input from external sources, in order to provide students with the most relevant and current experience. A major review of Masters and the Diploma in Tropical Medicine & Hygiene has been undertaken for 2017/18.

In August 2017, following intensive scrutiny by the Quality Assurance Agency, LSTM was given powers by Her Majesty's Privy Council to award taught and research degrees independently from its long-term collaboration with the University of Liverpool. This means that students undertaking MSc and research degrees in 2017/18 academic year will be the first cohort to have the opportunity for their degree to be awarded by LSTM. Work has continued to develop the LSTM student information system and virtual learning environments, with the focus being on providing functionality for registering and managing the progress of students studying on PhD and MPhil degrees.

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### **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 Finances**

The Group generated unrestricted comprehensive income in the year of £3,469k (2015/16 : £1,968k). The total comprehensive income in the year was £5,675k (2015/16 : £3,196k).

The Group has accumulated general reserves of £28,997k. LSTM wishes to continue to accumulate reserves and cash balances in order to create a contingency fund in accordance with the reserves policy.

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

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

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

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

LIHV was formed as a holding company and as a vehicle to remunerate employees of fellow group companies. Currently LIHV holds two subsidiaries, Well Travelled Clinics Ltd (WTC), a company formed to deliver pre travel health advice and Liverpool International Health I.P. Ltd (LIHIP), a company set up to hold LSTM's intellectual property.

LSTM has several NGOs in the following countries: Malawi, Nigeria, Uganda, Tanzania (limited company), Democratic Republic of Congo and Sierra Leone.

### **12 Staff and Student Involvement**

A regular newsletter is distributed electronically to all staff and monthly Staff Forum meetings are held at which management reports any significant developments within LSTM. Staff representatives are nominated through the Staff Forum to sit on Management Committee and there is a student representative on the Board of Trustees. Boards of Studies are held for each taught programme and for PGR (Postgraduate Research) students, and student representatives attend their regular meetings.

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In addition, from 2015/16, MSc students have been full members of the Quality Management Committee (QMC). The 2 student members participate fully in all QMC activities including programme re-approvals, programme/module reviews and other aspects of the Committee, providing valuable input, and through the addition of the student viewpoint has added further depth to the processes of QMC. LSTM has achieved the Athena Swan Bronze Award for both Faculties and is working towards Silver accreditation.

### **13 Fundraising**

Philanthropic funds raised (commitments) for 2016/17 were £2,093k, including the Wolfson Foundation pledge of £1.1m. Excluding the Wolfson grant, funds raised were £993k against a target of £750k. These have included: £300k HLF grant for the Galkoff's site development in partnership with National Museums; £200k to support work in Malawi by the Centre for maternal and newborn health; £146k to support the BIRTH project; £126k unrestricted funding from a bequest.

47% of funds committed were directed towards restricted projects (including the BIRTH project), 22% unrestricted (including capital funding e.g. for the Galkoff's building), 22% to research and 9% to scholarships and studentships. The majority of our income came from a very small number of donors (mainly organisations, trusts and foundations), resulting in our average gift size increasing from £6,908 in 2015/16 to £32,942 this year. Average gift size from individual donors has decreased from £1,186 to £968 year-on-year.

The fundraising strategy, which focusses on creating a flexible Innovation Fund for LSTM, is based on 3 risk-based models of 3 fundraising campaign options building up to our 125<sup>th</sup> anniversary in 2023.

### **14 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.

### **15 Employment of Disabled Persons**

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

### **16 Disability Statement**

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

- i. as part of the redevelopment of the buildings it has installed lifts and ramps so that most of the facilities may be accessible to people with a disability;
- ii. The 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.

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## Financial Statements for the year ended 31 July 2017

### 17 Planned Maintenance Programme

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

### 18 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.

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

On 23 June 2016 the UK voted to leave the European Union. As negotiations with the EU for the UK's exit only commenced in March 2017, the implications for organisations are in most cases still not clear. LSTM will continue to review the implications and impacts as the negotiations continue. 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 in the movement of labour across borders
- The general macro-economic position and consumer confidence

### 20 Post balance sheet events

In October 2017 LSTM signed a lease for occupancy of the Accelerator building built by Royal Liverpool and Broadgreen University Hospital NHS Trust, as detailed in note 32.

### 21 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

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### 22 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	December 2013 **	Elected	Chairman of the Board Nominations & Governance Remuneration
Jonathan Schofield BA, ACA	December 2016 **	Elected	Hon Treasurer Vice Chairman of the Board Chairman of Finance & Investment Nominations & Governance Remuneration
Ian Jones ACIB	November 2016 *	Elected	Hon Treasurer Vice Chairman of the Board Chairman of Finance & Investment Remuneration
Mark Allanson	March 2016	Elected	Remunerations
Dr Jenny Amery OBE	March 2015	Elected	Nominations & Governance
Jonathan A Brown LLB (Hons), SOL (Hons)	November 2016 *	Elected	Chairman of Audit Remuneration
Nick Earlam	December 2016 **	Elected	Finance & Investment
Dr Trevor Francis BSc	November 2016 *	Elected	Audit Remuneration
Professor Janet Hemingway, CBE, BSc, PhD, DSc, FRS, NAS (Foreign Associate), FMedSci, FRCP (Hon), FRES (Hon), FAAM, Hon FFPH	December 2004	Ex Officio / staff	Director of LSTM Nominations & Governance Remuneration Finance & Investment
Jeremy Lefroy MP	November 2015	Elected	Board Member
Dr Julian Lob-Levy CBE	March 2015	Elected	Board Member
Rebecca Nightingale MSc, MRes, BSc	July 2017	Elected	Board Member (Student Rep)
John O'Brien, BComm, FCA	March 2017	Elected	Board Member Finance & Investment
Jessica Owugha MSc	July 2017 *	Elected	Board Member (Student Rep)
Sue Russell LLB (Hons)	August 2016	Elected	Chair of Audit Committee
Professor Stephen Ward BSc, PhD	November 2015 **	Ex Officio / staff	Deputy Director of LSTM
André Winter MCSI, MIOd, MA Oxon	November 2016 *	Elected	Board Member
Robert Einion Holland FCCA, MBA	June 2001	Non member	Secretary to the Board

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

LSTM is committed to maintaining the highest standards of corporate governance and in doing so complies with The Committee of University Chairmen Governance Code of Practice. In carrying out its duties, it also has regard to the best practice in The UK Corporate Governance Code insofar as it is applicable to LSTM.

#### **The Board of Trustees**

The composition of the Board of Trustees is set out on page 9. It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

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

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

All Board members are able to take independent professional advice in furtherance of their duties at LSTM's expense and have access to the Secretary to the Board who is responsible to the Board of Trustees for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Secretary are matters for the Board of Trustees as a whole. Formal agendas, papers and reports are supplied to members in a timely manner prior to Board meetings. Briefings are also provided on an ad-hoc basis.

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

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

#### **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 three 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 (December 2013).

# **Liverpool School of Tropical Medicine**

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### **Audit Committee**

The Audit Committee is comprised of two members of the Board (excluding the Director and Chair), one member of staff, 1 co-opted independent member and 1 IVCC Board member. The Committee operates in accordance with written terms of reference approved by the Board of Trustees.

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

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

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

### **Remuneration Committee**

Throughout the year ended 31 July 2017, LSTM's Remuneration Committee comprised the Chairman, Treasurer, Chair of the Audit Committee and 2 other Board members. The committee's responsibility is to make recommendations on the remuneration and benefits of the Director, the Director of Strategic Operations and other senior members of staff in LSTM.

Details of remuneration for the year ended 31 July 2017 are set out in notes 11 & 12 of the financial statements.

### **Internal Control**

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

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

The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing LSTM's significant risks that have been in place and operational for the year ended 31 July 2017. The Board regularly review this process. The process continues to be developed with the adoption of a prioritised corporate risk action plan to include timescales and responsible officers. The process is now embedded within all levels of LSTM.

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### **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.

### **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.

## **24 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.

## **25 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)
- 11 Finances

## **26 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 of which 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.

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2017**

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 the terms and conditions of the HEFCE Memorandum of assurance and accountability (July 2017), 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;
- 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 Memorandum and Articles of Association, the Statement of Recommended Practice - Accounting for Further and Higher Education as issued in March 2014 and any subsequent amendments, the HEFCE Accounts Direction 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 HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the HEFCE memorandum of assurance and accountability (July 2017) and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial management controls in place to safeguard public funds and funds from other sources;
- 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; and
- secure the economic, efficient and effective management of LSTM's and the Group's resources and expenditure.

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.

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2017**

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

A handwritten signature in black ink, appearing to read 'James Ross', is written over a horizontal line.

**James Ross, OBE**  
**Chairman**  
**6 November 2017**

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2017**

### **Statement on the System of Internal Financial Control**

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

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

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

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

Liverpool School of Tropical Medicine has an internal audit service, which operates in accordance with the requirements of the Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which LSTM is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Trustees on the recommendation of the Audit Committee. The Chair of the Audit Committee provides the Board with a report on internal audit activity in LSTM at a minimum annually. The report includes the financial statement, 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 Janet Hemingway CBE, BSc, PhD, DSc, FRS,  
NAS (Foreign Associate), FMedSci, FRCP (Hon), FRES (Hon), FAAM, Hon FFPH  
Director  
6 November 2017**

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2017**

### **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 2017 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 accounts, 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 2017 and of the group's and LSTM's surplus, 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.

#### **Who we are reporting to**

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.

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2017**

### **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 of the members of the Board of Trustees set out on pages 1 – 14 other than the financial statements and our auditor's opinion 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 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 incorporated 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.

### **Matter 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 and the Directors report incorporated in the report of the members of the Board of Trustees.

### **Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2017**

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 HEFCE have been applied in accordance with the Memorandum of assurance and accountability and any other terms and conditions attached to them; and

# **Liverpool School of Tropical Medicine**

## **Financial Statements for the year ended 31 July 2017**

- the requirements of HEFCE's accounts direction 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.

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

As explained more fully in the Responsibilities of the Governing Body set out on page 12 - 14, 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.

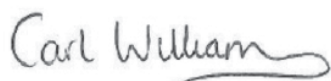
In preparing the financial statements, the Governing Body are responsible for assessing the group's and LSTM's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governing body either intend to 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.



**Carl Williams**  
**Senior Statutory Auditor**  
**for and on behalf of Grant Thornton UK LLP**  
**Statutory Auditor, Chartered Accountants**  
**Liverpool**  
**6 November 2017**

**Liverpool School of Tropical Medicine**  
**Financial Statements for year ended 31 July 2017**

**Statement of Comprehensive Income**

	Notes	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
<b>Income</b>					
Funding Council grants	5	9,079	9,079	8,366	8,366
Tuition fees and education contracts	6	3,909	3,909	3,861	3,861
Research grants and contracts	7	76,308	65,162	44,921	33,030
Other income	8	21,317	13,131	19,566	13,495
Investment income	9	234	233	155	174
Surplus/(deficit) on disposal of investments		2	2	(12)	(12)
<b>Total income before other grants &amp; donations</b>		<b>110,849</b>	<b>91,516</b>	<b>76,857</b>	<b>58,914</b>
Donations and endowment income	10	647	647	1,501	1,501
<b>Total income</b>		<b>111,496</b>	<b>92,163</b>	<b>78,358</b>	<b>60,415</b>
Staff costs	11	26,786	24,913	24,120	22,274
Other operating expenses	13	81,515	64,846	49,473	33,730
Depreciation	17	1,572	1,565	1,524	1,517
Interest payable	14	156	156	164	164
<b>Total expenditure</b>		<b>110,029</b>	<b>91,480</b>	<b>75,281</b>	<b>57,685</b>
<b>Surplus on continuing operations before other gains/(losses)</b>		<b>1,467</b>	<b>683</b>	<b>3,077</b>	<b>2,730</b>
Unrealised surplus on revaluation of investments and endowments		3,691	3,691	121	121
<b>Surplus on continuing operations before taxation</b>		<b>5,158</b>	<b>4,374</b>	<b>3,198</b>	<b>2,851</b>
Taxation	15	-	-	(2)	-
<b>Surplus for the year</b>	16	<b>5,158</b>	<b>4,374</b>	<b>3,196</b>	<b>2,851</b>
<b>Other comprehensive income :</b>					
Change in fair value of hedging financial instruments		517	72	-	-
<b>Total comprehensive income for the year</b>		<b>5,675</b>	<b>4,446</b>	<b>3,196</b>	<b>2,851</b>
<b>Represented by :</b>					
Restricted endowment comprehensive income for the year		998	998	1,028	1,028
Unrestricted endowment comprehensive income for the year		691	691	200	200
Unrestricted comprehensive income for the year		3,469	2,685	1,968	1,623
Unrestricted hedging reserve comprehensive income for the year		517	72	-	-
<b>Total comprehensive income in the year</b>		<b>5,675</b>	<b>4,446</b>	<b>3,196</b>	<b>2,851</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 surplus for the year and total comprehensive income 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 2017**

**Statement of Changes in Reserves**

GROUP	Unrestricted General Reserve £'000	Unrestricted Hedging Reserve £'000	Permanent Unrestricted Endowments £'000	Permanent Restricted Endowments £'000	TOTAL  £'000
<b>Balance at 1 August 2015</b>	<b>23,573</b>	-	<b>6,793</b>	<b>6,566</b>	<b>36,932</b>
Surplus from statement of comprehensive income	1,968	-	200	1,028	3,196
Movement of cash in reserves	-	-	71	214	285
	<u>1,968</u>	<u>-</u>	<u>271</u>	<u>1,242</u>	<u>3,481</u>
<b>Balance at 31 July 2016</b>	<b>25,541</b>	-	<b>7,064</b>	<b>7,808</b>	<b>40,413</b>
Surplus from statement of comprehensive income	3,469	517	691	998	5,675
Movement of cash in reserves	(13)	-	(17)	(257)	(287)
	<u>3,456</u>	<u>517</u>	<u>674</u>	<u>741</u>	<u>5,388</u>
<b>Balance at 31 July 2017</b>	<b>28,997</b>	<b>517</b>	<b>7,738</b>	<b>8,549</b>	<b>45,801</b>

LSTM	Unrestricted General Reserve £'000	Unrestricted Hedging Reserve £'000	Permanent Unrestricted Endowments £'000	Permanent Restricted Endowments £'000	TOTAL  £'000
<b>Balance at 1 August 2015</b>	<b>21,987</b>	-	<b>6,793</b>	<b>6,566</b>	<b>35,346</b>
Surplus from statement of comprehensive income	1,623	-	200	1,028	2,851
Movement of cash in reserves	-	-	71	214	285
	<u>1,623</u>	<u>-</u>	<u>271</u>	<u>1,242</u>	<u>3,136</u>
<b>Balance at 31 July 2016</b>	<b>23,610</b>	-	<b>7,064</b>	<b>7,808</b>	<b>38,482</b>
Surplus from statement of comprehensive income	2,685	72	691	998	4,446
Movement of cash in reserves	(13)	-	(17)	(257)	(287)
	<u>2,672</u>	<u>72</u>	<u>674</u>	<u>741</u>	<u>4,159</u>
<b>Balance at 31 July 2017</b>	<b>26,282</b>	<b>72</b>	<b>7,738</b>	<b>8,549</b>	<b>42,641</b>

**Liverpool School of Tropical Medicine**  
**Financial Statements for year ended 31 July 2017**

Company registration number : 00083405

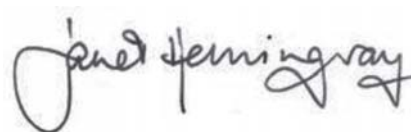
**Balance Sheets as at 31 July**

	Notes	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
<b>Fixed Assets</b>					
Tangible fixed assets	17	47,244	46,951	46,802	46,502
Investments in subsidiaries	18	-	54	-	54
		<b>47,244</b>	<b>47,005</b>	<b>46,802</b>	<b>46,556</b>
<b>Current Assets</b>					
Stock		94	39	82	27
Debtors	19	15,312	13,466	20,390	14,934
Investments and Endowments	20	29,487	29,487	25,740	25,740
Cash at bank and in hand	27	52,514	20,710	50,966	8,289
		<b>97,407</b>	<b>63,702</b>	<b>97,178</b>	<b>48,990</b>
Creditors : amounts falling due within 1 year	21	68,910	38,126	74,329	27,826
<b>Net Current Assets</b>		<b>28,497</b>	<b>25,576</b>	<b>22,849</b>	<b>21,164</b>
<b>Total Assets less Current Liabilities</b>		<b>75,741</b>	<b>72,581</b>	<b>69,651</b>	<b>67,720</b>
Creditors : amounts falling due after 1 year	22	23,317	23,317	23,384	23,384
Provisions : pension provisions	23	6,623	6,623	5,854	5,854
<b>NET ASSETS</b>		<b>45,801</b>	<b>42,641</b>	<b>40,413</b>	<b>38,482</b>
<b>Restricted Reserves</b>					
Permanent restricted endowments	25	8,549	8,549	7,808	7,808
Permanent unrestricted endowments	25	7,738	7,738	7,064	7,064
		<b>16,287</b>	<b>16,287</b>	<b>14,872</b>	<b>14,872</b>
<b>Unrestricted Reserves</b>					
Unrestricted general reserve		28,997	26,282	25,541	23,610
Unrestricted Hedging reserve		517	72	-	-
		<b>29,514</b>	<b>26,354</b>	<b>25,541</b>	<b>23,610</b>
<b>TOTAL FUNDS</b>		<b>45,801</b>	<b>42,641</b>	<b>40,413</b>	<b>38,482</b>

The financial statements were approved by the Board of Trustees on 6 November 2017 and were signed on behalf of the Directors by :



**J Schofield - Honorary Treasurer**



**Professor J Hemingway - Director**

**Liverpool School of Tropical Medicine**  
**Financial Statements for year ended 31 July 2017**

**Statement of cash flows**

		<b>Group Year ended 31 July 2017 £'000</b>	<b>LSTM Year ended 31 July 2017 £'000</b>	<b>Group Year ended 31 July 2016 £'000</b>	<b>LSTM Year ended 31 July 2016 £'000</b>
	<b>Notes</b>				
Surplus for the year		5,158	4,374	3,196	2,851
<b>Adjustment for non-cash items :</b>					
Depreciation	17	1,572	1,565	1,524	1,517
Deferred capital grants released to income	24	(760)	(760)	(496)	(496)
(Surplus)/deficit on disposal of investments		(2)	(2)	12	12
Movement on endowment reserves	25	(388)	(388)	(881)	(881)
Movement on hedging reserve		517	72	-	-
(Increase)/decrease in stock		(12)	(12)	(18)	(11)
Decrease/(increase) in debtors		5,077	1,468	(7,590)	(2,700)
(Decrease)/increase in creditors		(5,418)	10,301	29,756	(312)
Increase/(decrease) in pension provision		612	612	(408)	(408)
Unrealised revaluation gains on investments and endowments	20	(3,326)	(3,326)	(226)	(226)
Unwinding of interest on pension provision	14	156	156	164	164
Interest receivable		(571)	(571)	(433)	(452)
Taxation	15	-	-	2	-
		<b>(2,543)</b>	<b>9,115</b>	<b>21,406</b>	<b>(3,793)</b>
<b>Cash flow from operating activities</b>		<b>2,615</b>	<b>13,489</b>	<b>24,602</b>	<b>(942)</b>
Taxation paid		-	-	(2)	-
<b>Net cash generated from operating activities</b>		<b>2,615</b>	<b>13,489</b>	<b>24,600</b>	<b>(942)</b>
<b>Cash flows from investing activities :</b>					
Income from long term investments and unrestricted permanent endowments		492	492	399	399
Net expenditure from restricted permanent endowments	25	23	23	(14)	(14)
Other interest received	9	80	79	34	53
Purchase of tangible fixed assets	17	(2,014)	(2,014)	(1,247)	(1,247)
Payments to acquire endowment assets	20	(1,627)	(1,627)	(2,337)	(2,337)
Payments to acquire investments	20	(156)	(156)	(190)	(190)
Receipt from sale of tangible fixed assets		-	-	-	-
Receipt from sale of investments		125	125	65	65
Receipt from sale of endowment assets		1,318	1,318	1,635	1,635
Deferred capital grants received	24	692	692	788	788
Movement in endowment assets (cash)	25	-	-	1,000	1,000
		<b>(1,067)</b>	<b>(1,068)</b>	<b>133</b>	<b>152</b>
<b>Increase/(decrease) in cash in the year</b>		<b>1,548</b>	<b>12,421</b>	<b>24,733</b>	<b>(790)</b>

# Liverpool School of Tropical Medicine

## Financial Statements for year ended 31 July 2017

### Notes to the Accounts

#### 1 Company Information

The Liverpool School of Tropical Medicine (LSTM) was formally inaugurated on 22 April 1899 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 for 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.

#### 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'. 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 had no effect on the reported results in either the current or prior year.

##### 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 2017. 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, whereby in the majority of cases projects span over several years, judgement is exercised in the decision over deferral of balances to ensure income and expenditure are accounted for in the appropriate and matching period.

##### ii) Provisions

Provisions have been set up in relation to holiday pay accruals and in relation to the deficit on the University Superannuation Scheme (USS).

a) Holiday pay accrual : This accrual is based on the holiday liability at 31 July 2017 and the value of the accrual is based on an estimate made of average salaries within LSTM.

b) Pension provision : 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.

# Liverpool School of Tropical Medicine

## Financial Statements for year ended 31 July 2017

### Notes to the Accounts

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme (USS). The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the statement of comprehensive income in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving 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. LSTM and 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 in 2016/17 include mosquito nets gifted for an effectiveness study in Uganda. The valuation of the gifts is based on the purchase cost of the nets had LSTM had to purchase the nets directly for the study. The quantification of the number of nets included at the purchase cost as a gift in kind was based on the number of nets distributed during the financial year under the control and direction of LSTM.

### 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.

#### ii) Grant funding

Government revenue grants including funding council block grant and research grants 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.

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) 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.

**Notes to the Accounts**

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.

**iv) Gifts in kind**

Gifts in kind are recognised within research grant income 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.

**v) Capital grants**

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.

**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). The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

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.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. Since LSTM has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution 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 the company 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.

LSTM participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as contribution benefits. LSTM also participates in the University of Liverpool Pension Fund and the National Health Service Pension Fund, both defined benefit only pension schemes. The assets of these three 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.

**Notes to the Accounts**

**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) Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit. 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 to the functional currency at foreign exchange rates ruling at the dates the fair value was determined, except for those hedged (see xviii).

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 equity.

**x) Operating leases**

LSTM and the Group classifies the lease of buildings as operating leases; the title of the buildings remains with the lessor. Rental costs are charged as per the lease agreement over the term of the lease.

**xi) 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.

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

**Fixtures and Equipment**

Fixtures and equipment, including computers and software, costing less than 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.

**xii) 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.

# Liverpool School of Tropical Medicine

## Financial Statements for year ended 31 July 2017

### Notes to the Accounts

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 long term investments are managed by external fund managers accountable to LSTM's Finance & Investment Committee. The short term investments are in the money market and are the day to day responsibility of the Director of Finance, working with external cash managers. The investment objective is to achieve maximum return with minimum risk.

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

#### **xiii) 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.

#### **xiv) 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.

#### **xv) Debtors**

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

#### **xvi) 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.

#### **xvii) 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.

#### **xviii) Financial instruments**

Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

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.

# Liverpool School of Tropical Medicine

## Financial Statements for year ended 31 July 2017

### Notes to the Accounts

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. Changes in the fair value of derivatives are recognised in the surplus or deficit as appropriate, unless they are included in a hedging arrangement.

LSTM and the Group applies hedge accounting for 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 income and expenditure account 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.

### xix) Taxation

LSTM is an exempt charity 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.

IVCC is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988. IVCC is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

### xx) 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.

### xxi) 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 Council Grants**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
HEFCE recurrent teaching grants	1,353	1,353	1,042	1,042
HEFCE recurrent research grants	5,196	5,196	4,876	4,876
HEFCE specific grants	2,229	2,229	2,395	2,395
Release of HEFCE deferred capital grants :				
Buildings	103	103	53	53
Equipment	198	198	-	-
	<b>9,079</b>	<b>9,079</b>	<b>8,366</b>	<b>8,366</b>

**6 Tuition Fees and Education Contracts**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Masters fee income	844	844	890	890
PhD fee income	554	554	524	524
Fee income from Diplomas	1,189	1,189	1,316	1,316
Fee income from short courses	164	164	100	100
Training and other courses	717	717	462	462
Fee income from University of Liverpool	441	441	569	569
	<b>3,909</b>	<b>3,909</b>	<b>3,861</b>	<b>3,861</b>

**7 Research grants and contracts**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Research Councils	5,151	5,151	4,791	4,791
UK based charities	31,657	31,617	7,667	7,539
UK Central Government and other bodies	7,172	4,924	10,239	5,554
UK industry and commerce	335	335	110	110
European Union	6,604	6,631	2,065	2,035
Other overseas bodies	24,977	16,092	20,049	13,001
Other	412	412	-	-
	<b>76,308</b>	<b>65,162</b>	<b>44,921</b>	<b>33,030</b>

Included within UK based charities is £968,000 (2016 : £994,000) 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 within UK based charities is an amount of £21,072,000 (2016 : £Nil) relating to the supply of mosquito nets gifted for an effectiveness trial in Uganda. In accordance with FRS 102, the income has been shown above, and costs of £21,072,000 are included in other operating expenses (note 13).

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**8 Other income**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Diagnostic lab income	266	266	254	254
Travel health related activities	929	-	874	-
Implementation research consultancy income	15,878	8,679	15,111	9,091
Health authority contract income	185	185	206	206
Health authority funded posts	446	446	482	482
Non-HEFCE releases of deferred capital grants	459	459	443	443
Other income	3,154	2,898	2,196	2,919
Gift aid from subsidiary	-	198	-	100
	<b>21,317</b>	<b>13,131</b>	<b>19,566</b>	<b>13,495</b>

**9 Investment income**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Dividend income and interest receivable	154	154	121	121
Other interest receivable	80	79	34	53
	<b>234</b>	<b>233</b>	<b>155</b>	<b>174</b>

**10 Donations and endowment income**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Endowment income (note 25)	337	337	278	278
New endowments in year (note 25)	-	-	1,000	1,000
Unrestricted donations	160	160	25	25
Restricted donations	150	150	198	198
	<b>647</b>	<b>647</b>	<b>1,501</b>	<b>1,501</b>

**11 Staff costs**

	Group Year ended 31 July 2017 Number	LSTM Year ended 31 July 2017 Number	Group Year ended 31 July 2016 Number	LSTM Year ended 31 July 2016 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	10	10	12	12
Research staff	95	95	91	91
Teaching and research staff	84	84	72	72
Clinicians	14	14	14	14
<i>Non-academic contracts</i>				
Other	305	261	301	256
	<b>508</b>	<b>464</b>	<b>490</b>	<b>445</b>

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	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Staff costs for the above persons were :				
Salaries	20,765	19,299	19,720	18,189
Social security costs	2,246	2,052	1,762	1,624
Pension costs	3,104	2,891	2,707	2,530
Restructuring costs	45	45	21	21
Pension provision costs	612	612	(111)	(111)
Accrued but untaken holiday costs	14	14	21	21
	<b>26,786</b>	<b>24,913</b>	<b>24,120</b>	<b>22,274</b>

The restructuring costs were approved by LSTM's remuneration committee.

The pension provision costs represent the commitment by LSTM to fund the underlying deficit on the USS deferred benefit pension scheme. Under FRS 102 these amounts need to be provided for. The total provision at 31 July 2017 is £6,623,000 (see note 23).

Remuneration of the higher paid staff, excluding employer's pension contributions were within the following ranges :

	Group Year ended 31 July 2017		Group Year ended 31 July 2016	
	Number of Key Management Personnel	Number of Other Staff	Number of Key Management Personnel	Number of Other Staff
£100,000 - £110,000	-	5	-	3
£110,001 - £120,000	-	3	-	3
£120,001 - £130,000	-	-	-	-
£130,001 - £140,000	-	1	-	1
£140,001 - £150,000	-	4	1	4
£150,001 - £160,000	-	1	-	-
£160,001 - £170,000	1	-	-	1
£170,001 - £180,000	-	1	-	1
£180,001 - £190,000	-	1	-	1
£190,001 - £200,000	-	1	-	-
£200,001 - £210,000	-	-	-	1
£210,001 - £220,000	-	-	-	-
£220,001 - £230,000	-	-	-	-
£230,001 - £240,000	-	-	-	-
£240,001 - £250,000	-	-	-	-
£250,001 - £260,000	-	1	-	-
£260,001 - £270,000	-	-	1	-
£270,001 - £280,000	-	-	-	-
£280,001 - £290,000	-	-	-	-
£290,001 - £300,000	-	-	-	-
£300,001 - £310,000	1	-	-	-
	<b>2</b>	<b>18</b>	<b>2</b>	<b>15</b>

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**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 2017 Number	Group/LSTM Year ended 31 July 2016 Number
The number of key management personnel including the director was :	<u>2</u>	<u>2</u>
Key management's emoluments were made up as follows:		
	£'000	£'000
Salaries	470	410
Benefits in kind	-	-
Pension Contributions	8	26
<b>Total emoluments</b>	<b><u>478</u></b>	<b><u>436</u></b>
The above amounts include amounts payable to the Director of :		
Salaries	303	265
Benefits in kind	-	-
Pension Contributions	6	2
<b>Total emoluments</b>	<b><u>309</u></b>	<b><u>267</u></b>

The pension contributions of the Director and key management personnel are in respect of employer's contributions to the USS and are paid at the same rate as for other employees.

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

The total expenses paid to or on behalf of trustees was £2,833 (2016 : £1,333). This represents travel and subsistence expenses incurred in attending meetings and events in their official capacity.

**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 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Research grants and contracts	61,514	51,404	34,296	20,194
Implementation research consultancy expense	12,818	6,542	8,196	7,169
Premises costs	2,062	2,062	1,848	1,848
Academic and related expenditure	3,819	2,981	4,248	3,775
Administrative and central services	1,302	1,857	885	744
	<b><u>81,515</u></b>	<b><u>64,846</u></b>	<b><u>49,473</u></b>	<b><u>33,730</u></b>

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Other operating expenses include :

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Auditors remuneration				
Financial statements audit	43	23	40	20
Internal audit	29	29	24	24
Other services from financial statements auditor	32	32	119	101

**14 Interest payable**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Interest payable	156	156	164	164

Under FRS 102 provisions were established relating to the deficits on the University Superannuation Scheme (USS) and the University of Liverpool Pension Fund (ULPF) where LSTM has committed to future payments (note 23). The ULPF provision was released in 2015/16. This amount represents the interest expense on the unwinding of the discount included in the remaining USS provision.

**15 Taxation**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
United Kingdom corporation tax	-	-	2	-

**16 Surplus on continuing operations for the year**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
LSTM's surplus for the year	5,158	4,176	3,196	2,751
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	198	-	100
	<b>5,158</b>	<b>4,374</b>	<b>3,196</b>	<b>2,851</b>

**Liverpool School of Tropical Medicine**  
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**17 Tangible fixed assets**

<b>Group</b>	<b>Leasehold Improvements £'000</b>	<b>Freehold land and buildings £'000</b>	<b>Fixtures &amp; Equipment £'000</b>	<b>TOTAL £'000</b>
<b>Cost or valuation</b>				
At 1 August 2016	352	53,763	3,839	57,954
Additions	162	1,167	685	2,014
Disposals	-	-	(831)	(831)
<b>At 31 July 2017</b>	<b>514</b>	<b>54,930</b>	<b>3,693</b>	<b>59,137</b>
<b>Depreciation</b>				
At 1 August 2016	51	8,708	2,393	11,152
Charge for the year	7	1,008	557	1,572
Eliminated in respect of disposals	-	-	(831)	(831)
<b>At 31 July 2017</b>	<b>58</b>	<b>9,716</b>	<b>2,119</b>	<b>11,893</b>
<b>Net book value at 31 July 2017</b>	<b>456</b>	<b>45,214</b>	<b>1,574</b>	<b>47,244</b>
Net book value at 31 July 2016	301	45,055	1,446	46,802
Financed by HEFCE capital grants	-	4,288	347	4,635
Financed by government capital grants	-	19,211	-	19,211
Financed by other grants and LSTM	456	21,715	1,227	23,398
	<b>456</b>	<b>45,214</b>	<b>1,574</b>	<b>47,244</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 no amount in respect of assets held under finance lease.

<b>LSTM</b>	<b>Leasehold Improvements £'000</b>	<b>Freehold land and buildings £'000</b>	<b>Fixtures &amp; Equipment £'000</b>	<b>TOTAL £'000</b>
<b>Cost or valuation</b>				
At 1 August 2016	-	53,763	3,821	57,584
Additions	162	1,167	685	2,014
Disposals	-	-	(831)	(831)
<b>At 31 July 2017</b>	<b>162</b>	<b>54,930</b>	<b>3,675</b>	<b>58,767</b>
<b>Depreciation</b>				
At 1 August 2016	-	8,708	2,374	11,082
Charge for the year	-	1,008	557	1,565
Eliminated in respect of disposals	-	-	(831)	(831)
<b>At 31 July 2017</b>	<b>-</b>	<b>9,716</b>	<b>2,100</b>	<b>11,816</b>
<b>Net book value at 31 July 2017</b>	<b>162</b>	<b>45,214</b>	<b>1,575</b>	<b>46,951</b>
Net book value at 31 July 2016	-	45,055	1,447	46,502
Financed by HEFCE capital grants	-	4,288	348	4,636
Financed by government capital grants	-	19,211	-	19,211
Financed by other grants and LSTM	162	21,715	1,227	23,104
	<b>162</b>	<b>45,214</b>	<b>1,575</b>	<b>46,951</b>

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

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**18 Investments in subsidiaries**

	<b>LSTM</b> <b>Year ended</b> <b>31 July 2017</b> <b>£'000</b>	<b>LSTM</b> <b>Year ended</b> <b>31 July 2016</b> <b>£'000</b>
Investments in subsidiary companies	<u>54</u>	<u>54</u>

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

- LATH Nigeria (Dormant NGO)
- LATH Umoyo, Malawi (Dormant) - 50%
- LSTM Kenya - 99%
- 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 Clinic (WTC)
- Liverpool International Health Intellectual Property (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 also has an interest in the following, which are all NGOs apart from LSTM Tanzania which is a limited company :

- LSTM DRC
- Liverpool Initiative for Health Development (Nigeria)
- LSTM Sierra Leone
- LSTM Malawi
- LSTM Uganda
- LSTM Tanzania (Ltd Company)

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

	<b>Group</b> <b>Year ended</b> <b>31 July 2017</b> <b>£'000</b>	<b>LSTM</b> <b>Year ended</b> <b>31 July 2017</b> <b>£'000</b>	<b>Group</b> <b>Year ended</b> <b>31 July 2016</b> <b>£'000</b>	<b>LSTM</b> <b>Year ended</b> <b>31 July 2016</b> <b>£'000</b>
Trade debtors	666	271	606	563
Amounts owed by subsidiary undertakings	-	927	-	793
Balances due on research grants and contracts	12,871	11,525	18,367	12,365
Prepayments and accrued income	775	743	1,417	1,213
Forward currency contracts	1,000	-	-	-
	<u>15,312</u>	<u>13,466</u>	<u>20,390</u>	<u>14,934</u>

A bad debt provision of £145,000 (2016 : £117,000) has been recognised against debtors of LSTM and the Group.

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**20 Investments and Endowments**

	Group/LSTM Investments Year ended 31 July 2017 £'000	Group/LSTM Endowments Year ended 31 July 2017 £'000	Group/LSTM TOTAL Year ended 31 July 2017 £'000	Group/LSTM TOTAL Year ended 31 July 2016 £'000
Cost at 1 August 2016	11,139	11,596	22,735	21,740
Additions	156	1,627	1,783	2,527
Disposals	(123)	(1,239)	(1,362)	(1,532)
<b>Cost at 31 July 2017</b>	<b>11,172</b>	<b>11,984</b>	<b>23,156</b>	<b>22,735</b>
Unrealised revaluation reserve at 1 August 2016	1,161	1,844	3,005	2,779
Unrealised revaluation in the year	2,025	1,301	3,326	226
<b>Unrealised revaluation reserve at 31 July 2017</b>	<b>3,186</b>	<b>3,145</b>	<b>6,331</b>	<b>3,005</b>
<b>Market value at 31 July 2017</b>	<b>14,358</b>	<b>15,129</b>	<b>29,487</b>	<b>25,740</b>
<i>Represented by :</i>				
Fixed interest stocks (listed)	9,847	1,510	11,357	9,994
Equities (listed)	2,966	11,749	14,715	12,706
Other	1,545	1,870	3,415	3,040
	<b>14,358</b>	<b>15,129</b>	<b>29,487</b>	<b>25,740</b>
<i>Represented by :</i>				
Fellowships and scholarship funds	-	7,810	7,810	4,782
Prize funds	-	121	121	57
Other funds	14,358	7,198	21,556	20,901
	<b>14,358</b>	<b>15,129</b>	<b>29,487</b>	<b>25,740</b>

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

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Unexpended balances of research grants and contracts	55,829	30,558	55,571	18,440
Trade creditors	1,396	1,175	685	610
Amounts owed to subsidiary undertakings	-	-	-	-
Other taxation and social security	617	607	439	431
Holiday accrual	550	550	536	536
Accruals	9,914	4,632	16,567	7,278
Foreign currency contracts	74	74	-	-
Short term element of deferred capital grants (note 24)	530	530	531	531
	<b>68,910</b>	<b>38,126</b>	<b>74,329</b>	<b>27,826</b>

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

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Long term element of deferred capital grants (note 24)	23,317	23,317	23,384	23,384

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**23 Pension deficit provision**

	Group/LSTM USS Year ended 31 July 2017 £'000	Group/LSTM ULPF Year ended 31 July 2017 £'000	Group/LSTM TOTAL Year ended 31 July 2017 £'000
<b>At 1 August 2015</b>	5,620	478	6,098
Increase/decrease in provision during the year	234	(478)	(244)
<b>At 31 July 2016</b>	<b>5,854</b>	-	<b>5,854</b>
Increase in provision during the year	769	-	769
<b>At 31 July 2017</b>	<b>6,623</b>	-	<b>6,623</b>

The obligation to fund the past deficits on the USS pension scheme arises from the contractual obligation with the pension scheme for the total payments relating to benefits arising from past performances. 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 assumed a discount rate of 1.84%.

**24 Deferred Capital Grants**

	Group/LSTM Funding Council Year ended 31 July 2017 £'000	Group/LSTM Other Funding Year ended 31 July 2017 £'000	Group/LSTM TOTAL Year ended 31 July 2017 £'000
<b>At 1 August 2016</b>			
Buildings	3,293	20,103	23,396
Equipment	519	-	519
<b>Cash received</b>			
Buildings	666	-	666
Equipment	26	-	26
<b>Released to statement of comprehensive income</b>			
Buildings	(103)	(459)	(562)
Equipment	(198)	-	(198)
<b>At 31 July 2017</b>	<b>4,203</b>	<b>19,644</b>	<b>23,847</b>

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

Creditors < 1 year	530
Creditors > 1 year	23,317
	<b>23,847</b>

<b>At 1 August 2015</b>			
Buildings	3,001	20,103	23,104
Equipment	519	-	519
<b>Cash received</b>			
Buildings	788	-	788
Equipment	-	-	-
<b>Released to statement of comprehensive income</b>			
Buildings	(496)	-	(496)
Equipment	-	-	-
<b>At 31 July 2016</b>	<b>3,812</b>	<b>20,103</b>	<b>23,915</b>

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

Creditors < 1 year	531
Creditors > 1 year	23,384
	<b>23,915</b>

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**25 Restricted Reserves**

	Group/LSTM		
	Permanent endowments		
	Restricted	Unrestricted	TOTAL
	Year ended	Year ended	Year ended
	31 July 2017	31 July 2017	31 July 2017
	£'000	£'000	£'000
<b>At 1 August 2016</b>			
- Capital value	7,158	5,885	13,043
- Accumulated income	195	202	397
- TOTAL	<b>7,353</b>	<b>6,087</b>	<b>13,440</b>
New endowments	-	-	-
Appreciation of endowment assets investments (realised)	72	18	90
Appreciation of endowment assets investments (unrealised)	903	673	1,576
Income for the year	203	134	337
Transferred to statement of comprehensive income	(180)	(134)	(314)
Capital expenditure	-	-	-
<b>At 31 July 2017</b>			
- Capital value	8,146	6,576	14,722
- Accumulated income	205	202	407
- TOTAL	<b>8,351</b>	<b>6,778</b>	<b>15,129</b>
<i>Representing :</i>			
Fellowship and scholarship funds	7,803	-	7,803
Prize funds	121	-	121
Other funds	427	6,778	7,205
Investments	8,351	6,778	15,129
Cash relating to endowments	198	960	1,158
<b>Reserves</b>	<b>8,549</b>	<b>7,738</b>	<b>16,287</b>
	Restricted	Unrestricted	TOTAL
	Year ended	Year ended	Year ended
	31 July 2016	31 July 2016	31 July 2016
	£'000	£'000	£'000
<b>At 1 August 2015</b>			
- Capital value	6,116	5,685	11,801
- Accumulated income	208	202	410
- TOTAL	<b>6,324</b>	<b>5,887</b>	<b>12,211</b>
New endowments	1,000	-	1,000
Appreciation of endowment assets investments (realised)	99	82	181
Appreciation of endowment assets investments (unrealised)	(56)	118	62
Income for the year	148	130	278
Transferred to statement of comprehensive income	(162)	(130)	(292)
Capital expenditure	-	-	-
<b>At 31 July 2016</b>			
- Capital value	7,158	5,885	13,043
- Accumulated income	195	202	397
- TOTAL	<b>7,353</b>	<b>6,087</b>	<b>13,440</b>
<i>Representing :</i>			
Fellowship and scholarship funds	4,782	-	4,782
Prize funds	57	-	57
Other funds	2,514	6,087	8,601
Investments	7,353	6,087	13,440
Cash relating to endowments	455	977	1,432
<b>Reserves</b>	<b>7,808</b>	<b>7,064</b>	<b>14,872</b>

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**26 Financial Instruments**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
<b>Financial assets</b>				
<i>Financial assets at fair value through the statement of consolidated income :</i>				
Listed investments and endowments	29,487	29,487	25,740	25,740
<i>Financial assets that are debt instruments measured at amortised cost :</i>				
Trade and other receivables	666	1,198	606	1,356
Cash and cash equivalents	52,514	20,710	50,966	8,289
<i>Financial liabilities measured at fair value through surplus or deficit</i>				
Foreign currency contracts	1,000	-	-	-
	<b>82,667</b>	<b>51,395</b>	<b>77,312</b>	<b>35,385</b>
<b>Financial liabilities</b>				
<i>Financial liabilities measured at amortised cost</i>				
Trade and other payables and accruals	11,310	5,807	17,252	7,888
<i>Financial liabilities measured at fair value through surplus or deficit</i>				
Foreign currency contracts	74	74	-	-
	<b>11,384</b>	<b>5,881</b>	<b>17,252</b>	<b>7,888</b>

LSTM and the Group applies hedge accounting for 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 2017 amounting to an asset of £926,000 (2016 : £Nil). During 2016/17 a gain of £517,000 (2016 : £Nil) was recognised in the cash flow hedge reserve for changes in the fair value of the forward contracts. No amounts of ineffectiveness were recognised in the year (2016 : £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.

**27 Cash and cash equivalents**

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
<b>At 1 August 2016</b>	50,966	8,289
Cashflows	1,548	12,421
<b>At 31 July 2017</b>	<b>52,514</b>	<b>20,710</b>

**28 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.

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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 £3,086,000 (2016 : £2,653,000).

### Universities Superannuation Scheme (USS)

LSTM participates in the Universities Superannuation Scheme, a hybrid pension scheme providing defined benefits (to all members) , as well as defined contribution benefits. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The total cost charge to the statement of comprehensive income is £2,600,000 (2016 : 2,235,000).

The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for the USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion, and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions :

	2017	2016
Discount rate	2.57%	3.60%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.41%	2.20%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows :

Male members' mortality	98% of S1NA ["light"] YoB tables - no age rating
Female member's mortality	98% of S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8
Scheme assets	£60.0 bn	£49.8 bn
Total Scheme liabilities	£77.5 bn	£58.3 bn
FRS 102 scheme deficit	£17.5 bn	£8.5 bn
FRS 102 total funding level	77%	85%

At 31 March 2017, USS had 190,546 active members and at 31 July 2017, LSTM had 341 active members participating in the scheme (2016 : 319 members)

## **Liverpool School of Tropical Medicine**

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As part of the valuation the trustees have determined, after consultation with employers, a recovery plan to pay off the shortfall by March 2031. The next formal triennial actuarial valuation took place during March 2017 and is still being finalised. A provision has been set up for the share of the deficit to be funded by LSTM.

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

LSTM participates in the University of Liverpool Superannuation Scheme (ULPF), a defined benefit scheme in the UK. The final salary section of the Fund is closed to new entrants with effect from 31 July 2011 and from 1 August 2011 new members are eligible to join the care section of the Fund. An actuarial valuation was carried out at 31 July 2012 and updated 31 July 2015 by a qualified actuary, independent of the scheme's sponsoring employer.

The contributions made by the employer over the period have been £248,000 (2016 : £223,000). 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 2.6% per annum (2016 : 2.4%) and salary increases would be 2.5% per annum (2016 : 3%). The valuation was carried out using the projected unit method.

At the valuation date the market value of the assets of the scheme was £438.4m (2016 : £379.2m) and the value of the past service liabilities was £365.8m (2016 : £375.7m) leaving a surplus of £72.6m (2016 : 3.5m).

During the year, LSTM contributed to 66 employees within this scheme (2016 : 67 employees). There was a total of 65 active members in this scheme at 31 July 2017.

The latest triennial valuation of the scheme was at 31 July 2015 ("the valuation date"). The actuary estimated that the scheme-specific funding regime had improved from a deficit to a surplus. Under FRS 102 a provision was set up retrospectively at 1 August 2014 for the share of the previous deficit to be funded by LSTM. Following the valuation at 31 July 2015 and the improvement in the funding position, the requirement for future funding of the deficit is removed and the previous provision was reversed in the previous year.

#### **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 £217,000 (2016 : £195,000), equivalent to 14.3% of pensionable salaries.

There were a total of 29 active members in this scheme at 31 July 2017.

## **29 Post balance sheet events**

In October 2017 LSTM signed a lease for occupancy of the Accelerator building built by Royal Liverpool and Broadgreen Univeristy Hospital NHS Trust, as detailed in note 32.

## **30 Contingent asset**

A tax refund of £2,064,000 was received on 4th October 2016 in relation to research and development credits due (RDEC). This amount is subject to further investigation by HMRC who have the right to challenge the payment. The amount is included in accrued creditors in 2016/17.

## **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 in future periods. At this time the Group believes that it will be able to comply with these conditions when necessary.

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A composite cross guarantee structure exists between Liverpool School of Tropical Medicine, Well Travelled Clinics Limited, Liverpool International Health Ventures Limited, Liverpool International I.P. Limited, IVCC and LSTM Consulting Limited. The aggregate amount outstanding under this agreement at the balance sheet date was £222,731 (2016 : £216,723).

#### 32 Operating Lease Commitments

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000	Group Year ended 31 July 2016 £'000	LSTM Year ended 31 July 2016 £'000
Amounts due in less than one year	81	-	11	-
Amounts due between one and five years	1,766	1,600	1,647	1,600
Amounts due in more than five years	8,407	8,400	8,403	8,400
	<b>10,254</b>	<b>10,000</b>	<b>10,061</b>	<b>10,000</b>

The Accelerator building is being built by Royal Liverpool and Broadgreen University Hospital NHS Trust. LSTM has signed an agreement for lease with the Trust for occupation of 2 floors, from when the building is anticipated to open in 2017/18. The lease is for 25 years, at £400,000 a year. A capital payment of £2,667,000 is due in 2017/18 and this amount is shown under capital commitments.

#### 33 Capital Commitments

	Group/LSTM Year ended 31 July 2017 £'000	Group/LSTM Year ended 31 July 2016 £'000
5% retention on Wolfson building	233	233
Liverpool Life Sciences Accelerator building	2,667	2,400
	<b>2,900</b>	<b>2,633</b>

The Accelerator building is being built by Royal Liverpool and Broadgreen University Hospital NHS Trust (see note 32).

#### 34 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.

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**35 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 :

	<b>LSTM</b>	<b>LSTM</b>
	<b>Year ended</b>	<b>Year ended</b>
	<b>31 July 2017</b>	<b>31 July 2016</b>
	<b>£'000</b>	<b>£'000</b>
CNTD Global Programme Lymphatic Filariasis	3,488	3,803
EBSR	1,080	1,070
ReBuild	916	887
Making it Happen Phase 2	7	2,151
Reducing Maternal and Neonatal Deaths in South Africa	-	325
Reducing Maternal and Neonatal Deaths in Kenya	3,318	1,793
CouNTDown	2,234	1,178
	<b>11,043</b>	<b>11,207</b>

**36 Impact of decision to leave the European Union**

On 23 June 2016 the UK voted to leave the European Union. As negotiations with the EU for the UK's exit only commenced in March 2017, the implications for organisations are in most cases still not clear. LSTM will continue to review the implications and impacts as the negotiations continue. 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

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