



2017
2018

FINANCIAL
STATEMENTS

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2018

Report of the Members of the Board of Trustees

1 Constitution and Organisation

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

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

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

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

2 Memorandum of Association

LSTM's Memorandum and Articles of Association was amended by special resolution and adopted at the AGM on 24 November 2017. It lists the main objects as:-

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

3 Statement of Public Benefit

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

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

4 Vision and Mission

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

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

5 Objectives

The year ended 31 July 2018, represents the first year of the new strategic planning period 2017-2023. This new 6 year strategic plan to 31 July 2023 takes LSTM up to its 125th anniversary in 2023. LSTM has enjoyed an exceptional period of transformation and growth over the past 20 years. Much success has been celebrated by

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LSTM; the Board of Trustees, senior leaders, partners, students, staff and the global health community, and much work continues to take forward our achievements into new strategic goals beyond this year.

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

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

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

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

1. Expand significantly our teaching portfolio in line with market demand
2. Identify, attract, retain and develop internationally competitive leaders in translational research
3. Align our research portfolio with global infection priorities
4. Ensure that our research focus covers the T1-T4 translational continuum
5. Ensure that our learning and teaching developments and research activities are aligned and integrated
6. Accelerate transition 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.

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 £211m of turnover in 2017/18 (£93m excluding gifts in kind). 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

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Millennium Development Goals for malaria, TB, HIV, neglected tropical diseases (NTDs) and maternal and neonatal health.

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

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

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 new 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 £558m (2017 : £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 Liverpool Life Science Accelerator building (LLSA), 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 24th 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 6th 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.

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Exposure to foreign exchange fluctuations on US\$ or Euro denominated grant income is mitigated through hedging receipts through forward exchange contracts.

Research grants and consultancy income of £93m is 31% higher than in 2016/17, a year when there was considerable growth, and represents 81.7% (2016/17: 79.1%) of the total LSTM group income, excluding income in kind of £118m as explained further in notes 7 and 8.

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

- **Research turnover growth** is fundamental to the organisation with a target to increase income by over 30% (excluding subsidiary companies) within the new strategic plan which will end in 2022/23. This year, LSTM has achieved significant growth, with actual research grants (£72m) and consultancy (£21m) turnover of £93m. This figure is before reflecting pharmaceutical drug and mosquito nets income in kind.
- **Improvement to the research infrastructure** is perceived as a direct contributor to the quality and timescale for achieving high quality scientific results. In fact, quality of facilities separates LSTM from other UK institutions and contextualises the institution as a global player. Investment in laboratories is fully supported by the Board of Trustees. This investment is enabled by the generation of surpluses and capital funding from Research England/Office for Students, the Wolfson Foundation and others. The income figures used below exclude the large gifts in kind in the current and prior year, which do not require infrastructure support, and which would distort the metrics.

	2015	2016	2017 (restated)	2018
Total comprehensive income as a % of total income (excluding gifts in kind)	0.7%	4.1%	6.3%	3.8%

- **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. However, any significant change in funding policy from LSTM's major donors could have a significant effect.
- **LSTM's business plan** continues to be robust, bolstered by forward committed research contracts amounting to over £221m.

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

Cash flow within a competitive project environment that constantly demands higher and higher working capital, is a challenge. However, even on prudent evaluation LSTM has a sustainable model going forward. The cash outflow in the current year reflects an increase in research debtors, itself reflecting higher research activity, and the reclassification of short term investments from cash to investments.

	2015	2016	2017 (restated)	2018
Net cash flow as a % of total income	7.6%	31.6%	-0.5%	-14.1%

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

	2015	2016	2017 (restated)	2018
Net liquidity days	255	380	331	243

A financial buffer is created by increasing general reserves as a proportion of income. Income is before gifts in kind as this income does not require infrastructure support and inclusion would distort the KPI. Although the ratio is low compared to the sector benchmark of around 60%, LSTM is a relatively new HEI and reserves continue to increase year on year.

	2015	2016	2017 (restated)	2018
General reserves as % of total income (excluding gifts in kind)	32.1%	32.6%	29.5%	26.7%

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

	2015	2016	2017 (restated)	2018
Staff costs as a % of total income (excluding gifts in kind)	34.9%	30.8%	29.6%	26.9%

8 Student Numbers

LSTM's teaching revenue is dependent on the number of students recruited each year. In 2017/18, 68 FTE postgraduate HEFCE/OfS grant funded home and EU students and 34 FTE postgraduate overseas students attended the School's Masters programmes. Although not credit-bearing, the Diploma in Tropical Medicine and Hygiene and the Diploma in Tropical Nursing also attract HEFCE/OfS funding, and in 2017/18 a total of 187 home/EU students and 70 overseas students attended both courses.

LSTM also delivers undergraduate teaching for the University of Liverpool. In 2017/18 LSTM staff were responsible for organising and delivering six undergraduate taught modules, which are elements of the 2nd and 3rd year of the BSc in Tropical Disease Biology. In total 189 students attended the modules delivered by LSTM staff. In addition, LSTM academics supervised 26 undergraduate students registered on the BSc who chose to undertake research projects in the School.

In addition, LSTM delivers a portfolio of non-credit bearing short courses, which do not attract HEFCE/OfS grant funding. These courses are delivered in Liverpool and overseas and range from three month professional courses through to short vocational courses lasting one to three days. In 2017/18, 330 students attended non-credit bearing courses delivered face to face in Liverpool or online. A substantial number of students also attended

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training courses and workshops delivered overseas by LSTM staff, which demonstrates LSTM's commitment to increase the capability and capacity of the healthcare workforce in lower and middle-income countries.

In 2017/18 116 students (PhD, MPhil and MD) were registered on postgraduate research degrees, of these 69 students were registered at University of Liverpool and 47 students at LSTM.

9 Curriculum Developments

In 2017/18, LSTM delivered five MSc programmes, with four distinct pathways within the Masters in International Public Health and five professional programmes. As part of the continuous monitoring process, the Masters and professional programmes are regularly evaluated in response to stakeholder, professional body and student feedback, to ensure students have the best possible learning experience.

Two new education initiatives are in development and are planned to launch in 2018/19. The first is the Leadership Education Academic Partnership (LESP), this is a joint initiative between LSTM, Medecins Sans Frontieres (MSF) and the Humanitarian and Conflict Resolution Institute of the University of Manchester (UoM). The collaboration will provide MSF staff the opportunity to access a broad range of masters level courses across both LSTM and UoM thereby increasing the capability and capacity of the MSF workforce. This programme will go live in January 2019.

The second is aligned to developing the next generation of global health leaders and is partially funded by a £1,020,000 three year project grant from the HEFCE catalyst fund. The project will deliver a suite of higher education courses in global health, epidemiology and humanitarian studies. These programmes will be taught online with residential courses delivered in Liverpool, regional hubs in Africa and potentially South East Asia. The initial two programmes, a PgCert and PgDiploma in Global Health, will start in September 2019.

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 £4,055k (2016/17 : £2,265k). The total comprehensive income in the year was £4,309k (2016/17 : £5,675k).

The Group has accumulated general reserves of £30,713k. 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 UK subsidiary companies; LSTM Consulting Ltd (LSTMC), Innovative Vector Control Consortium (IVCC), EchiTab Study Group (UK) Ltd and Liverpool International Health Ventures Ltd (LIHV). LSTM also has a subsidiary in India, the Liverpool School of Tropical Medicine Foundation India, newly formed during the year.

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

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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. LSTM 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.

12 Staff and Student Involvement

An e-newsletter is regularly distributed to all members of staff. In addition, monthly Staff Forum meetings are held at which management reports any significant developments with LSTM. Staff representatives nominated through the Staff Forum sit on the School's Management Committee and there is a student representative on the Board of Trustees. In addition, two student representatives sit on the Quality Management Committee, which oversees the quality assurance of LSTM's taught provision. Furthermore, there is student representation on the Boards of Studies for each of the taught postgraduate programmes and for the postgraduate research degrees. The student body can also feedback through module questionnaires and via the Staff Student Liaison Committee.

13 Fundraising

Approach to fundraising

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

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

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

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

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

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

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Fundraising conforming to recognised standards

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

Monitoring of fundraising carried out on our behalf

LSTM doesn't actively encourage volunteer fundraising on behalf of LSTM, but does occasionally have a number of individuals who wish to undertake sponsorship events on our behalf. In all these cases, LSTM liaises with the individuals involved, and ensures that donations can be collected in a secure and compliant way.

Fundraising complaints

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

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

LSTM does not currently undertake any public fundraising campaigns, including direct mail, telephone, door-to-door or 'chugging' (street fundraising).

All donors on the database have opted in to receiving our communications.

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 welcomes applications for employment from disabled persons and appoints on the basis of merit alone. The organisation works to the social model of disability and provides adjustments and additional support in the workplace so that all staff can operate effectively in their roles. Disabled people enjoy the same opportunities as other job applicants and employees. Where an existing employee becomes disabled, every effort is made to ensure that the necessary support mechanisms are put in place to assist continued employment.

16 Disability Statement

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

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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.

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. Negotiations with the EU for the UK's exit commenced in March 2017, but with less than 6 months to go, 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 and Stock prices and valuations
- Ability to apply for EU research and capital funding
- Attracting EU students to LSTM
- Restrictions in the movement of labour across borders
- The general macro-economic position and consumer confidence

20 Post balance sheet events

Nothing to report.

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

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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	November 2016 **	Elected	Chairman of the Board of Trustees Nominations & Governance Remuneration
Jonathan Schofield BA, ACA	November 2016 **	Elected	Hon Treasurer Vice Chairman of the Board of Trustees Chairman of Finance & Investment Nominations & Governance Remuneration
Mark Allanson	March 2016	Elected	Trustee Remuneration
Dr Jenny Amery OBE	March 2015	Elected	Trustee Nominations & Governance
Nick Earlam	November 2016 **	Elected	Trustee Finance & Investment
Professor Janet Hemingway CBE, FRS, DSc, PhD, BSc, NAS (Foreign Associate), FMedSci FRCP (Hon), FRES (Hon), FAAM, Hon FFPH	December 2004	Ex Officio / staff	Director of LSTM Nominations & Governance Finance & Investment
Jeremy Lefroy MP	November 2015	Elected	Trustee IVCC Board Member
Dr Julian Lob-Levyt CBE	March 2015	Elected	Trustee Remuneration
Rebecca Nightingale MSc, MRes, BSc	July 2017	Elected	Trustee (Student Rep)
John O'Brien, B.Comm, FCA	March 2017	Elected	Trustee Deputy Chairman of Finance & Investment
Sue Russell LLB (Hons)	August 2016	Elected	Trustee Chair of Audit Committee
Professor Stephen Ward BSc, PhD	November 2015 **	Ex Officio / staff	Deputy Director of LSTM
Eileen Thornton, CBE, MEd, BA, FCSP, DipTP	August 2017	Elected	Trustee Audit Committee
Robert Einion Holland FCCA, MBA	June 2001	Non- member	Secretary to the Board

The Director, Professor Janet Hemingway, will retire at the end of the year. Professor David Laloo, currently Dean of Clinical Sciences and International Public Health at LSTM, will take over as Director on 01 January 2019.

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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 Chairs 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 10. 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 (November 2017).

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Audit Committee

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

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

LSTM's internal auditors 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 2018, 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.

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 2018. 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.

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

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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 are also the directors of LSTM for the purposes of company law) is responsible for preparing the Report of the Members of the Board of Trustees including the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law, the Trustees are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. In addition, the Trustees are required to prepare the financial statements in accordance with Office for Student's ('OfS') terms and conditions of funding for higher education institutions (issued March 2018) and Office for Students Regulatory Advice 9 : Accounts Direction, through its accountable officer.

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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, Office for Student's ('OfS') terms and conditions of funding for higher education institutions (issued March 2018), Office for Students Regulatory Advice 9 : 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 OfS and other funding bodies are used only for the purposes for which they have been given and in accordance with Office for Student's ('OfS') terms and conditions of funding for higher education institutions (issued March 2018) and Office for Students Regulatory Advice 9 : Accounts Direction 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.

The Trustees confirm that:

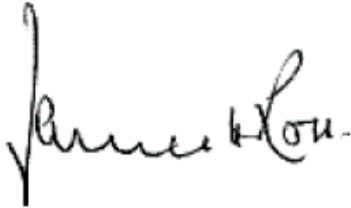
- so far as each Trustee is aware, there is no relevant audit information of which LSTM's auditor is unaware; and
- the Trustees have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that LSTM's auditor is aware of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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2018

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', written in a cursive style.

James Ross, OBE
Chairman
5 November 2018

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2018

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
5 November 2018**

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2018

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 2018 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 2018 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.

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2018

- 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 – 15, 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 conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report 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 the Office for Student's ('OfS') Terms and conditions of funding for higher education institutions (issued March 2018) and the OfS's accounts direction (issued June 2018)

In our opinion, in all material respects:

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2018

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 pages 13 - 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. 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
8 November 2018

Liverpool School of Tropical Medicine
Financial Statements for year ended 31 July 2018

Statement of Comprehensive Income		Group	LSTM	Restated	Restated
	Notes	Year ended	Year ended	Group	LSTM
		31 July 2018	31 July 2018	Year ended	Year ended
		£'000	£'000	31 July 2017	31 July 2017
				£'000	£'000
Income					
Funding Council grants	5	9,955	9,955	9,079	9,079
Tuition fees and education contracts	6	3,947	3,947	3,909	3,909
Research grants and contracts	7	75,735	56,570	76,308	65,162
Other income	8	140,535	126,686	119,008	110,822
Investment income	9	521	459	234	233
Donations and endowment income	10	1,704	1,704	647	647
Total income		232,397	199,321	209,185	189,852
Staff costs	11	30,914	26,159	26,786	24,913
Other operating expenses	13	194,336	165,947	179,206	162,537
Surplus on disposal of investments		(29)	(29)	(2)	(2)
Depreciation	17	2,069	2,042	1,572	1,565
Interest payable	14	159	159	156	156
Total expenditure		227,449	194,278	207,718	189,169
Surplus on continuing operations before other gains/(losses)		4,948	5,043	1,467	683
Unrealised surplus on revaluation of investments and endowments		377	377	3,691	3,691
Surplus on continuing operations before taxation		5,325	5,420	5,158	4,374
Taxation	15	(549)	(549)	-	-
Surplus for the year	16	4,776	4,871	5,158	4,374
Other comprehensive income :					
Change in fair value of hedging financial instruments		(467)	(195)	517	72
Total comprehensive income for the year		4,309	4,676	5,675	4,446
<i>Represented by :</i>					
Restricted endowment comprehensive income for the year		244	244	998	998
Unrestricted endowment comprehensive income for the year		406	406	691	691
Unrestricted comprehensive income for the year		4,055	4,221	2,265	2,685
Restricted comprehensive income for the year		71	-	1,204	-
Unrestricted hedging reserve comprehensive income for the year		(467)	(195)	517	72
Total comprehensive income in the year		4,309	4,676	5,675	4,446

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 2018

Statement of Changes in Reserves

GROUP	Unrestricted General Reserve £'000	Restricted General Reserve £'000	Unrestricted Hedging Reserve £'000	Permanent Unrestricted Endowments £'000	Permanent Restricted Endowments £'000	TOTAL £'000
Balance at 1 August 2016	24,392	1,149	-	7,064	7,808	40,413
Surplus from statement of comprehensive income	2,265	1,204	517	691	998	5,675
Other comprehensive (expense)	(13)	-	-	(17)	(257)	(287)
	<u>2,252</u>	<u>1,204</u>	<u>517</u>	<u>674</u>	<u>741</u>	<u>5,388</u>
Balance at 31 July 2017	26,644	2,353	517	7,738	8,549	45,801
Surplus from statement of comprehensive income	4,055	71	(467)	406	244	4,309
Other comprehensive income/(expense)	14	45	-	25	(11)	73
	<u>4,069</u>	<u>116</u>	<u>(467)</u>	<u>431</u>	<u>233</u>	<u>4,382</u>
Balance at 31 July 2018	<u>30,713</u>	<u>2,469</u>	<u>50</u>	<u>8,169</u>	<u>8,782</u>	<u>50,183</u>

LSTM	Unrestricted General Reserve £'000	Restricted General Reserve £'000	Unrestricted Hedging Reserve £'000	Permanent Unrestricted Endowments £'000	Permanent Restricted Endowments £'000	TOTAL £'000
Balance at 1 August 2016	23,610	-	-	7,064	7,808	38,482
Surplus from statement of comprehensive income	2,685	-	72	691	998	4,446
Other comprehensive (expense)	(13)	-	-	(17)	(257)	(287)
	<u>2,672</u>	<u>-</u>	<u>72</u>	<u>674</u>	<u>741</u>	<u>4,159</u>
Balance at 31 July 2017	26,282	-	72	7,738	8,549	42,641
Surplus from statement of comprehensive income	4,221	-	(195)	406	244	4,676
Other comprehensive income/(expense)	(1)	-	-	25	(11)	13
	<u>4,220</u>	<u>-</u>	<u>(195)</u>	<u>431</u>	<u>233</u>	<u>4,689</u>
Balance at 31 July 2018	<u>30,502</u>	<u>-</u>	<u>(123)</u>	<u>8,169</u>	<u>8,782</u>	<u>47,330</u>

Liverpool School of Tropical Medicine
Financial Statements for year ended 31 July 2018

Company registration number : 00083405

Balance Sheets as at 31 July

	Notes	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Fixed Assets					
Tangible fixed assets	17	60,823	60,520	47,244	46,951
Investments in subsidiaries	18	-	59	-	54
		60,823	60,579	47,244	47,005
Current Assets					
Stock		106	41	94	39
Debtors	19	28,784	20,690	16,406	13,802
Investments and endowments	20	40,361	35,790	31,520	31,520
Cash at bank and in hand	27	34,275	9,498	50,481	18,677
		103,526	66,019	98,501	64,038
Creditors : amounts falling due within 1 year	21	72,260	37,362	70,004	38,462
Net Current Assets		31,266	28,657	28,497	25,576
Total Assets less Current Liabilities		92,089	89,236	75,741	72,581
Creditors : amounts falling due after 1 year	22	35,283	35,283	23,317	23,317
Provisions : pension provisions	23	6,623	6,623	6,623	6,623
NET ASSETS		50,183	47,330	45,801	42,641
Restricted Endowment Reserves					
Permanent restricted endowments	25	8,782	8,782	8,549	8,549
Permanent unrestricted endowments	25	8,169	8,169	7,738	7,738
		16,951	16,951	16,287	16,287
Restricted General Reserve		2,469	-	2,353	-
Unrestricted Reserves					
Unrestricted general reserve		30,713	30,502	26,644	26,282
Unrestricted Hedging reserve		50	(123)	517	72
		30,763	30,379	27,161	26,354
TOTAL FUNDS		50,183	47,330	45,801	42,641

The Financial Statements were approved by the Board of Trustees on 5 November 2018 and were signed on behalf of the Directors by :

Jon Schofield

J Schofield - Honorary Treasurer

Janet Hemingway

Professor J Hemingway - Director

Liverpool School of Tropical Medicine
Financial Statements for year ended 31 July 2018

Statement of cash flows	Notes	Group	LSTM	Restated Group	Restated LSTM
		Year ended 31 July 2018 £'000	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000	Year ended 31 July 2017 £'000
Surplus for the year		4,776	4,871	5,158	4,374
Adjustment for non-cash items :					
Depreciation	17	2,069	2,042	1,572	1,565
Deferred capital grants released to income	24	(771)	(771)	(760)	(760)
(Surplus) on disposal of investments		(29)	(29)	(2)	(2)
Movement on endowment reserves	25	(50)	(50)	(388)	(388)
Movement on hedging reserve		(467)	(195)	517	72
(Increase) in stock		(7)	(2)	(12)	(12)
(Increase)/decrease in debtors		(11,992)	(6,888)	3,983	1,132
Increase/(decrease) in creditors		11,839	9,075	(4,324)	10,637
Pension provision interest		(122)	(122)	612	612
Unrealised revaluation gains on investments and endowments	20	(465)	(465)	(3,326)	(3,326)
Unwinding of interest on finance lease and pension provision	14	159	159	156	156
Interest receivable		(702)	(640)	(571)	(571)
Taxation	15	549	549	-	-
		11	2,663	(2,543)	9,115
Cash flow from operating activities		4,787	7,534	2,615	13,489
Taxation paid		(549)	(549)	-	-
Net cash generated from operating activities		4,238	6,985	2,615	13,489
Cash flows from investing activities :					
Income from long term investments and unrestricted permanent endowments		596	596	492	492
Net expenditure from restricted permanent endowments	25	(27)	(27)	23	23
Other interest received	9	106	44	80	79
(Increase)/decrease in investments		-	(5)	-	-
Cash acquired with subsidiary		246	-	-	-
Purchase of tangible fixed assets	17	(15,328)	(15,302)	(2,014)	(2,014)
Payments to acquire endowment assets	20	(1,800)	(1,800)	(1,627)	(1,627)
Payments to acquire investments	20	(8,552)	(3,985)	(2,189)	(2,189)
Receipt from sale of tangible fixed assets		-	-	-	-
Receipt from sale of investments		159	159	125	125
Receipt from sale of endowment assets		1,927	1,927	1,318	1,318
Deferred capital grants received	24	2,562	2,562	692	692
Movement in endowment assets (cash)	25	14	14	-	-
Net cash used in investing activities		(20,097)	(15,817)	(3,100)	(3,101)
Cashflows from financing activities :					
Interest element of finance lease rental payment		(37)	(37)	-	-
Capital element of finance lease rental payment		(310)	(310)	-	-
Net cash used in financing activities		(347)	(347)	-	-
(Decrease)/increase in cash in the year		(16,206)	(9,179)	(485)	10,388

Liverpool School of Tropical Medicine

Financial Statements for year ended 31 July 2018

Notes to the Accounts

1 Company Information

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

The incorporated Liverpool School of Tropical Medicine changed its name on 30 November 1992 to Liverpool School of Tropical Medicine. The registered office is at Pembroke Place, Liverpool, L3 5QA, UK.

The Secretary of State for Business, Innovation and Skills by an Order of Parliament, under section 129 of the Education Reform Act 1988 designated LSTM as a Higher Education Institute (HEI), eligible to receive Higher Education Funding Council for England (HEFCE) funding directly on 19 July 2013. HEFCE was replaced as the funding and regulatory body by the Office for Students on 1 April 2018 and LSTM is also eligible for funding from the newly established organisation, Research England.

2 Basis of Preparation

i) Basis of Preparation

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

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

The Financial Statements are presented in Sterling (£).

ii) Basis of Consolidation

The Consolidated Financial Statements include LSTM and entities controlled, both unilaterally and jointly, by LSTM, for the financial year to 31 July 2018. 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 2018 and the value of the accrual is based on an estimate made of average salaries within LSTM.

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

Liverpool School of Tropical Medicine

Financial Statements for year ended 31 July 2018

Notes to the Accounts

The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 remain. Details of this provision are included in note 23 to the financial statements.

iii) Financial Instruments

All derivatives are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. Where a market for a financial instrument is not active, fair value is established using a valuation technique. 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 include two items :

a) mosquito nets gifted for an effectiveness study of £3,735,000 (2017 : £21,072,000). Given the nature of the activity this has been treated as research income. 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.

b) pharmaceutical drugs gifted for mass drug administration (MDA) in several countries in Africa of £113,797,000 (2017 : £97,691,000). Given the nature of the activity this has been treated as implementation consultancy income. The valuation of the gifts is based on an estimate of the purchase cost of the drugs had LSTM had to purchase the drugs directly for the MDA programme multiplied by an estimate of the number of drugs required to treat patients. Income and expense are recorded at the point at which reliable figures are available for the number of patients treated, which is on the publication of the annual report to the funder.

v) Consolidation of Centre for Sexual Health HIV/AIDS Research Zimbabwe (CeSHHAR)

CeSHHAR has been consolidated for the first time in 2017/18 as it has been determined that LSTM has control of this entity, based on the increased level of involvement from LSTM in Liverpool over management and operations of this entity in Zimbabwe. Control is reflected through the Managing Director being an LSTM employee and the decision in early summer 2018 for 2 additional Zimbabwe staff to be appointed to LSTM and for the Director Designate of LSTM to join the CeSHHAR Board.

CeSHHAR has a financial year end of 31 December, and received an unqualified audit opinion for the year to 31 December 2017. Interim accounts to 31 July 2018 have been prepared for consolidation into the group financial statements of LSTM.

vi) Accounting for the Liverpool Life Science Accelerator (LLSA) building

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

Notes to the Accounts

4 Statement of Principal Accounting Policies

i) Income Recognition

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

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

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

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

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

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.

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

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

iii) Expenditure and Irrecoverable VAT

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

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

iv) Donations and Endowments

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

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

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

Notes to the Accounts

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

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

v) Gifts in Kind

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

vi) Accounting for Retirement Benefits

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

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

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

vii) Defined Contribution Plan

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

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

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

viii) Employment Benefits

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

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Notes to the Accounts

ix) Foreign Currency

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

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

x) Finance Leases

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

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

xi) Operating Leases

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

xii) Fixed Assets

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

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

Land and Buildings

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

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

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

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

Fixtures and Equipment

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

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

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

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Notes to the Accounts

xiii) Investments

Endowment asset investments and current asset investments are included in the Balance Sheet at market value. Investments in the subsidiary undertakings are stated at cost, adjusted by any necessary impairment.

LSTM's treasury management policy is for all endowments to be invested in a portfolio of long term investments, while working balances and revenue reserves are invested short term with interest received credited to the Statement of comprehensive income. The investment objective is to achieve maximum return with minimum risk.

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

xiv) 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.

xv) 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.

xvi) Debtors

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

xvii) 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.

xviii) 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.

xix) Financial Instruments

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

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

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

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 Statement of Comprehensive Income when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

xx) 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.

xxi) 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.

xxii) 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 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Recurrent teaching grants	1,342	1,342	1,353	1,353
Recurrent research grants	6,007	6,007	5,196	5,196
Specific grants	2,353	2,353	2,229	2,229
Release of deferred capital grants (note 24) :				
Buildings	110	110	103	103
Equipment	143	143	198	198
	9,955	9,955	9,079	9,079

6 Tuition Fees and Education Contracts

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Masters fee income	1,109	1,109	844	844
PhD fee income	490	490	554	554
Fee income from Diplomas	1,165	1,165	1,189	1,189
Fee income from short courses	109	109	164	164
Training and other courses	643	643	717	717
Fee income from University of Liverpool	431	431	441	441
	3,947	3,947	3,909	3,909

7 Research Grants and Contracts

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Research Councils	7,045	7,045	5,151	5,151
UK based charities	14,276	13,504	31,657	31,617
UK Central Government and other bodies	19,157	12,379	7,172	4,924
UK industry and commerce	1,108	1,108	335	335
European Union	5,950	5,905	6,604	6,631
Other overseas bodies	24,639	13,069	24,977	16,092
Research & development expenditure credits	2,612	2,612	-	-
Other	948	948	412	412
	75,735	56,570	76,308	65,162

Included within UK based charities is £1,620,000 (2017 : £968,000) 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 are the following amounts in relation to gifts in kind. In accordance with FRS 102 the income has been shown above and offsetting costs are included in Other Operating Expenses (note 13).

£3,735,000 (2017 : £21,072,000) relating to the supply of mosquito nets gifted for an effectiveness trial in Uganda.

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

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8 Other Income

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Restated Group Year ended 31 July 2017 £'000	Restated LSTM Year ended 31 July 2017 £'000
Diagnostic lab	286	286	266	266
Travel health related activities	993	-	929	-
Implementation research consultancy	21,210	7,764	15,878	8,679
Gifts in kind : Pharmaceutical drugs for MDA programme	113,797	113,797	97,691	97,691
Health authority contracts	185	185	185	185
Health authority funded posts	411	411	446	446
Non-funding council releases of deferred capital grants	518	518	459	459
Other	3,135	3,578	3,154	2,898
Gift aid from subsidiary	-	147	-	198
	140,535	126,686	119,008	110,822

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

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

9 Investment Income

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Dividend income and interest receivable	415	415	154	154
Other interest receivable	106	44	80	79
	521	459	234	233

10 Donations and Endowment Income

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Endowment income (note 25)	181	181	337	337
Unrestricted donations	53	53	160	160
Restricted donations	1,470	1,470	150	150
	1,704	1,704	647	647

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11 Staff Costs

	Group Year ended 31 July 2018 Number	LSTM Year ended 31 July 2018 Number	Group Year ended 31 July 2017 Number	LSTM Year ended 31 July 2017 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	11	11	10	10
Research staff	102	102	95	95
Teaching and research staff	82	82	84	84
Clinicians	14	14	14	14
<i>Non-academic contracts</i>				
Other	425	304	305	261
	634	513	508	464

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Staff costs for the above persons were :				
Salaries	24,922	20,726	20,765	19,299
Social security costs	2,624	2,295	2,246	2,052
Pension costs	3,381	3,151	3,104	2,891
Restructuring costs	45	45	45	45
Pension provision costs	(122)	(122)	612	612
Accrued but untaken holiday costs	64	64	14	14
	30,914	26,159	26,786	24,913

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 2018 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 2018 Number of Key Management Personnel	Group Year ended 31 July 2017 Number of Key Management Personnel	Group Year ended 31 July 2018 Number of Other Staff	Group Year ended 31 July 2017 Number of Other Staff
£100,000 - £105,000	-	-	4	3
£105,001 - £110,000	-	-	4	2
£110,001 - £115,000	-	-	4	3
£115,001 - £120,000	-	-	1	-
£135,001 - £140,000	-	-	1	1
£140,001 - £145,000	-	-	2	-
£145,001 - £150,000	-	-	1	4
£150,001 - £155,000	-	-	-	1
£155,001 - £160,000	-	-	2	-
£165,001 - £170,000	-	1	-	-
£170,001 - £175,000	-	-	-	1
£175,001 - £180,000	-	-	1	-
£185,001 - £190,000	-	-	1	1
£190,001 - £195,000	1	-	1	-
£195,001 - £200,000	-	-	-	1
£240,001 - £245,000	-	-	1	-
£250,001 - £255,000	-	-	-	1
£280,001 - £285,000	1	-	-	-
£300,001 - £305,000	-	1	-	-
	2	2	23	18

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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 2018 Number	Group/LSTM Year ended 31 July 2017 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	478	470
Benefits in kind	-	-
Pension Contributions	-	8
Total emoluments	<u>478</u>	<u>478</u>
The above amounts include amounts payable to the Director of :		
Salaries	283	303
Benefits in kind	-	-
Pension Contributions	-	6
Total emoluments	<u>283</u>	<u>309</u>

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 £5,137 (2017 : £2,833). This represents travel and subsistence expenses incurred in attending meetings and events in their official capacity.

The Director manages the LSTM Group, a world leading research institution, which has shown considerable growth over the last few years under her leadership. Her compensation is reviewed annually by the Remuneration Committee, whose members are Board Trustees, and which is chaired by the Chair of the Board.

Median salary info

The salary of the Director, expressed as a multiple of the median salary of all LSTM UK staff is 7.91.

The total remuneration of the Director, expressed as a multiple of the median total remuneration of all LSTM UK staff is 6.94.

The basis of the calculation is as follows:

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

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

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

Overseas activities

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

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13 Other Operating Expenses

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Restated Group Year ended 31 July 2017 £'000	Restated LSTM Year ended 31 July 2017 £'000
Research grants and contracts	54,637	39,342	61,514	51,404
Implementation research consultancy	19,677	6,621	12,818	6,542
Gifts in kind : Pharmaceutical drugs for MDA programme	113,797	113,797	97,691	97,691
Premises costs	2,189	2,189	2,062	2,062
Academic and related expenditure	2,693	2,693	3,819	2,981
Administrative and central services	1,343	1,305	1,302	1,857
	194,336	165,947	179,206	162,537

Other operating expenses include :

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Auditors remuneration				
Financial statements audit	70	38	49	24
Internal audit	25	25	29	29
Other services from financial statements auditor	21	19	32	32

14 Interest Payable

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Finance lease interest for Accelerator Building (note 30)	37	37	-	-
Net charge on pension provision	122	122	156	156
	159	159	156	156

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 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Tax on RDEC claim	549	549	-	-

16 Surplus on Continuing Operations for the Year

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
LSTM's surplus for the year	4,776	4,724	5,158	4,176
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	147	-	198
	4,776	4,871	5,158	4,374

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17 Tangible Fixed Assets

Group	Leasehold Buildings £'000	Freehold land and buildings £'000	Fixtures & Equipment £'000	TOTAL £'000
Cost or valuation				
At 1 August 2017	514	54,930	3,694	59,138
Additions	13,600	1,348	699	15,647
Disposals	-	-	-	-
At 31 July 2018	14,114	56,278	4,393	74,785
Depreciation				
At 1 August 2017	58	9,716	2,119	11,893
Charge for the year	291	1,034	744	2,069
Eliminated in respect of disposals	-	-	-	-
At 31 July 2018	349	10,750	2,863	13,962
Net book value at 31 July 2018	13,765	45,528	1,530	60,823
Net book value at 31 July 2017	456	45,214	1,574	47,244
Financed by HEFCE capital grants	-	4,926	243	5,169
Financed by government capital grants	1,771	18,752	-	20,523
Financed by other grants and LSTM	11,994	21,850	1,287	35,131
	13,765	45,528	1,530	60,823

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 £9,177,000 (2017 : £Nil) in respect of assets held under finance lease. Depreciation of the finance lease asset was £189,000 (2017 : Nil).

LSTM	Leasehold Buildings £'000	Freehold land and buildings £'000	Fixtures & Equipment £'000	TOTAL £'000
Cost or valuation				
At 1 August 2017	162	54,930	3,675	58,767
Additions	13,600	1,349	663	15,612
Disposals	-	-	-	-
At 31 July 2018	13,762	56,279	4,338	74,379
Depreciation				
At 1 August 2017	-	9,716	2,101	11,817
Charge for the year	285	1,035	722	2,042
Eliminated in respect of disposals	-	-	-	-
At 31 July 2018	285	10,751	2,823	13,859
Net book value at 31 July 2018	13,477	45,528	1,515	60,520
Net book value at 31 July 2017	162	45,214	1,575	46,951
Financed by HEFCE capital grants	-	4,926	243	5,169
Financed by government capital grants	1,771	18,752	-	20,523
Financed by other grants and LSTM	11,706	21,850	1,272	34,828
	13,477	45,528	1,515	60,520

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 £9,177,000 (2017 : £Nil) in respect of assets held under finance lease, relating to the Accelerator building. Depreciation of the finance lease asset was £189,000 (2017 : Nil).

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18 Investments in subsidiaries

	LSTM Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2017 £'000
Investments in subsidiary companies	<u>59</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 - 100%
- LSTM Consulting USA - 100%
- LMS (Dormant) - 100%
- LATH South Sudan (NGO)

LSTM owns 100% of the issued ordinary £1 shares of Liverpool International Health Ventures Limited, a company incorporated in England and Wales. Its principal business activity is being a vehicle to remunerate employees of fellow group companies and a holding company for the following :

- Well Travelled 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 owns 99% of the issued ordinary 1 Rupee shares of Liverpool School of Tropical Medicine Foundation India, a company incorporated in India.

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)
- CeSHHAR Zimbabwe (Charity)

19 Debtors : Amounts falling due within 1 year

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Restated Group Year ended 31 July 2017 £'000	Restated LSTM Year ended 31 July 2017 £'000
Trade debtors	940	624	666	271
Amounts owed by subsidiary undertakings	-	-	-	927
Balances due on research grants and contracts	23,847	17,301	12,871	11,525
Prepayments and accrued income	2,794	2,662	775	743
Forward currency contracts	1,203	103	2,094	336
	<u>28,784</u>	<u>20,690</u>	<u>16,406</u>	<u>13,802</u>

A bad debt provision of £145,000 (2017 : £145,000) has been recognised against debtors of LSTM and the Group.

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20 Investments and Endowments

	Group Investments Year ended 31 July 2018 £'000	Group Endowments Year ended 31 July 2018 £'000	Group TOTAL Year ended 31 July 2018 £'000	Restated Group TOTAL Year ended 31 July 2017 £'000
Cost at 1 August 2017	13,195	11,994	25,189	24,768
Additions	8,552	1,800	10,352	1,783
Disposals	(130)	(1,759)	(1,889)	(1,362)
Cost at 31 July 2018	21,617	12,035	33,652	25,189
Unrealised revaluation reserve at 1 August 2017	3,187	3,145	6,332	3,005
Unrealised revaluation in the year	(223)	600	377	3,326
Unrealised revaluation reserve at 31 July 2018	2,964	3,745	6,709	6,331
Market value at 31 July 2018	24,581	15,780	40,361	31,520
<i>Represented by :</i>				
Fixed interest stocks (listed)	13,345	1,616	14,961	11,357
Equities (listed)	3,015	12,219	15,234	14,715
Other	8,221	1,945	10,166	5,448
	24,581	15,780	40,361	31,520
<i>Represented by :</i>				
Fellowships and scholarship funds	-	8,007	8,007	7,810
Prize funds	-	131	131	121
Other funds	24,581	7,642	32,223	23,589
	24,581	15,780	40,361	31,520

Investments include money market investments and bank deposits, of greater than 3 months duration, of £6,615k (2017 : £2,033k).

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	LSTM Investments Year ended 31 July 2018 £'000	LSTM Endowments Year ended 31 July 2018 £'000	LSTM TOTAL Year ended 31 July 2018 £'000	Restated LSTM TOTAL Year ended 31 July 2017 £'000
Cost at 1 August 2017	13,195	11,994	25,189	24,768
Additions	3,981	1,800	5,781	1,783
Disposals	(130)	(1,759)	(1,889)	(1,362)
Cost at 31 July 2018	17,046	12,035	29,081	25,189
Unrealised revaluation reserve at 1 August 2017	3,187	3,145	6,332	3,005
Unrealised revaluation in the year	(223)	600	377	3,326
Unrealised revaluation reserve at 31 July 2018	2,964	3,745	6,709	6,331
Market value at 31 July 2018	20,010	15,780	35,790	31,520
<i>Represented by :</i>				
Fixed interest stocks (listed)	13,345	1,616	14,961	11,357
Equities (listed)	3,015	12,219	15,234	14,715
Other	3,650	1,945	5,595	5,448
	20,010	15,780	35,790	31,520
<i>Represented by :</i>				
Fellowships and scholarship funds	-	8,007	8,007	7,810
Prize funds	-	131	131	121
Other funds	20,010	7,642	27,652	23,589
	20,010	15,780	35,790	31,520

Investments include bank deposits of greater than 3 months duration of £2,044k (2017 : £2,033k).

21 Creditors : amounts falling due within 1 year

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Restated Group Year ended 31 July 2017 £'000	Restated LSTM Year ended 31 July 2017 £'000
Unexpended balances of research grants and contracts	59,430	27,513	55,829	30,558
Trade creditors	1,230	1,088	1,396	1,175
Amounts owed to subsidiary undertakings	-	3,651	-	-
Other taxation and social security	684	684	617	607
Holiday accrual	626	613	550	550
Accruals	8,606	2,593	9,914	4,632
Forward currency contracts	739	275	1,168	410
Short Term element of Finance lease liability (note 30)	375	375	-	-
Short term element of deferred capital grants (note 24)	570	570	530	530
	72,260	37,362	70,004	38,462

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22 Creditors : amounts falling due after 1 year

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Long term element of deferred capital grants (note 24)	25,068	25,068	23,317	23,317
Long term element of finance lease liability (note 30)	10,215	10,215	-	-
	35,283	35,283	23,317	23,317

23 Pension Deficit Provision

	Group/LSTM USS Year ended 31 July 2018 £'000
At 1 August 2016	5,854
Increase/decrease in provision during the year	769
At 31 July 2017	6,623
Increase in provision during the year	-
At 31 July 2018	6,623

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 2.19%. Salary inflation has been assumed to be 2.5% and growth in staff numbers 6.0%, the latter reflecting predicted growth of LSTM over the coming strategic plan period and beyond.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of LSTM, as the 2017 valuation has not been formally completed, and there remain various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. LSTM expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £6,623,000 (assuming the same discount rate of 2.19%) :

Impact of a 1% increase in contribution rate to 3.10% (from 2.10%) from 2018/19:

Based on 2017/18 actual contributions and provisions calculation parameters, the provision in 2018/19 would need to increase by £2,830,000.

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24 Deferred Capital Grants

	Group/LSTM Funding Council Year ended 31 July 2018 £'000	Group/LSTM Other Funding Year ended 31 July 2018 £'000	Group/LSTM TOTAL Year ended 31 July 2018 £'000
At 1 August 2017			
Buildings	3,856	19,644	23,500
Equipment	347	-	347
Cash received			
Buildings	748	1,776	2,524
Equipment	38	-	38
Released to statement of comprehensive income			
Buildings	(110)	(518)	(628)
Equipment	(143)	-	(143)
At 31 July 2018	4,736	20,902	25,638

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

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

At 1 August 2016			
Buildings	3,293	20,103	23,396
Equipment	519	-	519
Cash received			
Buildings	666	-	666
Equipment	26	-	26
Released to statement of comprehensive income			
Buildings	(103)	(459)	(562)
Equipment	(198)	-	(198)
At 31 July 2017	4,203	19,644	23,847

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
	23,847

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25 Endowment Reserves

	Group/LSTM Permanent endowments		
	Restricted Year ended 31 July 2018 £'000	Unrestricted Year ended 31 July 2018 £'000	TOTAL Year ended 31 July 2018 £'000
At 1 August 2017			
- Capital value	8,146	6,576	14,722
- Accumulated income	205	202	407
- TOTAL	8,351	6,778	15,129
Appreciation of endowment assets investments (realised)	32	124	156
Appreciation of endowment assets investments (unrealised)	239	283	522
Income for the year	268	130	398
Transferred to statement of comprehensive income	(295)	(130)	(425)
Capital expenditure	-	-	-
At 31 July 2018			
- Capital value	8,417	6,983	15,400
- Accumulated income	178	202	380
- TOTAL	8,595	7,185	15,780
<i>Representing :</i>			
Fellowship and scholarship funds	8,007	-	8,007
Prize funds	131	-	131
Other funds	457	7,185	7,642
Investments	8,595	7,185	15,780
Cash relating to endowments	187	984	1,171
Reserves	8,782	8,169	16,951
	Restricted Year ended 31 July 2017 £'000	Unrestricted Year ended 31 July 2017 £'000	TOTAL Year ended 31 July 2017 £'000
At 1 August 2016			
- Capital value	7,158	5,885	13,043
- Accumulated income	195	202	397
- TOTAL	7,353	6,087	13,440
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	-	-	-
At 31 July 2017			
- Capital value	8,146	6,576	14,722
- Accumulated income	205	202	407
- TOTAL	8,351	6,778	15,129
<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
Reserves	8,549	7,738	16,287

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26 Financial Instruments

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

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Restated Group Year ended 31 July 2017 £'000	Restated LSTM Year ended 31 July 2017 £'000
Financial assets				
<i>Financial assets at fair value through the statement of consolidated income :</i>				
Listed investments and endowments	40,361	35,790	31,520	31,520
<i>Financial assets that are debt instruments measured at amortised cost :</i>				
Trade, research and other receivables	25,782	18,788	13,704	12,857
Cash and cash equivalents	34,275	9,498	52,514	20,710
<i>Financial assets measured at fair value through surplus or deficit</i>				
Foreign currency contracts	1,203	103	2,094	336
	100,418	64,075	97,738	65,087
Financial liabilities				
<i>Financial liabilities measured at amortised cost</i>				
Trade, research and other payables and accruals	69,267	34,845	67,139	36,365
Finance lease liability	10,590	10,590	-	-
<i>Financial liabilities measured at fair value through surplus or deficit</i>				
Foreign currency contracts	739	275	1,168	410
	80,596	45,710	68,307	36,775

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 2018 amounting to an asset of £464,000 (2017 : £926,000). During 2017/18 a loss of £467,000 (2017 : gain of £517,000) 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 (2017 : £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.

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

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Financial assets				
Total interest income for financial assets at amortised cost	106	44	80	79
Fair value gains and (losses)				
On financial assets measured at fair value through income and expenditure	7	98	410	(145)
On financial assets measured at fair value through the hedging reserve	(467)	(195)	517	72

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27 Cash and cash equivalents

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000
At 1 August 2017	50,481	18,677
Cashflows	(16,206)	(9,179)
At 31 July 2018	34,275	9,498

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.

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 £3,381,000 (2017 : £3,086,000).

Universities Superannuation Scheme (USS)

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

The total cost charged to the statement of comprehensive income is £2,874,000 (2017 : £2,600,000).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is 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 but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section 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. These figures will be revised once the 2017 Scheme valuation is complete.

Defined benefit liability numbers for the scheme have been produced using the following assumptions at 31 March 2017 and 2018 :

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pensions increases (CPI)	2.02%	2.41%

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The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows :

	2018	2017
Mortality base table	<u>Pre-retirement</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. <u>Post-retirement</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	98% of SAPS S1NA "light" YOB unadjusted for males. 99% of SAPS S1NA "light" YOB with a 1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a for males and 1.6% for females	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are :

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0
Scheme assets	£63.6 bn	£60.0 bn
Total Scheme liabilities	£72.0 bn	£77.5 bn
FRS 102 scheme deficit	£8.4 bn	£17.5 bn
FRS 102 total funding level	88%	77%

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 £247,000 (2017 : £248,000). 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 2.65% per annum (2017 : 2.4%) and salary increases would be 2.5% per annum (2017 : 2.5%). The valuation was carried out using the projected unit method.

At the valuation date the market value of the assets of the scheme was £476.0m (2017 : £438.4m) and the value of the past service liabilities was £371.2m (2017 : £365.8m) leaving a surplus of £104.8m (2017 : £72.6m).

During the year, LSTM contributed to 60 employees within this scheme (2017 : 66 employees). There was a total of 59 active members in this scheme at 31 July 2018.

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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 £262,000 (2017 : £217,000), equivalent to 14.38% of pensionable salaries.

There were a total of 34 active members in this scheme at 31 July 2018.

29 Contingent liability

The Group received a capital grant of £1.5m from the Regional Growth Fund in connection with the construction of the Wolfson building. This grant has certain conditions with which the Group will need to comply with up to 2018/19. At this time the Group believes that it will be able to comply with these conditions when necessary.

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 £491,643 (2017 : £222,731).

30 Finance lease commitments

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Amounts due in less than one year	375	375	-	-
Amounts due between one and five years	787	787	-	-
Amounts due in more than five years	9,428	9,428	-	-
	<u>10,590</u>	<u>10,590</u>	<u>-</u>	<u>-</u>

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

31 Operating Lease Commitments

	Group Year ended 31 July 2018 £'000	LSTM Year ended 31 July 2018 £'000	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Amounts due in less than one year	81	-	81	-
Amounts due between one and five years	156	-	1,766	1,600
Amounts due in more than five years	-	-	8,407	8,400
	<u>237</u>	<u>-</u>	<u>10,254</u>	<u>10,000</u>

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32 Capital Commitments

	Group/LSTM Year ended 31 July 2018 £'000	Group/LSTM Year ended 31 July 2017 £'000
5% retention on building works	233	233
Leasehold improvements capital commitment	-	2,667
	233	2,900

The capital payment of £2,667,000 shown under capital commitments in 2016/17 was paid in 2017/18. The amount relates to space rented under a finance lease.

Work took place in summer of 2018 regarding building works therefore it is anticipated once this work is completed to LSTM's satisfaction the retention payment will be made during 2018/19.

33 Prior Year Adjustments

None of the prior year adjustments detailed below have impacted the surplus for the year.

LSTM has included gifts in kind of pharmaceutical drugs for the years to 31 July 2017 and 2018, relating to drugs donated for mass drug administration in various countries in Africa. The value of the drugs donated relies on reported numbers of patients treated and this information is available one year in arrears. The financial statements for year to 31 July 2018 reflect income and expense for the current and prior year based on figures for patients treated published in August 2018. There is no impact on the surplus for the year. Impact on income and expense for these entries in the prior year are shown below.

LSTM and IVCC make investments which have a maturity of greater than 3 months. In the year to 31 July 2018 such investments for the current and prior year have been reclassified as investments instead of as cash. The impact of this presentation on the prior year is shown below.

LSTM and IVCC hedge against movements on the US dollar and the Euro. At 31 July the unrealised gain or loss on outstanding forward contracts is taken to the Statement of comprehensive income. The derivative asset or liability was shown as a net balance in the year to 31 July 2017. In the year to 31 July 2018 these balances have been grossed up for both the current and prior year. The impact on debtors and creditors are shown below.

	Group Year ended 31 July 2017 £'000	LSTM Year ended 31 July 2017 £'000
Other Income (note 8)	97,691	97,691
Other operating expenses (note 13)	97,691	97,691
Investments and endowments (note 20)	2,033	2,033
Cash	(2,033)	(2,033)
Debtors (note 19)	1,168	336
Creditors : amounts due in less than one year (note 21)	1,168	336

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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.

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 :

	LSTM	LSTM
	Year ended	Year ended
	31 July 2018	31 July 2017
	£'000	£'000
CNTD Global Programme Lymphatic Filariasis	5,805	3,488
EBSR	785	1,080
ReBuild	873	916
Making it Happen Phase 2	-	7
Reducing Maternal and Neonatal Deaths in Kenya	1,567	3,318
CouNTDown	1,798	2,234
Sustainable Insecticides for Public Health	8,015	-
READ-It	30	-
Secondment to DFID	6	-
	18,879	11,043

36 Impact of decision to leave the European Union

On 23 June 2016 the UK voted to leave the European Union. Negotiations with the EU for the UK's exit commenced in March 2017, but with less than 6 months to go, 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

Brexit is a standing item at monthly management committee meetings.

Contact Us

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