



FINANCIAL STATEMENTS 2015/16

LSTM
LIVERPOOL SCHOOL
OF TROPICAL MEDICINE



Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

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 19th of July 2013.

2 Memorandum of Association

LSTM's Memorandum and Articles of Association was amended by special resolution and adopted at an EGM on 19 December 2013. It lists the main objects as:-

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

3 Statement of Public Benefit

LSTM is a registered charity subject to regulation by HEFCE under the Charities Act 2006. LSTM reports annually on the ways in which it has delivered charitable purposes for the public benefit.

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

4 Vision and Mission

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

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

5 Objectives

The year ending 31 July 2016 represents the fourth year in our current 5 year strategic plan, which was presented and adopted by the Board on the 22 June 2012. These strategic objectives set out how LSTM would facilitate the continuous development of the organisation in support of its evolving needs. The objectives are listed below.

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

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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

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

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

LSTM also focuses on education for medical, public health and humanitarian students and professionals, with globally renowned courses in tropical and infectious diseases. We combine this expertise with teaching in humanitarian studies, laboratory based biology courses and international public health to cater for a wider variety of training needs. LSTM offers a wide range of courses from one day laboratory courses through to Master’s programmes and PhDs. These developments reconfirm the long and successful commitment to teaching; a track record in developing people, core staff and their related research teams, with over 150 PhD students from many countries and numerous visiting scientists working within collaborative programmes.

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

The Research Excellence Framework is the new system for assessing the quality of research in UK higher education institutions. LSTM emerged high on the academic rankings following the designation of higher education institution status in 2013. In the overall ranking table LSTM took 24th place out of 128 institutions, according to the Times Higher Education (THE). In addition LSTM scored exceptionally well on the THE ranking of institutions on impact by taking 6th place out of 128.

7 Key Performance Indicators (KPIs)

Principal Risks and Uncertainties

The full scope of principal risks are monitored and mitigated within the institutions risk register and include measured and mitigated risk around sources of income, particularly; financial growth target, student numbers/income, grant income overhead contribution and over dependency on specific funders/major clients. Research grants and consultancy exceeded £60 million for the 1st time in LSTM’s history, representing 76.6% (2014/15: 74.4%) of the total LSTM group income.

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

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

- **Research turnover growth** is fundamental to the organisation with a target to increase income by over 60% within the strategic plan. The fourth year target was £54,199k and this has been achieved with an actual research grants (£44,921k) and consultancy (£15,111k) turnover of £60,032k.
- **Improvement to the research infrastructure** is perceived as a direct contributor to the quality and timescale for achieving high quality scientific results. In fact facilities quality separates LSTM from other UK institutions and contextualises the institution as a global player. This investment in laboratories is fully supported by the Board of Trustees. This investment is enabled by the generation of surpluses and capital funding from HEFCE, the Wolfson Foundation and others.

	2013	2014	2015 restated	2016
Surplus / Total comprehensive income, as a % of total income	3.7%	3.4%	0.7%	4.1%

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- **Risks to the future of the institution.** Sensitivity analysis shows that a reduction of 20% on the turnover on major funders has little effect on the bottom line of LSTM if sensibly managed due to a related reduction in expenses.
- **LSTM's business plan** continues to be robust, bolstered by forward committed research contracts amounting to over £179 million.

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

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

	2013	2014	2015 restated	2016
Net cash flow as a % of total income	14.4%	-1.6%	7.6%	31.6%

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

	2013	2014	2015 restated	2016
Net liquidity days	207	185	255	380

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

	2013	2014	2015 restated	2016
General reserves as % of total income	24.4%	25.8%	32.1%	32.6%

The proportion of staff costs remain well below the sector average of 51.1%

	2013	2014	2015 restated	2016
Staff costs as a % of total income	30.0%	30.0%	34.9%	30.8%

8 Student Numbers

LSTM is funded according to the level of activity that it generates each year. In 2015-16, 110 FTE postgraduate HEFCE funded EU students and 47 postgraduate overseas students attended the postgraduate taught courses. These figures include all Masters provision and the Diploma in Tropical Medicine & Hygiene. Although not credit-bearing, the Diploma in Tropical Nursing also attracts HEFCE funding, and in 2015-16 a total of 61 EU students and 41 overseas students attended the two runs of this course.

LSTM also contributes to the teaching of a number of University of Liverpool undergraduate courses. In 2015-16 this represented an equivalent of 16 FTEs. Research students (PhD, MPhil and MD) register throughout the academic year. At 1 December 2015, there were 32 EU and 50 non-EU students registered on research degrees. There were 15 EU and 15 non-EU students registered on part-time research degrees at the same date.

LSTM also has its own portfolio of non credit-bearing courses, which do not attract HEFCE grant funding. Courses are delivered both in Liverpool and overseas and range from 3 month professional diplomas through to short vocational courses lasting from 1 day to 3 weeks. In 2015-16, 185 students attended non credit-bearing courses delivered in Liverpool and a substantial number of students attended training courses and workshops delivered overseas by LSTM staff. Some of the overseas courses are funded from external sources and so do not contribute additional student fees, but they illustrate LSTM's commitment to education and training in a global sense.

9 Curriculum Developments

In 2015-16, LSTM continued to deliver seven MSc programmes, with different pathways within the Masters in International Public Health programme. As part of the annual review process, the Masters programmes and their constituent modules are regularly evaluated in response to student feedback and input from external sources, in order to provide students with the most relevant and current experience. A major review of Masters and the Diploma in Tropical Medicine & Hygiene programmes is planned for 2017. Following LSTM gaining HEI status, and as part of the move towards gaining independence from the University of Liverpool, the new LSTM student information system and virtual learning environment "Brightspace" were in place for the new academic year for all students on taught programmes. The student information system made registration of new students much simpler for administrative staff, and more efficient from the perspective of the students. Both staff and students have been very complimentary about Brightspace, finding it user friendly and intuitive.

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.

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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 £1,968k (2014/15 restated: £190k). The total comprehensive income in the year was £3,196k (2014/15 restated : £505k)

The Group has accumulated general reserves of £25,541k. LSTM wishes to continue to accumulate reserves and cash balances in order to create a contingency fund in accordance with the reserves policy.

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

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

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

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

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

LSTM has several INGO in the following countries: Malawi, Nigeria, Uganda, Tanzania and Sierra Leone.

12 Staff and Student Involvement

A regular newsletter is distributed electronically to all staff and monthly Staff Forum meetings are held at which management reports any significant developments within LSTM. Staff representatives are nominated through the Staff Forum to sit on Management Committee and there is a student representative on the Board of Trustees. Boards of Studies are held for each taught programme and for PGR (Postgraduate Research) students, and student representatives attend their regular meetings. In addition, for 2015-16, MSc students were represented at Quality Management Committee. The two students were keen to participate fully in the programme/module review aspects of the Committee and their input proved extremely valuable. LSTM has achieved the Athena Swan Bronze Award and is working towards Silver accreditation.

13 Fundraising

Priorities aligned to our strategic plan have been identified and a case for support is currently being refined and tested with prospective donors, with the support of an external fundraising consultancy. The refined case for support will be completed in December 2016, and the new strategy will be formally "launched" in January 2017. A new donor database has been purchased and historic donor data has been migrated onto the new system.

A fundraising steering group has been established and the inaugural meeting took place in July 2016, approving new processes and guidance on due diligence, gift acceptance and the management of donor relationships. A number of meetings and events targeted at cultivating new potential donors are planned for the next 12 months, including a thought leadership lunch in Manchester on the theme of maternal and child health, a reception in London in January and a dinner in Liverpool in the summer.

A pipeline of potential new bids and fundraising opportunities has been developed which indicates more than £1m in new funds in potential development for 2016/17. In addition, a very significant new contact has been identified in Hong Kong and a proposal is being prepared around the theme of TB/Antimicrobial resistance. Trustees' feedback and input will continue to be critical to the development of our fundraising strategy and contributions to date have been gratefully received.

14 Taxation

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

15 Employment of Disabled Persons

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

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16 Disability Statement

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

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

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. The implications for organisations are in most cases not yet clear, but following the referendum result LSTM will continue to review what the key implications and impacts are likely to be. Factors likely to be specifically relevant to LSTM include the following:

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

20 Professional Advisers

LSTM's current professional advisors are as follows:

Financial Statement and Funding Auditors:

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

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 3HS

Solicitors:

Brabners LLP
Horton House,
Exchange Flags,
Liverpool L2 3YL

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21 Members

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

Name	Date of appointment retirement* re-appointment **	Status of appointment	Capacity and Committees Served
Mr JH Ross, OBE, BA	December 2013 **	Elected	Chairman of the Board Nominations & Governance Remuneration
Mr IM Jones ACIB	December 2013 **	Elected	Hon Treasurer Vice Chairman of the Board Chairman of Finance & Investment Remuneration
Mr M Allanson	March 2016	Elected	Board Member
Dr J Amery OBE	March 2015	Elected	Nominations & Governance
Dr A Banke-Thomas MB:BS, MPH (Hons), M Health Policy & Prog. Mgt.	October 2015 *	Elected	Board Member (Student Rep)
Mr J Brown LLB (Hons), SOL (Hons)	November 2015 **	Elected	Chairman of Audit Remuneration
Mr N Earlam	December 2013	Elected	Finance & Investment
Dr TT Francis BSc	December 2013**	Elected	Audit Remuneration
Prof J Hemingway CBE, FRS, DSc, PhD, BSc, FRCP (Hon), FMedSci, FRES (Hon), (foreign associate National Academy of Sciences USA), FAAM, Hon FFPH	December 2004	Ex Officio / staff	Director of LSTM Nominations & Governance Remuneration Finance & Investment
Mr J Lefroy MP	November 2015	Elected	Board Member
Dr J Lob-Levy CBE	March 2015	Elected	Board Member
Ms J Owugha MSc	November 2015	Elected	Board Member (Student Rep)
Mr JH Schofield BA, ACA	December 2013**	Elected	Deputy Hon Treasurer Finance & Investment
Prof Sir N Thrift FBA, DL	November 2015 *	Elected	Board Member
Prof S Ward BSc, PhD	November 2015 **	Ex Officio / staff	Deputy Director of LSTM
Mr ACM Winter MCSI, MloD, MA Oxon	December 2013**	Elected	Board Member
Mr RE Holland FCCA, MBA	June 2001	Non member	Secretary to the Board

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22 Statement of Corporate Governance and Internal Controls

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

The Board of Trustees

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

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

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

- Audit
- Finance & Investment
- Nominations & 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 amended Articles (December 2013).

Audit Committee

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

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

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

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

Remuneration Committee

Throughout the year ending 31 July 2016, LSTM's Remuneration Committee comprised the Chairman, Treasurer, Chair of the Audit Committee and 2 other Board members. The committee's responsibility is to make recommendations on the remuneration and benefits of the Director, the Director of Strategic Operations and other senior members of staff in LSTM.

Details of remuneration for the year ended 31 July 2016 are set out in notes 11 & 12 of the financial statements.

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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 2016. 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 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.

23 Going Concern

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

24 Strategic Reporting

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

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

25 Trustees' Responsibilities

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

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law, the Trustees are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". In addition, the Trustees are required to prepare the financial statements in accordance with the terms and conditions of the HEFCE Memorandum of assurance and accountability (July 2016), through its accountable officer. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of LSTM and the Group and of the surplus or deficit, gains and losses, changes in reserves and cash flows of LSTM and the Group for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

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

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

The Trustees have taken reasonable steps to:

- ensure that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the HEFCE memorandum of assurance and accountability (July 2016) 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.

A resolution to provisionally reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting, under the heading "Independent Auditors", subject to the result of the tender process currently underway.

Signed on behalf of the Board of Trustees



JH Ross, OBE
Chairman
7 November 2016

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Statement on the System of Internal Financial Control

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

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

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

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

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

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



Professor J Hemingway CBE, FRS, DSc, PhD, BSc,
FRCP (Hon), FMedSci, FRES (Hon), NAS (Foreign Associate), FAAM, Hon FFPH
Director
7 November 2016

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Financial Statements for the year ended 31 July 2016

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

We have audited the financial statements of Liverpool School of Tropical Medicine (LSTM) for the year ended 31 July 2016 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of Governing Body and auditor

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

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 and of the group's surplus, and its income and expenditure, gains and losses, changes in reserves and 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Members of the Board of Trustees, incorporating the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated July 2016

In our opinion, in all material respects:

- funds from whatever source administered by LSTM for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of assurance and accountability, and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

Matters on which we are required to report by exception

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

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

Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2016

A handwritten signature in dark ink, reading "Carl Williams". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Carl Williams
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
7 November 2016

Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2016

Statement of Comprehensive Income

	Notes	Group Year Ended 31 July 2016 £'000	LSTM Year Ended 31 July 2016 £'000	Group Year Ended 31 July 2015 £'000	LSTM Year Ended 31 July 2015 £'000
Income					
Funding Council Grants	5	8,313	8,313	7,739	7,739
Tuition fees and education contracts	6	3,292	3,292	2,898	2,898
Research grants and contracts	7	44,921	33,030	43,491	34,463
Other income	8	20,188	14,117	18,729	16,371
Investment Income	9	155	174	251	254
Surplus/(deficit) on disposal of investments		(12)	(12)	2	2
Total Income before other grants & donations		76,857	58,914	73,110	61,727
Donations and Endowment Income	10	1,501	1,501	423	423
Total Income		78,358	60,415	73,533	62,150
Staff costs	11	24,120	22,274	25,688	23,783
Other operating expenses	13	49,473	33,730	46,738	37,535
Depreciation	17	1,524	1,517	1,110	1,102
Interest payable	14	164	164	77	77
Total expenditure		75,281	57,685	73,613	62,497
Surplus/(deficit) on continuing operations before other gains/(losses)		3,077	2,730	(80)	(347)
Unrealised surplus on revaluation of investments and endowments		121	121	586	586
Surplus on continuing operations before taxation		3,198	2,851	506	239
Taxation	15	(2)	-	(1)	-
Surplus for the year	16	3,196	2,851	505	239
<i>Represented by :</i>					
Restricted endowment comprehensive income for the year		1,028	1,028	147	147
Unrestricted endowment comprehensive income for the year		200	200	168	168
Unrestricted comprehensive income for the year		1,968	1,623	190	(76)
Total comprehensive income in the year		3,196	2,851	505	239

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 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 the year ended 31 July 2016
Statement of Changes in Reserves

GROUP	Unrestricted General Reserve £'000	Permanent Unrestricted Endowments £'000	Permanent Restricted Endowments £'000	TOTAL £'000
Balance at 1 August 2014	23,383	6,485	6,410	36,278
Surplus from statement of comprehensive income	190	168	147	505
Movement of cash in reserves	-	140	9	149
	<u>190</u>	<u>308</u>	<u>156</u>	<u>654</u>
Balance at 31 July 2015	23,573	6,793	6,566	36,932
Surplus from statement of comprehensive income	1,968	200	1,028	3,196
Movement of cash in reserves	-	71	214	285
	<u>1,968</u>	<u>271</u>	<u>1,242</u>	<u>3,481</u>
Balance at 31 July 2016	25,541	7,064	7,808	40,413

LSTM	Unrestricted General Reserve £'000	Permanent Unrestricted Endowments £'000	Permanent Restricted Endowments £'000	TOTAL £'000
Balance at 1 August 2014	22,063	6,485	6,410	34,958
Surplus/(deficit) from statement of comprehensive income	(76)	168	147	239
Movement of cash in reserves	-	140	9	149
	<u>(76)</u>	<u>308</u>	<u>156</u>	<u>388</u>
Balance at 31 July 2015	21,987	6,793	6,566	35,346
Surplus from statement of comprehensive income	1,623	200	1,028	2,851
Movement of cash in reserves	-	71	214	285
	<u>1,623</u>	<u>271</u>	<u>1,242</u>	<u>3,136</u>
Balance at 31 July 2016	23,610	7,064	7,808	38,482

Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2016

Balance Sheets as at 31 July

	Notes	Group Year Ended 31 July 2016 £'000	LSTM Year Ended 31 July 2016 £'000	Group Year Ended 31 July 2015 £'000	LSTM Year Ended 31 July 2015 £'000
Fixed assets					
Tangible fixed assets	17	46,802	46,502	47,079	46,772
Investments in subsidiaries	18	-	54	-	54
		46,802	46,556	47,079	46,826
Current assets					
Stock		82	27	64	16
Debtors	19	20,390	14,934	12,800	12,234
Investments and endowments	20	25,740	25,740	24,519	24,519
Cash at bank and in hand	26	50,966	8,289	26,233	9,079
		97,178	48,990	63,616	45,848
Creditors: amounts falling due within one year	21	74,329	27,826	44,567	28,132
Net current assets		22,849	21,164	19,049	17,716
Total assets less current liabilities		69,651	67,720	66,128	64,542
Creditors : amounts falling due after one year	22	23,384	23,384	23,098	23,098
Provisions : Pension provisions	23	5,854	5,854	6,098	6,098
NET ASSETS		40,413	38,482	36,932	35,346
Restricted Reserves					
Restricted permanent endowments	25	7,808	7,808	6,566	6,566
Unrestricted permanent endowments	25	7,064	7,064	6,793	6,793
		14,872	14,872	13,359	13,359
Unrestricted Reserves					
Unrestricted general reserve		25,541	23,610	23,573	21,987
		25,541	23,610	23,573	21,987
TOTAL FUNDS		40,413	38,482	36,932	35,346

The financial statements were approved by the Board of Trustees on 7 November 2016 and were signed on behalf of the Directors by:-



IM Jones - Honorary Treasurer



Professor J Hemingway - Director

Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2016

Cash Flow Statements

	Notes	Group Year Ended 31 July 2016 £'000	LSTM Year Ended 31 July 2016 £'000	Group Year Ended 31 July 2015 £'000	LSTM Year Ended 31 July 2015 £'000
Total comprehensive income for the year		3,196	2,851	505	239
Adjustment for non-cash items:					
Depreciation		1,524	1,517	1,110	1,102
Deferred capital grants released to income		(496)	(496)	(1,096)	(1,096)
Surplus/(deficit) on disposal of investments		12	12	(2)	(2)
Movement on endowment reserves		(881)	(881)	(642)	(642)
(Increase) / decrease in stocks		(18)	(11)	(7)	1
Decrease / (increase) in debtors		(7,590)	(2,700)	173	(235)
Increase / (decrease) in creditors		29,756	(312)	5,111	564
Increase / (decrease) in provisions		(408)	(408)	3,430	3,430
Unrealised foreign exchange movements	20	(226)	(226)	106	106
Interest payable	14	164	164	77	77
Interest receivable		(433)	(452)	(486)	(489)
Taxation		2	-	1	-
		21,406	(3,793)	7,775	2,816
Cash flow from operating activities		24,602	(942)	8,280	3,055
Income taxes paid		(2)	-	(1)	-
Net cash generated from operating activities		24,600	(942)	8,279	3,055
Cash flows from investing activities					
Income from long term investments and unrestricted permanent endowments		399	399	439	439
Net expenditure from restricted permanent endowments		(14)	(14)	(50)	(50)
Other interest received		34	53	47	50
Purchase of tangible fixed assets		(1,247)	(1,247)	(5,687)	(5,687)
Payments to acquire endowment assets		(2,337)	(2,337)	(5,926)	(5,926)
Payments to acquire investments		(190)	(190)	(38)	(38)
Receipt from sale of tangible fixed assets		-	-	-	-
Receipt from sale of investments		65	65	49	49
Receipt from sale of endowment assets		1,635	1,635	6,123	6,123
Deferred capital grants received		788	788	2,548	2,548
Movement in endowment assets (cash)		1,000	1,000	(192)	(192)
Net cash flows from investing activities		133	152	(2,687)	(2,684)
Increase / (decrease) in cash in the year	26	24,733	(790)	5,592	371

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

Notes to the Accounts

1 Company information

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 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 the 19 July 2013.

2 Basis of preparation

i) Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2014 and in accordance with applicable United Kingdom accounting standards including Financial Reporting Standards 102 (FRS 102), the Financial Reporting Standard applicable to the United Kingdom and the Republic of Ireland. LSTM is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention.

ii) Basis of consolidation

The consolidated financial statements include LSTM and all its subsidiaries for the financial year to 31 July 2016 as detailed in note 18. All Inter-group transactions are eliminated fully on consolidation.

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 time period.

ii) Provisions

Provisions have been set up in relation to holiday pay accruals and to provisions in relation to the deficits on the University Superannuation Scheme and the University of Liverpool Pension Fund.

a) Holiday pay accrual: This accrual was based on the holiday liability at 31 July 2016 and the value of the accrual was based on an estimate made of average salaries within LSTM.

b) Pension provisions: The USS provision was 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. The ULPF provision was based on a payment plan based on the estimates made by the Fund regarding future net liabilities.

4 Statement of Principal Accounting Policies

i) Income recognition

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

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

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

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

ii) Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which LSTM recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

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

iii) Donations and endowments

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

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

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

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

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

iv) Capital grants

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

v) Accounting for retirement benefits

The two principal pension schemes for LSTM's staff are the Universities Superannuation Scheme (USS) and the University of Liverpool Pension Fund (ULPF). The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

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

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS and ULPF schemes.

vi) Defined contribution plan

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

vii) 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.

viii) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

ix) Operating leases

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

x) Fixed assets

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

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

Land and buildings

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

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

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

Fixtures and Equipment

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

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer Equipment	4 years
Equipment acquired for specific research projects	4 years
Other Equipment	4 years

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

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

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

xii) 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.

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

xiii) 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.

xiv) Debtors

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

xv) 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.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

xvi) 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.

xvii) Financial Instruments

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

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

xviii) 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.

xix) 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 five year period to 31 July 2017. This plan anticipates LSTM's free reserves being augmented by the end of the period. The Board has targeted, at the end of the five year period of the strategic plan, for free reserves to represent a minimum of 6 months pay expenditure.

xx) 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.

xxi) Transition to FRS 102 and the 2015 SORP

LSTM is preparing its financial statements in accordance with FRS 102 and the 2014 SORP for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to FRS 102 and the 2014 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of LSTM is provided in note 36.

Application of first time adoption grants certain exemption from the full requirements of the SORP in the transition period. No exemptions have been taken in these financial statements.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

5 Funding Council Grants

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
HEFCE recurrent teaching grants	1,042	1,042	-	-
HEFCE recurrent research grants	4,876	4,876	5,668	5,668
HEFCE specific grants	2,395	2,395	2,071	2,071
	8,313	8,313	7,739	7,739

6 Tuition Fees and Education Contracts

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Home and EU students	436	436	356	356
International students	1,066	1,066	951	951
Short Courses	1,529	1,529	1,519	1,519
	3,031	3,031	2,826	2,826
Other contracts	261	261	72	72
	3,292	3,292	2,898	2,898

7 Research Grants and Contracts

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Research Council	4,791	4,791	3,980	3,980
UK based charities	7,667	7,539	6,828	7,464
UK Central Government and other bodies	10,239	5,554	7,464	6,783
UK Industry and commerce	110	110	354	354
European Commission	2,065	2,035	4,638	4,588
Other overseas bodies	20,049	13,001	20,204	11,271
Other	-	-	23	23
	44,921	33,030	43,491	34,463

Included within UK based charity income is £994,000 (2015 : £729,000) 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.

8 Other Income

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Travel health related activities	1,128	254	1,202	312
Implementation research consultancy	15,111	9,091	11,256	9,436
Health authority contract income	206	206	217	217
Releases from deferred capital grants	496	496	1,096	1,096
Health authority funded posts	482	482	513	513
Other income	2,765	3,488	4,445	4,749
Gift aid from subsidiary	-	100	-	48
	20,188	14,117	18,729	16,371

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9 Investment Income

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Dividend income and interest receivable	121	121	204	204
Other interest receivable	34	53	47	50
	155	174	251	254

10 Donations and Endowment Income

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Endowment income (note 25)	278	278	235	235
New endowments in year (note 25)	1,000	1,000	-	-
Donations for general purposes	25	25	44	44
Donations for specific purposes	198	198	144	144
	1,501	1,501	423	423

11 Staff Costs

	Group Year ended 31 July 2016 Number	LSTM Year ended 31 July 2016 Number	Group Year ended 31 July 2015 Number	LSTM Year ended 31 July 2015 Number
Academic & Research	171	171	187	180
Secretarial and clerical	143	131	121	113
Professional and managerial	110	82	96	81
Professorial	25	25	26	26
Technical	41	25	25	20
	490	434	455	420

The number of persons (including senior post-holders) employed at 31 July of each year, expressed as full-time equivalents, was:

Staff costs for the above persons:

	£000	£000	£000	£000
Salaries	19,720	18,189	18,232	16,651
Social security costs	1,762	1,624	1,577	1,420
Other pension costs	2,707	2,530	2,420	2,253
Restructuring costs	21	21	-	-
Pension provisions costs	(111)	(111)	3,430	3,430
Accrued but untaken holiday	21	21	29	29
	24,120	22,274	25,688	23,783

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

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The pensions provisions costs represent the commitment by LSTM to fund the underlying deficit on deferred benefit pension schemes. Under FRS 102 these amounts need to be provided for. As part of the restatement provisions have been set up as at 1 August 2014. The total provision at 31 July 2016 is £5,854,000 (note 23).

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

	Group		Group	
	Year ended 31 July 2016	Year ended 31 July 2015	Year ended 31 July 2016	Year ended 31 July 2015
	Number senior post-holders	Number Other Staff	Number senior post-holders	Number Other Staff
£100,001 to £110,000	-	3	-	-
£110,001 to £120,000	-	3	-	-
£120,001 to £130,000	-	-	-	2
£130,001 to £140,000	-	1	-	1
£140,001 to £150,000	1	4	-	1
£150,001 to £160,000	-	-	1	2
£160,001 to £170,000	-	1	-	1
£170,001 to £180,000	-	1	-	1
£180,001 to £190,000	-	1	-	-
£190,001 to £200,000	-	-	-	2
£200,001 to £210,000	-	1	-	-
£210,001 to £220,000	-	-	-	-
£220,001 to £230,000	-	-	-	1
£230,001 to £240,000	-	-	-	-
£240,001 to £250,000	-	-	-	-
£250,001 to £260,000	-	-	1	-
£260,001 to £270,000	1	-	-	-
	<u>2</u>	<u>15</u>	<u>2</u>	<u>11</u>

12 Key Management Personnel's Emoluments

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.

	Year ended 31 July 2016 Number	Year ended 31 July 2015 Number
The number of key management personnel including the Director was:	2	2
Key management personnel's emoluments are made up as follows:		
	£000	£000
Salaries	410	388
Benefits in kind	-	-
Pension contributions	26	21
Total emoluments	<u>436</u>	<u>409</u>

The above emoluments include amounts payable to the Director of:

	£000	£000
Salary	265	254
Benefits in kind	-	-
Pension contributions	2	-
Total emoluments	<u>267</u>	<u>254</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.

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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 £1,333 (2015 : £806). This represents travel and subsistence expenses incurred in attending meetings and events in their official capacity.

Overseas activities

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

13 Other Operating Expenses

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Teaching courses related costs	381	381	299	299
Laboratory and other costs	2,754	2,281	2,417	2,005
Teaching and other support services	1,113	1,113	1,238	1,238
Research grants and contracts	34,296	20,194	30,567	22,859
Implementation research consultancy	8,196	7,169	9,355	8,076
Administration and central services	576	435	634	830
Other expenses	309	309	203	203
Premises costs	1,848	1,848	2,025	2,025
	<u>49,473</u>	<u>33,730</u>	<u>46,738</u>	<u>37,535</u>

Other operating expenses include:

Auditors' remuneration:

financial statements audit	40	20	36	19
internal audit	24	24	24	24
other services from either external or internal audit	<u>29</u>	<u>11</u>	<u>16</u>	<u>10</u>

14 Interest Payable

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Interest payable	<u>164</u>	<u>164</u>	<u>77</u>	<u>77</u>

Under FRS 102 provisions were established related to the deficits on the University Superannuation Scheme and the University of Liverpool Pension Fund where LSTM has committed to future payments (note 23). This amount represents the interest expense on the unwinding of the discount included in the provisions.

15 Taxation

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
United Kingdom corporation tax	<u>2</u>	<u>-</u>	<u>1</u>	<u>-</u>

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16 Surplus on Continuing Operations for the Year

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

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
LSTM's surplus for the year	3,196	2,751	505	191
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	100	-	48
	3,196	2,851	505	239

17 Tangible Fixed Assets

	Freehold land and building £000	Fixtures and Equipment £000	Total £000
GROUP			
Cost or Valuation			
At 1 August 2015	53,450	3,259	56,709
Additions	665	582	1,247
Disposals	-	-	-
At 31 July 2016	54,115	3,841	57,956
Depreciation			
At 1 August 2015	7,741	1,889	9,630
Charge for year	1,018	506	1,524
Eliminated in respect of disposals	-	-	-
At 31 July 2016	8,759	2,395	11,154
Net Book Value at 31 July 2016	45,356	1,446	46,802
Net Book Value at 31 July 2015	45,709	1,370	47,079
Financed by other capital grant	28,265	-	28,265
Financed by HEFCE capital grant	4,245	-	4,245
Financed by other	12,846	1,446	14,292
	45,356	1,446	46,802

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

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

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17 Tangible Fixed Assets (Continued)

	Freehold land and building £000	Fixtures and Equipment £000	Total £000
LSTM			
Cost or Valuation			
At 1 August 2015	53,098	3,239	56,337
Additions	665	582	1,247
Disposals	-	-	-
At 31 July 2016	53,763	3,821	57,584
Depreciation			
At 1 August 2015	7,697	1,868	9,565
Charge for year	1,011	506	1,517
Eliminated in respect of disposals	-	-	-
At 31 July 2016	8,708	2,374	11,082
Net Book Value at 31 July 2016	45,055	1,447	46,502
Net Book Value at 31 July 2015	45,401	1,371	46,772
Financed by other capital grant	28,265	-	28,265
Financed by HEFCE capital grant	4,245	-	4,245
Financed by other	12,545	1,447	13,992
	45,055	1,447	46,502

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

18 Investments in subsidiaries

	LSTM Year ended 31 July 2016 £000	LSTM Year ended 31 July 2015 £000
Investments in subsidiary companies	54	54

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 owns 100% of the following companies and NGOs :

- LATH Nigeria (Dormant)
- LATH Umoyo, Malawi (Dormant)
- LSTM Kenya
- LSTM Consulting USA (will cease trading in 2016)
- LMS (Dormant)
- 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 holding company for the following :

- WTC (Well Travelled Clinic)
- LIHIP (Liverpool International Health Intellectual Property)

LSTM owns 100% of the issued ordinary £1 shares of the following :

- EchiTab Study Group (UK) Limited, a company incorporated in England and Wales (Dormant)
- IVCC, a company incorporated in England and Wales. IVCC is a company limited by guarantee and holds no share capital. Its principal business activity is to carry out research into controlling vector-borne diseases such as malaria and dengue.

LSTM also has an interest in the following NGOs :

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

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19 Debtors : Amounts falling due within one year

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Trade debtors	606	563	781	462
Amounts owed by subsidiary undertakings	-	793	-	348
Balances due on research grants and contracts	18,367	12,365	10,543	10,496
Prepayments and accrued income	1,417	1,213	1,476	928
	20,390	14,934	12,800	12,234

An impairment loss of £117,000 (2015 : £64,000) has been recognised against debtors of LSTM and the group.

20 Investments and Endowments

	Group/LSTM Investments Year ended 31 July 2016	Group/LSTM Endowments Year ended 31 July 2016	Group/LSTM TOTAL Year ended 31 July 2016	Group/LSTM TOTAL Year ended 31 July 2015
Cost at 1 August 2015	11,026	10,714	21,740	20,749
Additions	190	2,337	2,527	6,320
Disposals	(77)	(1,455)	(1,532)	(5,329)
Cost at 31 July 2016	11,139	11,596	22,735	21,740
Unrealised revaluation reserve at 1 August 2015	1,282	1,497	2,779	2,885
Unrealised revaluation in year	(121)	347	226	(106)
Unrealised revaluation reserve at 31 July 2016	1,161	1,844	3,005	2,779
Market Value at 31 July 2016	12,300	13,440	25,740	24,519
Represented by:				
Fixed interest stocks (listed)	8,557	1,437	9,994	9,425
Equities (listed)	2,515	10,191	12,706	12,611
Other	1,228	1,812	3,040	2,483
	12,300	13,440	25,740	24,519
Represented by (Split only for endowments):				
Fellowships and scholarship funds	-	4,782	4,782	5,182
Prize funds	-	57	57	58
Other funds	12,300	8,601	20,901	19,279
	12,300	13,440	25,740	24,519

21 Creditors: Amounts falling due within one year

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Unexpended balances of research grants and contracts	55,571	18,440	30,157	16,007
Trade creditors	685	610	1,280	1,263
Amounts owed to subsidiary undertakings	-	-	-	-
Other taxation and social security	439	431	453	445
Accruals	17,103	7,814	12,152	9,892
Short term element of deferred capital grants (note 24)	531	531	525	525
	74,329	27,826	44,567	28,132

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22 Creditors : Amounts falling due after one year

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Long term element of deferred capital grants (note 24)	<u>23,384</u>	<u>23,384</u>	<u>23,098</u>	<u>23,098</u>

23 Provisions : Pension provisions

	USS Group/ LSTM Year ended £000	ULPF Group/ LSTM Year ended £000	TOTAL Group/ LSTM Year ended £000
Pension deficit provision			
At 1 August 2014	2,049	542	2,591
Increase/(decrease) in provision during year	<u>3,571</u>	<u>(64)</u>	<u>3,507</u>
At 31 July 2015	5,620	478	6,098
Increase/(decrease) in provision during year	<u>234</u>	<u>(478)</u>	<u>(244)</u>
At 31 July 2016	<u>5,854</u>	<u>-</u>	<u>5,854</u>

The obligation to fund the past deficit on the USS and ULPF schemes arise from the contractual obligation within the pension schemes for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS and ULPF schemes and salary payments over the period of the contracted obligation in assessing the value of this provision.

24 Deferred Capital Grants

	Group Funding Council £000	Group Other Funding £000	Group Total £000	LSTM Total £000
All deferred capital grants are in relation to buildings				
At 1 August 2015	3,520	20,103	23,623	23,623
Cash received	788	-	788	788
Released to Statement of Comprehensive Income	<u>(496)</u>	<u>-</u>	<u>(496)</u>	<u>(496)</u>
Total	<u>3,812</u>	<u>20,103</u>	<u>23,915</u>	<u>23,915</u>

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

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

	Group Funding Council £000	Group Other Funding £000	Group Total £000	LSTM Total £000
At 1 August 2014				
Buildings	3,609	18,555	22,164	22,164
Equipment	-	7	7	7
Cash received				
Buildings	-	2,548	2,548	2,548
Released to Statement of Comprehensive Income				
Buildings	<u>(89)</u>	<u>(1,000)</u>	<u>(1,089)</u>	<u>(1,089)</u>
Equipment	<u>-</u>	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>
Total	<u>3,520</u>	<u>20,103</u>	<u>23,623</u>	<u>23,623</u>

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

Creditors < 1 year	525	525
Creditors > 1 year	<u>23,098</u>	<u>23,098</u>
	<u>23,623</u>	<u>23,623</u>

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25 Restricted Reserves

	Group and LSTM		
	Permanent	Endowments	
	Restricted	Unrestricted	Total
	£000	£000	£000
At 1 August 2015 - Capital value	6,116	5,685	11,801
- Accumulated income	208	202	410
- Total	6,324	5,887	12,211
New endowments	1,000	-	1,000
Appreciation of endowment asset investments (realised)	99	82	181
Appreciation of endowment asset investments (unrealised)	(56)	118	62
Income for year	148	130	278
Transferred to Statement of Comprehensive Income	(162)	(130)	(292)
Capital expenditure	-	-	-
At 31 July 2016 - Capital value	7,158	5,885	13,043
- Accumulated income	195	202	397
- Total	7,353	6,087	13,440
Representing			
Fellowships and scholarships funds	4,782	-	4,782
Prizes funds	57	-	57
Other funds	2,514	6,087	8,601
Investments	7,353	6,087	13,440
Cash relating to endowments	455	977	1,432
Reserves	7,808	7,064	14,872

Of the restricted permanent endowments, £3,653,000 capital and £76,000 income relates to the William Hesketh Leverhulme Scholarship Trust. This is a subsidiary charity of LSTM.

Of the unrestricted permanent endowments, £4,855,000 capital and £202,000 income relates to the LSTM Professorial Endowment Funds. This is a subsidiary charity of LSTM.

	Group and LSTM		
	Permanent	Endowments	
	Restricted	Unrestricted	Total
	£000	£000	£000
At 1 August 2014 - Capital value	5,911	5,377	11,288
- Accumulated income	257	202	459
- Total	6,168	5,579	11,747
Appreciation of endowment asset investments (realised)	378	463	841
Appreciation of endowment asset investments (unrealised)	(172)	(155)	(327)
Income for year	129	106	235
Transferred to income and expenditure account	(179)	(106)	(285)
Capital expenditure	-	-	-
At 31 July 2015 - Capital value	6,116	5,685	11,801
- Accumulated income	208	202	410
- Total	6,324	5,887	12,211
Representing			
Fellowships and scholarships funds	5,408	-	5,408
Prizes funds	58	-	58
Other funds	858	5,887	6,745
Investments	6,324	5,887	12,211
Cash relating to endowments	242	906	1,148
Reserves	6,566	6,793	13,359

Of the restricted permanent endowments, £3,582,000 capital and £59,000 income relates to the William Hesketh Leverhulme Scholarship Trust. This is a subsidiary charity of LSTM.

Of the unrestricted permanent endowments, £4,683,000 capital and £202,000 income relates to the LSTM Professorial Endowment Funds. This is a subsidiary charity of LSTM.

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26 Cash and cash equivalents

	At 1 August 2015 £000	Cashflows £000	At 31 July 2016 £000
Group			
Cash in hand, and at bank	26,233	24,733	50,966
LSTM			
Cash in hand, and at bank	9,079	(790)	8,289

27 Pension and similar obligations

LSTM's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF) although a small number of staff belong to the National Health Service Superannuation Scheme (NHSSS). All schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. The total pension cost for the period was £2,653,000 (2015 : £2,420,000).

Universities Superannuation Scheme (USS)

LSTM participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The total cost charged to the Statement of Comprehensive Income is £2,235,000 (2015 : £1,969,000).

The latest triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

LSTM is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to LSTM's employees. In 2016, the percentage was 18% (2015 : 16%). LSTM is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102 accounts for the scheme as if it were a defined contribution scheme. The following disclosures reflect those relevant for the scheme as a whole.

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

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

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4% thereafter
Price inflation (CPI)	2.2%	2.2%

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

Male members' mortality	98% of S1NA ["light"] YoB tables - No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables - rated down 1 year

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

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

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Existing benefits	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 funding level	85%	82%

At 31 March 2014, USS had over 162,000 active members and at 31 July 2016, LSTM had 319 active members participating in the scheme (2015 : 306 members).

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

University of Liverpool Pension Fund (ULPF)

LSTM participates in the University of Liverpool Superannuation Scheme, (ULPF) a defined benefit scheme in the UK. The final salary section of the Fund is closed to new entrants with effect from 31 July 2011 and from 1 August 2011, new members are eligible to join the care section of the Fund. An actuarial valuation was carried out at 31 July 2012 and updated to 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 £223,000 (2015 : £226,000). The employer currently pays contributions at the rate of 13.4% of pensionable pay. Member contributions are payable in addition at the rate of 7.5% of pensionable pay for Final Salary members and 6.5% of pensionable pay for CARE members.

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 2.4% per annum (2015 :3.6%) and salary increases would be 3% per annum (2015 : 3.5%). The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £379.2m (2015 : £343.8m) and the value of the past service liabilities was £375.7m (2015 :£319.7m) leaving a surplus of £3.5m (2015 : £24.1m).

During the year, LSTM contributed to 67 employees within this scheme (2015 : 86 employees). There was a total of 1,689 active members in this scheme at 31 July 2016.

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 is reversed in the 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 £195,000 (2015 : £189,000), equivalent to 14.3% of Pensionable Salaries.

28 Post Balance Sheet Events

There are no post balance sheet events.

29 Contingent Asset

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

30 Contingent Liability

The Group received a capital grant of £1.5m from the Regional Growth Fund in connection with the construction of the Wolfson building. This grant has certain conditions with which the Group will need to comply in future periods. At this time the Group believes 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 Health I.P. Limited, IVCC and LSTM Consulting Limited. The aggregate amount outstanding under this agreement at the balance sheet date was £216,723 (2015 : £320,856).

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

31 Operating Lease Commitments

	Group Year ended 31 July 2016 £000	LSTM Year ended 31 July 2016 £000	Group Year ended 31 July 2015 £000	LSTM Year ended 31 July 2015 £000
Amounts due in less than one year	11	-	11	-
Amounts due between one and five years	1,647	1,600	2	-
Amounts due in more than 5 years	8,403	8,400	-	-
	10,061	10,000	13	-

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

32 Capital Commitments

	Group and LSTM	
	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
5% retention for Wolfson Building	233	-
Liverpool Life Sciences Accelerator building	2,400	-
Commitments contracted for at 31 July	2,633	-

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

33 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.

34 DFID Funding

Included within UK Central Government income (note 7) and implementation research consultancy (note 8) are the following DFID funded research projects, together with their income for the year:

	LSTM Year ended 31 July 2016 £000	LSTM Year ended 31 July 2015 £000
CNTD Global Programme Lymphatic Filariasis	3,803	5,071
EBSR	1,070	971
Health Systems Financing	-	1,176
ICOSA	-	1,003
ReBuild	887	-
Making It Happen Phase 2	2,151	3,040
Reducing Maternal & Neonatal Deaths in South Africa	325	1,166
Reducing Maternal & Neonatal Deaths in Kenya	1,793	1,880
HEART Call Down	-	24
OPM PEAKS Core Services	-	32
CouNTDown	1,178	492
	11,207	14,855

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

35 Impact of decision to leave the European Union

On June 23rd 2016 the UK voted to leave the European Union. The implications for organisations are in most cases not yet clear but following the referendum result LSTM will continue to review what the key implications and impacts are likely to be. 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

36 Adoption of new financial reporting framework

Effective for the year ended 31 July 2016 LSTM adopted Financial Reporting Standard 102 (FRS 102) as interpreted by the Statement of Recommended Practice (SORP) for Higher Education Institutions 2014. These financial statements are the first financial statements for which LSTM has applied this framework. Previously the School's consolidated financial statements were prepared under the SORP : Accounting for Higher Education Institutions 2007.

The accounting policies disclosed in note 4 of these consolidated financial statements have been applied consistently in preparing the consolidated financial statements as at and for the year ended 31 July 2016, the comparative information as at and for the year ended 31 July 2015 and in the preparation of an opening balance sheet as at 1 August 2014, LSTM's transition date.

The impact of the adoption of FRS 102 on accumulated operating surplus at the date of transition and comparative balances is presented below. These accounting changes have been applied retrospectively with restatement of prior periods.

(a) Transitional adjustments resulting from new accounting framework

Key adjustments to LSTM's consolidated financial statements resulting from the adoption of FRS 102 are as follows:

(i) Provision for pension deficits in defined benefit pension schemes

Previously LSTM was not required to provide for an obligation to fund past deficits relating to defined benefit pension schemes to which it contributes on behalf of employees. FRS 102 requires that where a defined benefit pension scheme is in a deficit position and the employer has committed to contribute to improve that deficit position, the amount committed to should be provided for.

(ii) Provision for holiday accrued but not taken

LSTM's vacation year is not aligned to the School's financial year. Previously the School was not required to provide for holiday accrued but not taken. FRS 102 requires costs of untaken holiday benefit to be recognised as a liability and as an expense. The expense is recognised in the period in which the employees services are received.

(iii) Elimination of the investment revaluation reserve

Previously LSTM has taken unrealised gains or losses on revaluation of investments to a revaluation reserve. FRS 102 requires that such gains or losses are taken to the Statement of Comprehensive Income in the year.

(iv) Non- government capital grant income shown in Statement of Comprehensive Income

Previously, LSTM deferred both governmental and non-governmental capital grants. The balance was released to income as costs were expended on capital projects. Under FRS 102 non-governmental capital grant income is accounted for under the performance model and is taken to the Statement of Comprehensive income in the year in which the performance conditions are met.

v) Movements on endowment reserves included in the Statement of Comprehensive Income

Under FRS 102 it is now required to show the movements on all reserves in the Statement of Comprehensive Income. This means that movements on endowment reserves are now included in the Statement of Comprehensive Income.

Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2016

36 Adoption of new financial reporting framework (continued)

(b) Statement of comprehensive income

(b) Statement of comprehensive income

Year ended 31 July 2015

Note

Group

Group

Group

LSTM

LSTM

LSTM

UK GAAP

Effect of

FRS 102

UK GAAP

Effect of

FRS 102

£'000

£'000

£'000

£'000

£'000

£'000

Income

Funding Council Grants

Tuition fees and education contracts

Research grants and contracts

Other income

Investment Income

Surplus on disposal of investments

Total Income before other grants & donations

Donations and Endowments

Total Income

Staff costs

Other operating expenses

Depreciation

Interest payable

Total expenditure

Surplus on continuing operations before other gains/(losses)

Unrealised surplus on revaluation of investments and endowments

Surplus on continuing operations before taxation

Taxation

Surplus/(deficit) for the year

Restricted endowment comprehensive income for the year

Unrestricted endowment comprehensive income for the year

Unrestricted comprehensive income for the year

Total comprehensive income in the year

1

2

3

4

5

6

7,739

2,898

43,491

18,391

251

2

72,772

294

73,066

22,229

46,559

1,110

-

69,898

3,168

-

3,167

-

-

3,167

-

-

3,167

3,167

(2,662)

505

2,901

(2,662)

239

-

-

-

338

-

-

338

129

467

3,459

179

-

77

3,715

(3,248)

586

(2,662)

-

(2,662)

147

168

(2,977)

(2,662)

7,739

2,898

43,491

18,729

251

2

73,110

423

73,533

25,688

46,738

1,110

77

73,613

(80)

586

506

(1)

505

147

168

190

505

7,739

2,898

34,463

16,033

254

2

61,389

294

61,683

20,324

37,356

1,102

-

58,782

2,901

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2,901

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61,727

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62,150

23,783

37,535

1,102

77

62,497

(347)

586

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239

147

168

(76)

239

Notes

- 1 Effect of taking non-government capital grants into the Statement of Comprehensive Income
- 2 Reflection of inclusion of restricted endowment income in the Statement of Comprehensive Income
- 3 Effect of providing for future payments which the school has committed to in respect of deficits on defined benefit pension plans (University of Liverpool Pension Fund and University Superannuation Scheme) and new holiday pay accrual
- 4 Net impact of transfer of gains and losses from endowment reserves to Statement of Comprehensive Income
- 5 Effect of unwinding discount from previous years in relation to providing for future payments in respect of deficits on defined benefit pension schemes
- 6 Unrealised gains and losses on revaluation of investments and endowments

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

36 Adoption of new financial reporting framework (continued)

(c) Balance Sheets

		Year ended 31 July 2015					
	Note	Group UK GAAP £'000	Group Effect of FRS 102 £'000	Group FRS 102 £'000	LSTM UK GAAP £'000	LSTM Effect of FRS 102 £'000	LSTM FRS 102 £'000
Fixed assets							
Tangible assets		47,079	-	47,079	46,772	-	46,772
Investments in subsidiaries		-	-	-	54	-	54
		47,079	-	47,079	46,826	-	46,826
Endowment assets	7	13,359	(13,359)	-	13,359	(13,359)	-
Current assets							
Stock		64	-	64	16	-	16
Debtors		12,800	-	12,800	12,234	-	12,234
Investments	1	12,509	12,010	24,519	12,509	12,010	24,519
Cash at bank and in hand	1	25,063	1,170	26,233	7,731	1,348	9,079
		50,436	13,180	63,616	32,490	13,358	45,848
Creditors: amounts falling due within one year	2	43,706	861	44,567	27,093	1,039	28,132
Net current assets		20,089	(1,040)	19,049	18,756	(1,040)	17,716
Total assets less current liabilities		67,168	(1 040)	66,128	65,582	(1 040)	64,542
Creditors : amounts falling due after one year	3	-	23,098	23,098	-	23,098	23,098
Provisions : Pension provisions	4	-	6,098	6,098	-	6,098	6,098
NET ASSETS		67,168	(30,236)	36,932	65,582	(30,236)	35,346
Deferred capital grants	5	32,501	(32,501)	-	32,501	(32,501)	-
Restricted Reserves							
Permanent Restricted endowments		6,566	-	6,566	6,566	-	6,566
Restricted General Reserve		6,793	-	6,793	6,793	-	6,793
		13,359	-	13,359	13,359	-	13,359
Unrestricted Reserves							
Permanent unrestricted endowments	6	1,282	(1,282)	-	1,282	(1,282)	-
Unrestricted General Reserve		20,026	3,547	23,573	18,440	3,547	21,987
		21,308	2,265	23,573	19,722	2,265	21,987
TOTAL FUNDS		67,168	(30,236)	36,932	65,582	(30,236)	35,346

Notes

- 1 Reclassification of cash from investments into cash where applicable and inclusion of pooled overdraft in cash balance from creditors
- 2 Creditors < 1 Yr increased by a) holiday pay accrual & b) short term element of deferred capital grants
- 3 Long term creditors separately classified and reflect long term portion of deferred capital grants
- 4 Provisions established for USS and ULPF defined benefit pension schemes where schemes are in deficit and LSTM has a commitment to make future payments.
- 5 Non-government capital grants moved to Statement of Comprehensive Income. Government capital grants moved to long and short term creditors
- 6 Revaluation reserve (relating to revaluation on investments) eliminated and moved to general reserve
- 7 Reanalysis of endowment assets; under FRS 102 they are included in investments

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2016

36 Adoption of new financial reporting framework (continued)

(c) Balance Sheets

	Note	At date of transition 1 August 2014					
		Group	Group	Group	LSTM	LSTM	LSTM
		UK GAAP	Effect of FRS 102	FRS 102	UK GAAP	Effect of FRS 102	FRS 102
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets							
Tangible assets		42,502	-	42,502	42,187	-	42,187
Investments in subsidiaries		-	-	-	54	-	54
		42,502	-	42,502	42,241	-	42,241
Endowment assets	7	12,895	(12,895)	-	12,895	(12,895)	-
Current assets							
Stock		57	-	57	17	-	17
Debtors		12,973	-	12,973	11,999	-	11,999
Investments	1	12,297	11,339	23,636	12,297	11,339	23,636
Cash at bank and in hand	1	19,120	1,521	20,641	7,152	1,556	8,708
		44,447	12,860	57,307	31,465	12,895	44,360
Creditors: amounts falling due within one year	2	38,318	944	39,262	26,395	979	27,374
Net current assets		19,024	(979)	18,045	17,965	(979)	16,986
Total assets less current liabilities		61,526	(979)	60,547	60,206	(979)	59,227
Creditors : amounts falling due after one year	3	-	21,678	21,678	-	21,678	21,678
Provisions : Pension provisions	4	-	2,591	2,591	-	2,591	2,591
NET ASSETS		61,526	(25,248)	36,278	60,206	(25,248)	34,958
Deferred capital grants	5	30,711	(30,711)	-	30,711	(30,711)	-
Restricted Reserves							
Permanent Restricted endowments		6,410	-	6,410	6,410	-	6,410
Restricted General Reserve		6,485	-	6,485	6,485	-	6,485
		12,895	-	12,895	12,895	-	12,895
Unrestricted Reserves							
Permanent unrestricted endowments	6	1,061	(1,061)	-	1,061	(1,061)	-
Unrestricted General Reserve		16,859	6,524	23,383	15,539	6,524	22,063
		17,920	5,463	23,383	16,600	5,463	22,063
TOTAL FUNDS		61,526	(25,248)	36,278	60,206	(25,248)	34,958

Notes

- 1 Reclassification of cash from investments into cash where applicable and inclusion of pooled overdraft in cash balance from creditors
- 2 Creditors < 1 Yr increased by a) holiday pay accrual & b) short term element of deferred capital grants
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