

# Financial Statements 2020/2021



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## Report to 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 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) on 19 July 2013. LSTM receives direct funding from the Office for Students (OfS) and UK Research and Innovation (including Research England).

### 2. Memorandum of Association

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

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

### 3. Statement of Public Benefit

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

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

### 4. Vision and Mission

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

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

### 5. Objectives

The year ending 31 July 2021 completes the 4th year of the LSTM strategic plan 2017-2023. This 6-year strategic plan to 31 July 2023 takes LSTM up to its 125th anniversary in 2023. LSTM continues to experience an ongoing transformation and growth. LSTM's success is dependent on the quality, commitment, and ability of its staff and a continuing favourable research climate for global health issues. Work on the development of the next strategic plan is now commencing, to be launched at the beginning of our anniversary year.

Undoubtedly COVID-19 has continued to impact LSTM, its subsidiaries and many of the communities, both overseas and in the UK, that we work with. LSTM, in partnership with the others in the Liverpool City Region, has mobilised the major concentration of infectious diseases expertise within the city to address the major research issues that COVID-19 poses globally. LSTM has had a central role in the response to COVID-19, extending from many staff working as clinicians to advice to governments. The LSTM COVID-19 multi-faceted response has brought researchers together from across all disciplines, such as pharmacologists, immunologists, clinicians and health systems researchers to work in partnership with multiple institutions and industrial organisations. This successful activity across the whole research pipeline, demonstrates the ability of the organisation to work flexibly and rapidly to changing circumstances which is critical to its success.

LSTM has had an exceptionally productive and stable cohort of senior academic and administrative staff leading the sustainable growth of the organisation over the last two decades. Further strategic appointments continue to enhance the exceptional research community within LSTM and will ensure that this momentum is maintained.

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

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

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

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

8. *Enable effective global partnerships with multiple stakeholders in teaching and research*

9. *Consolidate and enhance our relationships with major funders*

10. *Provide the environment that supports the above*

LSTM management undertakes regular monitoring and evaluation under the supervision of the Board of Trustees to ensure that the items are contemporary and are followed up each year. LSTM does not expect COVID-19 to impact the achievement of these goals and in fact, the Pandemic has played to LSTM's strength as a world leader in managing infectious diseases.

## Operating and Financial Review

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

LSTM continues to focus itself as a global leader in its field. Through the added strength and reach of its partnership working, both in the UK and overseas, our group turnover has achieved £210m in 2020/21 (£134m excluding gifts in kind). The organisation focuses on providing high quality scientific evidence and translating our scientific discovery into policies and practices and working collaboratively in over 70 countries to fulfil our mission of improving the health of the world's poorest people. Supporting the Sustainable Development Goals remains central to LSTM's mission.

LSTM is a centre of excellence in research and postgraduate teaching. Our multidisciplinary approach to global health research allows us to translate research innovation and scientific breakthroughs from laboratory research into effective interventions for those most in need, working in partnership with researchers and academic organisations in Low- and Middle-Income Countries. LSTM and IVCC's combined research portfolio has now reached £617 million and staff numbers and the estate continue to grow, without accessing any borrowing.

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

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

LSTM has always had a strong translational element to its activities and translational research is well embedded in many parts of LSTM, including within its subsidiary IVCC. Our focus continues in this area to ensure our activities are

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

LSTM continues to grow and develop its postgraduate and CPD courses to meet the needs of our academic community. A new Global Health MSc programme complements globally renowned courses in tropical and infectious diseases and helps to achieve our aim of providing high quality education for medical, public health and humanitarian students and professionals. The forced rapid and successful development of online platforms has enabled LSTM to provide a blended learning approach to meet the flexible demand for the course, which during the pandemic, has provided a strong platform.

Despite being an international organisation, a local focus is essential for the continued growth and health of LSTM. Multi-sectoral partnerships have been strengthened; LSTM engages successfully with the largest number of funders and industrial partners and is a key player in the local Knowledge Quarter initiative and Liverpool Health Partners. The new Liverpool University Hospitals NHS Foundation Trust is a key partner and there are growing and strong relationships with Liverpool City, Liverpool City Region, the Liverpool Combined Authority and the innovation network within the North West.

LSTM submitted its first full submission as an independent HEI to the Research Excellence Framework (REF) 2021 in March 2021. Despite the challenges of a global pandemic, a high quality submission was achieved, testament to the commitment and support of all involved. Outcomes of REF will not be available until March 2022 but LSTM is aiming to improve upon the results achieved from the 2014 return where LSTM took overall 24th place out of 128 institutions and 6th place out of 128 on impact according to the Times Higher Education (THE) analysis.

LSTM has continued to support and review its approach to equity and inclusion throughout 2020/21, working at dismantling barriers to inclusion and progression, creating an inclusive environment and reviewing our historical and cultural impact from our approaches to education and research. LSTM also recognises its role in safeguarding and protecting beneficiaries, research participants, patients and communities with whom we have contact through our work and in protecting any vulnerable staff, students, volunteers and other representatives. A tremendous amount of progress has been made in this area during the year and LSTM, IVCC and the rest of the Group now has a designated safeguarding officer who is the first point of contact for safeguarding enquiries or for raising concerns. We endorse and support the principles of the Universal Declaration of Human Rights, (UN, 1948); the UN Convention on the Rights of The Child, (UNICEF, 1989); the Declaration on the Elimination of Violence Against Women, (UN, 1993) and the UN Global Compact (UN, 1997).

## 7. Financial Performance

### Principal Risks and Uncertainties

The full scope of principal risks is monitored and mitigated within the institution's risk register and include measured and mitigated risk around sources of income, particularly: Financial growth targets, student numbers/income, grant income overhead contribution and over dependency on specific funders/major clients, and the impact of Brexit and COVID-19.

Other key financial risks include the following:

- Liability to finance the deficit on the University Superannuation Scheme (USS):** On 1st October 2021 the latest valuation of the scheme (the 2020 valuation) was signed and approved. This has been disclosed in these financial statements as a post balance sheet event. Under the new valuation there is a considerable increase in the deficit provision that LSTM will be required to make for the coming year. It is anticipated there will be considerable discussion in the sector about the ability of HELs to manage these increased liabilities. This increase is offset by the requirement to repay the deficit over 17 years. As a result of LSTM's strong balance sheet and its significant cash and investments reserves, there is no immediate concern over LSTM's ability to fund increased repayments as a result of the latest valuation.
- Exposure to foreign exchange fluctuations on US\$ or Euro denominated grant income:** this is mitigated through hedging receipts in US\$ and Euros through forward exchange contracts.
- Brexit:** Following the UK's changed relationship with the EU effective 1 January 2021 LSTM is monitoring the impact this is having on operations and costs. The main impact to date has been on an increase in paperwork, and LSTM has also seen an increase in construction costs in particular, but this is likely also a factor of the pandemic.
- Failure to maintain the pipeline of research grants and consultancy:** Research grants and consultancy income of £106.2m (excluding gifts in kind, see notes 7 and 8) is 9.7% higher than in 2019/20, reflecting a recovery following a small decline in 2019/20 primarily due to the pandemic. This income represents 79.9% of the total LSTM Group income (excluding gifts in kind) of £132.9m. The principal risk to research income growth is the accessibility and success of research grant applications and this is mitigated through risk monitoring. Brexit has not had the feared impact of accessibility to EU grants and LSTM has been able to apply for EU funding. LSTM has demonstrated success in applying for COVID-19 grants since the pandemic started, and this can only help in increasing LSTM's prominence and reputation in this field. The unexpended balance of live grants and applications at 31 July 2021 was £250m and the application pipeline was £105m, compared to £276m and £118m respectively at 31 July 2020.
- Research turnover growth:** This is fundamental to the organisation with a target to increase income by over 30% (excluding subsidiary companies) within the strategic plan period ending in 2022/23. Sensitivity analysis shows that a reduction of 20% on the turnover from major funders has little effect on the bottom line of LSTM if sensibly managed due to a related reduction in expenses. However, any significant

change in funding policy from LSTM's major donors could have a major effect in the longer term. Following a small drop in 2019/20 due to COVID-19, research turnover growth continued to grow during 2020/21.

- Improvement to the research infrastructure:** This is perceived as a direct contributor to the quality and timescale for achieving high quality scientific results and attracting additional funding to LSTM. In fact, quality of facilities separates LSTM from other UK institutions and contextualises LSTM as a global player. Investment in laboratories is fully supported by the Board of Trustees and in 2020/21 LSTM invested £1.2m in new laboratory based cutting edge equipment. This investment is enabled by the generation of surpluses and capital funding from Research England/Office for Students, the Wolfson Foundation and others.

### Financial Performance in the year

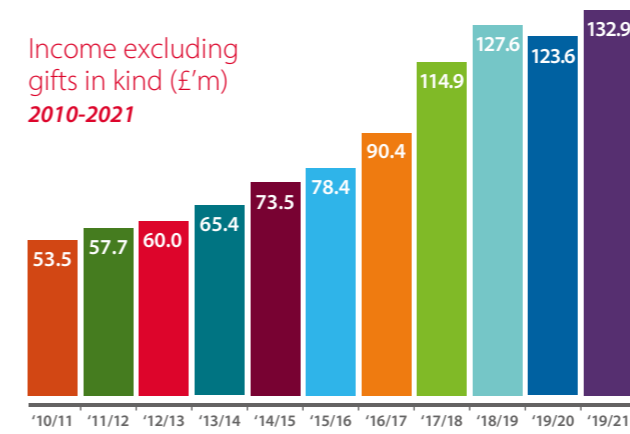
LSTM Group has reported total comprehensive income of £6.7m (2020: £9.7m surplus). The surplus in the previous year was primarily due to a credit of £12.6m to decrease the Universities Superannuation Scheme (USS) pension deficit provision based on the 2018 scheme valuation. In the current year, there has been only a negligible movement on the USS pension provision, but since the financial year end the 2020 valuation has been signed and the impact of this is reflected in these financial statements as a post balance sheet event. In addition the surplus reflects £3.0m additional Research England COVID-19 funding and a £1.9m net unrealised revaluation of investments and endowments as markets bounced back after the initial impacts of the start of the COVID-19 pandemic.

These financial statements report the results of LSTM's activities for the year ended 31 July 2021 and have been produced in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (2019 SORP) and in accordance with Financial Reporting Standards (FRS102). The results for the year include a number of accounting entries which influence the final comprehensive income of £6.7m in 2020/21. Stripping out these adjustments LSTM made an underlying operating surplus of £2.7m in the year, and the Group an operating surplus of £4.4m in the year, as shown in the table below.

	LSTM	Group
	£'000	£'000
<b>Total comprehensive income for the year</b>	<b>5,665</b>	<b>6,718</b>
USS pension deficit funding credit	(52)	(52)
Unrealised gain on revaluation of investments and endowments	(2,438)	(1,857)
Foreign exchange movements in relation to hedged currencies	(459)	(459)
<b>Underlying operating surplus for the year</b>	<b>2,716</b>	<b>4,350</b>

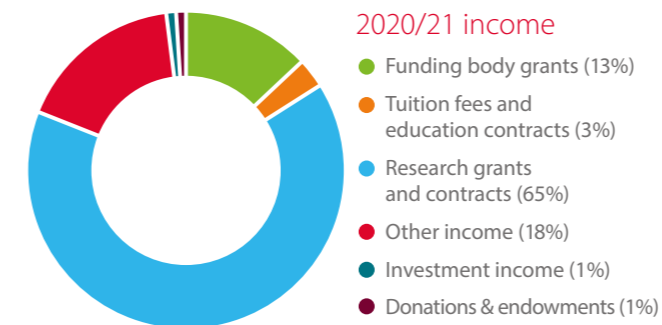
### Income

LSTM's reported group income fell by 7.8% in the year but excluding gift in kind income (which decreased by 26%) income actually increased by 7.6%.



The main contributing factors to the increase in income are:

- An increase in income from research grants and contracts, excluding gifts in kind (12% and 15% higher in LSTM and Group respectively). This is partly due to a catch up from the prior year due to the impact of COVID-19, which delayed activity on some projects during the last 4 months of last year.
- A 20% increase in funding body grants, primarily related to an additional grant of £3m from Research England, for specialist institution status.
- Higher endowment and donation income was offset by a reduction in other income, primarily related to lower Well Travelled Clinic (WTC) activity.



### Operating expenditure

LSTM's and the Group's reported total operating expenditure fell by 6% and 5% respectively (excluding gifts in kind expenses rose by 24% and 15% respectively), again a "bounce back" after the COVID-19 impact in 2019/20. The main elements of the change in operating expenditure are:

- The prior year reflected the release of £12.6m in relation to the USS Pension deficit provision, the movement on the provision is negligible in 2020/21.
- An increase in LSTM and Group other operating expenses (excluding gifts in kind), largely reflecting the increase in research activity/income.

### Capital expenditure

Capital investment expenditure for the year was £2.4m (2020: £0.7m). Of this total, the largest components were building projects, IT capital projects and research equipment.

LSTM is currently investing in 2 large building projects – in Liverpool the development of Pembroke House as a bespoke teaching and learning space, and in Malawi, the Creator building, a research development working in partnership with Wellcome Trust and the University of Liverpool. The buildings are due to be completed in 2022 and 2023 respectively.

These investments have been funded through capital grants from Research England and OfS and internal funding and exclude other grant funded purchases bought as part of ongoing research projects.

### Cash flow, financing and balance sheet

During the year LSTM generated net cash inflows from operating activities of £13.0m (2020: £4.2m outflow). These net inflows reflect mainly:

- A £6.8m increase in creditors, reflecting increased research activity
- The £5.7m surplus for the year

There was also a £8.0m inflow following transfer of investments to a subsidiary.

The net overall change in cash for LSTM for the year was an inflow of £19.0m (2020: £0.1m inflow).

Group net cash inflows from operating activities was £19.3m (2020: £15.2m outflow). The inflow is primarily a result of working capital movements, particularly a large decrease in debtors in IVCC and an increase in creditors. The outflow from investing activities of £13.0m (2020: £8.5m inflow) largely reflects reinvestment of surplus cash in investments following a more cautious approach in the prior year during the start of the COVID-19 pandemic.

The overall net change in cash for the year for the Group was an inflow of £5.9m (2020: £7.1m outflow).

Cash and cash equivalents at the year-end were £52.2m, representing 5 months of total operating expenditure (excluding pension provision movement, depreciation and gifts in kind expense). The majority of this cash represents research project working capital and is therefore not available for non-research operational or capital investment purposes.

Total Group net assets increased by £6.7m from £48.6m to £55.3m. This increase was principally driven by the operating surplus in the year and unrealised gains on investments and endowments.

Group Investments and endowments increased by £16.7m in the year due to reinvestment of cash following sales of some investment assets in the prior year and due to the rebound in market valuations from the relative low level at July 2020 early on in the pandemic.

Group Creditors due within one year increased by £7.3m, following the decrease in the prior year which reflected a catch up of expenditure with partners on research grants after previous large grant receipts in advance.

### Key Performance Indicators

To measure performance and progress against the 6 year strategic plan LSTM uses a range of key performance indicators (KPIs), some of which are also part of LSTM's statutory reporting to Office for Students (OfS).

*Underlying operating surplus/(deficit) in the year*

£'000	2020 /21	2019 /20	2018 /19	2017 /18	2016 /17
Underlying operating surplus/(deficit)	4,350	(428)	3,882	4,392	1,827

LSTM monitors the underlying operating surplus or deficit after excluding accounting entries, as calculated earlier. Having achieved surpluses the last few years, 2019/20's results were negatively impacted by COVID-19. In 2020/21 activity has largely been able to resume and LSTM has also benefitted from £3m of exceptional funding from Research England.

*Overall financial health*

%	2020 /21	2019 /20	2018 /19	2017 /18	2016 /17
General reserves as a % of income (excluding gifts in kind)	20.8%	20.4%	12.6%	26.7%	29.5%

In recent years general reserves have been impacted by movements on the USS pension provision in particular. However, general reserves have remained strong over the last few years, under-pinned by a strong balance sheet.

*Research income growth*

£'m/%	2020 /21	2019 /20	2018 /19	2017 /18	2016 /17
Research & consultancy income £'m (excluding gifts in kind)	106.2	96.9	100.9	93.2	71.1
% change	9.6%	-3.9%	8.2%	31.1%	18.5%

### 8. Student Numbers

LSTM's Education revenue is directly linked to the number of postgraduate taught and postgraduate research students recruited each academic year. In 2020/21, 87 home, 12 EU students and 42 overseas students (total of 141) attended the School's Masters programmes. This represents an overall 12% increase in student numbers from the previous year of 125 students. The increase is due to several factors: increased demand from the intercalating Home market to study LSTM related programmes during the COVID-19 pandemic as well as heightened interest and capacity by students to study LSTM's topical programmes amidst a global pandemic.

LSTM also teaches three professional diplomas, the Diploma in Tropical Medicine and Hygiene (DTMH), Diploma in Tropical Nursing (DTN), and Diploma in Travel Health (DTH). Whilst these programmes are not credit bearing, like the Masters programmes, DTMH and DTN do attract Office for Students (OfS) funding. In 2020/21 a total of 112 students studied on these programmes comprising 82 Home, 21 EU and 9 Overseas. This does represent a 36% decrease in numbers from 2019/20 where we had 174 students.

The decrease is directly attributable to COVID-19 as we had to cap student numbers due to social distancing restrictions. Furthermore, as these are clinical programmes, many of the intended participants of the programmes were directly involved in the COVID-19 response and needed to defer their study due to professional commitments as well as travel related restrictions for overseas students. In spite of all the COVID-19 challenges for these markets, we have managed to run successful cohorts of students, albeit with reduced capacity. Participants on these programmes have expressed appreciation to LSTM for running these programmes and adapting the delivery model where necessary to accommodate COVID-19 related challenges.

LSTM also delivers a portfolio of non-credit bearing short CPD courses that do not attract OfS funding. Due to the COVID-19 pandemic and space limitations on our campus, we were unable to offer these programmes with the exception of several students who were deferred from a previous year. International students were unable to travel to the UK for a short period of time due to COVID-19 but in previous years, these short and intensive campus-based programmes were very popular with students. We therefore had a total of 11 students on these types of programmes compared to 128 in 2019/20.

In 2020/21, 136 students were enrolled on postgraduate research degrees (PhD, MPhil and MD) with 69 students registered off site. LSTM's track record in supporting PGR candidates has translated into success in the latest competition for MRC DTP/CASE studentships and has supported the award of other funded programmes with embedded PGR studentships (ARISE, LIGHT, NIHR HPRU, AMETHIST). Over the course of the year, 23 have successfully completed or are expected to complete a research degree.

### 9. Curriculum Developments

The new curriculum will place emphasis on scenario and simulation-led approaches that use real-world data and more immersive experiences that create more authentic contexts for learning. These will help students to learn how to deal with pressure, cope with complexity and change, and make difficult decisions in the context of ethical or moral challenges. To achieve this a newly established working group will identify scenarios to be designed into the curriculum with the intention that they will be augmented with infield video footage to bring authenticity to the learning experience. In support of the new educational approaches a specialist "Immersive Learning Environment" is being designed into one of the learning spaces in Pembroke House. This learning space will not only enable students to experience the sights and sounds of real world situations but also interact with the environment which can be targeted to develop key skills such as high pressure design making.

The development of Pembroke House will also play an important role in supporting LSTM's wider strategic vision for Education by enabling effective global partnerships with multiple stakeholders in teaching and research through high quality collaborative and interactive online learning. Each of the technologically advanced learning spaces has a slightly different focus to enable a rich mix of pedagogical approaches whilst taking into consideration the needs of our global partners.

Currently, a five-year PGR development plan has been drafted which includes an increased training and mentoring offer to students and supervisors, review of existing programmes

and delivery of new integrated MPhil- PhD and MRes-PhD programmes, and increased support and engagement with off-site students and supervisors. These activities are required to ensure that LSTM delivers an outstanding student experience with enhanced support for supervisors both on-site and off-site. It is anticipated that an improved student experience will result in LSTM attracting high-quality students in higher numbers both on- and off-site.

### 10. Staff and Student Involvement

An e-newsletter is regularly distributed to all members of staff. Monthly Staff Forum meetings are held at which management reports any significant developments within LSTM. Staff representatives nominated through the Staff Forum sit on the School's Management Committee and there is a student representative on the Board of Trustees. In the Education department, Town Hall meetings are held regularly so that the Education management team can report and teams from within the Department can present on current projects.

Our Student Representation system is thriving. There are two elected student representatives for each Masters and Diploma programme, who are trained at the start of their role to run regular focus groups with the students, lead on the Staff Student Liaison Committee and sit on the Boards of Studies. Their feedback, alongside the module questionnaires, also feed into the Annual Programme Monitoring as part of our quality assurance procedures. Separately, two student representatives sit on the Quality Management Committee, which oversees the quality assurance of LSTM's taught provision. More widely, we have student representation on the Equality and Inclusion Committee and are advertising for a role on the Health and Safety Oversight Committee. Students have also been engaged in discussions and focus groups around Pembroke House and teaching space development. All teaching staff are encouraged to have an 'open door' policy for students and we promote the Freedom to Speak up System so that students can contact us anonymously about concerns.

### 11. Fundraising

#### Approach to fundraising

Our fundraising efforts are predominantly focused on relationship-based fundraising with trusts, foundations, corporates, high net worth and ultra-high net worth individuals. However, a substantial part of our income in 2020/21 has come through a major public fundraising initiative, Bump It Forward, which was run via JustGiving. This initiative was launched in response to a request from LSTM staff in Sub Saharan Africa and has raised more than £230,000 from 4,700 donors, the majority of whom are new supporters of LSTM.

For major donors, we undertake detailed due diligence which is overseen by the Management Committee and the Trustees. High risk or high value donations are referred to the Trustees for a decision, ensuring that we manage risk as much as possible. External due diligence is commissioned in the cases of any significantly high value or contentious approaches.

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

Alumni and friends who have been asked for funding this year had all opted in to receiving fundraising communications. Public donors via the Bump It Forward campaign were able to select communication preferences via JustGiving and so only those who had opted in to receiving contact from LSTM have been added to the database.

A new CRM system will be implemented in 2021/22 to enable better management of supporter and stakeholder relationships across LSTM. Donor data will have protected viewing rights restricted to the Fundraising team and a Data Protection Impact Assessment has been completed. All data subjects will be informed before their data is moved onto the new system and will have the option to change their personal preferences or be removed.

LSTM is undertaking a major fundraising campaign in the lead up to, and including, its 125th Anniversary in 2023. This will target the public and the major donor categories highlighted above with income strategically aligned to LSTM's vision for growth. This will ensure consistency in approaches to all donors. The campaign aims to raise £25m in philanthropic funding over the next 5-7 years. An external Campaign Board is being established to help support and oversee the fundraising strategy.

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

Over the last year, we have engaged a consultancy firm to support the creation of a fundraising case for a support and brand toolkit, reflecting the institutional vision. We plan to continue their engagement for a further six months to support the successful launch of the campaign. The consultants reported to the Director of Fundraising on a regular basis and worked to pre-agreed Terms of Reference and specific aims, under the guidance of LSTM's Ethical Fundraising Policy.

#### Fundraising conforming to recognised standards

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

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

We don't currently actively encourage volunteer fundraising on behalf of LSTM but do occasionally have a number of individuals who wish to undertake sponsorship events on our behalf. Several of the Trustees have been very supportive in engaging their contacts on behalf of LSTM and it is anticipated that this will expand to involve the new Campaign Board, when appointed. In all these cases, the leads are passed on to the Fundraising team and we liaise with the individuals involved, and ensure that donations can be collected in a secure and compliant way.

#### Fundraising complaints

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

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

LSTM does not currently undertake any public (cold/non-opt-in) campaigns utilising telephone, door-to-door or 'chugging' (street fundraising). Any mass-participation fundraising campaigns are marketed through reputable platforms such as JustGiving and Crowdfunder.co.uk or via direct communication with individuals who have opted in to receive such communications. Contacts who have opted in to receive fundraising communications may be included in email or direct mail campaigns, based on their communications preferences.

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

## 12. Taxation

LSTM's activities do not fall to be charged to corporation tax, given that income and gains are applied for and used exclusively for charitable purposes. LSTM's subsidiaries fall under the scope of corporation tax, except for IVCC, which has charity status. Due to the continued growth of LSTM, a tax strategy is updated and issued annually (available on the website). HMRC have changed their method of operations and LSTM no longer have an appointed customer compliance manager within HMRC. However, LSTM continue to comply with all relevant regulations and to contact HMRC as relevant on specific issues.

## 13. Employment of Disabled Persons

LSTM welcomes applications for employment from disabled persons and appoints on the basis of merit alone. The organisation works to the social model of disability and provides adjustments and additional support in the workplace so that all staff can operate effectively in their roles. We work to ensure all staff have opportunities for progression and development. Where an existing employee becomes disabled, every effort is made to ensure that the necessary support mechanisms are put in place to assist continued employment. We are currently reviewing our support for applicants and employees with disabilities and developing an Adjustment Passport to provide assurance and clarity for colleagues with reasonable adjustments when transitioning roles or line managers, as well as working to establish a Staff with Disabilities Network.

## 14. Disability Statement

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

We have committed to accepting the accessibility regulations as good practice, and as part of our commitment to the Public Sector Equality Duty. We are working on ensuring that our external pages are all accessible and are building capacity to ensure that internal documents are all checked for accessibility

before publication, including mandating that all policies are accessibility-checked prior to publication.

## 15. Equality at LSTM

LSTM's vision is based on fostering an inclusive culture for staff and students which goes above and beyond the specific legal responsibilities we have towards those employees with protected characteristics. We are in the process of developing our Inclusion Strategy with both leadership and grassroots engagement, which will establish our guiding objectives and approaches for the period 2021-2024. We are changing our language from discussion of 'equality and diversity' to 'equity and inclusion', to shift the focus towards differentiating support for colleagues and students who may face more barriers to inclusion than others. We are transforming our Equality Impact Assessment process to ensure that policymakers are considering equity impacts at the initial stages of designing their policy and encouraging substantial stakeholder engagement to ensure that a wide variety of perspectives are embedded into policy development. Social mobility questions are being added to HR's staff and student data collection process as part of understanding and improving our diversity demographic

We are developing our training programme, with a focus on becoming a more inclusive organisation – this includes updating our Race in the Workplace training module, and also active bystander and microaggression training, which will be led by an external expert and be provided to all staff across LSTM.

### Gender Equity

Athena SWAN is a charter mark for Higher Education Institutions, aimed at progressing gender equality within academia and academic institutions. We have an active Athena SWAN Self-Assessment team, representative of a diverse range of roles and seniority from across LSTM, who are responsible for looking at barriers to gender equality at LSTM; we currently hold a bronze award and we are preparing a submission for the silver award by April 2022. The assessment will also look at the intersectionality of gender with other protected characteristics, such as ethnicity, and provide an action plan that LSTM will look to progress over the next few years.

We have published our mandatory Gender Pay Gap (GPG) report (March 2021), and also opted to analyse our Ethnicity Pay Gap, which is not currently a statutory requirement, with targeted actions to reduce our Gender Pay Gap. Actions to address the Ethnicity Pay Gap are more complex (the gaps do not show clear trends), and will form part of our race equity review and action planning. Gender Pay Gaps are generally reported a year later than the snapshot date on which the relevant data is collected (31st March each year), and we have sought this year to report more proactively – therefore this year LSTM is publishing two Gender and Ethnicity Pay Gap reports.

Our Gender Pay Gap (median) has reduced from 13.4% (2018) to 11.1% in 2020 (reported in Spring 2021) and at the time of writing we are also publishing our second Gender and Ethnicity Pay Gap report (2021-22), which relates to data from a snapshot date of 31st March 2021 and shows a further reduction of the median gender pay gap to 8.7%. We have established a target for us to lower our median gap to 5.55% or less by 2026, and eliminate the gap in its entirety by 2028 – a target we are well on track to achieve. Our key actions to address the gap are to increase male recruitment into our lower-graded roles, and

to improve the proportion of female employees in our fourth (highest) quartile.

We are reviewing our support for students and staff who may experience sexual harassment and ensuring that our offer is in line with the recent recommendations from the recent Office for Students Statement of Expectations – this is sitting with our Safeguarding Oversight Committee, with input from our Equity & Inclusion Committee as required.

### Race Equity

Our BAME Staff Network is active and has a representative on the School Equity & Inclusion Committee. We have developed an internal Race Equity Advisory Panel (REAP), in collaboration with the Network, which is tasked with identifying areas of activity with regard to race inequity within LSTM. The REAP have commissioned an external consultant who will be working with LSTM to identify barriers to inclusion for minoritised ethnic colleagues and students, and a focused action plan which will provide us with initiatives and actions to become a leading anti-racist Higher Education Institution.

### LGBTQ+ Equity

Our LGBTQ+ Staff and Student network have a representative on our Equity & Inclusion Committee, and LSTM has signed up to the Stonewall Global Diversity Champions charter. This will support us in our work to ensure that our LGBTQ+ staff and students are as safe as possible whilst travelling overseas (particularly relevant for many of the countries that LSTM currently works in), and in developing our Trans Equality policy and support for managers of colleagues who are transitioning.

## 16. Transparency Arrangements

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

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

## 17. Planned Maintenance Programme

LSTM's management, through the Building Steering Group, review the funding available for maintenance and identify an appropriate budget to deliver a prioritised planned maintenance programme for the year. All buildings are maintained to a high standard and LSTM scores highly in the sector in this regard.

## 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. "Brexit"

On 23 June 2016 the UK voted to leave the European Union. In January 2020 the EU and the UK reached an agreement on their new partnership, and these new rules took effect from 1st January 2021. With 10 months experience the key issues impacting LSTM to date have been as follows :

- *More complex import documentation, with small increases in costs*
- *Added complexity to employing EU staff*
- *Increased difficulty attracting EU students and staff*
- *Availability of consumables and associated price increases*

However, the following concerns have not at this time materialised : increased currency volatility; decline in stock markets; decline in general macro-economic position and consumer confidence; GDPR data risks

## 20. Post balance sheet events

The ongoing impact on the Group from the COVID-19 pandemic has been considered by the Trustees and there are no related adjusting or non-adjusting events since 31 July 2021.

The financial statements include a pension provision of £9,206,000. This balance, and the £52,000 credit in the year, are based on a mandated calculation used across the sector. Subsequently, on 1st October 2021, the Universities Superannuation Scheme (USS) 2020 valuation was signed and filed with The Pensions Regulator, effective this date. HEIs have been issued with a revised calculation model and the revised provision is disclosed as a post balance sheet event in note 39 to the financial statements. The revised calculation would result in an increase in expense in relation to the provision of £23,958,000 and would increase the provision to £33,164,000. The provision is to be paid out over the next 17 years.

## 21. Professional Advisers

LSTM's current professional advisors are:

### Financial Statement & Funding Auditors:

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

### Bankers:

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

### Internal Auditors:

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

### Solicitors:

Brabners LLP  
Exchange Flags, Liverpool, L2 3YL

## 22. Members

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

Name	Date of appointment retirement* re-appointment **	Status of appointment	Capacity and Committees Served
Jim McKenna	November 2020 As Trustee and as Chair from February 2021	Elected	<b>Chair of the Board of Trustees</b> Nominations & Governance Remuneration Finance & Investment
Sue Russell LLB (Hons)	November 2019** Elected Vice Chair November 2019 then Acting Chair of LSTM March -November 2020	Elected	<b>Joint Vice Chair of the Board of Trustees</b> <b>Chair of Audit</b> Nominations & Governance Remuneration
John O'Brien, B.Comm, FCA	November 2020**	Elected	<b>Hon Treasurer</b> Chair of Finance & Investment Nominations & Governance Remuneration
Professor David Laloo MB, BS, MD, FRCP, FRCM, RCPS (Glasg)	January 2019	Ex Officio/staff	<b>Director of LSTM</b> Nominations & Governance Finance & Investment
Mark Allanson	November 2019**	Elected	Trustee Remuneration
Joanne Dodd BA ACA	August 2019	Elected	Trustee Deputy Treasurer Finance & Investment
Lynne Elliott MPhil MBA PGCE BSc (Hons)	August 2020	Elected	Student Trustee
Jeremy Lefroy MP	November 2018** November 2019 elected Vice Chair	Elected	<b>Joint Vice Chair of the Board of Trustees</b> IVCC Board Member
Dr Julian Lob-Levyt CBE	November 2018**	Elected	Trustee Remuneration
Prof Nyovani Madise	August 2019	Elected	Trustee
Eileen Thornton, CBE, MEd, BA, FCSP, DipTP	November 2020** Interim Chair of Audit Committee March 2020 to November 2020	Elected	Trustee Audit Committee
Professor Stephen Ward BSc, PhD	November 2018**	Ex Officio / staff	Deputy Director of LSTM
Andrew Wright	March 2019	Elected	Trustee
Robert Einion Holland FCCA, MBA	June 2001	Non- member	Secretary to the Board

## 23. Statement of Corporate Governance and Internal Controls

The Liverpool School of Tropical Medicine is a company limited by guarantee and currently has 63 members, 12 of whom make up the Board of Trustees. Members meet at the Annual General Meeting where they elect the Board of Trustees, effectively the company board of directors. It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

LSTM operates under the following principal governance arrangements:

- LSTM Memorandum and Articles of Association, incorporating the instrument and articles of government.
- Committee of University Chairs – The Higher Education Code of Governance September 2020
- UK Charity Legislation
- Equality Challenge Unit – Governing bodies, Equality and Diversity and the Equality Act 2010.

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

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

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

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 and Clerk who are responsible to the Board of Trustees for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Secretary are matters for the Board of Trustees as a whole. Formal agendas, papers and reports are supplied to members in a timely manner prior to Board meetings. Briefings are also supplied on an ad-hoc basis.

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

responsibility in that the roles of the Chair, Deputy Chairs, and Director are separate.

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

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

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

### Appointments to the Board of Trustees

Any new appointments to the Board are a matter for consideration of the Board as a whole. The Board of Trustees has a Nominations & Governance Committee comprised of 4 members which is responsible for the selection and nomination of any new member for the Board's consideration. Ahead of, and during appointment, it is incumbent upon LSTM to ensure that "fit and proper persons" checks are in place to notify LSTM and the Chair of the Board of Trustees if there are any declarations that may require intervention.

Members of the Board of Trustees are appointed for a term of office of three years. Retiring Trustees shall be eligible for re-election subject to paragraph 5.5, 5.5.1 and paragraph 5.5.2 of the Articles (November 2017).

The Board of Trustees appoint four members as "Board Champions" who have career experience in Equality and Inclusion, PREVENT duty, GDPR and Safeguarding and these act as conduits across the organisation and lead on engagement activity. The Board is responsible for ensuring that appropriate training is provided as required to its members.

Members are expected to promote LSTM's values and protect its reputation by discharging their duties and principles as set out in the code of conduct. The code of conduct provides clear guidance on what is expected of staff, students, volunteers, trustees and other representatives, as well as providing examples of conduct that will always be unacceptable.

### Patron

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

### President & Vice-Presidents

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

### Audit Committee

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

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

LSTM's internal auditor team provide LSTM with independent advice and assurance in regard to the adequacy of systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of the agreed recommendations and internal auditors undertake periodic follow up reviews. LSTM is able to ensure that such recommendations have been implemented. Management actions are reported to Management Committee alongside a summary of all reports received. The Audit Committee also advises the Board of Trustees on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

### Finance and Investment Committee

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

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

### Remuneration Committee

Throughout the year ended 31 July 2021, LSTM's Remuneration Committee comprised the Chairman, Treasurer, and 2 other Board members. The Committee's responsibility is to review the remuneration policy for all staff and to make recommendations on the remuneration and benefits of the Director and other senior members of staff in LSTM.

### Internal Control

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

The Board of Trustees has delegated to the Director of LSTM as Accountable Officer, the day-to-day responsibility for

reviewing the adequacy of the system of internal control and making any appropriate amendments. The Director is also responsible for reporting to the Board any material weaknesses or breakdowns in internal financial control.

The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing LSTM's significant risks that have been in place and operational for the year ended 31 July 2021. The Board regularly review this risk framework and the approach to internal control is risk-based. The process continues to be embedded with the adoption of a prioritised corporate risk register to include timescales and responsible officers. The process is now embedded within all levels of LSTM and covers business, operational, compliance and financial risk procedures.

### Value for Money

LSTM strives to apply value for money considerations to all its processes and activities, and this is supported by strong awareness and vigilance across the senior management team. The Audit Committee receives an annual report on LSTM's value for money activity from a dedicated committee established several years' ago. The committee is made up from a cross section of the organisation. In addition, each internal audit review undertaken and submitted to the Audit Committee makes specific observations and judgements concerning the value for money demonstrated. The report for the year ended 31 July 2021 detailed the progress made against the 7 Value for money objectives for the year and sets out the objectives for the year to 31 July 2022.

### 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.

The ongoing impact of COVID-19 upon the sector and in the areas of business continuity and disruption has led to the Board seeking increased review and assurance of its key strategic risks. The Board's assurance oversight and increased access to strategic risk reviews provides insight into the response from the Management team to the outbreak of COVID-19. The Board has been provided with assurance of enhanced internal management controls around business continuity and recovery and it continues to mitigate COVID-19 impact through its Management Team, where response and recovery planning provide further assurance to the Board that responsible and timely management of stakeholder funding and investment continues to support sustainable operations.

### Statement by the Trustees on performance of their statutory duties in accordance with S172(1) of the Companies Act 2006

The Board of Trustees of LSTM consider, both individually and collectively, that they have acted in ways that they believe in good faith to be most likely to promote the success of the Group for the benefits of its members as a whole (having regard to the stakeholders and other matters set out in s172(1) of the Act) in the decisions they made during the year ended 31 July 2021.

The LSTM Board of Trustees comprises largely non-executive members, with three executive directors and a student representative. There are 3 full board meetings each year plus meetings of several sub-committees, which are also attended by various senior staff. The AGM is open to all staff and students.

Other than the executive members of the Board, trustees are not remunerated, and they join the LSTM Board to contribute their skill and expertise to help LSTM to achieve its vision and mission, as detailed in section 4 of this report. The Board of Trustees has a terms of reference that is reviewed annually and Board members receive regular external training on the duties of trustees of a charity. There is also a code of conduct and members are required to declare any conflicts of interest at every meeting.

The Board's key stakeholders have been identified as the following :

- Members
- Students
- Employees
- Funders
- Local, national and international governments
- Research partners

The Board engage with each of these groups throughout the year through face-to-face meetings, surveys, seminars and written correspondence to promote LSTM's mission.

Key decisions made by the Board this year include:

*Approval of the 2021/22 annual budget:* This year's budget was approved by the Board following a comprehensive review of our strategic priorities and risks to our business. Due to COVID-19 the budget reflects ongoing difficulties in student recruitment and for research grants operating overseas. The recent grant cuts to ODA funding have also been factored in.

*Appointment of the Chair of LSTM:* After a rigorous search, selection and interview process, the Chair of the LSTM Selection Committee made a recommendation to the Board of Trustees to appoint Jim McKenna as a Trustee and later as Chair, which was supported at the 121st AGM.

*Communications Strategy:* The Board of Trustees welcomed the LSTM Communications Strategy, which sets out LSTM's coordinated approach to comms, its ambitions to engage with stakeholders and our commitment to developing platforms to support improved engagement.

*Capital approvals:* The Board approved 2 major projects in 2019/20; the renovation of Pembroke House into a major teaching resource hub with state-of-the-art facilities and investment in a major overseas research and teaching facility in Blantyre, Malawi which will complement the existing

buildings at the Malawi, Liverpool Wellcome Trust Centre. Both projects continued to be given detailed oversight by the Board of Trustees during 2020/21, to ensure there is suitable financial sustainability and oversight.

### Employee engagement statement

The Board of Trustees engage with employees using multiple channels, via the Director of LSTM and his senior team, through the work of the management group, ensuring that key messaging is delivered via LSTM-wide communications. Where appropriate, staff are fully engaged in strategic discussion and decision making under the delegated duties of Committees. LSTM welcome the feedback of staff, involvement in focus task groups and wider staff led projects. The Board of Trustees are presented with executive summaries of management committee's agreed actions and are fully briefed by the Director on all activity in relation to staff engagement.

There is also positive engagement by many staff through the various Board committees, where employees often present research activity updates to Board members. The Audit Committee works with HR staff in relation to equality and inclusion and the effectiveness of the HR processes. The Remuneration Committee, in addition to considering the remuneration of senior staff, received information and discusses overall reward policy and strategy including the gender and ethnicity pay gap.

LSTM wide engagement includes a monthly staff forum (SSF), attended by the Director, chaired by the management committee member for SSF and is also open to IVCC and other subsidiary company employees. Staff can also apply to work on a variety of projects/working groups addressing issues of gender equality, LGBTQ+, and as LSTM addresses key strategic issues, staff are frequently engaged through Town Hall events, surveys or focus groups. Board champions engage with Committee chairs in the areas of Equality and Inclusion, Prevent, Safeguarding and GDPR, supporting and engaging with the work of LSTM committees. LSTM regularly runs staff engagement surveys, the results of which are presented to the Board.

### Statement on business relationships

The LSTM Board of Trustees and its committees comprise people with a variety of skills and backgrounds. Through their networks Board members are able to foster additional benefit to LSTM through their association with our stakeholders, this brings a greater breadth of knowledge into the organisation, particularly in relation to key decisions made by the Board.

Delivering our strategy requires strong mutually beneficial relationships with all stakeholders. LSTM continuously assesses its priorities related to its major funding partners, and the Board engages on this through regular strategy updates through the committees' structure in place.

LSTM's activity within the External Relations Committee also supports a strategic approach to stakeholder engagement that contributes to objectives of the strategic plan.

### Carbon reporting

LSTM is fully committed to operating in an environmentally friendly and sustainable manner and has introduced a new Environmental Policy and established an Environmental



Working Group. The group will provide coordination and guidance to LSTM for the integration of sustainability principles and practices throughout core teaching, research and operational activities.

All refurbishment and capital projects incorporate environmental and/or energy efficiency improvements whenever practicable such as replacement windows, improved insulation, LED lighting and improvements to the automated Building Management Systems.

40 solar panels were installed in 2015, producing electricity savings year on year.

There has been an improvement in recent years as a result of the energy efficiency improvements which has seen a reduction in the independently assessed energy ratings and this is evidenced in the Display Energy Certificates.

The Building Management System (BMS) manages and monitors building services and will:

- ensure that an optimal level of efficiency and comfort is achieved by continuously maintaining the correct balance between operating requirements, external and internal environmental conditions and energy usage.
- facilitate the link to our metering systems to measure utility consumption to identify usage patterns, manage these against expected or desired levels and then assist in being able to adjust, control or remove waste.

During 2020/21 LSTM Group has used 2,667,938 kWh of electricity in owned buildings.

All calculations are based on National Energy Foundation simple carbon calculation.

## 24. Going Concern

As detailed in the accounting policies, these financial statements are prepared on a going concern basis. Since the outbreak of the COVID-19 pandemic LSTM has taken measures to mitigate the risk and the Trustees have assessed the period to November 2022, 1 year beyond the date these financial statements are signed. The reviews were based on monthly management accounts during 2020/21, the 2021/22 budget and monthly cash flows and forecasts, which were regularly assessed by senior management and the board. These measures are continuing at the time these financial statements are signed. The forecasts show that the group has sufficient cashflows to continue to settle liabilities as they fall due.

The Board of Trustees have also taken account of the post balance sheet event in relation to the USS pension deficit provision (disclosed in note 39) and have no immediate concern over LSTM's ability to fund increased repayments as a result of the latest valuation.

As a result of these measures and the strong balance sheet of the Group and LSTM the Trustees are satisfied that the use of the going concern accounting principle remains applicable.

## 25. Strategic Reporting

As LSTM is 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 Principal risks and uncertainties, financial performance in the year & key performance indicators (KPIs)

## 26. Responsibilities of the Governing Body

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

The Governing Body (the Governors, also referred to as the Trustees are also the directors of LSTM for the purposes of company law) is responsible for preparing the Report of the Members of the Board of Trustees including the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law, the Trustees are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. In addition, the Trustees are required to prepare the financial statements in accordance with Office for Student's ('OfS') terms and conditions of funding for higher education institutions (issued March 2019) and the terms and conditions of its funding agreement with Research England through its accountable officer. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true & fair view of the state of affairs of LSTM and the Group and of the surplus or deficit, gains & losses, changes in reserves & cash flows of LSTM & the Group for that year.

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

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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain LSTM's transactions and disclose with reasonable accuracy at any time the financial position of LSTM and enable it

to ensure that the financial statements comply with the Statement of Recommended Practice - Accounting for Further and Higher Education, OfS terms and conditions of funding for higher education institutions (issued March 2019), the Office for Students Accounts Direction (issued October 2019) and the Companies Act 2006. They are also responsible for safeguarding the assets of LSTM and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees have taken reasonable steps to:

- ensure that funds from OfS, Research England and other funding bodies are used only for the purposes for which they have been given and seek to achieve value for money in accordance with OfS' terms and conditions of funding for higher education institutions (issued March 2019) and the funding agreement with Research England and any other conditions which the funding body may from time to time prescribe;
- ensure that LSTM has a robust and comprehensive system of risk management, control and corporate governance, which includes the prevention and detection of corruption, fraud, bribery and irregularities;
- ensure that there is regular, reliable, timely and adequate information to monitor performance and track the use of public funds;
- plan and manage LSTM's activities to remain sustainable and financially viable;
- ensure that it informs the OfS of any material change in its circumstances, including any significant developments that could impact on the mutual interests of LSTM and OfS;
- ensure there are adequate and effective arrangements for the management and quality assurance of data submitted to HESA, the Student Loans Company, the OfS, Research England and other funding or regulatory bodies;
- ensure an effective framework – overseen by LSTM's academic board or equivalent – to manage the quality of learning and teaching and to maintain academic standards; and
- consider and act on the OfS' assessment of LSTM's risks specifically in relation to these funding purposes.

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

The Trustees confirm that:

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

A resolution to reappoint Grant Thornton UK LLP will be

proposed at the Annual General Meeting, under the heading "Independent Auditors", subject to the results of a tender process to be undertaken.

Signed on behalf of the Board of Trustees

Jim McKenna  
Chair  
1 November 2021

## Statement on the System of Internal Financial Control to 31 July 2021

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

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

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

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

Liverpool School of Tropical Medicine has a subcontracted internal audit service, which operates in accordance with the requirements of the Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which LSTM is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Trustees on the recommendation of the Audit Committee. The Chair of the Audit Committee provides the Board with a report on internal audit activity in LSTM at a minimum annually. The report includes the financial statement, grant and internal auditors' independent opinions on the adequacy and effectiveness of LSTM's system of internal control, risk management controls and governance processes, including internal financial control. The role of the external auditors is specifically to audit the year end financial statements, but they also report on the control environment and on any control issues identified during the annual audit, and report to the Finance and Investment Committee and the Audit Committee in that regard. No significant control weaknesses or failures were reported in relation to the year ended 31 July 2021.

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 auditors, the executive managers within LSTM who have responsibility for the development and

maintenance of the financial control framework and comments made by LSTM's financial statement and grant auditors in their management letters and other reports. The audit committee report annually to the Board in November regarding any control weaknesses or failures during the past financial year; there have been no significant control weaknesses or failures in the year ended 31 July 2021.

**Professor David Lalloo**  
**MB, BS, MD, FRCP, FFM, RCPS (Glasg)**  
**Director**  
**1 November 2021**

## Independent auditor's report to the governing body of Liverpool School of Tropical Medicine

### Opinion

We have audited the financial statements of Liverpool School of Tropical Medicine (the 'LSTM') and its subsidiaries (the 'group') for the year ended 31 July 2021, which comprise group and LSTM's Statement of comprehensive income, the group and LSTM's Statement of changes in reserves, the group and LSTM's Balance sheet, the group and LSTM's Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- *give a true and fair view of the state of the group's and the LSTM's affairs as at 31 July 2021 and of the group's and LSTM's surplus, and its income and expenditure, gains and losses, changes in reserves and the group's and LSTM's cash flows for the year then ended;*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in October 2018; and*
- *have been prepared in accordance with the requirements of the Companies Act 2006.*

### Basis for opinion

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

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Governing body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and LSTM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group and LSTM to cease to continue as a going concern.

In our evaluation of the Governing body's conclusions, we considered the inherent risks associated with the group's and LSTM's business model including effects arising from macro-economic uncertainties such as Brexit and COVID-19, we assessed and challenged the reasonableness of estimates made by the Governing body and the related disclosures and analysed how those risks might affect the group's and LSTM's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and LSTM's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Governing body's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Governing body with respect to going concern are described in the 'Responsibilities of the Governing body for the financial statements' section of this report.

### Other information

The Governing body are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2-15 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

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

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

#### Opinion on other matters prescribed by the Office for Student's ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- *funds from whatever source administered by LSTM for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;*
- *funds provided by the OfS and Research England have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them, and*
- *the requirements of the OfS's accounts direction (issued October 2019) 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.*

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

- *LSTM's grant and fee income, as disclosed in the note to the accounts, has been materially misstated*

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

As explained more fully in the Statement of responsibilities of the Governing body set out on pages 14-15 the Governing body (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing body are responsible for assessing the group's and LSTM's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

of accounting unless the Governing body either intend to liquidate the group or LSTM or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- *We obtained an understanding of the legal and regulatory frameworks applicable to the group and LSTM, and the industry in which it operates and determined which may influence the financial statements. Given the nature of its operating activities, the group and LSTM is subject to several laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.*

*We determined that the following laws and regulations are the most significant which are directly relevant to specific assertions in the financial statements:*

- *Those that relate to reporting frameworks being FRS102 and the Statement of Recommended Practice: Accounting for Further and Higher Education published in October 2018, the OfS accounts direction (issued October 2019), the Companies Act 2006 and the relevant tax compliance regulations.*
- *Those that relate to the operational activities of the group and LSTM as a higher education institution and research organisation being the regulatory framework for higher education in England, data*

*protection and bribery and corruption practices.*

- *We assessed the susceptibility of the charitable company's financial statements to material misstatements, including how fraud might occur. We performed the following audit procedures to address the risks related to irregularities and fraud:*

- *evaluation of the processes and controls in place to address the risks related to irregularities and fraud;*
- *challenge of the assumptions and judgements made by management in its significant accounting estimates;*
- *review of performance targets and conditions to research funding received and their propensity to influence efforts made by management to manage earnings;*
- *review and testing of journal entries, in particular manual journal entries, relating to management estimates and journal entries impacting the reported result for the year;*
- *consideration of the potential for fraud in revenue recognition through the manipulation of revenue from research grant funding;*
- *identifying related parties and through our data interrogation tools performed a review for any related party transactions during the year.*

- *We enquired of management, the Audit Committee and the internal auditors whether there was any awareness of instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews.*
- *In assessing the potential risks of material misstatement, we obtained an understanding of the group's and LSTM's operations, the applicable statutory provisions and business risks that may result in risk of material misstatement, and the group's and LSTM's control environment, including the adequacy of procedures for authorisation of transactions.*
- *The engagement team's experience with similar engagements, their understanding and knowledge of the group's and LSTM's industry and their understanding of the industry and regulatory requirements were considered in assessing the appropriateness of the collective competence and capabilities of the engagement team.*

No matters relating to non-compliance with laws and regulations or relating to fraud were identified in relation to the above-mentioned laws and regulations that were identified by us as most significant.

#### Use of our report

This report is made solely to the university's members, 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 the university's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the university and the university's members as a body, for our audit work, for this report, or for the opinions we have formed.

Carl Williams  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Liverpool  
1 November 2021

## Statement of Comprehensive Income

		Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Funding body grants	5	16,951	16,951	14,117	14,117
Tuition fees and education contracts	6	3,737	3,737	4,101	4,101
Research grants and contracts	7	99,174	72,740	78,274	56,970
Other income	8	88,471	74,324	130,049	110,907
Investment income	9	751	525	848	289
Donations and endowment income	10	1,255	1,255	680	680
<b>Total income</b>		<b>210,339</b>	<b>169,532</b>	<b>228,069</b>	<b>187,064</b>
<hr/>					
Staff costs	11	37,622	32,390	38,560	32,442
Pension deficit funding costs	23	(52)	(52)	(12,591)	(12,591)
Other operating expenses	13	166,004	131,431	188,570	154,849
Surplus on disposal of investments		(196)	385	(372)	(372)
Depreciation	17	2,041	2,022	1,911	1,893
Interest payable	14	129	129	14	14
<b>Total expenditure</b>		<b>205,548</b>	<b>166,305</b>	<b>216,092</b>	<b>176,235</b>
<hr/>					
<b>Surplus on continuing operations before other gains/(losses)</b>		<b>4,791</b>	<b>3,227</b>	<b>11,977</b>	<b>10,829</b>
Unrealised surplus/(deficit) on revaluation of investments and endowments		1,857	2,438	(2,958)	(2,958)
<b>Surplus on continuing operations before taxation</b>		<b>6,648</b>	<b>5,665</b>	<b>9,019</b>	<b>7,871</b>
Taxation	15	(39)	-	24	-
<b>Surplus for the year</b>	16	<b>6,609</b>	<b>5,665</b>	<b>9,043</b>	<b>7,871</b>
<b>Other comprehensive income/(expense):</b>					
Change in fair value of hedging financial instruments		109	-	642	-
<b>Total Comprehensive Income for the year</b>		<b>6,718</b>	<b>5,665</b>	<b>9,685</b>	<b>7,871</b>
<b>Represented by:</b>					
Restricted endowment comprehensive income/(expense) for the year		638	638	(307)	(307)
Unrestricted endowment comprehensive income/(expense) for the year		2,150	2,150	(843)	(843)
Expendable restricted endowment comprehensive income/(expense) for the year		114	114	(98)	(98)
Unrestricted comprehensive income for the year		2,479	2,730	8,494	9,284
Restricted comprehensive income/(expense) for the year		1,228	33	1,797	(165)
Unrestricted hedging reserve comprehensive income for the year		109	-	642	-
<b>Total Comprehensive Income in the year</b>		<b>6,718</b>	<b>5,665</b>	<b>9,685</b>	<b>7,871</b>

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

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

## Statement of Changes in Reserves

	Unrestricted General Reserve £'000	Restricted General Reserve £'000	Unrestricted Hedging Reserve £'000	Permanent Unrestricted Endowments £'000	Permanent Restricted Endowments £'000	Expendable Restricted Endowments £'000	TOTAL £'000
<b>GROUP</b>							
<b>Balance at 31 July 2019</b>	<b>16,044</b>	<b>6,208</b>	<b>(751)</b>	<b>8,873</b>	<b>8,019</b>	<b>593</b>	<b>38,986</b>
Surplus/(deficit) for the year	8,494	1,797	642	(843)	(307)	(98)	9,685
Movement between reserves	678	(678)	-	-	-	-	-
Movement of cash in reserves	(63)	-	-	-	-	-	(63)
Surplus/(Deficit) from statement of comprehensive income	9,109	1,119	642	(843)	(307)	(98)	9,622
<b>Balance at 31 July 2020</b>	<b>25,153</b>	<b>7,327</b>	<b>(109)</b>	<b>8,030</b>	<b>7,712</b>	<b>495</b>	<b>48,608</b>
Surplus for the year	2,512	1,195	109	2,150	638	114	6,718
Movement between reserves	(36)	33	-	-	-	-	(3)
Surplus from statement of comprehensive income	2,476	1,228	109	2,150	638	114	6,715
<b>Balance at 31 July 2021</b>	<b>27,629</b>	<b>8,555</b>	<b>-</b>	<b>10,180</b>	<b>8,350</b>	<b>609</b>	<b>55,323</b>
<hr/>							
	Unrestricted General Reserve £'000	Restricted General Reserve £'000	Unrestricted Hedging Reserve £'000	Permanent Unrestricted Endowments £'000	Permanent Restricted Endowments £'000	Expendable Restricted Endowments £'000	TOTAL £'000
<b>LSTM</b>							
<b>Balance at 31 July 2019</b>	<b>15,654</b>	<b>619</b>	<b>-</b>	<b>8,873</b>	<b>8,019</b>	<b>593</b>	<b>33,758</b>
Surplus/(deficit) for the year	9,284	(165)	-	(843)	(307)	(98)	7,871
Movement of cash in reserves	(55)	-	-	-	-	-	(55)
Surplus/(deficit) from statement of comprehensive income	9,229	(165)	-	(843)	(307)	(98)	7,816
<b>Balance at 31 July 2020</b>	<b>24,883</b>	<b>454</b>	<b>-</b>	<b>8,030</b>	<b>7,712</b>	<b>495</b>	<b>41,574</b>
Surplus for the year	2,763	-	-	2,150	638	114	5,665
Movement between reserves	(36)	33	-	-	-	-	(3)
Surplus from statement of comprehensive income	2,727	33	-	2,150	638	114	5,662
<b>Balance at 31 July 2021</b>	<b>27,610</b>	<b>487</b>	<b>-</b>	<b>10,180</b>	<b>8,350</b>	<b>609</b>	<b>47,236</b>

Company registration number: 00083405

Balance Sheets as at 31 July

		Group Year ended 31 July 2021	LSTM Year ended 31 July 2021	Group Year ended 31 July 2020	LSTM Year ended 31 July 2020
	Notes	£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible fixed assets	17	59,094	58,807	58,691	58,385
Investments in subsidiaries	18	-	80	-	54
		<u>59,094</u>	<u>58,887</u>	<u>58,691</u>	<u>58,439</u>
<b>Current Assets</b>					
Stock		81	36	94	32
Debtors	19	17,235	15,834	23,787	17,341
Investments and endowments	20	47,848	28,231	31,100	31,100
Cash at bank and in hand	29	52,154	25,797	46,250	6,842
		<u>117,318</u>	<u>69,898</u>	<u>101,231</u>	<u>55,315</u>
Creditors: amounts falling due within 1 year	21	73,242	33,702	65,933	26,819
		<u>44,076</u>	<u>36,196</u>	<u>35,298</u>	<u>28,496</u>
<b>Net Current Assets</b>					
		<u>103,170</u>	<u>95,083</u>	<u>93,989</u>	<u>86,935</u>
<b>Total Assets less Current Liabilities</b>					
Creditors: amounts falling due after 1 year	22	34,944	34,944	34,296	34,296
Provisions: pension provisions	23	9,206	9,206	9,258	9,258
Provisions: other provisions	24	3,697	3,697	1,827	1,807
		<u>55,323</u>	<u>47,236</u>	<u>48,608</u>	<u>41,574</u>
<b>NET ASSETS</b>					
<b>Endowment Reserves</b>					
Permanent restricted endowments	26	8,350	8,350	7,712	7,712
Permanent unrestricted endowments	26	10,180	10,180	8,030	8,030
Expendable restricted endowments	26	609	609	495	495
		<u>19,139</u>	<u>19,139</u>	<u>16,237</u>	<u>16,237</u>
Restricted general reserve	27	8,555	487	7,327	454
<b>Unrestricted Reserves</b>					
Unrestricted general reserve		27,629	27,610	25,153	24,883
Unrestricted Hedging reserve		-	-	(109)	-
		<u>27,629</u>	<u>27,610</u>	<u>25,044</u>	<u>24,883</u>
<b>TOTAL FUNDS</b>					
		<u>55,323</u>	<u>47,236</u>	<u>48,608</u>	<u>41,574</u>

The Financial Statements were approved by the Board of Trustees on 1 November 2021 and were signed on behalf of the Directors by :

J O'Brien  
Honorary Treasurer

Professor D Laloo  
Director

Statement of Cash Flows

		Group Year ended 31 July 2021	LSTM Year ended 31 July 2021	Group Year ended 31 July 2020	LSTM Year ended 31 July 2020
	Notes	£'000	£'000	£'000	£'000
Surplus for the year		6,609	5,665	9,043	7,871
<b>Adjustment for non-cash items :</b>					
Depreciation	17	2,041	2,022	1,911	1,893
Deferred capital grants released to income	25	(1,622)	(1,622)	(1,912)	(1,912)
(Surplus) on disposal of investments & endowments		(196)	385	(182)	(182)
Movement on hedging reserve		109	-	642	-
Decrease/(increase) in stock		13	(4)	2	4
Decrease/(increase) in debtors		6,518	1,507	2,295	(1,869)
Increase/(decrease) in creditors		7,256	6,830	(16,911)	(477)
Increase in other provisions		1,870	1,890	654	639
(Decrease) in USS pension provision		(52)	(52)	(12,591)	(12,591)
Unrealised revaluation (gains)/losses on investments and endowments	20	(1,857)	(2,438)	2,958	2,958
Unwinding of interest on finance lease	14	129	129	14	14
Interest receivable		(1,556)	(1,330)	(1,075)	(516)
Taxation	15	39	-	(24)	-
		<u>12,692</u>	<u>7,317</u>	<u>(24,218)</u>	<u>(12,038)</u>
<b>Cash flow from operating activities</b>		<u>19,301</u>	<u>12,982</u>	<u>(15,176)</u>	<u>(4,167)</u>
Taxation paid		(5)	-	24	-
<b>Net cash generated/(utilised) from operating activities</b>		<u>19,296</u>	<u>12,982</u>	<u>(15,152)</u>	<u>(4,167)</u>
<b>Cash flows from investing activities :</b>					
Income from long term investments and unrestricted permanent endowments		1,552	1,326	953	394
Other interest received	9	4	4	122	122
Net expenditure from restricted endowments		-	-	(5)	(5)
Decrease/(increase) in investments		-	(26)	-	-
Purchase of tangible fixed assets	17	(2,444)	(2,444)	(747)	(747)
Payments to acquire investment & endowment assets	20	(17,344)	(5,158)	(2,545)	(2,545)
Receipt from sale of investments		2,649	10,080	9,443	6,169
Increase/(decrease) in cash in endowments		-	-	(185)	(185)
Deferred capital grants received	25	2,628	2,628	1,483	1,483
		<u>(12,955)</u>	<u>6,410</u>	<u>8,520</u>	<u>4,687</u>
<b>Net cash generated from investing activities</b>		<u>(12,955)</u>	<u>6,410</u>	<u>8,520</u>	<u>4,687</u>
<b>Cashflows from financing activities :</b>					
Interest element of finance lease rental payment		(129)	(129)	(14)	(14)
Capital element of finance lease rental payment		(308)	(308)	(412)	(412)
		<u>(437)</u>	<u>(437)</u>	<u>(426)</u>	<u>(426)</u>
<b>Net cash used in financing activities</b>		<u>(437)</u>	<u>(437)</u>	<u>(426)</u>	<u>(426)</u>
<b>Increase/(decrease) in cash in the year</b>		<u>5,904</u>	<u>18,955</u>	<u>(7,058)</u>	<u>94</u>

## Notes to the Accounts

### 1. Company Information

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

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

The Secretary of State for Business, Innovation and Skills, by an Order of Parliament, under section 129 of the Education Reform Act 1988, designated LSTM as a Higher Education Institute (HEI) on 19 July 2013. LSTM receives direct funding from the Office for Students (OfS) and UK Research and Innovation (including Research England).

### 2. Basis of Preparation

#### i) Basis of Preparation

These financial statements have been prepared in accordance with the Statements of Recommended Practice (SORP) : Accounting for Further and Higher Education 2019, and in accordance with applicable United Kingdom accounting standards including Financial Reporting Standard 102 (FRS 102), 'the Financial Reporting Standard applicable to the United Kingdom and the Republic of Ireland' and the Companies Act 2006. LSTM is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of current asset investments and derivative financial instruments).

The Financial statements are presented in Sterling (£).

#### ii) Going Concern

These financial statements have been prepared on a going concern basis. In light of the COVID-19 pandemic in late 2019/20 LSTM put in place measures to monitor the ongoing impact of the pandemic on the financial position and also the continued use of the going concern basis for accounting. These measures included weekly cash flow forecasts at the height of the lockdown (compared to usual monthly cashflow forecasts), weekly Pandemic Emergency Management Team meetings which covered both practical and financial issues, regular briefing for Board Trustees on the pandemic as it impacts LSTM, and adjustment to Tuition schedules, presentation and student numbers to continue to offer courses where practical on-line. With regard to research the 50 largest projects were reviewed initially with regard to COVID risk and then all remaining projects, and specific discussions were held with key funders around continuation of projects and related funding as the pandemic has developed.

In the 2020/21 financial year, it has been possible to return to much of the activity that was delayed in 2019/20, albeit with

limited international travel possible, and ensuring LSTM premises in Liverpool and around the world were COVID-secure. Therefore the COVID-19 2020/21 budget targets have been exceeded. Given the level of activity which was possible in 2020/21 and the current COVID situation, reflected in the 2021/22 budget and three year forecast, the Board of Trustees consider that it continues to be appropriate to account for LSTM as a going concern.

Despite the COVID-19 pandemic, having set up monitoring procedures which will be ongoing, the Board of Trustees considers that the group and LSTM have sufficient financial resources and is confident that its future income streams will maintain these resources.

The Board of Trustees have also taken account of the post balance sheet event in relation to the USS pension deficit provision (disclosed in note 39) and have no immediate concern over LSTM's ability to fund increased repayments as a result of the latest valuation.

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.

#### iii) Basis of Consolidation

The Consolidated financial statements include LSTM and entities controlled, both unilaterally and jointly, by LSTM, for the financial year to 31 July 2021. Where LSTM does not exercise control over an entity and is not in a position to extract economic benefits, the results of that entity are not consolidated. A full list of subsidiaries and NGOs in which LSTM has an interest is shown in note 18.

### 3. Significant Judgements and Estimates

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

#### Judgements

##### i) Deferral of balances

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

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

LSTM signed a lease for occupation of research space in autumn 2017 and took occupation in September 2017. The lease is for 25 years, at £400,000 a year (excluding inflationary increases) and would ordinarily be considered as an operating lease. However, LSTM has an option to purchase its share of the building within 10 years of the start of the lease, which it intends to exercise and given this option LSTM has treated the building as a finance lease since the start of this lease.

#### Estimates

##### iii) Provisions

Provisions have been set up in relation to operational receipts : Provisions have been made where cash receipts have a possibility that an element may have to be repaid or where a liability has been incurred prior to 31 July 2021 and where the amount can be reasonably calculated or estimated.

Provisions have also been set up in relation to onerous research grants : due to COVID-19 activity on some research grants has been impacted. Provisions are ascertained through the forecasting and monitoring process that the research management services team undertake on a quarterly basis with delivery teams. This process monitors progress and highlights any issues within projects which may impact receipt of income or overrun of costs, which are reflected in the financial statements as a provision where the amount can be reliably calculated or estimated.

##### iv) Financial Instruments

All derivatives are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. Where a market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market based data. The Group previously applied hedge accounting but with effect from 1st August 2020, this has ceased.

##### v) Gifts in Kind

Gifts in kind include 2 material items:

a) pharmaceutical drugs gifted for mass drug administration (MDA) in several countries in Africa of £64,757,000 (2020 : £101,486,000). Given the nature of the activity this has been treated as implementation consultancy income. The valuation of the gifts is based on an estimate of the purchase cost of the drugs had LSTM had to purchase the drugs directly for the MDA programme multiplied by an estimate of the number of drugs required to treat patients. Income and expense are recorded at the point at which reliable figures are available for the number of patients treated, which is on the publication of the annual report to the funder.

b) Mosquito nets gifted for an effectiveness study in Uganda of £12,632,000 (2020 : £3,092,000). The valuation of the gifts is based on the purchase cost of the nets had LSTM had to purchase the nets directly for the study. The quantification of the number of nets included at the purchase cost as a gift in kind was based on the number of nets distributed during the financial year under the control and direction of LSTM.

##### vi) Accounting for the USS pension deficit

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the Universities Superannuation Scheme. The accounting for a multi-employer scheme where

the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the Statement of comprehensive income in accordance with section 28 of FRS 102. The trustees are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and LSTM has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

The USS provision is calculated using an approved consistent methodology used by all members, based on the 2018 valuation, with estimates made regarding discount rate, growth of staff numbers and increase in staff salaries. LSTM's discount rate is based on advice to the USS members from Mercer. Estimates regarding growth in staff numbers and salaries reflect the LSTM 6 year strategic plan which runs from 2017 to 2023, updated for the impact of COVID-19.

Estimates made in the year are as follows:

**Discount rate:** 0.79% based on Mercer HEI sector analysis

**Salary growth:** 1.5% the first 6 years, 2.5% thereafter

**Staff numbers growth:** 3.0% first 6 years, 5.0% thereafter

The recovery plan following the 2018 actuarial valuation requires employers to contribute 2% of salaries for the first 2 years, and 6% of salaries thereafter, towards repaying the deficit over a period of 10 years, of which 7 remain. The current total contribution rate, including this element, is 21.1% (from 1 October 2019, previously 19.5%). Details of this provision are included in note 23 to the financial statements.

Subsequent to the financial year end the 2020 valuation has been signed and approved. Using the approved consistent methodology and using the same assumptions as above, a revised provision has been calculated and is disclosed as a post balance sheet event in note 39 of the financial statements.

### 4. Statement of Principal Accounting Policies

#### i) Income Recognition

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

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

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

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

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

## ii) Grant Funding

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

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

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

## iii) Expenditure and Irrecoverable VAT

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

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

## iv) Donations and Endowments

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

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

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

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

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

## v) Gifts in Kind

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

## vi) Accounting for Retirement Benefits

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

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

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

the deficit) with related expenses being recognised through the Statement of comprehensive income.

## vii) Defined Contribution Plan

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

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

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

## viii) Employment Benefits

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

## ix) Holiday Pay Accrual

The liability for untaken staff holiday entitlement at 31 July 2021 is accrued. The accrual is based on actual hours untaken at 31 July and valued using an estimate made of average salaries within LSTM. A 50% weighting factor is applied to acknowledge the limited probability that such a pay-out would be required for 100% of staff - LSTM is a going concern and 100% pay-out would only likely be required in the event of a wind up of an organisation.

## x) Foreign Currency

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency,

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

## xi) Finance Leases

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

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

## xii) Operating Leases

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

## xiii) Fixed Assets

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

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

## Land and Buildings

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

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

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

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

## Fixtures and Equipment

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

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

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

#### xiv) Investments

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

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

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

#### xv) Stock

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

#### xvi) Cash and Cash Equivalents

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

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

#### xvii) Debtors

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

#### xviii) Creditors

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

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

Provisions are recognised in the Financial Statements when:

(a) LSTM and the Group has a present obligation (legal or constructive) as a result of a past event;

(b) it is probable that an outflow of economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

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

A contingent liability arises from a past event that gives LSTM a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not

wholly within the control of LSTM. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

#### xx) Financial Instruments

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

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

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

The Group previously applied hedge accounting but with effect from 1st August 2020, this has ceased.

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

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

#### xxi) Taxation

LSTM and IVCC are non-exempt charities within the meaning of Part 3 of the Charities Act 2011, therefore are charities 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.

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

#### xxii) Reserves

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

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

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



## 5. Funding Body Grants

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Recurrent teaching grants	1,331	1,331	1,502	1,502
Recurrent research grants	10,919	10,919	8,271	8,271
Specific grants	3,606	3,606	2,962	2,962
Release of deferred capital grants (note 25):				
Buildings	474	474	711	711
Equipment	621	621	671	671
	<b>16,951</b>	<b>16,951</b>	<b>14,117</b>	<b>14,117</b>

## 6. Tuition Fees and Education Contracts

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Masters fee income	1,408	1,408	1,322	1,322
PhD fee income	515	515	559	559
Fee income from diplomas	545	545	974	974
Fee income from short courses	7	7	43	43
Training and other courses	929	929	824	824
Fee income from University of Liverpool	333	333	379	379
	<b>3,737</b>	<b>3,737</b>	<b>4,101</b>	<b>4,101</b>

Total grant and fee income is also split as shown below:

Grant income from the OFS	1,331	1,331	1,502	1,502
Grant income from other bodies	15,620	15,620	12,615	12,615
	<b>16,951</b>	<b>16,951</b>	<b>14,117</b>	<b>14,117</b>
Fee income for taught awards (exclusive of VAT)	2,295	2,295	2,684	2,684
Fee income for research awards (exclusive of VAT)	1,435	1,435	1,350	1,350
Fee income for non-qualifying courses (exclusive of VAT)	7	7	67	67
	<b>3,737</b>	<b>3,737</b>	<b>4,101</b>	<b>4,101</b>
	<b>20,688</b>	<b>20,688</b>	<b>18,218</b>	<b>18,218</b>

## 7. Research Grants and Contracts

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Research Councils	12,684	12,684	10,313	10,313
UK based charities	27,457	27,457	15,199	16,363
UK Central Government and other bodies	20,782	14,174	21,444	12,940
UK industry and commerce	810	810	814	694
European Union	7,587	7,463	5,409	5,313
Other overseas bodies	29,758	10,122	24,748	11,171
Other	96	30	347	176
	<b>99,174</b>	<b>72,740</b>	<b>78,274</b>	<b>56,970</b>

Included within LSTM is £3,009,000 (2020 : £1,164,000) allocated to LSTM by IVCC, a UK registered charity under the control of LSTM. This income has been recognised as non-EU based charities income of £1,320,000 (2020 : £264,000), UK government income of £1,689,000 (2020 : £875,000) and UK other income of £ Nil (2020 : £25,000), 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.

Also included in UK based charities income are amounts relating to gifts of mosquito nets of £12,632,000 (2020 : £3,092,000). In accordance with FRS 102 the income has been shown above and offsetting costs are included in Other Operating Expenses (note 13).

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

## 8. Other Income

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Diagnostic lab	331	331	302	302
Travel health related activities	523	-	847	-
Implementation research consultancy	19,695	5,166	21,633	4,538
Gifts in kind: Pharmaceutical drugs for MDA programme	64,757	64,757	101,486	101,486
Forward currency contracts	459	459	669	669
Health authority contracts	216	216	185	185
Health authority funded posts	399	399	370	370
Non-funding council releases of deferred capital grants (Note 25)	528	528	530	530
Other	1,563	2,468	4,027	2,827
	<b>88,471</b>	<b>74,324</b>	<b>130,049</b>	<b>110,907</b>

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

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

## 9. Investment Income

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Dividend income and interest receivable	747	521	726	167
Other interest receivable	4	4	122	122
	<b>751</b>	<b>525</b>	<b>848</b>	<b>289</b>

## 10. Donations and Endowment Income

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Endowment income	805	805	227	227
Unrestricted donations	38	38	111	111
Restricted donations	412	412	342	342
	<b>1,255</b>	<b>1,255</b>	<b>680</b>	<b>680</b>

## 11. Staff Costs

	Group Year ended 31 July 2021 Number	LSTM Year ended 31 July 2021 Number	Group Year ended 31 July 2020 Number	LSTM Year ended 31 July 2020 Number
The number of persons (including senior post holders) employed at 31 July each year, expressed as full-time equivalents, was:				
<i>Academic contracts</i>				
Teaching staff	10	10	11	11
Research staff	139	139	129	129
Teaching and research staff	65	65	64	64
Clinicians	18	18	15	15
<i>Non-academic contracts</i>				
Other	469	324	431	310
	<u>701</u>	<u>556</u>	<u>650</u>	<u>529</u>

The increase in other staff in the Group largely reflects an increase in staff in CeSHHAR Zimbabwe.

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Staff costs for the above persons were:				
Salaries	29,916	25,333	30,461	24,992
Social security costs	2,854	2,585	2,783	2,482
Pension costs	4,809	4,429	4,768	4,420
Restructuring costs	61	61	226	226
Accrued but untaken holiday costs	(18)	(18)	322	322
<i>Staff costs before adjusting for pension provision costs</i>	<u>37,622</u>	<u>32,390</u>	<u>38,560</u>	<u>32,442</u>
Pension deficit funding costs	(210)	(210)	(12,945)	(12,945)
<b>Total staff costs</b>	<u>37,412</u>	<u>32,180</u>	<u>25,615</u>	<u>19,497</u>

The pension provision costs represent the commitment by LSTM to fund the underlying deficit on the USS hybrid pension scheme. Under FRS 102 these amounts need to be provided for. The total provision at 31 July 2021 is £9,206,000 (see note 23).

	Group Year ended 31 July 2021		Restated Group Year ended 31 July 2020	
	Number of Key Management Personnel	Number of Other Staff	Number of Key Management Personnel	Number of Other Staff
Salaries of the higher paid staff, excluding employer's pension contributions were within the following ranges:				
£100,000 - £105,000	1	4	1	3
£105,001 - £110,000	1	3	2	7
£110,001 - £115,000	1	3	-	2
£115,001 - £120,000	-	5	-	6
£120,001 - £125,000	-	5	-	2
£125,001 - £130,000	1	1	1	1
£130,001 - £135,000	-	1	-	2
£135,001 - £140,000	1	1	1	-
£140,001 - £145,000	-	1	-	2
£145,001 - £150,000	-	1	-	2
£160,001 - £165,000	-	-	-	1
£165,001 - £170,000	-	1	-	-
£170,001 - £175,000	-	1	1	1
£175,001 - £180,000	1	-	-	-
£180,001 - £185,000	-	1	-	1
£205,001 - £210,000	1	-	1	-
£240,001 - £245,000	1	-	1	-
£255,001 - £260,000	1	-	1	-
£265,001 - £270,000	-	1	-	-
£270,001 - £275,000	-	-	-	1
	<u>9</u>	<u>29</u>	<u>9</u>	<u>31</u>

## 12. Key Management Personnel

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

	Group/LSTM Year ended 31 July 2021 Number	Group/LSTM Year ended 31 July 2020 Number
The number of key management personnel including the director was:	<u>9</u>	<u>9</u>

Key management personnel include the Director. In 2020/21 and 2019/20 all key management personnel earned a salary of over £100,000 (see salary bandings note 11).

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

	Group/LSTM Year ended 31 July 2021 £'000	Group/LSTM Year ended 31 July 2020 £'000
Salaries	1,464	1,387
Social security costs	191	167
Pension Contributions	160	167
<b>Total emoluments</b>	<u>1,815</u>	<u>1,721</u>

Remuneration specifically for the Director, David Laloo is as follows :

	Group/LSTM Year ended 31 July 2021 £'000	Group/LSTM Year ended 31 July 2020 £'000
Salaries	256	256
Social security costs	34	34
Pension Contributions	4	37
<b>Total emoluments</b>	<u>294</u>	<u>327</u>

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

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

The total expenses paid to or on behalf of trustees was £1,704 (2020 : £1,961). This represents travel and subsistence expenses incurred in attending meetings and events in their official capacity.

### Senior staff pay

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

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

The Director's pay is linked to a pay scale. Incremental progression is not automatic, however any pay awards are based on consideration of an individual's contribution, supported by evidence of exceptional performance. Determinations of pay for senior executive staff are made by the Remuneration Committee, the members of which are Board trustees, and which is chaired by the Chair of the Board; however, the Deputy Chair presides over discussions of the director's pay. The remuneration Committee adopts the CUC's Higher Education Senior Staff Remuneration Code and publishes a separate annual report. Due to COVID-19 the Remuneration Committee did not meet in July 2020 as the decision was made for there to be no increase in salaries in August 2020 for senior staff as a result of the pandemic. The Committee met in autumn 2021 but Senior Management Group staff have again decided not to take an increase in August 2021.

David Laloo's level of remuneration since he became director was determined taking account of the analysis of benchmark information to reflect the relevant market position. He took office in January 2019 and the first determination of contribution and his reward was due to take place before the end of the 2019/20 financial year. However, as the decision was made for there to be no annual increase in senior management group salaries at August 2020 and August 2021, this review has been delayed.

#### Median salary info

The FTE salary of David Laloo as Director, expressed as a multiple of the median salary of all LSTM UK staff is 6.80 (2020 : 6.96).

The FTE total remuneration of David Laloo as Director, expressed as a multiple of the median total remuneration of all LSTM UK staff is 5.87 (2020 : 6.73).

The basis of the calculation is as follows:

- All staff costs are grossed up to reflect amounts payable on a full time equivalent basis.
- Total remuneration includes employer pension payments, bonus payments and allowances.
- Salary details for atypical and agency staff have been excluded due to difficulties in obtaining the data from third parties.

#### Overseas activities

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

### 13. Other Operating Expenses

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Research grants and contracts	66,607	45,276	58,583	39,928
Implementation research consultancy	16,535	3,821	18,875	3,457
Gifts in kind: Pharmaceutical drugs for MDA programme	64,757	64,757	101,486	101,486
Gifts in kind: Mosquito nets	12,632	12,632	3,092	3,092
Gifts in kind : Experimental drugs	14	14	-	-
Forward currency contracts	110	-	152	-
Premises costs	3,270	3,270	3,071	3,071
Academic and related expenditure	709	708	1,930	2,082
Administrative and central services	1,370	953	1,381	1,733
	<u>166,004</u>	<u>131,431</u>	<u>188,570</u>	<u>154,849</u>

Other operating expenses include:	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
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#### Financial statements auditor's remuneration

Financial statements audit	119	68	84	41
Audit related assurance services	-	-	7	7
Taxation compliance services	9	9	9	2
Taxation advisory services	14	14	11	7

#### Other auditor's remuneration

Internal audit	30	30	26	26
Research grant audit services	14	14	-	-
Component auditors	19	-	26	-

### 14. Interest Payable

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Finance lease interest for Accelerator Building	129	129	14	14
	<u>129</u>	<u>129</u>	<u>14</u>	<u>14</u>

### 15. Taxation

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Tax charge/(credit) in year	39	-	(24)	-
	<u>39</u>	<u>-</u>	<u>(24)</u>	<u>-</u>

### 16. Surplus on Continuing Operations for the Year

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Surplus for the year before gift aid	6,609	5,665	9,043	7,871
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	-	-	-
<b>Surplus for the year</b>	<u>6,609</u>	<u>5,665</u>	<u>9,043</u>	<u>7,871</u>

### 17. Tangible Fixed Assets

Group	Leasehold Buildings £'000	Freehold land and buildings £'000	Fixtures & Equipment £'000	TOTAL £'000
<b>Cost or valuation</b>				
At 1 August 2020	14,223	57,269	5,281	76,773
Additions	-	985	1,459	2,444
Disposals	-	-	(473)	(473)
<b>At 31 July 2021</b>	<u>14,223</u>	<u>58,254</u>	<u>6,267</u>	<u>78,744</u>
<b>Depreciation</b>				
At 1 August 2020	1,033	12,877	4,172	18,082
Charge for the year	344	1,071	626	2,041
Eliminated in respect of disposals	-	-	(473)	(473)
<b>At 31 July 2021</b>	<u>1,377</u>	<u>13,948</u>	<u>4,325</u>	<u>19,650</u>
<b>Net book value at 31 July 2021</b>	<u>12,846</u>	<u>44,306</u>	<u>1,942</u>	<u>59,094</u>
Net book value at 31 July 2020	13,190	44,392	1,109	58,691
Financed by Funding body capital grants	-	6,430	1,188	7,618
Financed by government capital grants	1,504	17,379	-	18,883
Financed by other grants and LSTM	11,342	20,497	754	32,593
	<u>12,846</u>	<u>44,306</u>	<u>1,942</u>	<u>59,094</u>

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

The net book value of tangible fixed assets include £10,057,000 (2020 : £8,772,000) in respect of assets held under finance lease. Depreciation of the finance lease asset was £218,000 (2020 : £189,000).

	Leasehold Buildings £'000	Freehold land and buildings £'000	Fixtures & Equipment £'000	TOTAL £'000
<b>LSTM</b>				
<b>Cost or valuation</b>				
At 1 August 2020	13,871	57,269	5,191	76,331
Additions	-	985	1,459	2,444
Disposals	-	-	(473)	(473)
<b>At 31 July 2021</b>	<b>13,871</b>	<b>58,254</b>	<b>6,177</b>	<b>78,302</b>
<b>Depreciation</b>				
At 1 August 2020	954	12,877	4,115	17,946
Charge for the year	337	1,071	614	2,022
Eliminated in respect of disposals	-	-	(473)	(473)
<b>At 31 July 2021</b>	<b>1,291</b>	<b>13,948</b>	<b>4,256</b>	<b>19,495</b>
<b>Net book value at 31 July 2021</b>	<b>12,580</b>	<b>44,306</b>	<b>1,921</b>	<b>58,807</b>
Net book value at 31 July 2020	12,917	44,392	1,076	58,385
Financed by Funding body capital grants	-	6,430	1,188	7,618
Financed by government capital grants	1,504	17,379	-	18,883
Financed by other grants and LSTM	11,076	20,497	733	32,306
	<b>12,580</b>	<b>44,306</b>	<b>1,921</b>	<b>58,807</b>

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

The net book value of tangible fixed assets include £10,057,000 (2020 : £8,772,000) in respect of assets held under finance lease. Depreciation of the finance lease asset was £218,000 (2020 : £189,000).

## 18. Investments in Subsidiaries

	LSTM Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2020 £'000
Investments in subsidiary companies	80	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 has interests in the following companies and NGOs :

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

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

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

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

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

LSTM owns 99% of the issued ordinary 10 Rupee shares of Liverpool School of Tropical Medicine India Private Limited, a company incorporated in India. Authorised and issued share capital has been increased in the year.

LSTM also has an interest in the following, which are all NGOs:

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

LSTM Tanzania was closed during the year

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
<b>19. Debtors : Amounts falling due within 1 year</b>				
Trade debtors	1,749	1,328	1,419	1,315
Amounts owed by subsidiary undertakings	-	-	-	120
Deferred taxation	-	-	34	-
Balances due on research grants and contracts	13,022	12,310	20,494	14,320
Prepayments and accrued income	1,693	1,628	1,553	1,483
Forward currency contracts	771	568	287	103
	<b>17,235</b>	<b>15,834</b>	<b>23,787</b>	<b>17,341</b>

A bad debt provision of £155,000 (2020 : £270,000) has been recognised against debtors of LSTM and the Group.

## 20. Investments and Endowments

	Group Investments Year ended 31 July 2021 £'000	Group Endowments Year ended 31 July 2021 £'000	Group TOTAL Year ended 31 July 2021 £'000	Group TOTAL Year ended 31 July 2020 £'000
Cost at 1 August 2020/2019	13,387	12,500	25,887	32,200
Additions	14,653	2,691	17,344	2,545
Disposals	(384)	(2,069)	(2,453)	(9,072)
<b>Cost at 31 July 2021/2020</b>	<b>27,656</b>	<b>13,122</b>	<b>40,778</b>	<b>25,673</b>
Unrealised revaluation reserve at 1 August 2020/2019	2,835	2,378	5,213	8,385
Unrealised revaluation in the year	172	1,685	1,857	(2,958)
<b>Unrealised revaluation reserve at 31 July 2021/2020</b>	<b>3,007</b>	<b>4,063</b>	<b>7,070</b>	<b>5,427</b>
<b>Market value at 31 July 2021/2020</b>	<b>30,663</b>	<b>17,185</b>	<b>47,848</b>	<b>31,100</b>
<i>Represented by:</i>				
Fixed interest stocks (listed)	11,508	2,580	14,088	14,301
Equities (listed)	3,415	12,384	15,799	13,573
Other	15,740	2,221	17,961	3,226
	<b>30,663</b>	<b>17,185</b>	<b>47,848</b>	<b>31,100</b>
<i>Represented by:</i>				
Fellowships and scholarship funds	-	8,061	8,061	7,531
Prize funds	-	145	145	131
Other funds	30,663	8,979	39,642	23,438
	<b>30,663</b>	<b>17,185</b>	<b>47,848</b>	<b>31,100</b>

Investments include bank deposits of greater than 3 months duration of £14,258,000 (2020 : £72,000).

	LSTM Investments Year ended 31 July 2021 £'000	LSTM Endowments Year ended 31 July 2021 £'000	LSTM TOTAL Year ended 31 July 2021 £'000	LSTM TOTAL Year ended 31 July 2020 £'000
Cost at 1 August 2020/2019	13,387	12,500	25,887	29,139
Transfer of investments at cost to IVCC	(7,668)	-	(7,668)	-
Additions	2,467	2,691	5,158	2,545
Disposals	(383)	(2,069)	(2,452)	(5,797)
<b>Cost at 31 July 2021/2020</b>	<b>7,803</b>	<b>13,122</b>	<b>20,925</b>	<b>25,887</b>
Unrealised revaluation reserve at 1 August 2020/2019	2,835	2,378	5,213	8,171
Transfer of revaluation reserve to IVCC	(345)	-	(345)	-
Unrealised revaluation in the year	753	1,685	2,438	(2,958)
<b>Unrealised revaluation reserve at 31 July 2021/2020</b>	<b>3,243</b>	<b>4,063</b>	<b>7,306</b>	<b>5,213</b>
<b>Market value at 31 July 2021/2020</b>	<b>11,046</b>	<b>17,185</b>	<b>28,231</b>	<b>31,100</b>
<i>Represented by:</i>				
Fixed interest stocks (listed)	4,077	2,580	6,657	14,301
Equities (listed)	3,415	12,384	15,799	13,573
Other	3,554	2,221	5,775	3,226
	<b>11,046</b>	<b>17,185</b>	<b>28,231</b>	<b>31,100</b>
<i>Represented by:</i>				
Fellowships and scholarship funds	-	8,061	8,061	7,531
Prize funds	-	145	145	131
Other funds	11,046	8,979	20,025	23,438
	<b>11,046</b>	<b>17,185</b>	<b>28,231</b>	<b>31,100</b>

Investments include bank deposits of greater than 3 months duration of £2,072,000 (2020 : £72,000).

## 21. Creditors: Amounts falling due within 1 year

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Unexpended balances of research grants and contracts	58,521	26,906	54,221	20,403
Trade creditors	882	700	287	176
Amounts owed to subsidiary undertakings	-	96	-	-
Other taxation and social security	867	856	950	896
Holiday accrual	672	672	690	690
Accruals and deferred income	10,986	3,310	8,546	3,548
Forward currency contracts	272	120	247	114
Short Term element of finance lease liability (note 32)	453	453	426	426
Short term element of deferred capital grants (note 25)	589	589	566	566
	<b>73,242</b>	<b>33,702</b>	<b>65,933</b>	<b>26,819</b>

## 22. Creditors: Amounts falling due after 1 year

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Long term element of deferred capital grants (note 25)	25,911	25,911	24,928	24,928
Long term element of finance lease liability (note 32)	9,033	9,033	9,368	9,368
	<b>34,944</b>	<b>34,944</b>	<b>34,296</b>	<b>34,296</b>

## 23. Pension Deficit Provision

	Group/LSTM USS Year ended 31 July 2021 £'000
<b>At 31 July 2018</b>	<b>6,623</b>
Increase in provision during the year (staff costs, see note 11)	15,081
Increase in provision during the year (interest costs)	145
<b>Total increase in provision during the year</b>	<b>15,226</b>
<b>At 31 July 2019</b>	<b>21,849</b>
Decrease in provision during the year (staff costs, see note 11)	(12,945)
Increase in provision during the year (interest costs)	354
<b>Total decrease in provision during the year</b>	<b>(12,591)</b>
<b>At 31 July 2020</b>	<b>9,258</b>
Decrease in provision during the year (staff costs, see note 11)	(210)
Increase in provision during the year (interest costs)	158
<b>Total decrease in provision during the year</b>	<b>(52)</b>
<b>At 31 July 2021</b>	<b>9,206</b>

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

The provision at 31 July 2021 is based on the sector-mandated model which reflects the latest valuation at 31 March 2018.

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

	Group/LSTM Year ended 31 July 2021 £'000	Group/LSTM Year ended 31 July 2020 £'000
Discount rate	0.79%	1.71%
Salary growth	1.5% 1st 6 years, then 2.5%	1.5% 1st 6 years, then 2.5%
Staff numbers growth	3.0% 1st 6 years, then 5.0%	3.0% 1st 6 years, then 5.0%

#### Sensitivity analysis

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

Change in assumptions at 31 July 2021	Approximate impact £'000
0.5% pa decrease in discount rate	187 Increase in provision
0.5% pa increase in discount rate	(180) decrease in provision
0.5% pa increase in salary inflation over duration	184 Increase in provision
0.5% pa increase in salary inflation year 1 only	45 Increase in provision
0.5% increase in staff changes over duration	182 Increase in provision
0.5% increase in staff changes year 1 only	44 Increase in provision

#### Approval of 2020 valuation

On 1st October 2021 the latest valuation of the scheme (the 2020 valuation) was signed and approved. HEIs have been issued with a revised calculation model and the revised provision is disclosed as a post balance sheet event in note 39 to the financial statements. The revised calculation would result in an increase in expense in relation to the provision of £23,958,000 and would increase the provision to £33,164,000. The provision is to be paid out/unwound over the next 17 years.

#### 24. Other Provisions

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000
<b>At 31 July 2019</b>	<b>1,173</b>	<b>1,168</b>
Net movement of provisions in the year	654	639
<b>At 31 July 2020</b>	<b>1,827</b>	<b>1,807</b>
Net movement of provisions in the year	1,870	1,890
<b>At 31 July 2021</b>	<b>3,697</b>	<b>3,697</b>

Other provisions comprise primarily provisions for issues in meeting project deliverables on research grants of £1,859,000, partly due to COVID-19 (2020 : £1,106,000), provisions for costs relating to the Liverpool Life Sciences Accelerator (LLSA) research space of £927,000 (2020 :£128,000) and a provision for the negative assets for the subsidiary intellectual property company of £335,000 (2020 : £293,000).

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

#### 25. Deferred Capital Grants

	Group/LSTM Funding Council Year ended 31 July 2021 £'000	Group/LSTM Other Funding Year ended 31 July 2021 £'000	Group/LSTM TOTAL Year ended 31 July 2021 £'000
<b>At 1 August 2020</b>			
Buildings	5,605	19,411	25,016
Equipment	478	-	478
<b>Cash received</b>			
Buildings	1,297	-	1,297
Equipment	1,332	-	1,332
<b>Released to Statement of comprehensive income</b>			
Buildings	(474)	(528)	(1,002)
Equipment	(621)	-	(621)
<b>At 31 July 2021</b>	<b>7,617</b>	<b>18,883</b>	<b>26,500</b>

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

Creditors < 1 year	589
Creditors > 1 year	25,911
	<b>26,500</b>

#### At 1 August 2019

Buildings	5,445	19,941	25,386
Equipment	537	-	537

#### Cash received

Buildings	871	-	871
Equipment	612	-	612

#### Released to Statement of comprehensive income

Buildings	(711)	(530)	(1,241)
Equipment	(671)	-	(671)

#### At 31 July 2020

	<b>6,083</b>	<b>19,411</b>	<b>25,494</b>
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Deferred capital grants are shown in Creditors and are split between Creditors : < 1 year and Creditors : > 1 year as follows :

Creditors < 1 year	566
Creditors > 1 year	24,928
	<b>25,494</b>

## 26. Endowment Reserves

	Group/LSTM Permanent Endowment Restricted Year ended 31 July 2021 £'000	Group/LSTM Permanent Endowment Unrestricted Year ended 31 July 2021 £'000	Group/LSTM Expendable Restricted Year ended 31 July 2021 £'000	Group/LSTM TOTAL Year ended 31 July 2021 £'000
<b>At 1 August 2020</b>				
- Capital value	7,383	6,527	543	14,453
- Accumulated income	272	202	(49)	425
- TOTAL	<u>7,655</u>	<u>6,729</u>	<u>494</u>	<u>14,878</u>
Reclassification between restricted and unrestricted	(559)	559	-	-
Drawdown of endowment capital	-	-	(48)	(48)
Appreciation of endowment assets investments (realised)	255	367	48	670
Appreciation of endowment assets investments (unrealised)	760	822	103	1,685
Income for the year	185	123	12	320
Transferred to statement of comprehensive income	(196)	(123)	-	(319)
<b>At 31 July 2021</b>				
- Capital value	7,955	8,275	597	16,827
- Accumulated income	145	202	12	359
- TOTAL	<u>8,100</u>	<u>8,477</u>	<u>609</u>	<u>17,185</u>
<i>Representing:</i>				
Fellowship and scholarship funds	7,452	-	609	8,061
Prize funds	145	-	-	145
Other funds	503	8,477	-	8,980
Investments	8,100	8,477	609	17,185
Cash relating to endowments	250	1,703	-	1,954
<b>Reserves</b>	<u>8,350</u>	<u>10,180</u>	<u>609</u>	<u>19,139</u>
	<b>Year ended 31 July 2020 £'000</b>	<b>Year ended 31 July 2020 £'000</b>	<b>Year ended 31 July 2020 £'000</b>	<b>Year ended 31 July 2020 £'000</b>
<b>At 1 August 2019</b>				
- Capital value	7,386	7,557	623	15,566
- Accumulated income	217	202	(44)	375
- TOTAL	<u>7,603</u>	<u>7,759</u>	<u>579</u>	<u>15,941</u>
Reclassification between restricted and unrestricted	553	(559)	-	(6)
Drawdown of endowment capital	-	-	(44)	(44)
Appreciation of endowment assets investments (realised)	268	54	93	415
Depreciation of endowment assets investments (unrealised)	(824)	(525)	(130)	(1,479)
Income for the year	147	128	56	331
Transferred to statement of comprehensive income	(92)	(128)	(61)	(281)
<b>At 31 July 2020</b>				
- Capital value	7,383	6,527	543	14,453
- Accumulated income	272	202	(49)	425
- TOTAL	<u>7,655</u>	<u>6,729</u>	<u>494</u>	<u>14,878</u>
<i>Representing:</i>				
Fellowship and scholarship funds	7,106	-	494	7,600
Prize funds	130	-	-	130
Other funds	419	6,729	-	7,148
Investments	7,655	6,729	494	14,878
Cash relating to endowments	57	1,301	1	1,359
<b>Reserves</b>	<u>7,712</u>	<u>8,030</u>	<u>495</u>	<u>16,237</u>

## 27. Restricted General Reserve

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000
<b>At 31 July 2019</b>		
Surplus/(deficit) from Statement of comprehensive income	1,797	(165)
Transfer from general unrestricted reserve	(678)	-
<b>At 31 July 2020</b>	<u>7,327</u>	<u>454</u>
Surplus/(deficit) from Statement of comprehensive income	1,228	33
<b>At 31 July 2021</b>	<u>8,555</u>	<u>487</u>

The reserves of IVCC and CeSHHAR Zimbabwe are considered to be restricted due to their status as charities/Private voluntary organisations (PVOs) and their objects being narrower than those of the group. In addition, at 31 July 2021 donations where there is a restriction over how they are used were transferred to this reserve from the general reserve.

## 28. Financial Instruments

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
The carrying value of the Group and LSTM's financial assets and liabilities are summarised by category below:				
<b>Financial assets</b>				
<i>Financial assets at fair value through surplus or deficit:</i>				
Listed investments and endowments	47,848	28,231	31,100	31,100
<i>Financial assets that are debt instruments measured at amortised cost:</i>				
Trade, research and other receivables	15,646	14,454	22,962	16,734
Cash and cash equivalents	52,154	25,797	46,250	6,842
<i>Financial assets measured at fair value through surplus or deficit</i>				
Forward currency contracts	771	568	287	103
	<u>116,419</u>	<u>69,050</u>	<u>100,599</u>	<u>54,779</u>
<b>Financial liabilities</b>				
<i>Financial liabilities measured at amortised cost</i>				
Trade, research and other payables and accruals	69,718	30,353	63,054	24,127
Finance lease liability	9,486	9,486	9,794	9,794
<i>Financial liabilities measured at fair value through surplus or deficit</i>				
Forward currency contracts	272	120	247	114
	<u>79,476</u>	<u>39,959</u>	<u>73,095</u>	<u>34,035</u>

The Group previously applied hedge accounting for certain transactions entered into to manage the cash flow exposures of US dollar research income, but this practice ceased with effect from 1 August 2020. Foreign currency forward contracts are held to manage the exposure to fluctuations in US dollar and Euro rates and are designated as cash flow hedges.

Cash flows on both the US dollar and Euro research income and the foreign currency forward contracts are at regular intervals, based on predicted project related cash flows. The forward contracts had a mark to market valuation as at 31 July 2021 amounting to an asset of £499,000 (2020 : £40,000 asset). During 2020/21 a gain of £110,000 (2020 : gain of £642,000) was recognised in the cash flow hedge reserve for changes in the fair value of the forward contracts and a gain of £349,000 was recognised in income for the year (2020 : a gain of £517,000). No amounts of ineffectiveness were recognised in 2019/20.

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

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

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
<b>Financial assets</b>				
Total interest income for financial assets at amortised cost	4	4	122	122
<b>Fair value gains and (losses)</b>				
On financial assets measured at fair value through income and expenditure	349	459	517	669
On financial assets measured at fair value through the hedging reserve	109	-	642	-

## 29. Cash and Cash Equivalents

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000
<b>At 1 August 2020</b>	46,250	6,842
Cashflows	5,904	18,955
<b>At 31 July 2021</b>	<b>52,154</b>	<b>25,797</b>

## 30. Pension and similar obligations

LSTM and the Group's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF) although a small number of staff belong to the National Health Service Superannuation Scheme (NHSSS) and WTC Pension scheme. All schemes apart from the WTC scheme are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

The defined benefit funds are normally valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employee's services. The total group pension cost for the year was £4,809,000 (2020 : £4,768,000).

### Universities Superannuation Scheme (USS)

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

The total contributions charged to the Statement of comprehensive income is £3,911,000 (2020 : £3,845,000).

Deficit recovery contributions due within one year are £1,125,000 (2020 : £406,000).

The latest available completed actuarial valuation of the USS Retirement Income Builder (defined benefit) is at 31 March 2018 (the valuation date), which was carried out using the projected unit method.

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion, and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principals

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10 : CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20 : CPI +2.52% reducing linearly to CPI +1.55% by year 21 Years 21+ : CPI +1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	<b>2018 Valuation</b> <b>Pre retirement</b> 71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females. <b>Post retirement</b> 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females.
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a for males and 1.6% for females

The current life expectancies on retirement at age 65 are :

	2021 valuation	2020 valuation
Males currently aged 65 (years)	24.6	24.4
Females currently aged 65 (years)	26.1	25.9
Males currently aged 45 (years)	26.6	26.3
Females currently aged 45 (years)	27.9	27.7

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions :

	2021	2020
Discount rate	0.79%	1.71%
Pensionable salary growth	Years 1 - 6: 1.5% Years 7 - 16: 2.5%	Years 1 - 6: 1.5% Years 7 - 16: 2.5%

### Approval of 2020 valuation

On 1st October 2021 the latest valuation of the scheme (the 2020 valuation) was signed and approved. HEIs have been issued with a revised calculation model and the revised provision is disclosed as a post balance sheet event in note 39 to the financial statements. The revised calculation would result in an increase in expense in relation to the provision of £23,958,000 and would increase the provision to £33,164,000. The provision is to be paid out over the next 17 years.

### University of Liverpool Pension Fund (ULPF)

LSTM participates in the University of Liverpool Pension Fund (ULPF), a defined benefit scheme in the UK. The final salary section of the Fund is closed to new entrants with effect from 31 July 2011 and from 1 August 2011 new members are eligible to join the CARE section of the Fund. A full actuarial valuation was carried out at 31 July 2018 and the preliminary results have been updated to 31 July 2021 by a qualified actuary, independent of the scheme's sponsoring employer.

The contributions made by the employer over the period have been £199,000 (2020 : £211,000). The employer currently pays contributions at the rate of 16% of pensionable pay. Member contributions are payable in addition at the rate of 7.5% of pensionable pay for Final Salary members and 6.5% of pensionable pay for CARE members.



The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the discount rate would be 1.7% per annum (2020 : 1.5%) and salary increases would be 2.85% per annum (2020 : 2.55%). The valuation was carried out using the projected unit method.

At the valuation date the market value of the assets of the scheme was £620.1m (2020 : £533.3m) and the value of the past service liabilities was £517.6m (2020 : £511.2m) leaving a surplus of £102.5m (2020 : £22.2m).

During the year, LSTM contributed to 48 employees within this scheme (2020 : 52 employees). There was a total of 45 LSTM active members in this scheme at 31 July 2021.

#### 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 £318,000 (2020 : £364,000), equivalent to 14.38% of pensionable salaries.

There were a total of 39 LSTM active members in this scheme at 31 July 2021.

### 31. Contingent Liability

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 £609,352 (2020 : £531,361).

### 32. Finance Lease Commitments

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Amounts due in less than one year	453	453	426	426
Amounts due between one and five years	1,953	1,953	1,896	1,896
Amounts due in more than five years	7,080	7,080	7,472	7,472
	<u>9,486</u>	<u>9,486</u>	<u>9,794</u>	<u>9,794</u>

LSTM signed a lease for occupation of 2 floors of research space in the LLSA in autumn 2017 and took occupation in September 2017. The lease is for 25 years, at £400,000 a year. LSTM has an option to purchase its share of the building within 10 years of the start of the lease, and given this option LSTM has treated the building as a finance lease since 2017/18.

### 33. Operating Lease Commitments

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2020 £'000
Amounts due in less than one year	105	45	125	41
Amounts due between one and five years	83	81	161	114
	<u>188</u>	<u>126</u>	<u>286</u>	<u>155</u>

### 34. Capital Commitments

5% retention on building works

	Group/LSTM Year ended 31 July 2021 £'000	Group/LSTM Year ended 31 July 2020 £'000
5% retention on building works	-	233
	<u>-</u>	<u>233</u>

The building work was completed to LSTM's satisfaction during the year to 31st July 2021 and the retention payment was made before the end of the financial year.

### 35. Related Party Transactions

The Group has taken advantage of the exemptions included in FRS 102 section 33 in not disclosing the transactions with other group companies as all such transactions have been eliminated on consolidating the group results for the year.

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

### 36. Foreign, Commonwealth and Development Office (FCDO) Funding (Formerly DFID)

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

	Group Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000
Sustainable Insecticides for Public Health	8,297	8,793
CNTD Global Programmes including Ascend	3,474	3,403
CouNTDown	1,220	1,307
READ-It	914	931
Next generation snakebite therapies	793	1,104
ReBuild	669	49
Reducing Maternal and Neonatal Deaths in Kenya	663	1,056
LIGHT RPC	620	-
FIEBRE	330	548
TDDAP	198	208
Stronger Health Partnerships for Stronger Health Systems	135	-
Monitoring/evaluation services Royal Society-DFID Capacity Building Africa Initiative	106	110
LQAS Survey South Sudan 2	88	-
K4D	56	46
Implementation/evaluation of novel tools in malaria control programmes	20	53
Integrated control of schistosomiasis and intestinal helminths	5	-
UKPHS	-	104
PBO study: Impact of LLINs	-	61
Capacity strengthening	-	7
Other smaller funding	64	73
	<u>17,652</u>	<u>17,854</u>

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

On 23 June 2016 the UK voted to leave the European Union and this took effect 1 January 2020. In 2020 the EU and the UK reached an agreement on their new partnership and these new rules took effect on 1 January 2021. With 10 months experience the key issues impacting LSTM to date have been :

- *more complex import documentation, with small increase in costs*
- *Added complexity to employing EU staff*
- *Ability to apply for EU research and capital funding*
- *Increased difficulty attracting EU students and staff*

However, the following concerns have not at this time materialised : increased currency volatility, decline in stock markets; decline in general macro-economic position and consumer confidence; GDPR data risks.

### 38. Consolidated Reconciliation of Net Funds

	Group Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2021 £'000
Net funds/(debt) 1 August 2020	36,496	(2,963)
Movement in cash and cash equivalents	5,904	18,955
Other non-cash changes	767	767
Net funds/(debt) 31 July 2021	<u>43,167</u>	<u>16,759</u>
Change in net funds	<u>6,671</u>	<u>19,722</u>

	Group Year ended 31 July 2021 £'000	Group Year ended 31 July 2020 £'000	LSTM Year ended 31 July 2021 £'000	LSTM Year ended 31 July 2020 £'000
Analysis of net funds/(debt):				
Cash and cash equivalents	52,154	46,250	25,797	6,842
<b>Borrowings: amounts falling due within one year</b>				
Obligations under finance leases	453	426	453	426
Forward contracts	(499)	(40)	(448)	11
	<u>(46)</u>	<u>386</u>	<u>5</u>	<u>437</u>
<b>Borrowings: amounts falling due after more than one year</b>				
Obligations under finance lease	9,033	9,368	9,033	9,368
	<u>9,033</u>	<u>9,368</u>	<u>9,033</u>	<u>9,368</u>
Net funds/(debt)	<u>43,167</u>	<u>36,496</u>	<u>16,759</u>	<u>(2,963)</u>

### 39. Post Balance Sheet Events

The impact on the Group from the COVID-19 pandemic has been considered by the Trustees and there are no related adjusting or non-adjusting events since 31 July 2021.

The financial statements include a pension provision of £9,206,000. This balance, and the £52,000 credit in the year, are based on a mandated calculation used across the sector. Subsequently, on 1st October 2021, the Universities Superannuation Scheme (USS) 2020 valuation was signed and filed with The Pensions Regulator, effective this date. HEIs have been issued with a revised calculation model and the revised provision is disclosed as a post balance sheet event. The revised calculation would result in an increase in the expense in relation to the provision of £23,958,000 and would increase the provision to £33,164,000. The provision is to be paid out/unwound over the next 17 years.

The LSTM Group has unrestricted general reserves of £27.6m, reflecting a strong balance sheet and total net assets of £55.3m. The estimated cash outflows in relation to the revised provision calculation, are scheduled to occur over 17 years. The cash outflows in the next 5 years total £6.4m, and with the exception of 2019/20 which was impacted by COVID-19, LSTM has a history of positive operating surpluses, with the total net surplus over the last 5 years including 2020/21 of £14.0m. Therefore LSTM does not consider that the 2020 valuation impacts the preparation of these financial statements on the going concern basis.

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