



FINANCIAL STATEMENTS
2011/12

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2012

Report of the Members of the Board of Trustees

Constitution and Organisation

- 1 The Liverpool School of Tropical Medicine (LSTM) was formally inaugurated on 22 April 1898 and incorporated on the 30 January 1905 as the Incorporated Liverpool School of Tropical Medicine. LSTM was registered as a charity on 11 October 1963. LSTM is a company limited by guarantee and holds no share capital and is governed by a Board of Trustees.
- 2 The Incorporated Liverpool School of Tropical Medicine changed its name on 30 November 1992 to The Liverpool School of Tropical Medicine.

Memorandum of Association

- 3 LSTM's Memorandum and Articles of Association was amended by special resolution and adopted at an EGM on 10 January 2007. It lists the main objects as:-
 - To engage in, promote and encourage research, study and instruction in connection with the origin, character, alleviation, prevention and cure of every or any type of tropical disease which now is 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.

Vision and Mission

- 4 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.

Objectives

- 5 The year ending 31 July 2012 represents the last year in our current 5 year strategic plan, which was presented and adopted by the Board on the 8 June 2007. The last 5 years have seen significant growth in LSTM as proposed in the plan which is successfully completed. These strategic objectives set out how LSTM would facilitate the continuous development of the organisation in support of its evolving needs. The objectives are listed below.
 - Achieve a new management structure with more responsibility devolved downwards to groups and boards of study.
 - Achieve increasing efficiency through greater use of information technology.
 - Enhance the quality of the facilities in the main building.
 - Prioritise space allocations between research, teaching, technical assistance, clinical services and the facilities provided for students.
 - Management of the use of space in existing buildings to ensure cost effective utilisation.
 - Secure competitive costs in use of the estate, while paying due regard to energy saving issues.
 - Enhance the effectiveness of financial management within LSTM.
 - Establish an equitable long term formula for the transparent transfer of Higher Education Funding Council for England funds from the University of Liverpool to LSTM.
 - Double research grants and contract income over the planning period.
 - Create a reserve for capital developments and voluntary severance/early retirement schemes.
 - Obtain funds for 'over-quota' academic posts to enhance research in specific strategic areas and for other desirable academic developments.
 - Break even over a five year planning period.
 - Develop an internal resource allocation model for transparent transfer of funds to cost centres.

LSTM management undertakes regular monitoring and evaluation under the supervision of the Board of Trustees to ensure that the items are contemporary and are followed up each year.

A new and challenging 5 year strategic plan was presented and adopted by the Board on the 22 June 2012 for the period ending 31 July 2017. Objectives set therein build on past achievements and propel the institution to a position of a global leader in its sphere.

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2012

Report of the Members of the Board of Trustees (continued)

Operating and Financial Review

6 The Nature, objectives and strategies of the charity

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

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

The Learning and Teaching programme has also been revitalised with a diverse portfolio ranging from short courses of 3 days to 3 months duration through to full one-year Masters Programmes. These developments reconfirm the long and successful commitment to teaching; a track record in developing people, core staff and their related research teams, with 105 PhD students from many countries and numerous visiting scientists working within collaborative programmes.

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

LSTM's success is based on the quality of its research achieving an RAE Grade 5 for clinical laboratory based research in immunology and infection in the last assessment exercise.

LSTM is a truly global company that receives parts of its funds in dollars to be spent in that currency. The balances held at the year end relate to committed expenditure and therefore allocating any surplus or deficit to the profit and loss account would be misleading.

7 Key Performance Indicators (KPIs)

- **Research turnover growth** is fundamental to the organisation with a target to double income within the strategic plan. This has been achieved with an actual research turnover of £40,596k (excluding LATH) in 2012 as compared to £15,833k in 2007. The forecast total research income expectation for 2012 was £34,399k. This was 117% of the base compared with the actual figures achieved of an increase of 156%.

Similar expectations were set for the major funders:	Forecast increase	Actual Increase
Research Councils	65.04%	83.35%
UK Charity	18.03%	126.91%
UK Central Government	130.15%	336.63%
Industry	454.78%	120.87%
European Commission	200.18%	189.49%
Other Overseas (Bill & Melinda Gates foundation) ¹	133.86%	118.07%

¹Adjusted to reflect the separation of IVCC as a subsidiary company during the strategic plan duration.

It is remarkable to observe that there have been significant differences in individual years' results as compared to the plan but overall the projections have proved to be substantially accurate. This year's results continue to be encouraging and have consolidated on last year's excellent results. The current year's results could have been enhanced even further had significant grants been signed up on time and these grants are confirmed and create a solid platform to deliver the predicted growth within the new 5 year plan.

- **Improvement to the research infrastructure** is perceived as a direct contributor to the quality and timescale for achieving high quality scientific results. In fact facilities quality separates LSTM from other UK institutions and contextualises the institution as a global player. This investment in laboratories is fully supported by the Board of Trustees. This investment is matched to the increasing turnover as an indicator of LSTM's proactive aspirations.

	2009	2010	2011	2012
Capital investment by turnover	4.00%	4.02%	8.76%	0.72%

2012 saw a dip in capital investment falling between two years of significant changes with an intended spend of approximately £4million for the forthcoming year.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

Report of the Members of the Board of Trustees (continued)

- **Other Key performance indicators** reflect the organisation's robust financial model
- **Cash flow** within a competitive project environment, constantly demanding higher and higher working capital, the figures reflect, even on prudent evaluation, a sustainable model. The minor deficiency in later years is easily supported by the strength of the balance sheet.

	2009	2010	2011	2012
Net cash flow as a % of total income	26.1	3.1	-0.9	2.6

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

	2009	2010	2011	2012
Net liquidity days	225	195	160	155

Risks to the future of the institution. Sensitivity analysis allowing for a reduction of 20% on the turnover on major funders has little effect on the bottom line of the institution if sensibly managed, whilst any increase reflects a clear additional contribution to the infrastructure.

Teaching continues to stagnate with a failure to add to home/European funded numbers. This low allocation of 46 Higher Education Funding Council of England (HEFCE) funded students severely hampers natural growth in this arena.

The main risk to the continuation of the institution is a reduction of the HEFCE grant funding which is considered in the context of the total income, reflected in the accounts. The figures reflect how the organisation is mitigating the reliance on HEFCE funding although this is potentially difficult since HEFCE income will increase as a consequence of LSTM's success. Within the analysis below, the target is to control the HEFCE income to within a 12.5% of total income target.

	2008	2009	2010	2011	2012
% of HEFCE income to turnover	11.92%	11.53%	12.14%	11.26%	11.11%

LSTM's business plan continues to be robust, bolstered by forward committed research contracts amounting to over £98 million.

Student Numbers

- LSTM is funded according to the level of activity that it generates each year. In 2011/12, 77 FTE postgraduate HEFCE funded EU students and 57 postgraduate overseas students attended the postgraduate taught courses. LSTM also contributes to the teaching of a number of University of Liverpool undergraduate courses that is equivalent to 28 FTEs. PhD students register throughout the academic year. At 1 December 2011, there were 39 EU and 59 non-EU students registered on research degrees.
- LSTM also has its own programme of courses, which do not attract HEFCE grant funding. Courses range from 3 month professional diplomas through to short vocational courses lasting from 1 day to 3 weeks. A number of other courses are delivered overseas. Some of the overseas courses are funded from external sources and so do not contribute additional student fees, but they illustrate LSTM's commitment to teaching in a global sense. In 2011/12, 250 students attended short courses delivered in Liverpool, whilst student numbers for courses delivered overseas were 46 EU and approximately 1,825 non EU.

Curriculum Developments

- In 2011/12, LSTM offered seven MSc programmes under an over-arching theme of Global Health. Although students can still choose from a wide variety of optional modules, teaching duplications have been rationalised and there is now a higher degree of shared teaching across programmes.

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.

Finances

- The Group generated a surplus in the year of £2,076k (2010/11 of £568k).
- The Group has accumulated general reserves of £12,435k and cash balances of £11,670k. LSTM wishes to continue to accumulate reserves and cash balances in order to create a contingency fund in accordance with the reserves policy.
- LSTM has four subsidiary companies; Liverpool Associates in Tropical Health Ltd (LATH), Innovative Vector Control Consortium (IVCC), EchiTab Study Group (UK) Ltd and Liverpool International Health Ventures Ltd (LIHV). The principal business activity of LATH is the provision of technical assistance across the spectrum of international health through consultancy, training and project management services.

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2012

Report of the Members of the Board of Trustees (continued)

LATH has five further subsidiary companies; LATH Management Services Ltd (LMS), LSTM (Kenya) Ltd, Liverpool Associates in Tropical Health Nigeria Ltd, LATH (USA) Inc. and LATH (Umoyo) Ltd.

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

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

Post-Balance Sheet Events

- 16 Discussions are on going to procure a substantial site across the road on Pembroke Street and an application for pre planning has been supported by the City Council. An application for Regional Growth Fund support has been lodged to refurbish the buildings.

Staff and Student Involvement

- 17 LSTM considers good communication with its staff to be very important and, to this end, it publishes a regular newsletter which is available to all staff. There are regular monthly management reports to the Staff Forum meetings. LSTM encourages staff and student involvement through membership of formal committees and provides positions on the management committee to representatives from the LSTM staff forum. LSTM's Investors in People status was renewed in May 2010 and Athena Swan registration is also being pursued.

Taxation

- 18 LSTM's activities do not fall to be charged to corporation tax.

Employment of Disabled Persons

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

Disability Statement

- 20 LSTM seeks to achieve the objectives set down in the Disability Discrimination Act 2000 and in particular makes the following commitments:
- as part of the redevelopment of the buildings it has installed lifts and ramps so that most of the facilities may be accessible to people with a disability;
 - The admissions policy for all students is described in the LSTM prospectus. Appeals against a decision not to offer a place are dealt with under the complaints policy.

Planned Maintenance Programme

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

Endowments

- 22 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.

Professional Advisers

- 23 LSTM's current professional advisers are as follows :

Financial Statement and Funding Auditors:
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

Internal Auditors:
RSM Tenon
26 Pall Mall
Manchester
M2 1JR

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2012**

Report of the Members of the Board of Trustees (continued)

Bankers:

The Royal Bank of Scotland plc
100 Old Hall Street
Liverpool
L3 9QJ

Solicitors:

Brabners Chaffe Street LLP
Horton House
Exchange Flags
Liverpool L2 3YL

Members

24 The Board of Trustees are also the nominated directors under 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
JH Ross, BA	December 2010**	Elected	Chairman of the Board Nominations & Governance Remuneration Chair of LATH
IM Jones ACIB	December 2009**	Elected	Hon Treasurer Finance & Investment Remuneration
I Bates BSc MBBS MD MRCP	July 2012*	Ex Officio / staff	
J Brown LLB	December 2009**	Elected	Chairman Audit Remuneration
TT Francis, BSc, PhD	December 2010**	Elected	Audit
Prof J Hemingway CBE FRS DSc PhD BSc	September 2001	Ex Officio / staff	Director of LSTM Finance & Investment LATH Board Nominations & Governance
A Hoskins MB BAO BCH MCommH FFPH	May 2010**	Elected	NHS Executive North West LATH Board
Prof MJ Jackson	Mar 2011	Nominated/UoL	Audit
Prof J Keaton MBE, BSc, LLD	Mar 2011	Nominated/UoL	Finance & Investment
JH Schofield, BA, ACA	December 2010**	Elected	Deputy Hon Treasurer Finance & Investment
Sir Brian Smith	December 2010**	Elected	Nominations & Governance
ACM Winter, MA	December 2010**	Elected	
RE Holland FCCA, MBA	June 2001	Non member	Secretary to the Board
N Banatvala, MBBS, MSC, MD, FFPH, FRCP (WHO advisor)	May 2010		Observer to the Board

University of Liverpool referred to as UoL

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

Report of the Members of the Board of Trustees (continued)

25 Donations

The Board of Trustee members take this opportunity to thank all donors to LSTM, including Her Majesty the Queen.

Revenue Donations

The names of contributors whose donations exceeded £1,000 are listed below:

Delves Charitable Trust; World Friendship; Lord Leverhulme's Charitable Trust; Oglesby Charitable Trust; The Gunter Charitable Trust; Ruth Margret Hesketh; Farrington Hopkins Trust; The Westcroft Trust; Dr Sandra Mooney; Lord Cozens Hardy Charitable Trust; The Elder Dempster Nigeria and Ghana Independence Trust; The Late Doris Bibby; City University London and a number of anonymous donations.

The names of contributors whose donations are under £1,000 are shown below:

The Delphine M Dickson Trust; Mrs Irene Horsfall; Shirley Harrop; Lady C. M. Bibby; Mrs M.J. Lane; J.M. Wheeldon; Mr J.B. Bibby; Privy Purse Charitable Trust; Lady Christine Bibby; The Millfield Trust; The Royal Pharmaceutical Society; The Westcroft Trust; Dorothy Roberts; The Stanfield Charitable Trust; World Friendship; Mrs Eyre; The Delphine Trust; The Charles Brotherton Charitable Trust; Miss H.C. Michael; Judith Wheeldon; W.D MacPherson Trust; Mr Andrew van Beek; Nicholas Barber; The Selwyn Lloyd Charitable Trust; Arthur and Audrey Silkin Charitable Trust; Mr T.J. Grant; G.M. Morrison Charitable Trust; Basil Shippam and Alsford Trust; Simon Kent; The Andrew Anderson Trust; Mrs June Pinto; T.P. Naylor; Mr PHD and Mrs MM Toosey; Gillian Summers; The Wyndham Charitable Trust; The Parish of St Peter and St Paul; D.J. Bibby Fund; Mount Saint Bernard Abbey; A.R. Plint; J.H.G. Coney Charitable Trust; The David Cutforth Charitable Trust; Susan Lockyer; The Lesley Bibby Fund; J.S. Pyke; H.J. Rawlings Trust; The late Kathleen Betty Thomas; Dr Stephen Gordon; Mr and Mrs Behrend and a number of anonymous donors.

Capital Donations

There were no capital donations during this period.

26 Corporate Governance

LSTM is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which LSTM has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003. Its purpose is to help the reader of the accounts understand how the principles have been applied.

With the exception of the full implementation of the Turnbull guidance as noted below under 'internal control', in the opinion of the Board of Trustees, LSTM complies with all the provisions of the Combined Code in so far as they apply to the Higher Education Sector and it has complied throughout the year ended 31 July 2012.

The Board of Trustees

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

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

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

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

All Board members are able to take independent professional advice in furtherance of their duties at LSTM's expense and have access to the Secretary to the Board who is responsible to the Board of Trustees for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Secretary are matters for the Board of Trustees as a whole.

Formal agendas, papers and reports are supplied to members in a timely manner prior to Board meetings. Briefings are also provided on an ad-hoc basis.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

Report of the Members of the Board of Trustees (continued)

27 Corporate Governance (continued)

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

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

Appointments to the Board of Trustees

Any new appointments to the Board are a matter for consideration of the Board as a whole. The Board of Trustees has a Nominations and Governance Committee comprised of four members which is responsible for the selection and nomination of any new member for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

Members of the Board of Trustees are appointed for a term of office of three years. Retiring Trustees shall be eligible for re-election subject to paragraph 3.5.1 and paragraph 3.5.2 of the amended Articles.

Audit Committee

The Audit Committee is comprised of three members of the Board (excluding the Director and Chair), one member of staff and 2 co-opted independent members. The Committee operates in accordance with written terms of reference approved by the Board of Trustees.

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

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

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

Remuneration Committee

Throughout the year ending 31 July 2012, LSTM's Remuneration Committee comprised the Chairman, Vice Chairman, Treasurer and Chairman of the Audit Committee. The committee's responsibility is to make recommendations on the remuneration and benefits of the Director, Director Strategic Operations and other senior members of staff in LSTM.

Details of remuneration for the year ended 31 July 2012 are set out in note 9 of the financial statements.

Internal Control

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

The Board of Trustees has delegated to the Director of LSTM as Accounting Officer, the day-to-day responsibility for reviewing the adequacy of the system of internal financial control and making any appropriate amendments. She 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 2012. The Board regularly review this process. The process continues to be developed with the adoption of a prioritised corporate risk action plan to include timescales and responsible officers. The process is now embedded within all levels of LSTM.

Going Concern

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

Report of the Members of the Board of Trustees (continued)

The trustees (who are also directors of LSTM for the purposes of company law) are responsible for preparing the Trustees' Annual 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

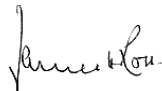
The trustees confirm that:

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

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

A resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting, under the heading "Independent Auditors".

Signed on behalf of the Board of Trustees



JH Ross, OBE
Chairman
12 November 2012

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

Statement on the System of Internal Financial Control

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

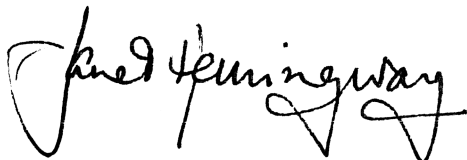
The system can provide only reasonable and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

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

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

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

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



Professor J Hemingway CBE, FRS, DSc, PhD, BSc
Director
12 November 2012

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2012

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

We have audited the group and parent entity (LSTM) financial statements of the Liverpool School of Tropical Medicine for the year ended 31 July 2012 which comprise the consolidated and LSTM's income and expenditure account, the consolidated and LSTM's statement of total recognized gains and losses, the consolidated and LSTM's balance sheets, the consolidated and LSTM's cash flow statements, the statement of principle accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body, in accordance with LSTM's articles of government, section 124B(3) of the Education and Reform Act 1988 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to LSTM's members and trustees 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 charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Governing Body's Responsibilities Statement, 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.

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

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by LSTM have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respect, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ('the Funding Council').

We read the trustees report and the operating and financial review, the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of LSTM's affairs as at 31 July 2012 and of the incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters In all material respects:

- income from the funding council, the Training and Development Agency for Schools and the Chief Executive of Skills Funding, grants and income for specific purposes and from other restricted funds administered by LSTM during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- in all material aspects, income during the year ended 31 July 2012 has been applied in accordance with LSTM's statutes and, where appropriate, with the financial memorandum with the funding council, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Chief Executive of Skills Funding.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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, or returns adequate for our audit have not been received from Branches not visited by us; or
- the 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.

John Shinnick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants



**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2012**

Income and Expenditure Accounts

	Notes	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Income					
Funding Council Grants	2	6,413	6,413	6,026	6,026
Tuition fees and education contracts	3	2,928	2,928	2,911	2,911
Research grants and contracts	4	43,836	35,812	41,251	31,267
Other income	5	4,301	3,956	3,111	2,874
Endowment and Investment income	6	228	213	210	239
Surplus/(Deficit) on disposal of investments	7	10	10	15	15
Total income		57,716	49,332	53,524	43,332
Expenditure					
Staff costs	8	17,151	15,540	15,498	13,559
Other operating expenses	10	37,366	31,757	36,392	28,205
Depreciation	14	1,120	1,002	1,080	993
Interest payable	11	-	-	-	-
Total expenditure		55,637	48,299	52,970	42,757
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		2,079	1,033	554	575
Foreign currency gain		-	-	-	-
Unrealised surplus/(deficit) on revaluation of investments		-	-	0	0
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and revaluation of investments but before tax		2,079	1,033	554	575
Taxation	12	(3)	-	14	-
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments and tax	13	2,076	1,033	568	575

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.

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2012**

Statement of the Total Recognised Gains and Losses

	Notes	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	13	2,076	1,033	568	575
Appreciation/(depreciation) of endowment asset investments (realised)	22	(49)	(49)	6,468	6,468
Endowment income retained for year	22	(96)	(96)	71	71
Revaluation of endowment asset investments (unrealised)	22	(62)	(62)	497	497
Revaluation of investments	23	343	343	16	16
Total recognised gains/(losses) relating to the period		<u>2,212</u>	<u>1,169</u>	<u>7,620</u>	<u>7,627</u>
Reconciliation					
Opening reserves and endowments		24,081	24,406	16,461	16,779
Total recognised gains/(losses) for the year		2,212	1,169	7,620	7,627
Closing reserves and endowments		<u>26,293</u>	<u>25,575</u>	<u>24,081</u>	<u>24,406</u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2012**

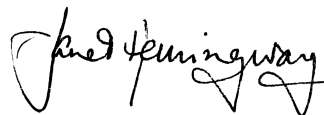
Balance Sheets as at 31 July

	Notes	Group 2012 £000	LSTM 2012 £000	Group 2011 £000	LSTM 2011 £000
Fixed assets					
Tangible assets	14	36,488	36,152	37,101	36,650
Investments	15	-	54	-	54
		<u>36,488</u>	<u>36,206</u>	<u>37,101</u>	<u>36,704</u>
Endowment assets	16	<u>13,390</u>	<u>13,390</u>	<u>13,597</u>	<u>13,597</u>
Current assets					
Stock		60	15	112	12
Debtors	17	8,200	7,191	7,135	6,631
Investments	18	11,491	11,491	11,146	11,146
Cash at bank and in hand		11,670	3,560	10,831	4,430
		<u>31,421</u>	<u>22,257</u>	<u>29,224</u>	<u>22,219</u>
Creditors: amounts falling due within one year	19	28,386	19,658	28,842	21,115
Net current assets		<u>3,035</u>	<u>2,599</u>	<u>382</u>	<u>1,104</u>
Total assets less current liabilities		52,913	52,195	51,080	51,405
NET ASSETS		<u>52,913</u>	<u>52,195</u>	<u>51,080</u>	<u>51,405</u>
Deferred capital grants	21	26,620	26,620	26,999	26,999
Endowments					
Restricted permanent	22	5,379	5,379	5,602	5,602
Unrestricted permanent	22	8,011	8,011	7,995	7,995
		<u>13,390</u>	<u>13,390</u>	<u>13,597</u>	<u>13,597</u>
Reserves					
Revaluation reserves	23	468	468	125	125
General reserve	24	12,435	11,717	10,359	10,684
		<u>12,903</u>	<u>12,185</u>	<u>10,484</u>	<u>10,809</u>
TOTAL FUNDS		<u>52,913</u>	<u>52,195</u>	<u>51,080</u>	<u>51,405</u>

The financial statements on pages 12 to 32 were approved by the Board of Trustees on 12 November 2012 and were signed on behalf of the Directors by:-



IM Jones - Honorary Treasurer



Professor J Hemingway - Director

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2012**

Cash Flow Statements

	Notes	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Cash flow from operating activities	25	1,499	(826)	(457)	(5,446)
Returns on investments and servicing of finance	26	132	117	281	310
Taxation	12	(3)	-	14	-
Capital expenditure and financial investment	27	(3,069)	(3,066)	(8,651)	(8,634)
Cash (outflow) / inflow before use of liquid resources and financing		<u>(1,441)</u>	<u>(3,775)</u>	<u>(8,813)</u>	<u>(13,770)</u>
Management of liquid resources	28	2,905	2,905	(2,818)	(2,818)
(Decrease) / increase in cash in the period		<u>1,464</u>	<u>(870)</u>	<u>(11,631)</u>	<u>(16,588)</u>
Reconciliation of net cash flow to movement in net funds					
(Decrease) / increase in cash in the period		1,464	(870)	(11,631)	(16,588)
Cash inflow / (outflow) from liquid resources	28	(2,905)	(2,905)	2,818	2,818
Movement in net funds in period		<u>(1,441)</u>	<u>(3,775)</u>	<u>(8,813)</u>	<u>(13,770)</u>
Net funds at 1 August	29	13,190	7,621	22,003	21,391
Net funds at 31 July	29	<u>11,749</u>	<u>3,846</u>	<u>13,190</u>	<u>7,621</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

Notes to the Accounts

1 Statement of Principal Accounting Policies

i) Accounting convention

These financial statements have been prepared under the historic cost convention as modified by the revaluation of Investments and Endowment Asset Investments, and in accordance with applicable Accounting Standards. They conform to the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions 2007, on the basis that the School receives funds from the Higher Education Funding Council for England (HEFCE).

ii) Basis of consolidation

The consolidated financial statements include the financial statements of LSTM and its subsidiary undertakings, Liverpool Associates in Tropical Health Limited, Liverpool International Health Ventures Limited, IVCC Limited, and Echitab Study Group (UK) Limited. Inter-group transactions are eliminated fully on consolidation.

iii) Recognition of income

Income from research grants and contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from investments is credited to the Income and Expenditure Account on a receivable basis.

iv) Pension schemes

LSTM's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF). Both schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Contributions to the schemes are charged to the income and expenditure account as though they were defined contribution schemes. This is in accordance with the accounting for multi employer pension schemes whereby the asset and liabilities cannot be readily split between participating members. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services (note 30).

v) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

vi) Land and buildings

The main LSTM buildings are erected on freehold land and are depreciated over a period of 50 years.

Other LSTM buildings which are erected on leasehold land are depreciated over the life of the lease or over a period of 50 years, whichever is the shorter.

Building work capitalised has in part been funded by specific benefactions. The related benefaction received in advance is being released to the Income and Expenditure Account over the assets' useful life. The release of capital grant has matched the depreciation policy.

vii) Fixtures and equipment

Equipment has been capitalised if costing £5,000 or more. The equipment will be written off over its useful life which is assumed to be 4 years. Equipment acquired under a research contract is treated as revenue expenditure within that research contract.

viii) Investments

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

LSTM's treasury management policy is for all endowments to be invested in a portfolio of long term investments, while working balances and revenue reserves are invested short term with interest received credited to the income and expenditure account. The long term investments are managed by external fund managers accountable to LSTM's Finance & Investment Committee. The short term investments are in the money market and are the day to day responsibility of the Director of Administration & Support Services, working with external cash managers. The investment objective is to achieve maximum return with minimum risk.

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

1 Statement of Principal Accounting Policies (continued)

ix) Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

x) Taxation status

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

xi) Stock and work in progress

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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

xii) Deferred government grants

Government grants in respect of capital expenditure are treated as deferred capital grants and are credited to the income and expenditure account over the estimated useful life of the assets to which they relate.

xiii) Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

xiv) Provisions

Provisions are recognised when LSTM has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

xv) Reserves policy

The Board of Trustees approved a strategic plan covering a five year period to 31 July 2017. This plan anticipates LSTM's free reserves being augmented by the end of the period. The Board has targeted, at the end of the five year period of the strategic plan for free reserves to represent a minimum of 3 months pay expenditure.

xvi) Accounting for charitable donations

Unrestricted Donations

Charitable donations are recognised in the accounts when the charitable donation has been received or, before receipt, if there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment Funds

Where charitable donations are to be retained for the benefit of LSTM as specified by the donors, these are accounted for as endowments. There are two main types:

- 1) Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream which can be applied to any objective
- 2) 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

2 Funding Council Grants

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Recurrent grant - HEFCE	6,413	6,413	6,026	6,026
FEC support grant - HEFCE	-	-	-	-
	<u>6,413</u>	<u>6,413</u>	<u>6,026</u>	<u>6,026</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

3 Tuition Fees and Education Contracts

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
UK Higher Education students	777	777	731	731
Non-EU students	1,317	1,317	1,096	1,096
Short Courses	603	603	994	994
	<u>2 697</u>	<u>2 697</u>	<u>2 821</u>	<u>2 821</u>
Higher Education contracts	-	-	-	-
Other contracts	231	231	90	90
	<u><u>2,928</u></u>	<u><u>2,928</u></u>	<u><u>2,911</u></u>	<u><u>2,911</u></u>

4 Research Grants and Contracts

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Research Council	1,432	1,432	445	445
UK based charities	7,513	7,365	7,273	7,133
UK Central Government and other bodies	10,455	8,945	8,877	5,175
UK Industry, commerce and public operations	254	254	191	191
European Commission	6,337	6,485	7,461	7,347
Other overseas bodies	17,845	11,331	17,004	10,976
Other grants and contracts	-	-	-	-
Total	<u><u>43,836</u></u>	<u><u>35,812</u></u>	<u><u>41,251</u></u>	<u><u>31,267</u></u>

Included within UK based charity income is £1.1 million allocated to LSTM by IVCC, a UK registered charity under the control of LSTM. This income has been recognised as UK based charity income by being matched against the related charitable expenditure incurred by the Group. IVCC allocates funding to research institutions on a competitive basis as validated by its External Scientific Advisory Committees.

5 Other Income

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Other income generating activities	1,015	282	899	253
Other grant income	215	215	217	217
Releases from deferred capital grants	618	618	604	604
Donations for general purposes	26	26	21	21
Donations for specific purposes	177	177	118	118
Subvention from North West Regional Health Authority	339	339	329	329
Other income	1,911	2,204	923	1,235
Gift aid from subsidiary	-	95	-	97
	<u><u>4,301</u></u>	<u><u>3,956</u></u>	<u><u>3,111</u></u>	<u><u>2,874</u></u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

6 Endowment and Investment Income

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Dividend income and interest receivable	90	90	102	102
Income from general endowment asset investments (note 22)	59	59	54	54
Other endowment income	-	-	-	-
Other interest receivable	79	64	54	83
	<u>228</u>	<u>213</u>	<u>210</u>	<u>239</u>

7 Surplus/(Deficit) on disposal of investments

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Total surplus/(deficit)	10	10	15	15
	<u>10</u>	<u>10</u>	<u>15</u>	<u>15</u>

8 Staff Costs

	Group Year ended 31 July 2012 Number	LSTM Year ended 31 July 2012 Number	Group Year ended 31 July 2011 Number	LSTM Year ended 31 July 2011 Number
--	---	--	---	--

The average number of persons (including senior post-holders) employed during the year, expressed as full-time equivalents, was:

Professorial	15	15	12	12
Academic and academic related	70	70	63	63
Research	166	142	168	136
Secretarial and clerical	53	48	48	41
Technical	22	15	20	15
Other	3	3	6	6
	<u>329</u>	<u>293</u>	<u>317</u>	<u>273</u>

Staff costs for the above persons:

	£000	£000	£000	£000
Wages and salaries	14,163	12,819	12,764	11,196
Social security costs	1,157	1,041	1,042	908
Other pension costs	1,734	1,583	1,558	1,422
Restructuring costs	97	97	134	33
	<u>17,151</u>	<u>15,540</u>	<u>15,498</u>	<u>13,559</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

8 Staff Costs (continued)

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Academic services - academic and academic related staff	4,487	4,487	4,175	4,175
Academic services - support staff	1,024	1,024	921	921
Academic services - laboratory staff	301	301	320	320
Academic support services staff	431	431	399	399
Research grants staff	8,973	7,781	7,685	6,259
Administration and central services staff	1,184	1,184	1,194	1,194
Premises staff	196	196	219	219
Other income-generating activities staff	458	39	451	39
Staff restructuring	97	97	134	33
Total	<u>17,151</u>	<u>15,540</u>	<u>15,498</u>	<u>13,559</u>

	Group Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000
Employment costs for staff on permanent contracts	16,983	15,279
Employment costs for staff on short-term and temporary contracts	71	85
Restructuring costs	97	134
	<u>17,151</u>	<u>15,498</u>

The restructuring costs were approved by the School's remuneration committee.

The number of staff, including senior post-holders and the Director, who received emoluments in the following ranges was:

	Group Year ended 31 July 2012		Group Year ended 31 July 2011	
	Number senior post- holders	Number Other Staff	Number senior post- holders	Number Other Staff
£ 100,001 to £ 110,000	-	1	-	5
£ 110,001 to £ 120,000	-	5	1	4
£ 120,001 to £ 130,000	1	1	-	3
£ 130,001 to £ 140,000	-	3	-	1
£ 150,001 to £ 160,000	-	1	-	-
£160,001 to £170,000	-	2	-	2
£170,001 to £180,000	-	-	-	1
£180,001 to £190,000	-	1	-	-
£ 220,001 to £ 230,000	1	-	1	-
	<u>2</u>	<u>14</u>	<u>2</u>	<u>16</u>

A general pay award of £150 pa was made with effect from 1 October 2011, approved by the Board of Trustees.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

9 Senior Post-holders' Emoluments

	Year ended 31 July 2012 Number	Year ended 31 July 2011 Number
--	--------------------------------------	--------------------------------------

The number of senior post-holders including the Director was: 2 2

Senior post-holders' emoluments are made up as follows:

	£000	£000
Salaries	306	300
Benefits in kind	-	-
Pension contributions	38	48
Total emoluments	344	348

The above emoluments include amounts payable to the Director of:

	£000	£000
Salary	202	198
Benefits in kind	-	-
	<u>202</u>	<u>198</u>
Pension contributions	<u>22</u>	<u>32</u>

The pension contributions of the Director and senior post-holders are in respect of employer's contributions to the USS and are paid at the same rate as for other employees.

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

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.

10 Other Operating Expenses

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Teaching courses related costs	484	484	950	950
Laboratory and other costs	1,256	739	1,054	747
Teaching and other support services	966	981	1,026	1,026
Research grants costs	32,378	26,370	29,973	23,719
Administration and central services	816	528	1,891	364
General education	15	1,256	280	200
Premises running costs	893	846	949	942
Premises maintenance	508	503	219	207
Planned maintenance	50	50	50	50
Total	37,366	31,757	36,392	28,205

Other operating expenses include:

Auditors' remuneration:

financial statements audit	45	27	44	31
internal audit	25	25	24	24
other services from either external or internal audit	<u>21</u>	<u>21</u>	<u>17</u>	<u>17</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

11 Interest Payable

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
On bank loans, overdrafts and other loans:				
Repayable within 5 years, not by instalments	-	-	-	-
Repayable within 5 years, by instalments	-	-	-	-
Repayable wholly or partly in more than 5 years	-	-	-	-
Total	-	-	-	-

12 Taxation

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
United Kingdom corporation tax	3	-	(14)	-

13 Surplus on Continuing Operations for the Period

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

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
LSTM's surplus for the period	2,076	938	568	478
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	95	-	97
Total	2,076	1,033	568	575

14 Tangible Fixed Assets

	Freehold land and building £000	Leasehold buildings £000	Fixtures and Equipment £000	Total £000
GROUP				
Cost or Valuation				
At 1 August 2011	40,943	188	1,699	42,830
Reclassification of Assets	(350)	350	-	-
Additions	415	-	102	517
Disposals	-	(130)	(140)	(270)
At 31 July 2012	41,008	408	1,661	43,077
Depreciation				
At 1 August 2011	4,449	105	1,175	5,729
Reclassification of Assets	(7)	7	-	-
Charge for year	793	97	230	1,120
Eliminated in respect of disposals	-	(130)	(130)	(260)
At 31 July 2012	5,235	79	1,275	6,589
Net Book Value at 31 July 2012	35,773	329	386	36,488
Net Book Value at 31 July 2011	36,494	83	524	37,101
Financed by other capital grant	22,760	-	73	22,833
Financed by HEFCE capital grant	3,786	-	-	3,786
Financed by other	9,227	329	313	9,869
	35,773	329	386	36,488

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

14 Tangible Fixed Assets (continued)

	Freehold land and building	Leasehold buildings	Fixtures and Equipment	Total
	£000	£000	£000	£000
LSTM				
Cost or Valuation				
At 1 August 2011	40,593	-	1,532	42,125
Additions	415	-	89	504
Disposals	-	-	-	-
At 31 July 2012	41,008	-	1,621	42,629
Depreciation				
At 1 August 2011	4,442	-	1,033	5,475
Charge for year	793	-	209	1,002
Eliminated in respect of disposals	-	-	-	-
At 31 July 2012	5,235	-	1,242	6,477
Net Book Value at 31 July 2012	35,773	-	379	36,152
Net Book Value at 31 July 2011	36,151	-	499	36,650
Financed by other capital grant	22,760	-	73	22,833
Financed by HEFCE capital grant	3,786	-	-	3,786
Financed by other	9,227	-	306	9,533
	35,773	-	379	36,152

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained.

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

15 Investments

	LSTM Year ended 31 July 2012 £000	LSTM Year ended 31 July 2011 £000
Investments in subsidiary companies	<u>54</u>	<u>54</u>

LSTM owns 100% of the issued ordinary £1 shares of Liverpool Associates in Tropical Health Limited, a company incorporated in England and Wales. Its principal business activity is carrying out technical assistance on health issues in tropical countries.

LSTM owns 100% of the issued ordinary £1 shares of Liverpool International Health Ventures Limited, a company incorporated in England and Wales. Its principal business activity is being a holding company for both a travel clinic and an intellectual property company.

LSTM owns 100% of the issued ordinary £1 shares of EchiTAB Study Group (UK) Limited, a company incorporated in England and Wales. Its principal business activity is to develop an anti-venom unit within Nigeria.

LSTM owns 100% of IVCC Limited, a company incorporated in England and Wales. IVCC is a company limited by guarantee and holds no share capital. Its principal business activity is to carry out research into controlling vector borne diseases such as malaria and dengue.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

16 Endowment Assets

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Balance at 1 August 2011	13,597	13,597	6,561	6,561
Additions	3,080	3,080	3,899	3,899
Disposals	(320)	(320)	(178)	(178)
Appreciation on disposals / revaluation	(62)	(62)	497	497
Increase/(decrease) in cash balances held at fund managers	(2,905)	(2,905)	2,818	2,818
Balance at 31 July 2012	<u>13,390</u>	<u>13,390</u>	<u>13,597</u>	<u>13,597</u>
Represented by:				
Fixed interest stocks (listed)	562	562	333	333
Equities (listed)	8,821	8,821	6,277	6,277
Cash balances	4,007	4,007	6,913	6,913
Other	-	-	74	74
Total	<u>13,390</u>	<u>13,390</u>	<u>13,597</u>	<u>13,597</u>

17 Debtors

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Amounts falling due within one year				
Trade debtors	770	88	902	139
Amounts owed by subsidiary undertakings	-	371	-	685
Balances due on research grants and contracts	6,287	5,897	5,130	5,060
Prepayments and accrued income	712	404	791	435
Amounts owed by Liverpool University	431	431	312	312
Total	<u>8,200</u>	<u>7,191</u>	<u>7,135</u>	<u>6,631</u>

18 Investments

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Cost at 1 August 2011	11,009	11,009	4,535	4,535
Additions	171	171	6,626	6,626
Disposals	(175)	(175)	(152)	(152)
Cost at 31 July 2012	<u>11,005</u>	<u>11,005</u>	<u>11,009</u>	<u>11,009</u>
Unrealised (deficit)/surplus at 1 August 2011	125	125	109	109
Revaluation for the year	343	343	16	16
Market value as at 31 July 2012	<u>11,473</u>	<u>11,473</u>	<u>11,134</u>	<u>11,134</u>
Cash balances at investment brokers	18	18	12	12
Total	<u>11,491</u>	<u>11,491</u>	<u>11,146</u>	<u>11,146</u>
Represented by:				
Fixed interest stocks (listed)	8,519	8,519	6,485	6,485
Equities (listed)	1,994	1,994	2,233	2,233
Cash balances	333	333	1,629	1,629
Other	645	645	799	799
Total	<u>11,491</u>	<u>11,491</u>	<u>11,146</u>	<u>11,146</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

19 Creditors: Amounts Falling Due Within One Year

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Bank loans and overdrafts	207	-	832	-
Unexpended balances of research grants and contracts	20,250	12,943	23,488	16,745
Trade creditors	498	449	529	376
Amounts owed to subsidiary undertakings	-	-	-	452
Other taxation and social security	398	382	284	271
Accruals	7,033	5,884	3,709	3,271
	<u>28,386</u>	<u>19,658</u>	<u>28,842</u>	<u>21,115</u>

20 Borrowings

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less, or on demand	207	-	832	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u>207</u>	<u>-</u>	<u>832</u>	<u>-</u>

21 Deferred Capital Grants

	Group Funding Council £000	Group Other Funding £000	Group Total £000	LSTM Total £000
At 1 August 2011				
Buildings	3,874	23,019	26,893	26,893
Equipment	-	106	106	106
Cash received				
Buildings	-	239	239	239
Equipment	-	-	-	-
Released to income and expenditure account				
Buildings	(89)	(496)	(585)	(585)
Equipment	-	(33)	(33)	(33)
Total	<u>3,785</u>	<u>22,835</u>	<u>26,620</u>	<u>26,620</u>
At 31 July 2012				
Buildings	3,785	22,762	26,547	26,547
Equipment	-	73	73	73
Total	<u>3,785</u>	<u>22,835</u>	<u>26,620</u>	<u>26,620</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

22 Endowments

	Group and LSTM		
	Permanent Endowments		Total £000
	Restricted £000	Unrestricted £000	
At 1 August 2011 - Capital value	5,194	5,280	10,474
- Accumulated income	408	2,715	3,123
Appreciation of endowment asset investments (realised)	(49)	-	(49)
Appreciation of endowment asset investments (unrealised)	(66)	4	(62)
Income for year	158	59	217
Transferred to income and expenditure account	(266)	(47)	(313)
	<u>5,078</u>	<u>5,284</u>	<u>10,362</u>
At 31 July 2012 - Capital value	<u>301</u>	<u>2,727</u>	<u>3,028</u>
- Accumulated income			

Representing

Fellowships and scholarships funds	4,364	-	4,364
Prizes funds	44	-	44
Other funds	971	8,011	8,982
Total	<u>5,379</u>	<u>8,011</u>	<u>13,390</u>

Of the restricted permanent endowments, £2,805k capital and £16k income relates to the William Hesketh Leverhulme Scholarship Trust. This is a subsidiary charity of LSTM.

23 Revaluation Reserves

	Investment Revaluation Reserve £000	Currency Revaluation Reserve £000	Group Total £000	LSTM Total £000
At 1 August 2011	125	-	125	125
Revaluations in the period (as per note 18)	343	-	343	343
At 31 July 2012	<u>468</u>	<u>-</u>	<u>468</u>	<u>468</u>

24 Movement in General Reserves

	Group Departmental Funds £000	Group Other Funds £000	Group Total £000	LSTM Total £000
Income and Expenditure Account Reserve				
At 1 August 2011	23	10,336	10,359	10,684
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	-	2,076	2,076	1,033
At 31 July 2012	<u>23</u>	<u>12,412</u>	<u>12,435</u>	<u>11,717</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

25 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Surplus on continuing operations after depreciation of assets at valuation	2,079	1,033	554	575
Depreciation (note 1 & 14)	1,120	1,002	1,080	993
Deferred capital grants released to income (note 21)	(618)	(618)	(604)	(604)
Profit on disposal of investments	(10)	(10)	(15)	(15)
(Increase) / decrease in stocks	52	(3)	(45)	7
(Increase) / decrease in debtors	(1,065)	(560)	(469)	526
Increase / (decrease) in creditors	169	(1,457)	(748)	(6,689)
Interest receivable (note 6)	(228)	(213)	(210)	(239)
Net cash inflow from operating activities	<u>1,499</u>	<u>(826)</u>	<u>(457)</u>	<u>(5,446)</u>

26 Returns on Investments and Servicing of Finance

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Income from long term investments and unrestricted permanent endowments	149	149	156	156
Net income from restricted permanent endowments	(96)	(96)	71	71
Other interest received	79	64	54	83
Net cash inflow from returns on investment and servicing of finance	<u>132</u>	<u>117</u>	<u>281</u>	<u>310</u>

27 Capital Expenditure and Financial Investment

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Purchase of tangible fixed assets	(517)	(504)	(5,145)	(5,128)
Payments to acquire endowment assets	(3,080)	(3,080)	(3,899)	(3,899)
Payments to acquire investments	(177)	(177)	(6,594)	(6,594)
Receipt from sale of tangible fixed assets	10	-	-	-
Receipt from sale of investments surplus	185	185	167	167
Receipt from sale of endowment assets	271	271	209	209
Deferred capital grants received	239	239	174	174
Endowments received	-	-	6,437	6,437
Net cash outflow from capital expenditure and financial investment	<u>(3,069)</u>	<u>(3,066)</u>	<u>(8,651)</u>	<u>(8,634)</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

28 Management of Liquid Resources

	Group Year ended 31 July 2012 £000	LSTM Year ended 31 July 2012 £000	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000
Movement in endowment assets (cash)	2,905	2,905	(2 818)	(2 818)
Net cash inflow from management of liquid resources	2,905	2,905	(2,818)	(2,818)

29 Analysis of Changes in Net Funds

Group	At 1 August 2011 £000	Cashflows £000	Other changes £000	At 31 July 2011 £000
Cash in hand, and at bank	10,831	839	-	11,670
Endowment asset investments (note16)	3,191	(2 905)	-	286
Overdrafts	(832)	625	-	(207)
	<u>13,190</u>	<u>(1,441)</u>	<u>-</u>	<u>11,749</u>
Net funds due within 1 year	13,190	(1,441)	-	11,749
Net funds due after 1 year	-	-	-	-
Total	13,190	(1,441)	-	11,749
LSTM				
Cash in hand, and at bank	4,430	(870)	-	3,560
Endowment asset investments (note16)	3,191	(2 905)	-	286
Overdrafts	-	-	-	-
	<u>7,621</u>	<u>(3 775)</u>	<u>-</u>	<u>3,846</u>
Net funds due within 1 year	7,621	(3,775)	-	3,846
Net funds due after 1 year	-	-	-	-
Total	7,621	(3,775)	-	3,846

30 Pension and similar obligations

LSTM's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF) although a small number of staff belong to the National Health Service Superannuation Scheme (NHSS). All schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. The total pension cost for the period was £1,734,000 (2011 £1,558,000).

Universities Superannuation Scheme (USS)

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

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

30 Pension and similar obligations (continued)

Universities Superannuation Scheme (USS) (continued)

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated 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 and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. 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), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

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

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

30 Pension and similar obligations (continued)

Universities Superannuation Scheme (USS) (continued)

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include :

New Entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011, allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS 17 basis, using a AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on LSTM's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase / decrease by £1.5 billion
Rate of salary growth	Increase by 0.25%	Increase / decrease by £0.7 billion
Members live longer than assumed	1 year longer	
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

30 Pension and similar obligations (continued)

Universities Superannuation Scheme (USS) (continued)

At 31 March 2012, USS had over 145,000 active members and LSTM had 208 active members participating in the scheme.

The total pension cost for LSTM was £1,314,000 (2011 £1,131,000). The contribution rate payable by LSTM was 16% of pensionable salaries.

University of Liverpool Pension Fund (ULPF)

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

The contributions made by the employer over the period have been £224,000 (2011 £231,000). The employer currently pays contributions at the rate of 13.4% of pensionable pay. Member contributions are payable in addition at the rate of 7.5% of pensionable pay for Final Salary members and 6.5% of pensionable pay for CARE members. These contribution rates are currently under review following the outcome of the triennial valuation of the scheme as at 31 July 2012.

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 valuation rate of interest would be 4.4% per annum (2011 5.3%) and salary increases would be 2.85% per annum (2011 5.25%). The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £246m (2011 £237m) and the value of the past service liabilities was £237m (2011 £294m) leaving a surplus of £9m (2011 £57m deficit).

During the year, LSTM contributed to 86 employees within this scheme (2011 88 employees). There was a total of 1,611 active members in this scheme at 31 July 2006.

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 £139,000 (2011 £124,000), equivalent to 14% of Pensionable Salaries.

31 Post Balance Sheet Events

There are no post balance sheet events

32 Contingent Liability

The Group has received a capital grant of £8.4 million from the North West Development Agency in connection with the construction of the CTID building. The grant has certain conditions with which the Group will need to comply in future periods. At this time the Group believes it will be able to comply with these conditions when necessary.

33 Capital Commitments

	Group and LSTM	
	Year ended	Year ended
	31 July 2012	31 July 2011
	£000	£000
Commitments contracted for at 31 July	<u>10</u>	<u>100</u>
Commitments under finance leases entered into but not yet provided for in the financial statements	<u>Nil</u>	<u>Nil</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2012

34 Financial Instruments

LSTM incurs foreign currency risk on sales and purchases that are denominated in currencies other than sterling. LSTM uses forward exchange contracts to hedge this risk. At 31 July, LSTM had forward contracts with the following difference to the prevailing market rate:

	Group and LSTM	
	Year ended	Year ended
	31 July 2012	31 July 2011
	£000	£000
Sell currency and buy £	<u>(26)</u>	<u>38</u>

35 Related Party Transactions

LSTM is affiliated with the University of Liverpool and has balances owed within its debtors in the year to 31 July 2012 amounting to £431k. LSTM is not recognised by the Higher Education Funding Council and grants of £6.4m were transferred via the University of Liverpool to fund teaching and research. Other transactions include the payment of student fees and staff salaries. These grants, together with other University transactions, are incorporated within the Financial Statements. All such transactions are conducted at arm's length and in accordance with financial regulations and the financial memorandum enacted between the two organisations. University representatives hold two seats on the Board of Trustees. Similarly, LSTM trustees sit as members of the Liverpool University Council.

The group has taken advantage of the exemptions included in Financial Reporting Standard No 8 in not disclosing the transactions within other group companies as all such transactions have been eliminated on consolidating the group results for the year.

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

36 DFID Funding

Included within UK Central Government income (note 4) are the following DFID funded research projects, together with their income for the year:

	LSTM	LSTM
	Year ended	Year ended
	31 July 2012	31 July 2011
	£000	£000
CNTD Global Programme Lymphatic Filariasis	3,380	2,311
Develop HR Maternal/Newborn Health	519	1,077
EHCAP	3	-
EBSR	889	569
Health Systems Financing	758	272
Health System Strengthening In Somalia	-	57
ICOSA	389	-
LQAS work - ORISSA	273	172
Making It Happen Phase 2	1,037	-
Reducing Maternal & Neonatal Deaths	754	-
Special Issue Health Policy & Planning	-	13
UK Health International Links Centre	31	187
Zimbabwe Saving Maternal/Newborn Lives	-	9
	<u>8,033</u>	<u>4,667</u>



PEMBROKE PLACE,
LIVERPOOL, L3 5QA, UK

Tel: 0151 705 3167 | Fax: 0151 705 3362
Email: eholland@liverpool.ac.uk
www.lstmliverpool.ac.uk



Company registration number: 83405
VAT registration number: 887125885
Registered charity number: 222655



Printed on revive 50:50 Silk

A recycled paper containing 50% recycled waste and 50% virgin fibre and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process (ECF).