



FINANCIAL STATEMENTS 2010/11

RESEARCHING AND EDUCATING TO SAVE LIVES

LSTM
LIVERPOOL SCHOOL
OF TROPICAL MEDICINE



Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2011

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. The Board confirm they have referred to the guidance contained in the Charity Commission's general guidance and The Advancement of Education for the Public benefit when reviewing LSTM's aims and objectives in planning future activities for the year.
- 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.

Mission

- 4 As a centre of excellence, the Liverpool School of Tropical Medicine aims to promote improved health, particularly for people of less developed countries in the tropics and sub tropics by:
 - Providing and promoting high quality education and training;
 - Conducting first class research and disseminating the results;
 - Developing the systems and technologies for health care and assisting in their transfer and management;
 - Provide appropriate consultancy services.
 - In fulfilling this mission LSTM also provides a clinical service of acknowledged excellence.

Objectives

- 5 Our current 5 year strategic plan was presented and adopted by the Board on the 8 June 2007 and is for the period ending 31 July 2012. This plan predominantly restates the original strategic objectives that set out how to 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 (HEFCE) funds from the University of Liverpool to LSTM.
 - double research grant 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. Meetings are ongoing to develop the 5 year strategic plan to 31 July 2017.

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2011

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

Operating and Financial Review

The Nature, objectives and strategies of the charity

- 6 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 98 PhD students from 34 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 clinical laboratory based research in immunology and infection in the last assessment exercise. 65% of our research profile was 3*/4* (internationally excellent).

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 income and expenditure account would be misleading

Key Performance Indicators (KPIs)

- 7 **Research turnover growth** is fundamental to the organisation with a target to double income within the strategic plan. This will result in a forecast research turnover of £40,723k in 2012 as compared to £18,535k in 2008. In the first four years of the plan, the forecast total research income expectation for 2011 was 99.7% compared with the actual figures achieved of an increase of 79.0%.

Similar expectations were set for the major funders:	Forecast increase	Actual Increase
DFID	129.2%	141.1%
European Commission	237.0%	207.1%
Bill & Melinda Gates Foundation	150.8%	93.9%
Wellcome Trust	112.2%	103.4%

The differences reflect actual expenditure against profiled forecasts which are anticipated to even out over the course of the 5 year plan. This year’s results are very encouraging and have re-balanced the disappointing results of last year when substantial grants were delayed due to overseas governance processes taking longer than anticipated. This year’s results reflect the resolution of those issues and a catching up of the delivery. As mentioned last year, grants awarded have continued to grow in accordance with the forecast business plan. A number of sizeable DFID grants have been awarded to LSTM late in the year which will provide a full year effect in 2011/12 and bring the actual results closer to the targets predicted.

- **The improvement to the research infrastructure** is perceived as a direct contribution to the quality and timescale for achieving scientific results. The 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.

	2007	2008	2009	2010	2011
Capital investment by turnover	51.67%	7.14%	4.00%	4.02%	8.76%

- **Other Key performance indicators** reflect the organisations robust financial model

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2011

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

- **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.

	2007	2008	2009	2010	2011
Net cash flow as a % of total income	20.7	5.6	26.1	3.1	-0.9

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

	2007	2008	2009	2010	2011
Net liquidity days	173	140	225	195	160

Risks to the future of the institution. A provision 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. The low allocation of 46 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 a 12.5% of total income target.

	2006	2007	2008	2009	2010	2011
% of HEFCE income to turnover	11.64%	13.48%	11.92%	11.53%	12.14%	11.48%

LSTM's business plan continues to be robust, bolstered by forward committed research contracts amounting to over £89 million.

Student Numbers

- LSTM is funded according to the level of activity that it generates each year. In 2010/11, 93 FTE postgraduate HEFCE funded EU students and 46 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 22 FTEs. PhD students register throughout the academic year. At 1 December 2010, 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 2010/11, 207 students attended short courses delivered in Liverpool, whilst student numbers for courses delivered overseas were 60 EU and approximately 1,500 non EU.

Curriculum Developments

- In 2010/11, LSTM offered seven MSc programmes with a possible choice of over 32 modules. Following a comprehensive review of the organisation of the MSc programmes in 2009 a more streamlined portfolio of seven MSc programmes under an over-arching theme of Global health was offered. 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 £568k (2009/10 of £1,733k).
- The Group has accumulated general reserves of £10,359k and cash balances of £10,831k. 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 2011

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

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

EchiTab 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.

Staff and Student Involvement

- 16 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 .

Taxation

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

Employment of Disabled Persons

- 18 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

- 19 LSTM seeks to achieve the objectives set down in the Disability Discrimination Act 2000 and in particular makes the following commitments:
- a) 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;
 - b) 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

- 20 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

- 21 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

- 22 LSTM's current professional advisors are as follows :

Financial Statement and Funding Auditors:

Grant Thornton UK LLP
4 Hardman Square,
Spinningfields,
Manchester M3 3EB

Internal Auditors:

RSM Tenon
York House
Manchester
M3 3BB

**Liverpool School of Tropical Medicine
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Report of the Members of the Board of Trustees (continued)

Bankers:

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

23 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	December 2004	Ex Officio / staff	
J Brown LLB	December 2009**	Elected	Chairman Audit Remuneration
TT Francis, BSc, PhD	December 2010**	Elected	Audit
D Greensmith MA	Mar 2011*		
Prof J Hemingway BSc PhD	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
CM Jones BA ACIS	Jan 2011*		
Prof MJ Jackson	Mar 2011	Nominated/UoL	Audit
Prof J Keaton	Mar 2011	Nominated/UoL	Finance & Investment
Prof J Saunders	Jan 2011*		
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 2011

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

Donations

24 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:

Cargill Cotton plc; Charleston Financial Services; Lord Leverhulme's Charitable Trust; Oglesby Charitable Trust; World Friendship; Lord Cozens Hardy Charitable Trust; The Royal Society of Obstetricians and Gynaecologists and a number of anonymous individuals, charitable trusts and companies

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

Bassil Shippam and Alford Trust; Andrew Anderson Trust; Nicholas Barber; Dr David Bailey; Lady C.M. Bibby; Leslie Bibby Fund; Mr J.B. Bibby; The Charles Brotherton Charitable Trust; Professor and Mrs Clarkson; The David Cutforth Charitable Trust; The Delphine Trust; P Durkan & Co.; Everton Football Club; JJ Eyre; The Gunter Charitable Trust; Lauren Gregory; Dr Phillip Gould; Mrs MJ Lane; Liverpool Football Club; Susan Lockyer; The Selwyn Lloyd Charitable Trust; The Millfield Trust; G M Morrison Charitable Trust; T.P. Naylor; Parish of St Peter and St Paul Edenbridge; Mrs June Pinto; Privy Purse Charitable Trust; Pyke & Sons Ltd; H J Rawlings Charitable Trust; Aurthur & Audrey Silkin Charitable Trust; Soroptomists International of Liverpool; Gillian Summers; Mr & Mrs Toosey; Judith M. Wheeldon; PJH Wills Charitable Trust; The Wyndham Charitable Trust and a number of anonymous individuals, charitable trusts and companies.

Capital Donations

There were no capital donations during this period.

Corporate Governance

25

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.

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 2011.

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 2011

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

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 School 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 2011, 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 of Administration and Support Services and other senior members of staff in LSTM.

Details of remuneration for the year ended 31 July 2011 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 ongoing process for identifying, evaluating and managing LSTM's significant risks that has been in place and operational for the year ended 31 July 2011. The Board regularly reviews 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 2011

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

Responsibilities Statement

26 The members of the board are responsible for preparing the Operating and Financial Review and the financial statements in accordance with applicable law and regulations.

Company law requires LSTM to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007. Under company law¹ the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the company and group for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;²
- state whether applicable UK Accounting Standards and statement of recommended practice 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 LSTM will continue in business;
- ensure that funds received from HEFCE have been properly applied for the purposes for which they were received.

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

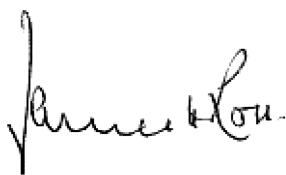
- In so far as each of the members is aware:
- there is no relevant audit information of which LSTM's auditors are unaware; and
- the members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Members of the Board are responsible for ensuring that funds from the University of Liverpool are used only in accordance with the Financial Memorandum with the University of Liverpool. Members of the Board must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Board are responsible for securing economical, efficient and effective management of LSTM's resources and expenditure, so that the benefits that should be derived from the application of public funds are not put at risk.

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

7 November 2011

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2011

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.

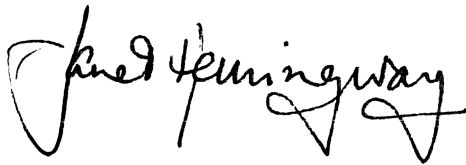
The system can provide only reasonable and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

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 auditors', and internal auditors' 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 auditors, the executive managers within LSTM who have responsibility for the development and maintenance of the financial control framework and comments made by LSTM's financial statement and funding auditors in their management letters and other reports.



Professor J Hemingway BSc, PhD, FRS

Director

7 November 2011

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2011

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 2011 which comprise the consolidated and LSTM's income and expenditure account, the consolidated and LSTM's statement of total recognised 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 report of the members of the board of trustees 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 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 2011 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 2011 have been applied for the purposes for which they were received; and
- in all material aspects, income during the year ended 31 July 2011 has been applied in accordance with the 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 Report of members of the board of trustees 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
Manchester
7 November 2011



**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2011**

Income and Expenditure Accounts

	Notes	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Income					
Funding Council Grants	2	6,026	6,026	6,311	6,311
Tuition fees and education contracts	3	2,911	2,911	2,814	2,814
Research grants and contracts	4	41,251	31,267	40,060	28,250
Other income	5	3,111	2,874	3,142	2,942
Endowment and Investment income	6	210	239	190	221
Surplus/(Deficit) on disposal of investments	7	15	15	8	8
Total income		53,524	43,332	52,525	40,546
Expenditure					
Staff costs	8	15,498	13,559	14,787	12,576
Other operating expenses	10	36,392	28,205	35,482	25,914
Depreciation	14	1,080	993	892	826
Interest payable	11	-	-	-	-
Total expenditure		52,970	42,757	51,161	39,316
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		554	575	1,364	1,230
Foreign currency gain		-	-	-	-
Unrealised surplus/(deficit) on revaluation of investments		-	-	374	374
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and revaluation of investments but before tax		554	575	1,738	1,604
Taxation	12	14	-	(5)	-
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments and tax	13	568	575	1,733	1,604

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 2011**

Statement of the Total Recognised Gains and Losses

	Notes	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	13	568	575	1,733	1,604
Appreciation/(depreciation) of endowment asset investments (realised)	22	6 468	6 468	(6)	(6)
Endowment income retained for year	22	71	71	(44)	(44)
Revaluation of endowment asset investments (unrealised)	22	497	497	712	712
Revaluation of investments	23	16	16	109	109
Total recognised gains/(losses) relating to the period		<u>7,620</u>	<u>7,627</u>	<u>2 504</u>	<u>2375</u>
Reconciliation					
Opening reserves and endowments		16,461	16,779	13,957	14,404
Total recognised gains/(losses) for the year		7,620	7,627	2 504	2,375
Closing reserves and endowments		<u>24,081</u>	<u>24,406</u>	<u>16,461</u>	<u>16,779</u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2011**

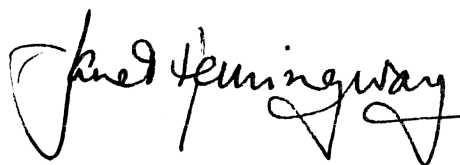
Balance Sheets as at 31 July

	Notes	Group 2011 £000	LSTM 2011 £000	Group 2010 £000	LSTM 2010 £000
Fixed assets					
Tangible assets	14	37,101	36,650	33,036	32,515
Investments	15	-	54	-	54
		<u>37,101</u>	<u>36,704</u>	<u>33,036</u>	<u>32,569</u>
Endowment assets	16	<u>13,597</u>	<u>13,597</u>	<u>6,561</u>	<u>6,561</u>
Current assets					
Stock		112	12	67	19
Debtors	17	7,135	6,631	6,666	7,157
Investments	18	11,146	11,146	4,688	4,688
Cash at bank and in hand		10,831	4,430	22,186	21,018
		<u>29,224</u>	<u>22,219</u>	<u>33,607</u>	<u>32,882</u>
Creditors: amounts falling due within one year	19	28,842	21,115	29,314	27,804
Net current assets		<u>382</u>	<u>1,104</u>	<u>4,293</u>	<u>5,078</u>
Total assets less current liabilities		51,080	51,405	43,890	44,208
NET ASSETS		<u>51,080</u>	<u>51,405</u>	<u>43,890</u>	<u>44,208</u>
Deferred capital grants	21	26,999	26,999	27,429	27,429
Endowments					
Restricted permanent	22	5,602	5,602	5,097	5,097
Unrestricted permanent	22	7,995	7,995	1,464	1,464
		<u>13,597</u>	<u>13,597</u>	<u>6,561</u>	<u>6,561</u>
Reserves					
Revaluation reserves	23	125	125	109	109
General reserve	24	10,359	10,684	9,791	10,109
		<u>10,484</u>	<u>10,809</u>	<u>9,900</u>	<u>10,218</u>
TOTAL FUNDS		<u>51,080</u>	<u>51,405</u>	<u>43,890</u>	<u>44,208</u>

The financial statements on pages 12 to 31 were approved by the Board of Trustees on 7 November 2011 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 2011**

Cash Flow Statements

	Notes	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Cash flow from operating activities	25	(457)	(5,446)	1,631	1,279
Returns on investments and servicing of finance	26	281	310	107	138
Taxation	12	14	-	(5)	-
Capital expenditure and financial investment	27	(8,651)	(8,634)	(430)	(385)
Cash (outflow) / inflow before use of liquid resources and financing		<u>(8,813)</u>	<u>(13,770)</u>	<u>1,303</u>	<u>1,032</u>
Management of liquid resources	28	(2,818)	(2,818)	29	29
(Decrease) / increase in cash in the period		<u>(11,631)</u>	<u>(16,588)</u>	<u>1,332</u>	<u>1,061</u>
Reconciliation of net cash flow to movement in net funds					
(Decrease) / increase in cash in the period		(11,631)	(16,588)	1,332	1,061
Cash inflow / (outflow) from liquid resources	28	2,818	2,818	(29)	(29)
Movement in net funds in period		<u>(8,813)</u>	<u>(13,770)</u>	<u>1,303</u>	<u>1,032</u>
Net funds at 1 August	29	22,003	21,391	20,700	20,359
Net funds at 31 July	29	<u>13,190</u>	<u>7,621</u>	<u>22,003</u>	<u>21,391</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2011

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.

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 2011

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 2012. 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 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Recurrent grant - HEFCE	6,026	6,026	6,311	6,311
FEC support grant - HEFCE	-	-	-	-
	6,026	6,026	6,311	6,311

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2011**

3 Tuition Fees and Education Contracts

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
UK Higher Education students	731	731	576	576
Non-EU students	1,096	1,096	1,130	1,130
Short Courses	994	994	1,041	1,041
	<u>2 821</u>	<u>2 821</u>	<u>2 747</u>	<u>2 747</u>
Higher Education contracts	-	-	-	-
Other contracts	90	90	67	67
	<u><u>2,911</u></u>	<u><u>2,911</u></u>	<u><u>2,814</u></u>	<u><u>2,814</u></u>

4 Research Grants and Contracts

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Research Council	445	445	555	555
UK based charities	7,273	7,133	7,081	7,066
UK Central Government and other bodies	8,877	5,175	9,370	4,885
UK Industry, commerce and public operations	191	191	69	69
European Commission	7,461	7,347	6,499	6,367
Other overseas bodies	17,004	10,976	16,486	9,308
Other grants and contracts	-	-	-	-
Total	<u><u>41,251</u></u>	<u><u>31,267</u></u>	<u><u>40,060</u></u>	<u><u>28,250</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 Committee.

5 Other Income

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Other income generating activities	899	253	924	230
Other grant income	217	217	218	218
Releases from deferred capital grants	604	604	579	579
Donations for general purposes	21	21	22	22
Donations for specific purposes	118	118	115	115
Subvention from North West Regional Health Authority	329	329	312	312
Other income	923	1,235	972	1,406
Gift aid from subsidiary	-	97	-	60
	<u><u>3,111</u></u>	<u><u>2,874</u></u>	<u><u>3,142</u></u>	<u><u>2,942</u></u>

6 Endowment and Investment Income

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Dividend income and interest receivable	102	102	91	91
Income from general endowment asset investments (note 22)	54	54	38	38
Other endowment income	-	-	39	39
Other interest receivable	54	83	22	53
	<u><u>210</u></u>	<u><u>239</u></u>	<u><u>190</u></u>	<u><u>221</u></u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2011**

7 Surplus/(Deficit) on disposal of investments

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Total surplus/(deficit)	15	15	8	8
	<u>15</u>	<u>15</u>	<u>8</u>	<u>8</u>

8 Staff Costs

	Group Year ended 31 July 2011 Number	LSTM Year ended 31 July 2011 Number	Group Year ended 31 July 2010 Number	LSTM Year ended 31 July 2010 Number
The average number of persons (including senior post-holders) employed during the year, expressed as full-time equivalents, was:				
Professorial	12	12	12	12
Academic and academic related	63	63	55	55
Research	168	136	160	127
Secretarial and clerical	48	41	44	37
Technical	20	15	18	13
Other	6	6	9	9
	<u>317</u>	<u>273</u>	<u>298</u>	<u>253</u>

Staff costs for the above persons:

	£000	£000	£000	£000
Wages and salaries	12,764	11,196	12,237	10,372
Social security costs	1,042	908	988	824
Other pension costs	1,558	1,422	1,464	1,282
Restructuring costs	134	33	98	98
	<u>15,498</u>	<u>13,559</u>	<u>14,787</u>	<u>12,576</u>

Academic services - academic and academic related staff	4,175	4,175	3,909	3,909
Academic services - support staff	921	921	656	656
Academic services - laboratory staff	320	320	392	392
Academic support services staff	399	399	413	413
Research grants staff	7,685	6,259	7,639	5,792
Administration and central services staff	1,194	1,194	1,085	1,085
Premises staff	219	219	195	195
Other income-generating activities staff	451	39	400	36
Staff restructuring	134	33	98	98
Total	<u>15,498</u>	<u>13,559</u>	<u>14,787</u>	<u>12,576</u>

	Group Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000
Employment costs for staff on permanent contracts	15,279	14,600
Employment costs for staff on short-term and temporary contracts	85	89
Restructuring costs	134	98
	<u>15,498</u>	<u>14,787</u>

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2011

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

	Group		Group	
	Year ended 31 July 2011	Year ended 31 July 2010	Year ended 31 July 2011	Year ended 31 July 2010
	Number senior post-holders	Number Other Staff	Number senior post-holders	Number Other Staff
£ 100,001 to £ 110,000	-	5	-	1
£ 110,001 to £ 120,000	1	4	1	2
£ 120,001 to £ 130,000	-	3	-	3
£ 130,001 to £ 140,000	-	1	-	2
£ 140,001 to £ 150,000	-	-	-	1
£160,001 to £170,000	-	2	-	1
£170,001 to £180,000	-	1	-	-
£180,001 to £190,000	-	-	-	1
£ 190,001 to £ 200,000	-	-	-	1
£ 210,001 to £ 220,000	-	-	-	1
£ 220,001 to £ 230,000	1	-	1	-
	<u>2</u>	<u>16</u>	<u>2</u>	<u>13</u>

A general pay award of 0.4% was made with effect from 1 October 2010, approved by the Board of Trustees.

9 Senior Post-holders' Emoluments

	Number 2011	Number 2010
The number of senior post-holders including the Director was:	2	2
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	300	288
Benefits in kind	-	-
Pension contributions	48	44
Total emoluments	<u>348</u>	<u>332</u>

The above emoluments include amounts payable to the Director of:

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Salary	198	188
Benefits in kind	-	-
	<u>198</u>	<u>188</u>
Pension contributions	<u>32</u>	<u>29</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.

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2011**

10 Other Operating Expenses

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Teaching courses related costs	950	950	776	776
Laboratory and other costs	1,054	747	1,224	820
Teaching and other support services	1,026	1,026	1,042	1,042
Research grants costs	29,973	23,719	29,964	21,080
Administration and central services	1,891	364	563	328
General education	280	200	525	574
Premises running costs	949	942	1,012	981
Premises maintenance	219	207	328	265
Planned maintenance	50	50	48	48
Total	<u>36,392</u>	<u>28,205</u>	<u>35,482</u>	<u>25,914</u>

Other operating expenses include:

Auditors' remuneration:				
financial statements audit	44	31	29	18
internal audit	24	24	23	23
other services from either external or internal audit	17	17	28	28

11 Interest Payable

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12 Taxation

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
United Kingdom corporation tax	(14)	-	5	-

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 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
LSTM's surplus for the period	568	478	1,733	1,544
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	97	-	60
Total	<u>568</u>	<u>575</u>	<u>1,733</u>	<u>1,604</u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2011**

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 2010	27,975	8,475	1,235	37,685
Reclassification of Assets	8,297	(8,297)	-	-
Additions	4,671	10	464	5,145
Disposals	-	-	-	-
At 31 July 2011	40,943	188	1,699	42,830
Depreciation				
At 1 August 2010	1,370	2,332	947	4,649
Reclassification of Assets	2,295	(2,295)	-	-
Charge for year	784	68	228	1,080
Eliminated in respect of disposals	-	-	-	-
At 31 July 2011	4,449	105	1,175	5,729
Net Book Value at 31 July 2011	36,494	83	524	37,101
Net Book Value at 31 July 2010	26,605	6,143	288	33,036
Financed by other capital grant	23,017	-	106	23,017
Financed by HEFCE capital grant	3,875	-	-	3,875
Financed by other	9,602	83	418	10,209
	36,494	83	524	37,101
LSTM				
Cost or Valuation				
At 1 August 2010	27,625	8,297	1,075	36,997
Reclassification of Assets	8,297	(8,297)	-	-
Additions	4,671	-	457	5,128
Disposals	-	-	-	-
At 31 July 2011	40,593	-	1,532	42,125
Depreciation				
At 1 August 2010	1,363	2,295	824	4,482
Reclassification of Assets	2,295	(2,295)	-	-
Charge for year	784	-	209	993
Eliminated in respect of disposals	-	-	-	-
At 31 July 2011	4,442	-	1,033	5,475
Net Book Value at 31 July 2011	36,151	-	499	36,650
Net Book Value at 31 July 2010	26,262	6,002	251	32,515
Financed by other capital grant	23,017	-	106	23,017
Financed by HEFCE capital grant	3,875	-	-	3,875
Financed by other	9,259	-	393	9,758
	36,151	-	499	36,650

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.

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15 Investments

	LSTM Year ended 31 July 2011 £000	LSTM Year ended 31 July 2010 £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.

16 Endowment Assets

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Balance at 1 August 2010	6,561	6,561	5,899	5,899
Additions	3,899	3,899	132	132
Disposals	(178)	(178)	(153)	(153)
Appreciation on disposals / revaluation	497	497	712	712
Increase/(decrease) in cash balances held at fund managers	2,818	2,818	(29)	(29)
Balance at 31 July 2011	<u>13,597</u>	<u>13,597</u>	<u>6,561</u>	<u>6,561</u>
Represented by:				
Fixed interest stocks (listed)	333	333	329	329
Equities (listed)	6,277	6,277	5,785	5,785
Cash balances	6,913	6,913	402	402
Other	74	74	45	45
Total	<u>13,597</u>	<u>13,597</u>	<u>6,561</u>	<u>6,561</u>

17 Debtors

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Amounts falling due within one year				
Trade debtors	902	139	1,424	179
Amounts owed by subsidiary undertakings	-	685	-	1,978
Balances due on research grants and contracts	5,130	5,060	3,754	3,754
Prepayments and accrued income	791	435	526	284
Amounts owed by Liverpool University	312	312	962	962
Total	<u>7,135</u>	<u>6,631</u>	<u>6,666</u>	<u>7,157</u>

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18 Investments

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Cost at 1 August 2010	4,535	4,535	3,325	3,325
Additions	6,626	6,626	1,504	1,504
Disposals	(152)	(152)	(294)	(294)
Cost at 31 July 2011	11,009	11,009	4,535	4,535
Unrealised (deficit)/surplus at 1 August 2010	109	109	(374)	(374)
Revaluation for the year	16	16	483	483
Market value as at 31 July 2011	11,134	11,134	4,644	4,644
Cash balances at investment brokers	12	12	44	44
	<u>11,146</u>	<u>11,146</u>	<u>4,688</u>	<u>4,688</u>
Represented by:				
Fixed interest stocks (listed)	6,485	6,485	1,944	1,944
Equities (listed)	2,233	2,233	2,020	2,020
Cash balances	1,629	1,629	57	57
Other	799	799	667	667
Total	<u>11,146</u>	<u>11,146</u>	<u>4,688</u>	<u>4,688</u>

19 Creditors: Amounts Falling Due Within One Year

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Bank loans and overdrafts	832	-	556	-
Corporation tax	-	-	-	-
Unexpended balances of research grants and contracts	23,488	16,745	24,246	18,572
Trade creditors	529	376	432	244
Amounts owed to subsidiary undertakings	-	452	-	5,682
Other taxation and social security	284	271	302	266
Accruals	3,709	3,271	3,778	3,040
	<u>28,842</u>	<u>21,115</u>	<u>29,314</u>	<u>27,804</u>

20 Borrowings

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less, or on demand	832	-	556	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u>832</u>	<u>-</u>	<u>556</u>	<u>-</u>

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21 Deferred Capital Grants

	Group Funding Council £000	Group Other Funding £000	Group Total £000	LSTM Total £000
At 1 August 2010				
Buildings	3,963	23,466	27,429	27,429
Equipment	-	-	-	-
Cash received				
Buildings	-	44	44	44
Equipment	-	130	130	130
Released to income and expenditure account				
Buildings	(89)	(491)	(580)	(580)
Equipment	-	(24)	(24)	(24)
Total	3,874	23,125	26,999	26,999
At 31 July 2011				
Buildings	3,874	23,019	26,893	26,893
Equipment	-	106	106	106
Total	3,874	23,125	26,999	26,999

22 Endowments

	Group and LSTM		
	Permanent Endowments		
	Restricted £000	Unrestricted £000	Total £000
At 1 August 2010 - Capital value	4,760	1,464	6,224
- Accumulated income	337	-	337
Additions	-	6,437	6,437
Appreciation of endowment asset investments (realised)	31	-	31
Appreciation of endowment asset investments (unrealised)	403	94	497
Income for year	151	54	205
Transferred to income and expenditure account	(80)	(54)	(134)
At 31 July 2011 - Capital value	5,194	5,280	10,474
- Accumulated income	408	2,715	3,123
Representing			
Fellowships and scholarships funds	4,598	-	4,598
Prizes funds	42	-	42
Other funds	962	7,995	8,957
Total	5,602	7,995	13,597

During the year, £6,437k of endowments which had previously been held by the University of Liverpool on behalf of LSTM were transferred to LSTM. There are no trust deeds available with regard to the composition of this amount. As a result, LSTM have applied a fair value exercise to apportion the capital & income element.

Of the restricted permanent endowments, £2,887k capital & £98k income relates to The Leverhulme 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 2010	109	-	109	109
Revaluations in the period (as per note 18)	16	-	16	16
Transferred to income and expenditure account	-	-	-	-
At 31 July 2011	125	-	125	125

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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 2010	37	9,754	9,791	10,109
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	-	568	568	575
Transfer between funds	(14)	14	-	-
At 31 July 2011	23	10,336	10,359	10,684

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

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Surplus on continuing operations after depreciation of assets at valuation	554	575	1,364	1,230
Depreciation (note 1 & 14)	1,080	993	892	826
Deferred capital grants released to income (note 21)	(604)	(604)	(644)	(644)
Profit on disposal of tangible fixed assets	-	-	-	-
Profit on disposal of investments	(15)	(15)	(8)	(8)
Interest payable (note 11)	-	-	-	-
(Increase) / decrease in stocks	(45)	7	45	(1)
(Increase) / decrease in debtors	(469)	526	48	524
Increase / (decrease) in creditors	(748)	(6,689)	85	(466)
Interest receivable (note 6)	(210)	(239)	(190)	(221)
University Endowed Chairs	-	-	39	39
Net cash inflow from operating activities	(457)	(5,446)	1,631	1,279

26 Returns on Investments and Servicing of Finance

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Income from long term investments and unrestricted permanent endowments	156	156	129	129
Net income from restricted permanent endowments	71	71	(44)	(44)
Other interest received	54	83	22	53
Interest paid	-	-	-	-
Net cash inflow from returns on investment and servicing of finance	281	310	107	138

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27 Capital Expenditure and Financial Investment

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Purchase of tangible fixed assets	(5,145)	(5,128)	(2,235)	(1,816)
Payments to acquire endowment assets	(3,899)	(3,899)	(132)	(132)
Payments to acquire investments	(6,594)	(6,594)	(1,515)	(1,515)
Receipt from sale of tangible fixed assets	-	-	374	-
Receipt from sale of investments surplus	167	167	302	302
Receipt from sale of endowment assets	209	209	147	147
Deferred capital grants received	174	174	2,629	2,629
Endowments received	6,437	6,437	-	-
Net cash outflow from capital expenditure and financial investment	<u><u>(8,651)</u></u>	<u><u>(8,634)</u></u>	<u><u>(430)</u></u>	<u><u>(385)</u></u>

28 Management of Liquid Resources

	Group Year ended 31 July 2011 £000	LSTM Year ended 31 July 2011 £000	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000
Movement in endowment assets (cash)	(2,818)	(2,818)	29	29
Net cash inflow from management of liquid resources	<u><u>(2,818)</u></u>	<u><u>(2,818)</u></u>	<u><u>29</u></u>	<u><u>29</u></u>

29 Analysis of Changes in Net Funds

	At 1 August 2010 £000	Cashflows £000	Other changes £000	At 31 July 2011 £000
Group				
Cash in hand, and at bank	22,186	(11,355)	-	10,831
Endowment asset investments (note16)	373	2,818	-	3,191
Overdrafts	(556)	(276)	-	(832)
	<u><u>22,003</u></u>	<u><u>(8,813)</u></u>	<u><u>-</u></u>	<u><u>13,190</u></u>
Net funds due within 1 year	22,003	(8,813)	-	13,190
Net funds due after 1 year	-	-	-	-
Total	<u><u>22,003</u></u>	<u><u>(8,813)</u></u>	<u><u>-</u></u>	<u><u>13,190</u></u>
LSTM				
Cash in hand, and at bank	21,018	(16,588)	-	4,430
Endowment asset investments (note16)	373	2,818	-	3,191
Overdrafts	-	-	-	-
	<u><u>21,391</u></u>	<u><u>(13,770)</u></u>	<u><u>-</u></u>	<u><u>7,621</u></u>
Net funds due within 1 year	21,391	(13,770)	-	7,621
Net funds due after 1 year	-	-	-	-
Total	<u><u>21,391</u></u>	<u><u>(13,770)</u></u>	<u><u>-</u></u>	<u><u>7,621</u></u>

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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 (NHSSS). All schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. The total pension cost for the period was £1,422,000 (2010 £1,295,000).

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.

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 2008. This was the first valuation for USS under the new 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 2011 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 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus 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 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables - No age rating

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 assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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30 Pension and similar obligations (continued)

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 except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also 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.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the LSTM contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the market's assessment of inflation has increased slightly. The Government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past 12 months, the funding level has improved from 91% (as at 31 March 2010) to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS 17 basis, 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 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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
Valuation rate of interest	Increase / decrease by 0.5%	Decrease / increase by £2.2 billion
Rate of pension increases	Increase / decrease by 0.5%	Increase / decrease by £1.5 billion
Rate of salary growth	Increase / decrease by 0.5%	Increase / decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 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 strong 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.

The next formal triennial actuarial valuation is due at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and LSTM had 176 active members participating in the scheme.

The total pension cost for LSTM was £1,075,000 (2010 £882,000). The contribution rate payable by LSTM was 16% of pensionable salaries.

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30 Pension and similar obligations (continued)

University of Liverpool Pension Fund (ULPF)

LSTM participates in the University of Liverpool Superannuation Scheme, (ULPF) a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

A full actuarial valuation of the scheme was carried out at 31 July 2009 and updated to 31 July 2011 by a qualified actuary, independent of the scheme's sponsoring employer.

The contributions made by the employer over the period have been £226,000 (2010 £287,000). The employer currently pays contributions at the rate of 13.4% of pensionable pay. Member contributions are payable in addition at the rate of 6.0% of pensionable pay.

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 5.3% per annum (2010 5.4%), salary increases would be 5.25% per annum (2010 5.0%) and pensions would increase by 3.6% per annum (2010 3.35%). The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £237m (2010 £210m) and the value of the past service liabilities was £294m (2010 £272m) leaving a deficit of £57m (2010 £62m). The assets therefore were insufficient to cover the benefits, which had accrued to members after allowing for expected future increases in earnings.

During the year, LSTM contributed to 88 employees within this scheme (2010 75 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 £120,000 (2010 £114,000), equivalent to 14% of Pensionable Salaries.

31 Post Balance Sheet Events

There are no post balance sheet events

32 Capital Commitments

	Group and LSTM	
	Year ended	Year ended
	31 July 2011	31 July 2010
	£000	£000
Commitments contracted for at 31 July	100	880
Commitments under finance leases entered into but not yet provided for in the financial statements	Nil	Nil

33 Contingent Liability

The Group has received a capital grant 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.

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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 2011	31 July 2010
	£000	£000
Sell currency and buy £	<u>38</u>	<u>(285)</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 2011 amounting to £312k. LSTM is not recognised by the Higher Education Funding Council and grants of £6.0m 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 2011	31 July 2010
	£000	£000
ABBA	-	350
CNTD Global Programme Lymphatic Filariasis	2,311	1,200
Develop HR Maternal/Newborn Health	1,077	1,041
EHCAP	-	773
EBSR	569	-
Health Systems Financing	272	-
Health System Strengthening In Somalia	57	376
Lymphatic Filariasis - Global Alliance	-	400
LQAS work - ORISSA	172	39
Special Issue Health Policy & Planning	13	6
UK Health International Links Centre	187	110
Zimbabwe Saving Maternal/Newborn Lives	9	2
	<u>4,667</u>	<u>4,297</u>



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