

# LIVERPOOL SCHOOL of TROPICAL MEDICINE



## FINANCIAL STATEMENTS FOR THE YEAR 2005-2006



LIVERPOOL  
SCHOOL OF  
TROPICAL  
MEDICINE

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EUROPEAN CAPITAL OF CULTURE

# Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2006

## Report of the Board of Trustees

### Constitution and Organisation

- 1 The Liverpool School of Tropical Medicine was formally inaugurated on 22 April 1899 and incorporated on the 30 January 1905 as the Incorporated Liverpool School of Tropical Medicine. The School was registered as a charity on 11 October 1963. The School is a company limited by guarantee and holds no share capital and is governed by a Board of Trustees.
- 2 The Incorporated Liverpool School of Tropical Medicine changed its name on 30 November 1992 to The Liverpool School of Tropical Medicine.

### Memorandum of Association

- 3 The School's Memorandum and Articles of Association was amended by special resolution and adopted at the AGM on 10 December 2004. 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 peoples 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;
  - providing appropriate consultancy services.
  - In fulfilling this mission the School also provides a clinical service of acknowledged excellence.

### Objectives

- 5 In 2002 the School prepared a strategic plan for the period 1 August 2002 to 31 July 2007 that includes financial forecasts. The Board of Trustees monitors the performance of the School against these plans. The plans are reviewed and updated each year and a new plan will be presented for the five years ended 31 July 2012. The School's continuing strategic objectives are to:
  - achieve a new management structure with more responsibility devolved downwards to research groups and the boards of study.
  - achieve increasing efficiency through greater use of information technology
  - development of our derelict site
  - 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 the School.
  - establish an equitable long term formula for the transparent transfer of Higher Education Funding Council for England funds from the University of Liverpool to the School.
  - 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.

The School is on target for achieving these objectives.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

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

- 6 The School's specific objectives for 2005/06 and achievement of those objectives is addressed below:
- The School continues to achieve increases on its research income and is 10.4% higher than its target of £7,143k in the strategic plan. The subsidiary company (LATH) increased turnover by 33.2%, closely matching the previous year's growth of 37.6% and the surplus covenanted to the School increasing by 1.6%.
  - The contribution to School overheads from research grants and contracts increased by 20.9% and has surpassed the strategic plan by 26.4%. (Space and the lack of purpose built facilities continues to restrict future growth)
  - The School is showing substantial cash inflow on its activities which ensures that funds are invested to create wealth.
  - The provision of £42k for staff restructuring brings the total costs to date to £560k. This is against a budget of £700k mentioned in the strategic plan. Further restructuring is not expected within the proposed five year plan.
  - The facility improvement and growth required have been addressed with the success of capital bids to the North West Development Agency (NWDA) and The Government of the Northwest (GONW) to build a Centre for Tropical and Infectious Diseases on the derelict site adjacent to the School with an anticipated completion date in December 2007.

#### Student Numbers

- 7 The School is funded according to the level of activity that it generates each year. In 2005/06, 132 FTE postgraduate HEFCE funded EU students and 88 FTE postgraduate overseas students attended the School and represents a similar number to 2004/05.
- 8 The School also has its own programme of courses, which do not attract grant funding. Many of the courses are short term and some are undertaken out of the country. Student numbers are misleading in this area and although lower fees are reported, the predominant reduction in income reflects the completion of external out of country courses.

#### Curriculum Developments

- 9 Methods of teaching and learning are continuously reviewed and developed to ensure that the curriculum meets the high standards set by the School and external agencies and in fact, there has been significant development in the area of humanitarian assistance in this current year.

#### Transparency arrangements

- 10 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

- 11 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

- 12 The School generated a surplus in the year of £515,000 (2004/05 of £725,000).
- 13 The School has accumulated reserves of £5,183,000 and cash balances of £6,026,000. The School wishes to continue to accumulate reserves and cash balances in order to create a contingency fund in accordance with the reserves policy.
- 14 The School has two subsidiary companies, the first, Liverpool Associates in Tropical Health (LATH) a not-for profit company, limited by guarantee. 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. A proportion of the surplus generated by the subsidiary is transferred to the School by gift aid. In the current year, the gift aid transferred is £790,000. LATH has two further subsidiary companies LATH Management Services Ltd and LATH USA Ltd. The School's second subsidiary is EchiTab Study Group (UK) Ltd (Echitab) a company formed to develop research in snake antivenom with the Nigerian Ministry of Health.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

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

#### Post-balance Sheet Events

15 There are no post-balance sheet events to report.

#### Staff and Student Involvement

16 The School 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. The School encourages staff and student involvement through membership of formal committees and provides positions on the management committee to representatives from the School staff forum.

#### Taxation

17 The School's activities do not fall to be charged to corporation tax.

#### Employment of Disabled Persons

18 The School 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 the School continues. The School'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 The School 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 School prospectus. Appeals against a decision not to offer a place are dealt with under the complaints policy;

#### Planned Maintenance Programme

20 The School has appointed an Operational Services Manager to review its maintenance budget and identify an appropriate budget to deliver the planned maintenance programme to both existing buildings and the major new building once work is completed.

#### Endowments

21 The School continues to hold endowment funds received in previous years 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 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 The School's current professional advisers are as follows :

Financial Statement and Funding Auditors:  
Grant Thornton UK LLP  
Heron House  
Albert Square  
Manchester

Bankers:  
Barclays Bank Plc  
4 Water Street  
Liverpool

Internal Auditors:  
Bentley Jennison  
26 Pall Mall,  
Manchester M2 1JR

Solicitors:  
Brabners Chaffe Street  
Dale Street  
Liverpool

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2006**

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

**Members**

23 The Board of Trustees are also the nominated directors under Companies Act 1985 and their term of office is for three years. The members who served on the Board during the year were as follows

<b>Name</b>	<b>Date of appointment retirement* re-appointment **</b>	<b>Status of appointment</b>	<b>Capacity and Committees Served</b>
RH Hawley JP DL	December 2004**	Elected	Chairman of Board of Trustees Nominations & Governance, Remuneration, LATH Board
SP Sherrard	December 2004**	Elected	Vice-Chairman of Board Audit, Remuneration
ATR Macfarlane BA FCA	December 2004**	Elected	Hon Treasurer Finance & Investment, Remuneration,
IM Jones ACIB	December 2003	Elected	Deputy Hon Treasurer Finance & Investment, LATH Board
I Bates BSc MBBS MD MRCP	December 2004	Ex Officio / staff	
AH Banner LLM	December 2005**	Elected	Audit
MJP Cooke FCA	December 2004**	Elected	Nominations & Governance Finance & Investment
NPF Earlam	December 2004**	Elected	LATH Board Chairman
WD Fulton JP DL FCA	December 2004**	Elected	Nominations & Governance
Prof J Hemingway BSc PhD	September 2001	Ex Officio / staff	Director of the School Finance & Investment, LATH Board
RM Hussey MSc MBChB FFPHM COG	December 2004**	Elected	NHS Executive North West
CM Jones BA ACIS	December 2004	Nominated	UOL, Audit
N Kemsley BCom ACIS	December 2005*	Elected	
S O'Brien, MP	March 2006	Elected	
Prof J Saunders	December 2004	Nominated	UOL, Finance & Investment
Sir Brian Smith	December 2004	Elected	
RE Holland FCCA	June 2001	Non member	Secretary to the Board

University of Liverpool referred to as UOL

# Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2006

## 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 the School, including Her Majesty the Queen.

#### Revenue Donations

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

The Simpson Educational & Conservation Trust, Liverpool Charity and Voluntary Services, The Royal Medical Benevolent Fund, Methodist Church, World Friendship, The Oakdale Trust, Thackray Medical Research Trust, Lord Cozens Hardy Charitable Trust, The Farthing Trust, the late Annie Elizabeth Evans, Mrs Helen Beare, The Gunter Charitable Trust, John Pryor Charitable Trust, Mr Peter Naylor, The Oglesby Charitable Trust, Sir Mark Moody Stuart, The Hedley Foundation, The Straton Thornhill Trust, Mrs Judith M. Wheeldon, The Charles and Elsie Sykes Trust, The Eleanor Rathbone Charitable Trust, Windle Trust, The John Slater Foundation, Lord Leverhulme's Charitable Trust and a number of anonymous donations.

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

Mrs Lindsay, Mrs Jane Newell OBE, M. Farrell, Mrs June Pinto, Mrs S. Shaw, Image Technology UK Ltd, the late Sir Geoffrey Bates, Dr O'Neill, Mrs Shahana Ahmed, D.B. Stuart, Mr Simon Kent, Quiagen Ltd, K. Burrows, Mr H. Shaw, D.B. Stewart, Norman Collinson Charitable Trust, Lady C.M. Bibby, Promega UK, Mrs Irene Horsfall, Mrs Eileen Tedford, Dr O'Neill, The Richard Cadbury Charitable Trust, Mr Grant, Miss Shirley Harrop, Charles Brotherton Trust, Nicholas Barber, J. Eyre, W.D. Macpherson Trust, Mrs M.J. Lane, John Pryor Charitable Trust, Mr & Mrs Toosey, Mr J.B. Bibby, Andrew Anderson Charitable Trust, Baroness Chalker, The Bassil and Shippam & Alsford Trust, the late Mrs Joan Barnes, Soroptomists International, Hoyle and West Kirby 41, Mr Peter Naylor, Mr Alan Rothwell, Mr & Mrs Giblin, Mrs Rothwell, Mrs Priestly, Mr & Mrs Hughes, L.M. Howarth, M. Calvert, Mr & Mrs Thelwell, J.M. Wheeldon, The Andrew Anderson Charitable Trust, The G.M. Morrison Charitable Trust, Peter Bowring Charitable Trust, Sir Ernest Cassell Education Trust, STARLAB UK, Mr A.W.H. Ward, SANYO E&E Europe Ltd, Mr Pyke, The Hedley Foundation, The Straton Thornhill Trust, The Wyndham Charitable Trust, J.H.G. Coney Charitable Trust, A.R. Plint, The Edward Bibby Fund, P J H Wills Charitable Trust, Crosby U3A, C.M. Cooper Charitable Trust, The Charles and Elsie Sykes Trust, The Privy Purse Charitable Trust, S.E. Lockyer, Professor & Mrs M.J. Clarkson, Mrs J.M. Murray, Mr Billy Dean, Professor Thomas Sherwood, Dr Mike Pugh Thomas, Eldapoint Ltd, Wolf Laboratories Ltd, Liverpool Associates in Tropical Health (LATH), Church of England Flower Arrangers Association, Mr Simon Bishop, Invitrogen Group, Joan Fahy, and a number of anonymous donors.


#### Capital Donations towards the Centre for Tropical and Infectious Diseases

The names of contributions exceeding £1,000 each are listed below:

The Granada Foundation, The Wolfson Foundation, Business Liverpool.

The names of contributions of less than £1,000 each are listed below:

Powder Systems Limited and a number of anonymous donors.



RH Hawley JP DL

Chairman

6 November 2006

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

### Corporate Governance

The School is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the School has applied the principles set out in section one of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.

With the exception of the full implementation of the Turnbull guidance as noted below under 'internal control', in the opinion of the Board of Trustees, the School 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 2006.

#### The Board of Trustees

The composition of the Board of Trustees is set out on page 5. 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 the School 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 the School's expense and have access to the Secretary to the Board, who is responsible to the Board of Trustees for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Secretary are matters for the Board of Trustees as a whole.

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

The Board has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship, 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 3.5.1 and 3.5.2 of the amended Articles.

#### Audit Committee

The audit committee comprised of four members of the Board (excluding the Director and Chair), one member of staff and a co-opted independent member. The committee operates in accordance with written terms of reference approved by the Board of Trustees.

The audit committee meets termly and provides a forum for reporting by the School's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of School management.

The School'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.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

### Corporate Governance (continued)

#### Remuneration Committee

Throughout the year ending 31 July 2006, the School's remuneration committee comprised the Chairman, Vice Chairman, and Treasurer. The committee's responsibility is to make recommendations on the remuneration and benefits of the Director and Bursar.

Details of remuneration for the year ended 31 July 2006 is set out in note 9 of the financial statements.

#### Internal Control

The Board of Trustees is ultimately responsible for the School'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, 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 the School's significant risks that has been in place and operational for the year ended 31 July 2006. The Board regularly reviews this process. The process continues to be developed with the adoption of a prioritised corporate risk action plan to include time scales and responsible officers. The process is now being embedded within all levels of the School.

#### Going Concern

After making appropriate enquiries, the Board of Trustees considers that the School 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.



RH Hawley JP DL

Chairman

6 November 2006



# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

### Statement of the Responsibilities of the Board of Trustees

The members of the Board are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the University and the Board of Trustees, through its Director, the School is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, which give a true and fair view of the state of affairs of the School and the result for that year.


In preparing the financial statements, the Board of Trustees is required to:

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

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the School, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the School and to prevent and detect fraud and other irregularities.

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 the School's resources and expenditure, so that the benefits that should be derived from the application of public funds are not put at risk.

Signed on behalf of the Board of Trustees



RH Hawley JP DL

Chairman

6 November 2006

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

### 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.

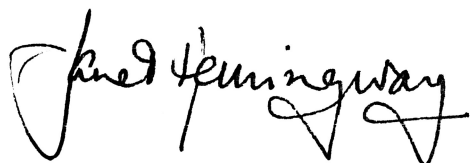
The system can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

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 the School 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 the School at a minimum annually. The report includes the financial statement and funding auditors, and internal auditors independent opinion on the adequacy and effectiveness of the School'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 the School who have responsibility for the development and maintenance of the financial control framework, and comments made by the School's financial statement and funding auditors in their management letters and other reports.



Professor J Hemingway BSc, PhD

Director

6 November 2006

# Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2006

## Independent Auditors' Report

We have audited the financial statements on pages 12 to 29 which have been prepared under the historical cost convention (as modified by the revaluation of investments and endowment asset investments) and in accordance with the accounting policies set out on pages 16 and 17.

### Respective Responsibilities of the Board of Trustees and Auditors.

The School's Board of Trustees is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England, the Teacher Training Agency and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended practice on Accounting in Further and Higher Education Institutions. We also report to you whether, in all material respects, grants and income for specific purposes have been properly applied only for the purposes for which they were received, and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the Treasurer's Report is not consistent with the financial statements, if the School has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Treasurer's Report and Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Council for England. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the School and the group at 31 July 2006 and of the surplus of income over expenditure, recognised gains and losses and cash flows of the School and the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education;
- income from the Higher Education Funding Council for England and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the School have been applied for the purposes for which they were received;
- income has been applied in accordance with the School's statutes and where appropriate in accordance with the Financial Memorandum dated 1 August 2000 with the Higher Education Funding Council.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Chartered Accountants & Registered Auditors  
Manchester  
6 November 2006

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2006**

**Consolidated Income and Expenditure Account**

	Notes	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
<b>Income</b>					
Funding Council Grants	2	2,272	2,272	2,313	2,313
Tuition fees and education contracts	3	1,613	1,613	2,039	2,039
Research grants and contracts	4	17,250	12,569	10,971	7,688
Other income	5	2,254	2,714	1,811	2,356
Endowment and Investment income	6	362	346	319	308
Surplus/(Deficit) on disposal of investments	7	-	-	109	109
<b>Total income</b>		<b>23,751</b>	<b>19,514</b>	<b>17,562</b>	<b>14,813</b>
<b>Expenditure</b>					
Staff costs	8	8,584	7,830	8,106	7,605
Other operating expenses	10	14,377	11,058	8,748	6,517
Depreciation	14	145	111	102	94
Interest payable	11	-	-	-	-
<b>Total expenditure</b>		<b>23,106</b>	<b>18,999</b>	<b>16,956</b>	<b>14,216</b>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		645	515	606	597
Unrealised surplus on revaluation of investments	23	-	-	128	128
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and revaluation of investments but before tax		645	515	734	725
Taxation	12	(22)	-	-	-
<b>Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments and tax</b>	13	<b>623</b>	<b>515</b>	<b>734</b>	<b>725</b>

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

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2006**

**Statement of the Total Recognised Gains and Losses**

	Notes	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	13	623	515	734	725
Appreciation of endowment asset investments (realised)	22	857	857	90	90
Endowment income retained for year	22	( 13)	( 13)	( 1)	( 1)
Revaluation of endowment asset investments (unrealised)	22	( 196)	( 196)	871	871
<b>Total recognised gains relating to the period</b>		<u><u>1,271</u></u>	<u><u>1,163</u></u>	<u><u>1,694</u></u>	<u><u>1,685</u></u>
<b>Reconciliation</b>					
Opening reserves and endowments		11,116	11,099	9,422	9,414
Total recognised gains for the year		1,271	1,163	1,694	1,685
<b>Closing reserves and endowments</b>		<u><u>12,387</u></u>	<u><u>12,262</u></u>	<u><u>11,116</u></u>	<u><u>11,099</u></u>

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2006**

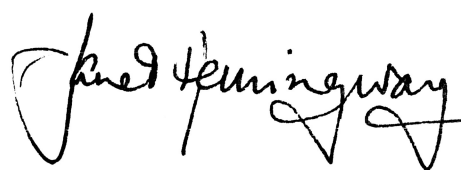
**Balance Sheets as at 31 July**

	Notes	Group 2006 £000	School 2006 £000	Group 2005 £000	School 2005 £000
<b>Fixed assets</b>					
Tangible assets	14	8,295	8,158	3,737	3,696
Investments	15	-	25	-	25
		<u>8,295</u>	<u>8,183</u>	<u>3,737</u>	<u>3,721</u>
Endowment assets	16	<u>7,079</u>	<u>7,079</u>	<u>6,431</u>	<u>6,431</u>
<b>Current assets</b>					
Stock		39	39	35	35
Debtors	17	5,826	5,473	3,899	3,965
Investments	18	2,777	2,777	2,476	2,476
Cash at bank and in hand		6,669	6,026	3,029	2,533
		<u>15,311</u>	<u>14,315</u>	<u>9,439</u>	<u>9,009</u>
<b>Creditors: amounts falling due within one year</b>	19	11,421	10,438	5,410	4,981
<b>Net current assets</b>		<u>3,890</u>	<u>3,877</u>	<u>4,029</u>	<u>4,028</u>
<b>Total assets less current liabilities</b>		19,264	19,139	14,197	14,180
<b>NET ASSETS</b>		<u>19,264</u>	<u>19,139</u>	<u>14,197</u>	<u>14,180</u>
<b>Deferred capital grants</b>	21	6,501	6,501	3,006	3,006
<b>Endowments</b>					
Specific	22	5,428	5,428	4,948	4,948
General	22	1,651	1,651	1,483	1,483
		<u>7,079</u>	<u>7,079</u>	<u>6,431</u>	<u>6,431</u>
<b>Reserves</b>					
Investment revaluation reserve	23	376	376	75	75
General reserve	24	5,308	5,183	4,685	4,668
		<u>5,684</u>	<u>5,559</u>	<u>4,760</u>	<u>4,743</u>
<b>TOTAL FUNDS</b>		<u>19,264</u>	<u>19,139</u>	<u>14,197</u>	<u>14,180</u>

The financial statements on pages 12 to 29 were approved by the Board of Trustees on 6 November 2006 and were signed on behalf of the Directors by:-



ATR Macfarlane - Honorary Treasurer



Professor J Hemingway - Director

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2006**

**Consolidated Cash Flow Statement**

	Notes	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
<b>Cash flow from operating activities</b>	25	4 643	4,382	260	277
Returns on investments and servicing of finance	26	242	226	211	200
Taxation	12	-	-	-	-
Capital expenditure and financial investment	27	(1,117)	(987)	742	778
Cash inflow before use of liquid resources and financing		<u>3,768</u>	<u>3,621</u>	<u>1,213</u>	<u>1,255</u>
Management of liquid resources	28	(13)	(13)	65	65
<b>Increase in cash in the period</b>		<u><u>3,755</u></u>	<u><u>3,608</u></u>	<u><u>1,278</u></u>	<u><u>1,320</u></u>
<b>Reconciliation of net cash flow to movement in net funds</b>					
Increase in cash in the period		3,755	3,608	1,278	1,320
Cash outflow from liquid resources	28	13	13	(65)	(65)
Movement in net funds in period		<u>3,768</u>	<u>3,621</u>	<u>1,213</u>	<u>1,255</u>
Net funds at 1 August	29	3,072	2,576	619	418
<b>Net funds at 31 July</b>	29	<u><u>6,840</u></u>	<u><u>6,197</u></u>	<u><u>1,832</u></u>	<u><u>1,673</u></u>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

### 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 2003, 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 the School and its subsidiary undertakings, Liverpool Associates in Tropical Health 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

The School'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 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 (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 School buildings are erected on leasehold land leased from the University of Liverpool with a tenure of 50 years from 1964 with an option to renew for a further 50 years. Other buildings are leasehold for 99 years from 1924. Leasehold buildings are depreciated over a period of 50 years.

A new building is under construction on freehold land. Upon completion, this building will be depreciated over a period of 50 years.

Building work capitalised has in part been funded by specific benefactions. The related benefaction received in advance has been 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 undertaking is stated at cost.

The Liverpool School of Tropical Medicine'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 the Liverpool School of Tropical Medicine's Finance & Investment Committee. The short term investments are in the money market and are the day to day responsibility of the Bursar, working with external cash managers. The investment objective is to achieve maximum return with minimum risk. To this end external managers have been instructed not to invest in derivatives and not to hedge against currency fluctuations or interest rate movements, and they have complied with this instruction.

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

##### ix) Liquid resources

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



# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

### 1 Statement of Principal Accounting Policies (continued)

x) **Taxation status**

The School 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. The School 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. The School 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 of 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 profit and loss 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 the School 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 the next five years. This plan anticipates cost saving measures in the first two years which, whilst requiring funding in the first instance, should result in the School's free reserves being augmented by the end of the period. The Board has targeted, at the end of the first five year period of the strategic plan for free reserves to represent a minimum of 3 months expenditure.

### 2 Funding Council Grants

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Recurrent grant - HEFCE	2,168	2,168	2,295	2,295
FEC support grant - HEFCE	104	104	18	18
	<u>2,272</u>	<u>2,272</u>	<u>2,313</u>	<u>2,313</u>

### 3 Tuition Fees and Education Contracts

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
UK Higher Education students	378	378	317	317
Non-EU students	810	810	1,109	1,109
Short Courses	279	279	468	468
	<u>1 467</u>	<u>1 467</u>	<u>1 894</u>	<u>1 894</u>
Higher Education contracts	-	-	-	-
Other contracts	146	146	145	145
	<u>1,613</u>	<u>1,613</u>	<u>2,039</u>	<u>2,039</u>

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2006**

**4 Research Grants and Contracts**

	<b>Group Year ended 31 July 2006 £000</b>	<b>School Year ended 31 July 2006 £000</b>	<b>Group Year ended 31 July 2005 £000</b>	<b>School Year ended 31 July 2005 £000</b>
Research Council	795	795	425	425
UK based charities	2,544	2,409	1,796	1,796
UK Central Government and other bodies	6,268	2,477	5,789	3,479
UK Industry, commerce and public operations	215	215	411	411
European Commission	3,597	3,457	496	196
Other overseas bodies	3,558	3,183	2,053	1,380
Other grants and contracts	273	33	1	1
<b>Total</b>	<b><u>17,250</u></b>	<b><u>12,569</u></b>	<b><u>10,971</u></b>	<b><u>7,688</u></b>

**5 Other Income**

	<b>Group Year ended 31 July 2006 £000</b>	<b>School Year ended 31 July 2006 £000</b>	<b>Group Year ended 31 July 2005 £000</b>	<b>School Year ended 31 July 2005 £000</b>
Other income generating activities	504	504	471	471
Other grant income	199	199	180	180
Releases from deferred capital grants	65	65	66	65
Donations for general purposes	44	44	33	33
Donations for specific purposes	129	129	102	102
Subvention from North West Regional Health Authority	212	212	217	217
Other income	1,101	771	742	511
Gift aid from subsidiary	-	790	-	777
	<b><u>2,254</u></b>	<b><u>2,714</u></b>	<b><u>1,811</u></b>	<b><u>2,356</u></b>

**6 Endowment and Investment Income**

	<b>Group Year ended 31 July 2006 £000</b>	<b>School Year ended 31 July 2006 £000</b>	<b>Group Year ended 31 July 2005 £000</b>	<b>School Year ended 31 July 2005 £000</b>
Dividend income and interest receivable	88	88	97	97
Income from general endowment asset investments (note 22)	32	32	34	34
Other endowment income	107	107	107	107
Other interest receivable	135	119	81	70
	<b><u>362</u></b>	<b><u>346</u></b>	<b><u>319</u></b>	<b><u>308</u></b>

**7 Surplus / (Deficit) on disposal of investments**

	<b>Group Year ended 31 July 2006 £000</b>	<b>School Year ended 31 July 2006 £000</b>	<b>Group Year ended 31 July 2005 £000</b>	<b>School Year ended 31 July 2005 £000</b>
Total surplus / (deficit)	-	-	109	109
	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>109</u></b>	<b><u>109</u></b>

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2006**

**8 Staff Costs**

	Group Year ended 31 July 2006 Number	School Year ended 31 July 2006 Number	Group Year ended 31 July 2005 Number	School Year ended 31 July 2005 Number
The average number of persons (including senior post-holders) employed during the year, expressed as full-time equivalents, was:				
Professorial	10	10	10	10
Academic and academic related	51	51	49	49
Research	85	77	88	83
Secretarial and clerical	46	36	38	33
Technical	20	20	22	22
Other	11	11	9	9
	<u>223</u>	<u>205</u>	<u>216</u>	<u>206</u>

**Staff costs for the above persons:**

	£000	£000	£000	£000
Wages and salaries	7,107	6,472	6,527	6,088
Social security costs	599	537	550	520
Other pension costs	836	779	742	710
Restructuring costs	42	42	287	287
	<u>8,584</u>	<u>7,830</u>	<u>8,106</u>	<u>7,605</u>

Academic services and related -staff	2,466	2,424	2,518	2,518
Academic services and related -support staff	578	578	566	566
Laboratory and other costs	376	376	373	373
Academic support services- staff	109	109	169	169
Academic support services-support staff	225	225	223	223
Research grants costs	4,081	3,369	3,184	2,843
Administration and central services	596	596	683	523
Premises	89	89	88	88
Other income-generating activities	22	22	15	15
Staff restructuring	42	42	287	287
Sub total	<u>8,584</u>	<u>7,830</u>	<u>8,106</u>	<u>7,605</u>
Exceptional costs	-	-	-	-
Total	<u>8,584</u>	<u>7,830</u>	<u>8,106</u>	<u>7,605</u>

	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Employment costs for staff on permanent contracts	8,500	7,774
Employment costs for staff on short-term and temporary contracts	42	45
Restructuring costs	42	287
	<u>8,584</u>	<u>8,106</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 2006

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

	Year ended 31 July 2006		Year ended 31 July 2005	
	Number senior post-holders	Number Other Staff	Number senior post-holders	Number Other Staff
£ 50,001 to £ 60,000	-	8	-	8
£ 60,001 to £ 70,000	-	1	1	7
£ 70,001 to £ 80,000	1	3	-	3
£ 80,001 to £ 90,000	-	2	-	7
£ 100,001 to £ 110,000	-	1	-	2
£ 110,001 to £ 120,000	1	3	1	1
£ 130,001 to £ 140,000	-	1	-	-
£ 140,001 to £ 150,000	-	1	-	-
	<u>2</u>	<u>20</u>	<u>2</u>	<u>28</u>

A general pay award of 3.0% was made with effect from 1 August 2005, approved by the Board of Trustees.

### 9 Senior Post-holders' Emoluments

	Number 2006	Number 2005
The number of senior post-holders including the Director was:	2	2
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	182	158
Benefits in kind	-	-
Pension contributions	25	22
<b>Total emoluments</b>	<u><b>207</b></u>	<u><b>180</b></u>

The above emoluments include amounts payable to the Director of:

	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Salary	115	100
Benefits in kind	-	-
	<u>115</u>	<u>100</u>
Pension contributions	<u>16</u>	<u>14</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 estimated value of other benefits has been calculated in accordance with Statement of Standard Accounting Practice 24.

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

### Overseas activities

The School'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 2006**

**10 Other Operating Expenses**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Teaching courses related costs	414	414	401	401
Laboratory and other costs	1,111	879	691	691
Teaching and other support services	604	604	680	668
Research grants costs	11,213	8,315	6,355	4,113
Administration and central services	374	256	93	166
General education	21	21	(7)	(5)
Premises running costs	513	465	400	357
Premises maintenance	107	84	115	106
Planned maintenance	20	20	20	20
<b>Total</b>	<b><u>14,377</u></b>	<b><u>11,058</u></b>	<b><u>8,748</u></b>	<b><u>6,517</u></b>

**Other operating expenses include:**

Auditors' remuneration:				
financial statements audit	25	17	21	16
internal audit	21	21	17	17
other services from either external or internal audit	-	-	-	-
Losses on disposal of tangible fixed assets	-	-	-	-

**11 Interest Payable**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £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	-	-	-	-
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**12 Taxation**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
United Kingdom corporation tax at 19%	22	-	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-	-	-
<b>Total</b>	<b><u>22</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**13 Surplus / (Deficit) on Continuing Operations for the Period**

The surplus / (deficit) on continuing operations for the period is made up as follows :

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
School's surplus / (deficit) for the period	623	( 275)	734	(52)
Surplus generated by subsidiary undertakings and transferred to the School under covenant	-	790	-	777
<b>Total</b>	<b><u>623</u></b>	<b><u>515</u></b>	<b><u>734</u></b>	<b><u>725</u></b>

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2006**

**14 Tangible Fixed Assets**

	Freehold land and building £000	Leasehold buildings £000	Fixtures and Equipment £000	Total £000
<b>GROUP</b>				
<b>Cost or Valuation</b>				
At 1 August 2005	178	5,295	684	6,157
Additions	4,461	51	191	4,703
Disposals	-	-	(12)	(12)
<b>At 31 July 2006</b>	<b><u>4,639</u></b>	<b><u>5,346</u></b>	<b><u>863</u></b>	<b><u>10,848</u></b>
<b>Depreciation</b>				
At 1 August 2005	-	1,843	577	2,420
Charge for year	-	75	70	145
Eliminated in respect of disposals	-	-	(12)	(12)
<b>At 31 July 2006</b>	<b><u>-</u></b>	<b><u>1,918</u></b>	<b><u>635</u></b>	<b><u>2,553</u></b>
<b>Net Book Value at 31 July 2006</b>	<b><u>4,639</u></b>	<b><u>3,428</u></b>	<b><u>228</u></b>	<b><u>8,295</u></b>
Net Book Value at 31 July 2005	<u>178</u>	<u>3,452</u>	<u>107</u>	<u>3,737</u>
Financed by capital grant	4,461	2,024	30	6,515
Financed by other	178	1,404	198	1,780
	<b><u>4,639</u></b>	<b><u>3,428</u></b>	<b><u>228</u></b>	<b><u>8,295</u></b>
<b>SCHOOL</b>				
<b>Cost or Valuation</b>				
At 1 August 2005	178	5,291	601	6,070
Additions	4,461	51	61	4,573
Disposals	-	-	-	-
<b>At 31 July 2006</b>	<b><u>4,639</u></b>	<b><u>5,342</u></b>	<b><u>662</u></b>	<b><u>10,643</u></b>
<b>Depreciation</b>				
At 1 August 2005	-	1,839	535	2,374
Charge for year	-	75	36	111
Eliminated in respect of disposals	-	-	-	-
<b>At 31 July 2006</b>	<b><u>-</u></b>	<b><u>1,914</u></b>	<b><u>571</u></b>	<b><u>2,485</u></b>
<b>Net Book Value at 31 July 2006</b>	<b><u>4,639</u></b>	<b><u>3,428</u></b>	<b><u>91</u></b>	<b><u>8,158</u></b>
Net Book Value at 31 July 2005	<u>178</u>	<u>3,452</u>	<u>66</u>	<u>3,696</u>
Financed by other capital grant	2,937	1,383	30	4,350
Financed by HEFCE capital grant	1,524	641	-	2,165
Financed by other	178	1,404	61	1,643
	<b><u>4,639</u></b>	<b><u>3,428</u></b>	<b><u>91</u></b>	<b><u>8,158</u></b>

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 freehold land & building additions represent an asset under construction. This asset is expected to be completed in December 2007, from when it will start to be depreciated.

The net book value of tangible fixed assets includes no amount in respect of assets held under finance leases. There was no depreciation charge on these assets for the year.

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2006**

**15 Investments**

	School Year ended 31 July 2006 £000	School Year ended 31 July 2005 £000
Investments in subsidiary companies	<u>25</u>	<u>25</u>

The School 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.

The School 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.

**16 Endowment Assets**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Balance at 1 August 2005	6,431	6,431	5,471	5,471
Additions	2,872	2,872	1,199	1,199
Disposals	(2,041)	(2,041)	(1,045)	(1,045)
Appreciation on disposals / revaluation	(196)	(196)	871	871
Increase/(decrease) in cash balances held at fund managers	13	13	(65)	(65)
Balance at 31 July 2006	<u>7,079</u>	<u>7,079</u>	<u>6,431</u>	<u>6,431</u>
Represented by:				
Fixed interest stocks (listed)	292	292	912	912
Equities (listed)	6,533	6,533	5,277	5,277
Cash balances	254	254	242	242
Total	<u>7,079</u>	<u>7,079</u>	<u>6,431</u>	<u>6,431</u>

**17 Debtors**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Amounts falling due within one year				
Trade debtors	1,158	136	724	222
Amounts owed by Subsidiary undertakings	-	844	-	874
Balances due on research grants and contracts	3,517	3,517	1,900	1,900
Prepayments and accrued income	1,130	955	770	464
Amounts owed by Liverpool University	21	21	505	505
Total	<u>5,826</u>	<u>5,473</u>	<u>3,899</u>	<u>3,965</u>

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**18 Investments**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Cost at 1 August 2005	2,401	2,401	2,212	2,212
Additions	-	-	2,747	2,747
Disposals	-	-	(2,558)	(2,558)
Cost at 31 July 2006	2,401	2,401	2,401	2,401
Unrealised surplus/(deficit) at 1 August 2005	75	75	( 128)	( 128)
Revaluation for the year	301	301	203	203
Market value as at 31 July 2006	2,777	2,777	2,476	2,476
Cash balances at investment brokers	-	-	-	-
	<u>2,777</u>	<u>2,777</u>	<u>2,476</u>	<u>2,476</u>
Represented by:				
Fixed interest stocks (listed)	664	664	642	642
Equities (listed)	1,458	1,458	1,285	1,285
Cash balances	52	52	99	99
Other	603	603	450	450
Total	<u>2,777</u>	<u>2,777</u>	<u>2,476</u>	<u>2,476</u>

**19 Creditors: Amounts Falling Due Within One Year**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Bank loans and overdrafts	84	84	199	199
Unexpended balances of research grants and contracts	6,621	6,621	1,916	1,916
Trade creditors	339	308	278	145
Other taxation and social security	241	205	159	154
Accruals	4,136	3,220	2,858	2,567
	<u>11,421</u>	<u>10,438</u>	<u>5,410</u>	<u>4,981</u>

**20 Borrowings**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
<b>Bank loans and overdrafts</b>				
Bank loans and overdrafts are repayable as follows:				
In one year or less, or on demand	84	84	199	199
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u>84</u>	<u>84</u>	<u>199</u>	<u>199</u>



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**21 Deferred Capital Grants**

	Group Funding Council £000	Group Other Funding £000	Group Total £000	School Total £000
At 1 August 2005				
Buildings	1,222	1,756	2,978	2,977
Equipment	-	28	28	29
Cash received				
Buildings	971	2,589	3,560	3,560
Equipment	-	-	-	-
Released to income and expenditure account				
Buildings	28	23	51	51
Equipment	-	14	14	14
<b>Total</b>	<b><u>2,165</u></b>	<b><u>4,336</u></b>	<b><u>6,501</u></b>	<b><u>6,501</u></b>
At 31 July 2006				
Buildings	2,165	4,322	6,487	6,486
Equipment	-	14	14	15
<b>Total</b>	<b><u>2,165</u></b>	<b><u>4,336</u></b>	<b><u>6,501</u></b>	<b><u>6,501</u></b>

**22 Endowments**

	Specific £000	Group and School General £000	Total £000
At 1 August 2005	4,948	1,483	6,431
Additions	-	-	-
Appreciation of endowment asset investments (realised)	501	356	857
Depreciation of endowment asset investments (unrealised)	( 8)	( 188)	( 196)
Income for year	117	32	149
Transferred to income and expenditure account	( 130)	( 32)	( 162)
At 31 July 2006	<b><u>5,428</u></b>	<b><u>1,651</u></b>	<b><u>7,079</u></b>
<b>Representing</b>			
Fellowships and scholarships funds	4,622	-	4,622
Prizes funds	35	-	35
Chairs and lectureships funds	-	-	-
Other funds	770	1,651	2,421
<b>Total</b>	<b><u>5,427</u></b>	<b><u>1,651</u></b>	<b><u>7,078</u></b>

**23 Investment Revaluation Reserve**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
At 1 August	75	75	-	-
Revaluations in the period (as per note 18)	301	301	203	203
Unrealised deficit on revaluation of investments	-	-	( 128)	( 128)
Transfer from revaluation reserve to general reserve in respect of:				
Disposals	-	-	-	-
<b>At 31 July</b>	<b><u>376</u></b>	<b><u>376</u></b>	<b><u>75</u></b>	<b><u>75</u></b>

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**24 Movement on General Reserves**

	Group Departmental Funds £000	Group Other Funds £000	Group Total £000	School Total £000
<b>Income and Expenditure Account Reserve</b>				
At 1 August 2005	262	4,423	4,685	4,668
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	-	623	623	515
Transfer between funds	( 60)	60	-	-
<b>At 31 July 2006</b>	<u>202</u>	<u>5,106</u>	<u>5,308</u>	<u>5,183</u>

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

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Surplus on continuing operations after depreciation of assets at valuation	623	515	734	725
Unrealised deficit on revaluation of investments	-	-	( 128)	( 128)
Depreciation (note 1 & 14)	145	111	102	94
Deferred capital grants released to income (note 21)	( 65)	( 65)	( 66)	( 65)
Profit on disposal of tangible fixed assets	-	-	( 10)	( 10)
(Profit) / Loss on disposal of investments	-	-	( 109)	( 109)
Interest payable (note 11)	-	-	-	-
(Increase) / decrease in stocks	( 4)	( 4)	( 5)	( 5)
(Increase) / decrease in debtors	(1 927)	(1 508)	( 975)	( 958)
Increase in creditors	6 126	5 572	929	934
Interest receivable (note 6)	( 362)	( 346)	( 319)	( 308)
University Endowed Chairs	107	107	107	107
<b>Net cash inflow from operating activities</b>	<u>4,643</u>	<u>4,382</u>	<u>260</u>	<u>277</u>

**26 Returns on Investments and Servicing of Finance**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Income from long term investments and general endowments	120	120	131	131
(Net expenditure) / income from long term endowments	( 13)	( 13)	( 1)	( 1)
Other interest received	135	119	81	70
Interest paid	-	-	-	-
<b>Net cash inflow from returns on investment and servicing of finance</b>	<u>242</u>	<u>226</u>	<u>211</u>	<u>200</u>

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**27 Capital Expenditure and Financial Investment**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Purchase of tangible fixed assets	(4,703)	(4,573)	(510)	(474)
Payments to acquire endowment assets	(2,872)	(2,872)	(1,199)	(1,199)
Payments to acquire investments	-	-	(2,663)	(2,663)
Sales of tangible fixed assets	-	-	10	10
Receipt from sale of investments surplus	-	-	2,667	2,667
Receipt from sale of endowment assets	2,898	2,898	1,135	1,135
Deferred capital grants received	3,560	3,560	1,302	1,302
Endowments received	-	-	-	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<b><u>(1,117)</u></b>	<b><u>(987)</u></b>	<b><u>742</u></b>	<b><u>778</u></b>

**28 Management of Liquid Resources**

	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000	Group Year ended 31 July 2005 £000	School Year ended 31 July 2005 £000
Movement in endowment assets (cash)	(13)	(13)	65	65
<b>Net cash inflow from management of liquid resources</b>	<b><u>(13)</u></b>	<b><u>(13)</u></b>	<b><u>65</u></b>	<b><u>65</u></b>

**29 Analysis of Changes in Net Funds**

	At 1 August 2005 £000	Cashflows £000	Other changes £000	At 31 July 2006 £000
<b>Group</b>				
Cash in hand, and at bank	3,029	3,640	-	6,669
Endowment asset investments (note16)	242	13	-	255
Overdrafts	( 199)	115	-	( 84)
	<b><u>3,072</u></b>	<b><u>3,768</u></b>	<b><u>-</u></b>	<b><u>6,840</u></b>
Net funds due within 1 year	3,072	3,768	-	6,840
Net funds due after 1 year	-	-	-	-
<b>Total</b>	<b><u>3,072</u></b>	<b><u>3,768</u></b>	<b><u>-</u></b>	<b><u>6,840</u></b>
<b>School</b>				
Cash in hand, and at bank	2,533	3,493	-	6,026
Endowment asset investments (note16)	242	13	-	255
Overdrafts	( 199)	115	-	( 84)
	<b><u>2,576</u></b>	<b><u>3,621</u></b>	<b><u>-</u></b>	<b><u>6,197</u></b>
Net funds due within 1 year	2,576	3,621	-	6,197
Net funds due after 1 year	-	-	-	-
<b>Total</b>	<b><u>2,576</u></b>	<b><u>3,621</u></b>	<b><u>-</u></b>	<b><u>6,197</u></b>

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

### 30 Pension and similar obligations

The School'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 £779,000 (2005 £742,000).

#### Universities Superannuation Scheme (USS)

The School participates in the Universities Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Under the definitions set out in FRS 17 (Retirement Benefits) the USS is a multi-employer pension scheme and the School is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the School has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The cost recognised within the Income and Expenditure Account is therefore equal to the contributions payable to the scheme for the year.

The latest actuarial valuation was at 31 March 2005.

The main results and assumptions of the valuation of the USS are as follows: -

Latest Actuarial Valuation date	31-Mar-05
Valuation method	Projected Unit
Value of assets	£21,740m
Value of past service liabilities	£28,308m
Deficit	£6,568m
Funding level for accrued benefits	77%
Investment return per annum for past service liabilities	4.5%
Salary increase per annum for past service liabilities	3.9%
Pension increases per annum for past service liabilities	2.9%
Investment return per annum for future service liabilities	6.2%
Salary increases per annum for future service liabilities	3.9%
Pension increases per annum for future service liabilities	2.9%

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

The School contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries.

Surpluses or deficits which arise at future valuations may impact on the School's future contribution commitment. An additional factor which could impact on the funding level of the scheme is that, with effect from 16 March 2006, USS positioned itself as 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 for the scheme.

The total pension cost for the School was £541,000 (2005 £536,000). The contribution rate payable by the School was 14% of pensionable salaries.

#### National Health Service Superannuation Scheme (NHSSS)

The School 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 the School 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 £77,000 (2005 £72,000), equivalent to 14% of Pensionable Salaries.

# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2006

### 30 Pension and similar obligations (continued)

#### University of Liverpool Pension Fund (ULPF)

The School 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.

The latest full actuarial valuation of the scheme was at 31 July 2003 and updated on an approximate basis to 31 July 2004. The contributions made by the employer over the financial year have been £161,000 (2005 £134,000), equivalent to 13.4% of Pensionable Salaries.

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 5.75% per annum, salary increases would be 5.0% per annum and pensions would increase by 3.0% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £147,975,000 and the value of the past service liabilities was £164,333,000 leaving a deficit of £16,358,000. 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 the School contributed to 76 employees within this scheme (2005 73 employees). There was a total of 1,611 active members in this scheme at 31 July 2006 (2005 1,570).

### 31 Post Balance Sheet Events

There are no post balance sheet events

### 32 Capital Commitments

	Group and School	
	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Commitments contracted for at 31 July	19,058	Nil
Commitments under finance leases entered into but not yet provided for in the financial statements	Nil	Nil

### 33 Contingent Liability

There are no contingent liabilities

### 34 Related Party Transactions

The School is affiliated with the University of Liverpool and has balances owed within its debtors in the year to 31 July 2006 and payable within its creditors in the year to 31 July 2006 amounting to £615k and £181k respectively. The School is not recognised by the Higher Education Funding Council and grants of £2.3m were transferred via Liverpool University 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 in the Board of Trustees. Similarly School staff members sit as members of the Liverpool University Senate and 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 the School'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 the School's financial regulations and normal procurement procedures.