

LIVERPOOL SCHOOL OF TROPICAL MEDICINE



FINANCIAL STATEMENTS FOR THE YEAR 2006 - 2007



Affiliated to the University of Liverpool

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Registered Charity number 222655



Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2007

Report of the Board of Trustees

Constitution and Organisation

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

Memorandum of Association

- 3 LSTM's Memorandum and Articles of Association was amended by special resolution and adopted at an EGM on 10 January 2007. It lists the main objects as:-
 - To engage in, promote and encourage research, study and instruction in connection with the origin, character, alleviation, prevention and cure of every or any type of tropical disease which now is or may hereafter become known in any part of the world where such disease either manifests itself or has effects; and to advance and encourage learning and the practice of all sciences and arts allied with or which may be usefully studied in connection with the matters aforesaid, and to collect and circulate information with regard to such diseases, sciences and arts.

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 LSTM also provides a clinical service of acknowledged excellence.

Objectives

- 5 In 2002 the Board of Trustees adopted a 5 year strategic plan for the period 1 August 2002 to 31 July 2007 including a financial forecast which is monitored annually. This plan is reviewed and updated each year and all the strategic objectives originally set as listed below have been achieved :
 - 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 LSTM.
 - establish an equitable long term formula for the transparent transfer of Higher Education Funding Board of Trustees for England 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.

A new 5 year plan for the period ended 31 July 2012 was presented and adopted by the Board on 8 June 2007.

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2007

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

6 LSTM's specific objectives and their achievement for 2006/07 is noted below:

- LSTM has seen successive growth of 63.48% and 25.97% on its research income achieving a balance of £15,833k in the year which is significantly higher than anticipated in the original strategic plan.
- Liverpool Associates in Tropical Health (LATH) and its subsidiaries' company turnover increased by 16.77% to £5,549k, and transferred gift aid to LSTM of £636k.
- The contribution to School overheads from research grants and contracts increased by 13.33% and surpassed the strategic plan by 33.73%.
- LSTM is showing substantial cash inflow on its activities as shown by the £6,402k and £4,382k in the cash flow statement.
- The provision of £100k for staff restructuring brings the total costs to date for the five years to £660k against a strategic objective budget of £700k for the same period.
- The new Centre for Tropical Infectious Diseases (CTID) is anticipated to be completed in December 2007 on time and within budget. The project is predominantly funded by the North West Development Agency (NWDA) and The Government of the North West (GONW) and addresses the recognised requirement for facility improvement and growth recognised in the original strategic plan

Student Numbers

- 7 LSTM is funded according to the level of activity that it generates each year. In 2006/07, 142 postgraduate HEFCE funded EU students and 98 postgraduate overseas students attended the postgraduate taught courses. This represents a growth of 15% on 2005/06. LSTM also contributes to the teaching of a number of undergraduate courses the largest of which is in the veterinary faculty.
- 8 LSTM 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 country. Student numbers are misleading in this area and the increased fees reflect increases in out of country taught 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 LSTM and external agencies. A major development over the past year has been the development and implementation of a New Modular Framework for Masters' Programmes. Nine fully aligned MSc programmes, with a possible choice of 50 modules, are on offer. LSTM plans to introduce two new MSc programmes in 2008/09.

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 LSTM generated a surplus in the year of £420k (2005/06 of £515k).
- 13 LSTM has accumulated reserves of £5,603k and cash balances of £9,963k. LSTM wishes to continue to accumulate reserves and cash balances in order to create a contingency fund in accordance with the reserves policy.
- 14 LSTM has two trading subsidiary companies, Liverpool Associates in Tropical Health (LATH) a not-for profit company limited by guarantee and EchiTab Study Group (UK) Ltd. 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 LSTM by gift aid. In the current year, the gift aid transferred is £636k. LATH has four further subsidiary companies LATH Management Services Ltd, Liverpool Associates in Tropical Health Kenya Ltd, Liverpool Associates in Tropical Health Nigeria Ltd and LATH USA Ltd. LSTM'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 2007

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 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 LSTM staff forum. LSTM was awarded Investors In People status during the year.

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 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
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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

Name	Date of appointment retirement* re-appointment **	Status of appointment	Capacity and Committees Served
RH Hawley MBE	December 2004**	Elected	Chairman of Board Nominations & Governance, Remuneration, LATH Board
SP Sherrard	December 2004**	Elected	Vice-Chairman of Board Nominations & Governance, Remuneration
ATR Macfarlane BA FCA	December 2004**	Elected	Hon Treasurer Finance & Investment, Remuneration,
IM Jones ACIB	December 2006**	Elected	Deputy Hon Treasurer Finance & Investment, LATH Board, Remuneration
I Bates BSc MBBS MD MRCP	December 2004	Ex Officio / staff	
J Brown LLB	December 2006	Elected	Chairman Audit
AH Banner LLM	December 2006*		
MJP Cooke FCA	December 2004**	Elected	Nominations & Governance Finance & Investment
NPF Earlam	December 2006*		
WD Fulton JP DL FCA	December 2004**	Elected	Nominations & Governance
D Greensmith MA	December 2006	Elected	Chairman of LATH
Prof J Hemingway BSc PhD	September 2001	Ex Officio / staff	Director of the School Finance & Investment, LATH Board, Nominations
RM Hussey MSc MBChB FFPHM COG	December 2006*		Retired March 2007
A Hoskins MB BAO BCH MCommH FFPH	May 2007	Elected	NHS Executive North West
CM Jones BA ACIS	December 2004	Nominated /UOL	Audit
S O'Brien, MP	December 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

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

24 Donations

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

Revenue Donations

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

Cargill PLC; H. J. Rawlings Charitable Trust; South West FEPOW Association; Mr N. Duchenne; Medicash Ltd; the late Mrs Joan Barnes; Madge Bray; Sir Mark Moody-Stuart; John Slater Foundation; Royal Medical Benevolent Fund; The Gunter Charitable Trust; the late Alec Kay; The Oglesby Charitable Trust; Martin Skirrow; the late Mary Louisa Nutt; DK Shaw; J.H.G. Coney Charitable Trust; The Wellcome Trust; The Farthing Charitable Trust; Farrington Hopkins Endowment and a number of anonymous donations.

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

The Millfield Trust; Mr & Mrs D.M. Behrend; The Beit Trust; Methodist Church; Mrs Jane Newell; S. Shaw; Mr T.J. Grant; The Fitton Trust; M. Farrell; Dr J.E.R. Poulson; D.B. Stewart; The Wescoft Trust; Norman Collinson Charitable Trust; Mr T.J. Grant; Mrs Shirley Harrop; The Charles Brotherton Trust; Image Technology Ltd; The Richard Cadbury Charitable Trust; 1918 Club; Lady Christine Bibby; Mrs B. Flanagan; N. Campbell; Mr William Dean; Peter and Louise Turvey; Mr and Mrs Johnson; Mr J.B. Bibby; Mrs Judith M. Wheeldon; Mrs M.J. Lane; Mr P. Toosey; Tonerman Ltd; Andrew Anderson Charitable Trust; The Basil & Shippam Alsford Trust; Mr T.P. Naylor; Baroness Chalker; Mrs Pearson; Griffiths Jones; A.W.H. Ward; The Edward Bibby Fund; Mrs June Pinto; The Wyndham Charitable Trust; Cosmos Biomedical; Selwyn Lloyd Charitable Trust; Peter Bowring Charitable Trust; C.M. Cooper Charitable Settlement; Troika Foundation; Mr & Mrs Leslie Bibby; PJH Wills Charitable Trust; The Privy Purse Charitable Trust; Mrs Lockyer; Parochial Church Council of St Pauls Daybrook; Starlab; Royal Pharmacological Society; Mrs A. Heppell; Fisher Scientific; Wallasey Inner Wheel Club; Mrs O.R. Taylor; World Friendship; Soroptomist International; St Mary's Women's Fellowship 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 Wolfson Foundation; Business Liverpool and several anonymous donors.

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2007

Corporate Governance

LSTM is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which LSTM has applied the principles set out in section 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, 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 2007.

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 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.

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 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.

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2007

Corporate Governance (continued)

Remuneration Committee

Throughout the year ending 31 July 2007, LSTM'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 Director of Administration and support services.

Details of remuneration for the year ended 31 July 2007 is 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, 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 2007. 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 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 2007

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, LSTM 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 LSTM 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 LSTM 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 LSTM, 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 LSTM 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 LSTM'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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2007

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

Director

5 November 2007

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2007

Independent Auditors' Report

We have audited the financial statements on pages 12 to 35, 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.

LSTM'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 Board of Trustees 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 Board of Trustees 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 LSTM 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 Funding Board of Trustees 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 LSTM and the group at 31 July 2007 and of the surplus of income over expenditure, recognised gains and losses and cash flows of LSTM 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 Board of Trustees for England and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by LSTM have been applied for the purposes for which they were received;
- income has been applied in accordance with LSTM's statutes and where appropriate in accordance with the Financial Memorandum dated 1 August 2000 with the Higher Education Funding Board of Trustees for England.

Grant Thornton UK LLP
Chartered Accountants & Registered Auditors
Manchester
5 November 2007

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2007**

Consolidated Income and Expenditure Account

	Notes	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Income					
Funding Council Grants	2	2,926	2,926	2,272	2,272
Tuition fees and education contracts	3	2,446	2,446	1,613	1,613
Research grants and contracts	4	21,231	15,833	17,250	12,569
Other income	5	2,409	2,583	2,254	2,714
Endowment and Investment income	6	508	458	362	346
Surplus/(Deficit) on disposal of investments	7	-	-	-	-
Total income		29,520	24,246	23,751	19,514
Expenditure					
Staff costs	8	10,506	9,441	8,584	7,830
Other operating expenses	10	18,392	14,252	14,377	11,058
Depreciation	14	180	133	145	111
Interest payable	11	-	-	-	-
Total expenditure		29,078	23,826	23,106	18,999
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		442	420	645	515
Unrealised surplus on revaluation of investments	23	-	-	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and revaluation of investments but before tax		442	420	645	515
Taxation	12	(6)	-	(22)	-
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments and tax	13	436	420	623	515

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 2007**

Statement of the Total Recognised Gains and Losses

	Notes	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	13	436	420	623	515
Appreciation of endowment asset investments (realised)	22	158	158	857	857
Endowment income retained for year	22	31	31	(13)	(13)
Revaluation of endowment asset investments (unrealised)	22	268	268	(196)	(196)
Total recognised gains relating to the period		893	877	1271	1163
Reconciliation					
Opening reserves and endowments		12,387	12,262	11,116	11,099
Total recognised gains for the year		893	877	1,271	1,163
Closing reserves and endowments		13,280	13,139	12,387	12,262

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2007**

Balance Sheets as at 31 July

	Notes	Group 2007 £000	School 2007 £000	Group 2006 £000	School 2006 £000
Fixed assets					
Tangible assets	14	23,733	23,619	8,295	8,158
Investments	15	-	25	-	25
		<u>23,733</u>	<u>23,644</u>	<u>8,295</u>	<u>8,183</u>
Endowment assets	16	<u>7,536</u>	<u>7,536</u>	<u>7,079</u>	<u>7,079</u>
Current assets					
Stock		98	40	39	39
Debtors	17	8,641	8,357	5,826	5,473
Investments	18	3,061	3,061	2,777	2,777
Cash at bank and in hand		10,625	10,164	6,669	6,026
		<u>22,425</u>	<u>21,622</u>	<u>15,311</u>	<u>14,315</u>
Creditors: amounts falling due within one year	19	20,453	19,702	11,421	10,438
Net current assets		<u>1,972</u>	<u>1,920</u>	<u>3,890</u>	<u>3,877</u>
Total assets less current liabilities		33,241	33,100	19,264	19,139
NET ASSETS		<u>33,241</u>	<u>33,100</u>	<u>19,264</u>	<u>19,139</u>
Deferred capital grants	21	19,301	19,301	6,501	6,501
Endowments					
Specific	22	5,807	5,807	5,428	5,428
General	22	1,729	1,729	1,651	1,651
		<u>7,536</u>	<u>7,536</u>	<u>7,079</u>	<u>7,079</u>
Reserves					
Investment revaluation reserve	23	660	660	376	376
General reserve	24	5,744	5,603	5,308	5,183
		<u>6,404</u>	<u>6,263</u>	<u>5,684</u>	<u>5,559</u>
TOTAL FUNDS		<u>33,241</u>	<u>33,100</u>	<u>19,264</u>	<u>19,139</u>

The financial statements on pages 12 to 34 were approved by the Board of Trustees on 5 November 2007 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 2007**

Consolidated Cash Flow Statement

	Notes	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Cash flow from operating activities	25	6,202	6,402	4,665	4,382
Returns on investments and servicing of finance	26	432	382	242	226
Taxation	12	(6)	-	(22)	-
Capital expenditure and financial investment	27	(2,644)	(2,618)	(1,117)	(987)
Cash inflow before use of liquid resources and financing		<u>3,984</u>	<u>4,166</u>	<u>3,768</u>	<u>3,621</u>
Management of liquid resources	28	(145)	(145)	(13)	(13)
Increase in cash in the period		<u><u>3,839</u></u>	<u><u>4,021</u></u>	<u><u>3,755</u></u>	<u><u>3,608</u></u>
Reconciliation of net cash flow to movement in net funds					
Increase in cash in the period		3,839	4,021	3,755	3,608
Cash outflow from liquid resources	28	145	145	13	13
Movement in net funds in period		<u>3,984</u>	<u>4,166</u>	<u>3,768</u>	<u>3,621</u>
Net funds at 1 August	29	6,840	6,197	3,072	2,576
Net funds at 31 July	29	<u><u>10,824</u></u>	<u><u>10,363</u></u>	<u><u>6,840</u></u>	<u><u>6,197</u></u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2007**

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Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2007

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 the School'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.

2 Funding Council Grants

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Recurrent grant - HEFCE	2,926	2,926	2,168	2,168
FEC support grant - HEFCE	-	-	104	104
	<u>2,926</u>	<u>2,926</u>	<u>2,272</u>	<u>2,272</u>

3 Tuition Fees and Education Contracts

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
UK Higher Education students	444	444	378	378
Non-EU students	948	948	810	810
Short Courses	959	959	279	279
	<u>2,351</u>	<u>2,351</u>	<u>1,467</u>	<u>1,467</u>
Higher Education contracts	-	-	-	-
Other contracts	95	95	146	146
	<u>2,446</u>	<u>2,446</u>	<u>1,613</u>	<u>1,613</u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2007**

4 Research Grants and Contracts

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Research Council	781	781	795	795
UK based charities	4,114	3,311	2,544	2,409
UK Central Government and other bodies	5,646	2,050	6,268	2,477
UK Industry, commerce and public operations	115	115	215	215
European Commission	2,189	2,189	3,597	3,457
Other overseas bodies	8,385	7,386	3,558	3,183
Other grants and contracts	1	1	273	33
Total	<u>21,231</u>	<u>15,833</u>	<u>17,250</u>	<u>12,569</u>

5 Other Income

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Other income generating activities	577	577	504	504
Other grant income	206	206	199	199
Releases from deferred capital grants	62	62	65	65
Donations for general purposes	47	47	44	44
Donations for specific purposes	145	145	129	129
Subvention from North West Regional Health Authority	227	227	212	212
Other income	1,145	683	1,101	771
Gift aid from subsidiary	-	636	-	790
	<u>2,409</u>	<u>2,583</u>	<u>2,254</u>	<u>2,714</u>

6 Endowment and Investment Income

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Dividend income and interest receivable	102	102	88	88
Income from general endowment asset investments (note 22)	62	62	32	32
Other endowment income	107	107	107	107
Other interest receivable	237	187	135	119
	<u>508</u>	<u>458</u>	<u>362</u>	<u>346</u>

7 Surplus / (Deficit) on disposal of investments

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Total surplus / (deficit)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2007

8 Staff Costs

	Group Year ended 31 July 2007 Number	School Year ended 31 July 2007 Number	Group Year ended 31 July 2006 Number	School Year ended 31 July 2006 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	50	49	51	51
Research	115	102	85	77
Secretarial and clerical	43	33	46	36
Technical	19	19	20	20
Other	9	9	11	11
	246	222	223	205

Staff costs for the above persons:

	£000	£000	£000	£000
Wages and salaries	8,641	7,725	7,107	6,472
Social security costs	751	673	599	537
Other pension costs	1,014	943	836	779
Restructuring costs	100	100	42	42
	10,506	9,441	8,584	7,830

Academic services - academic and academic related staff	3,043	2,983	2,466	2,424
Academic services - support staff	536	536	578	578
Academic services - laboratory staff	370	370	376	376
Academic support services staff	368	368	334	334
Research grants staff	5,254	4,249	4,081	3,369
Administration and central services staff	672	672	596	596
Premises staff	139	139	89	89
Other income-generating activities staff	24	24	22	22
Staff restructuring	100	100	42	42
Total	10,506	9,441	8,584	7,830

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Employment costs for staff on permanent contracts	10,367	8,500
Employment costs for staff on short-term and temporary contracts	39	42
Restructuring costs	100	42
	10,506	8,584

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2007

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

	Year ended 31 July 2007		Year ended 31 July 2006	
	Number senior post- holders	Number Other Staff	Number senior post- holders	Number Other Staff
£ 70,001 to £ 80,000	-	6	1	3
£ 80,001 to £ 90,000	1	1	-	2
£ 90,001 to £ 100,000	-	2	-	-
£ 100,001 to £ 110,000	-	1	-	1
£ 110,001 to £ 120,000	-	2	1	3
£ 120,001 to £ 130,000	-	1	-	-
£ 130,001 to £ 140,000	1	-	-	1
£ 140,001 to £ 150,000	-	-	-	1
	<u>2</u>	<u>13</u>	<u>2</u>	<u>11</u>

A general pay award of 3.0% was made with effect from 1 August 2006, and a further award of 1.0% was made with effect from 1 February 2007. Both were approved by the Board of Trustees.

9 Senior Post-holders' Emoluments

	Number 2007	Number 2006
The number of senior post-holders including the Director was:	2	2
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	196	182
Benefits in kind	-	-
Pension contributions	28	25
Total emoluments	<u>224</u>	<u>207</u>

The above emoluments include amounts payable to the Director of:

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Salary	122	115
Benefits in kind	-	-
	<u>122</u>	<u>115</u>
Pension contributions	<u>17</u>	<u>16</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 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 2007

10 Other Operating Expenses

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Teaching courses related costs	1,047	1,047	414	414
Laboratory and other costs	1,067	766	1,111	879
Teaching and other support services	739	739	604	604
Research grants costs	13,972	10,581	11,213	8,315
Administration and central services	755	406	374	256
General education	19	19	21	21
Premises running costs	572	531	513	465
Premises maintenance	201	143	107	84
Planned maintenance	20	20	20	20
Total	18,392	14,252	14,377	11,058

Other operating expenses include:

Auditors' remuneration:

financial statements audit	24	18	25	17
internal audit	27	27	21	21
other services from either external or internal audit	-	3	-	-
Losses on disposal of tangible fixed assets	-	-	-	-

11 Interest Payable

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
On bank loans, overdrafts and other loans:				
Repayable within 5 years, not by instalments	-	-	-	-
Repayable within 5 years, by instalments	-	-	-	-
Repayable wholly or partly in more than 5 years	-	-	-	-
Total	-	-	-	-

12 Taxation

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
United Kingdom corporation tax at 19%	6	-	22	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-	-	-
Total	6	-	22	-

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 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
School's surplus / (deficit) for the period	436	(216)	623	(275)
Surplus generated by subsidiary undertakings and transferred to the School under covenant	-	636	-	790
Total	436	420	623	515

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2007

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 2006	4,639	5,346	863	10,848
Additions	15,339	180	101	15,620
Disposals	-	-	(2)	(2)
At 31 July 2007	19,978	5,526	962	26,466
Depreciation				
At 1 August 2006	-	1,918	635	2,553
Charge for year	-	81	99	180
Eliminated in respect of disposals	-	-	-	-
At 31 July 2007	-	1,999	734	2,733
Net Book Value at 31 July 2007	19,978	3,527	228	23,733
Net Book Value at 31 July 2006	4,639	3,428	228	8,295
Financed by capital grant	17,323	1,973	5	19,301
Financed by other	2,655	1,554	223	4,432
	19,978	3,527	228	23,733
SCHOOL				
Cost or Valuation				
At 1 August 2006	4,639	5,342	661	10,642
Additions	15,339	180	75	15,594
Disposals	-	-	-	-
At 31 July 2007	19,978	5,522	736	26,236
Depreciation				
At 1 August 2006	-	1,914	570	2,484
Charge for year	-	81	52	133
Eliminated in respect of disposals	-	-	-	-
At 31 July 2007	-	1,995	622	2,617
Net Book Value at 31 July 2007	19,978	3,527	114	23,619
Net Book Value at 31 July 2006	4,639	3,428	91	8,158
Financed by other capital grant	13,731	1,360	5	15,096
Financed by HEFCE capital grant	3,592	613	-	4,205
Financed by other	2,655	1,554	109	4,318
	19,978	3,527	114	23,619

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 2007

15 Investments

	School Year ended 31 July 2007 £000	School Year ended 31 July 2006 £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 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Balance at 1 August 2006	7,079	7,079	6,431	6,431
Additions	297	297	2,872	2,872
Disposals	(253)	(253)	(2,041)	(2,041)
Appreciation on disposals / revaluation	268	268	(196)	(196)
Increase/(decrease) in cash balances held at fund managers	145	145	13	13
Balance at 31 July 2007	<u>7,536</u>	<u>7,536</u>	<u>7,079</u>	<u>7,079</u>
Represented by:				
Fixed interest stocks (listed)	293	293	292	292
Equities (listed)	6,843	6,843	6,533	6,533
Cash balances	400	400	254	254
Total	<u>7,536</u>	<u>7,536</u>	<u>7,079</u>	<u>7,079</u>

17 Debtors

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Amounts falling due within one year				
Trade debtors	1,397	325	1,158	136
Amounts owed by Subsidiary undertakings	-	1,017	-	844
Balances due on research grants and contracts	6,810	6,810	3,517	3,517
Prepayments and accrued income	377	148	1,130	955
Amounts owed by Liverpool University	57	57	21	21
Total	<u>8,641</u>	<u>8,357</u>	<u>5,826</u>	<u>5,473</u>

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Financial Statements for the year ended 31 July 2007**

18 Investments

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Cost at 1 August 2006	2,401	2,401	2,401	2,401
Additions	-	-	-	-
Disposals	-	-	-	-
Cost at 31 July 2007	2,401	2,401	2,401	2,401
Unrealised surplus/(deficit) at 1 August 2006	376	376	75	75
Revaluation for the year	284	284	301	301
Market value as at 31 July 2007	3,061	3,061	2,777	2,777
Cash balances at investment brokers	-	-	-	-
	<u><u>3,061</u></u>	<u><u>3,061</u></u>	<u><u>2,777</u></u>	<u><u>2,777</u></u>
Represented by:				
Fixed interest stocks (listed)	688	688	664	664
Equities (listed)	1,491	1,491	1,458	1,458
Cash balances	159	159	52	52
Other	723	723	603	603
Total	<u><u>3,061</u></u>	<u><u>3,061</u></u>	<u><u>2,777</u></u>	<u><u>2,777</u></u>

19 Creditors: Amounts Falling Due Within One Year

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Bank loans and overdrafts	201	201	84	84
Corporation tax	4	-	22	-
Unexpended balances of research grants and contracts	15,316	15,316	6,621	6,621
Trade creditors	2,232	1,772	339	308
Other taxation and social security	216	196	219	205
Accruals	2,484	2,217	4,136	3,220
	<u><u>20,453</u></u>	<u><u>19,702</u></u>	<u><u>11,421</u></u>	<u><u>10,438</u></u>

20 Borrowings

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less, or on demand	201	201	84	84
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u><u>201</u></u>	<u><u>201</u></u>	<u><u>84</u></u>	<u><u>84</u></u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2007**

21 Deferred Capital Grants

	Group Funding Council £000	Group Other Funding £000	Group Total £000	School Total £000
At 1 August 2006				
Buildings	2,165	4,321	6,486	6,486
Equipment	-	15	15	15
Cash received				
Buildings	2,068	10,794	12,862	12,862
Equipment	-	-	-	-
Released to income and expenditure account				
Buildings	28	23	51	51
Equipment	-	11	11	11
Total	4,205	15,096	19,301	19,301
At 31 July 2007				
Buildings	4,205	15,092	19,297	19,297
Equipment	-	4	4	4
Total	4,205	15,096	19,301	19,301

22 Endowments

	Group and School		
	Specific £000	General £000	Total £000
At 1 August 2006	5,428	1,651	7,079
Additions	69	-	69
Appreciation of endowment asset investments (realised)	89	-	89
Appreciation of endowment asset investments (unrealised)	190	78	268
Income for year	159	62	221
Transferred to income and expenditure account	(128)	(62)	(190)
At 31 July 2007	5,807	1,729	7,536
Representing			
Fellowships and scholarships funds	4,840	-	4,840
Prizes funds	38	-	38
Chairs and lectureships funds	-	-	-
Other funds	929	1,729	2,658
Total	5,807	1,729	7,536

23 Investment Revaluation Reserve

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
At 1 August	376	376	75	75
Revaluations in the period (as per note 18)	284	284	301	301
Unrealised deficit on revaluation of investments	-	-	-	-
Transfer from revaluation reserve to general reserve in respect of: Disposals	-	-	-	-
At 31 July	660	660	376	376

Liverpool School of Tropical Medicine

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24 Movement on General Reserves

	Group Departmental Funds £000	Group Other Funds £000	Group Total £000	School Total £000
Income and Expenditure Account Reserve				
At 1 August 2006	202	5,106	5,308	5,183
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	-	436	436	420
Transfer between funds	(75)	75	-	-
At 31 July 2007	127	5,617	5,744	5,603

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

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Surplus on continuing operations after depreciation of assets at valuation	442	420	645	515
Unrealised deficit on revaluation of investments	-	-	-	-
Depreciation (note 1 & 14)	180	133	145	111
Deferred capital grants released to income (note 21)	(62)	(62)	(65)	(65)
Profit on disposal of tangible fixed assets	-	-	-	-
(Profit) / Loss on disposal of investments	-	-	-	-
Interest payable (note 11)	-	-	-	-
(Increase) / decrease in stocks	(59)	(1)	(4)	(4)
(Increase) / decrease in debtors	(2 814)	(2 884)	(1 927)	(1 508)
Increase in creditors	8 916	9 147	6 126	5 572
Interest receivable (note 6)	(508)	(458)	(362)	(346)
University Endowed Chairs	107	107	107	107
Net cash inflow from operating activities	6,202	6,402	4,665	4,382

26 Returns on Investments and Servicing of Finance

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Income from long term investments and general endowments	164	164	120	120
(Net expenditure) / income from long term endowments	31	31	(13)	(13)
Other interest received	237	187	135	119
Interest paid	-	-	-	-
Net cash inflow from returns on investment and servicing of finance	432	382	242	226

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2007

27 Capital Expenditure and Financial Investment

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Purchase of tangible fixed assets	(15,620)	(15,594)	(4,703)	(4,573)
Payments to acquire endowment assets	(297)	(297)	(2,872)	(2,872)
Payments to acquire investments	-	-	-	-
Sales of tangible fixed assets	-	-	-	-
Receipt from sale of investments surplus	-	-	-	-
Receipt from sale of endowment assets	342	342	2,898	2,898
Deferred capital grants received	12,862	12,862	3,560	3,560
Endowments received	69	69	-	-
Net cash outflow from capital expenditure and financial investment	(2,644)	(2,618)	(1,117)	(987)

28 Management of Liquid Resources

	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000	Group Year ended 31 July 2006 £000	School Year ended 31 July 2006 £000
Movement in endowment assets (cash)	(145)	(145)	(13)	(13)
Net cash inflow from management of liquid resources	(145)	(145)	(13)	(13)

29 Analysis of Changes in Net Funds

	At 1 August 2006 £000	Cashflows £000	Other changes £000	At 31 July 2007 £000
Group				
Cash in hand, and at bank	6,669	3,956	-	10,625
Endowment asset investments (note16)	255	145	-	400
Overdrafts	(84)	(117)	-	(201)
	<u>6,840</u>	<u>3,984</u>	<u>-</u>	<u>10,824</u>
Net funds due within 1 year	6,840	3,984	-	10,824
Net funds due after 1 year	-	-	-	-
Total	<u>6,840</u>	<u>3,984</u>	<u>-</u>	<u>10,824</u>
School				
Cash in hand, and at bank	6,026	4,138	-	10,164
Endowment asset investments (note16)	255	145	-	400
Overdrafts	(84)	(117)	-	(201)
	<u>6,197</u>	<u>4,166</u>	<u>-</u>	<u>10,363</u>
Net funds due within 1 year	6,197	4,166	-	10,363
Net funds due after 1 year	-	-	-	-
Total	<u>6,197</u>	<u>4,166</u>	<u>-</u>	<u>10,363</u>

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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 (NHSS). All schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. The total pension cost for the period was £1,014,000 (2006 £836,000).

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 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 management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The institution 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 actuarial valuation of the scheme was at 31 March 2005. The 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. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males	19.8 years
Females	22.8 years

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% 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. 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 FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS 17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

The School contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

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30 Pension and similar obligations (continued)

Surpluses or deficits which arise at future valuations may impact on the School's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities 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 £1.7 billion
Rate of salary growth	Increase / decrease by 0.5%	Increase / decrease by £0.5 billion
Rate of mortality	More prudent assumption (mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 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 bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be 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 has agreed 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 to take investment risk relative to the liabilities, the trustee receives advice from its 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. 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 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the School was £696,000 (2006 £541,000). The contribution rate payable by the School was 14% of pensionable salaries.

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 carried out by a qualified independent actuary as at 31 July 2006 and updated on an approximate basis to 31 July 2007.

The contributions made by the employer over the period have been £179,000 (2006 £161,000), equivalent to 13.4% of Pensionable Salaries. This level of contribution is to continue until reviewed following the triennial valuation of the scheme due as at 31 July 2009.

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 5.0% 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 £196,611,000 and the value of the past service liabilities was £218,346,000 leaving a deficit of £21,735,000. 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 84 employees within this scheme (2006 76 employees). There was a total of 1,611 active members in this scheme at 31 July 2006.

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 £84,000 (2006 £77,000), equivalent to 14% of Pensionable Salaries.

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31 Post Balance Sheet Events

There are no post balance sheet events

32 Capital Commitments

	Group and School	
	Year ended	Year ended
	31 July 2007	31 July 2006
	£000	£000
Commitments contracted for at 31 July	<u>3 789</u>	<u>19 058</u>
Commitments under finance leases entered into but not yet provided for in the financial statements	<u>Nil</u>	<u>Nil</u>

33 Contingent Liability

The Group has received a capital grant from the North West Development Agency in connection with the ongoing 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.

34 Financial Instruments

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

	Group and School	
	Year ended	Year ended
	31 July 2007	31 July 2006
	£000	£000
Sell currency and buy £	<u>442</u>	<u>Nil</u>

35 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 2007 and payable within its creditors in the year to 31 July 2007 amounting to £45k and £417k respectively. The School is not recognised by the Higher Education Funding Council and grants of £2.9m 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.