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FINANCIAL STATEMENTS 2009/10

RESEARCHING AND EDUCATING TO SAVE LIVES



Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2010

Report of the Members of the Board of Trustees

Constitution and Organisation

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

Memorandum of Association

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

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 Our current 5 year strategic plan was presented and adopted by the Board on the 8 June 2007 and is for the period ending 31 July 2012. This plan predominantly restates the original strategic objectives that set out how to facilitate the continuous development of the organisation in support of its evolving needs. The objectives are listed below.
 - achieve a new management structure with more responsibility devolved downwards to groups and boards of study.
 - achieve increasing efficiency through greater use of information technology.
 - enhance the quality of the facilities in the main building.
 - prioritise space allocations between research, teaching, technical assistance, clinical services and the facilities provided for students.
 - management of the use of space in existing buildings to ensure cost effective utilisation.
 - secure competitive costs in use of the estate, while paying due regard to energy saving issues.
 - enhance the effectiveness of financial management within LSTM.
 - establish an equitable long term formula for the transparent transfer of Higher Education Funding Council for England funds from the University of Liverpool to LSTM.
 - double research grant and contract income over the planning period.
 - create a reserve for capital developments and voluntary severance/early retirement schemes.
 - obtain funds for 'over-quota' academic posts to enhance research in specific strategic areas and for other desirable academic developments.
 - break even over a five year planning period.
 - develop an internal resource allocation model for transparent transfer of funds to cost centres.

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2010

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

Operating and Financial Review

6 The Nature, objectives and strategies of the charity

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

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

The Learning and Teaching programme has also been revitalised with a raft of new vocational Masters and Diploma courses. This allows a new modular structure. These developments reconfirm a long and successful commitment to teaching; a track record in developing people, core staff and their related research teams, with 94 PhD students from 31 countries, 15 research fellows and numerous visiting scientists working within collaborative programmes.

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

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

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

7 Key Performance Indicators (KPIs)

- **Research turnover growth** is fundamental to the organisation with a target to double income within the strategic plan. This will result in a forecast research turnover of £34,399k in 2012 as compared to £15,833k in 2007. In the first three years of the plan, the forecast total research income expectation for 2010 was 82.40% compared with the actual figures achieved of an increase of 78.42%.

Similar expectations were set for the major funders:	Forecast increase	Actual Increase
DFID	182.91%	143.99%
European Commission	55.78%	139.61%
Bill & Melinda Gates Foundation	26.90%	12.56% ¹
Wellcome Trust	79.84%	86.85%

¹Adjusted to reflect the separation of IVCC as a subsidiary company during the year.

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

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

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

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

	2007	2008	2009	2010
Net cash flow as a % of total income (actual & forecast)	20.7	5.6	26.1	3.1

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2010

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

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

	2007	2008	2009	2010
Net liquidity days	173	140	225	195

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

Teaching continues to stagnate with a failure to add to home/European funded numbers. This low allocation of 46 funded students severely hampers natural growth in this arena.

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

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

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

Student Numbers

- LSTM is funded according to the level of activity that it generates each year. In 2009/10, 83 FTE postgraduate HEFCE funded EU students and 51 postgraduate overseas students attended the postgraduate taught courses. LSTM also contributes to the teaching of a number of University of Liverpool undergraduate courses that is equivalent to 25 FTEs. PhD students register throughout the academic year. At 1 December 2009, there were 39 EU and 56 non-EU students registered on research degrees.
- LSTM also has its own programme of courses, which do not attract HEFCE grant funding. Courses range from 3 month professional diplomas through to short vocational courses lasting from 1 day to 3 weeks. A number of other courses are delivered overseas. Some of the overseas courses are funded from external sources and so do not contribute additional student fees, but they illustrate LSTM's commitment to teaching in a global sense. In 2009/10, 149 students attended short courses delivered in Liverpool, whilst student numbers for courses delivered overseas were 60 EU and approximately 1,500 non EU.

Curriculum Developments

- In 2009/10, LSTM offered nine MSc programmes with a possible choice of over 50 modules. A comprehensive review of the organisation of the MSc programmes has been undertaken during the year in order to offer a more streamlined portfolio of seven MSc programmes under an over-arching theme of Global health. Although students can still choose from a wide variety of optional modules, teaching duplications have been rationalised and there is a higher degree of shared teaching across programmes.

Transparency arrangements

- The Board of Trustees conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board. Full minutes of all meetings are available from the Secretary to the Board at:
Liverpool School of Tropical Medicine
Pembroke Place, Liverpool, L3 5QA
- The Secretary to the Board maintains a register of financial and personal interests of the Board members. The register is available for inspection at the above address.

Finances

- The Group generated a surplus in the year of £1,733k (2008/09 of £491k).
- The Group has accumulated general reserves of £9,791k and cash balances of £22,186k. LSTM wishes to continue to accumulate reserves and cash balances in order to create a contingency fund in accordance with the reserves policy.
- LSTM has four trading subsidiary companies, Liverpool Associates in Tropical Health Ltd (LATH) Innovative Vector Control Consortium (IVCC), EchiTab Study Group (UK) Ltd and Liverpool International Health Ventures Ltd (LIHV). The principal business activity of LATH is the provision of technical assistance across the spectrum of international health through consultancy, training and project management services.

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

EchiTab is a company formed to develop research in snake antivenom with the Nigerian Ministry of Health. This company was dormant in the year.

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2010

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

Post-balance Sheet Events

- 16 On 16 September 2010, LSTM received £6.4 million from the University of Liverpool. This represented the accumulated value of endowments that had been bequeathed to LSTM over the past 108 years and held and accounted for by the University.

It is anticipated that the Trust Deeds will be obtained in the near future and these will inform how these amounts will be accounted for in the 2010/11 accounts.

Staff and Student Involvement

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

Taxation

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

Employment of Disabled Persons

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

Disability Statement

- 20 LSTM seeks to achieve the objectives set down in the Disability Discrimination Act 2000 and in particular makes the following commitments:

- 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

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

Endowments

- 22 LSTM holds endowment funds from the following:

Andrew Campbell Prize, Corlett Prize, David Haddock Prize, John Hay Prize, Jephcott Prize, Jervis Prize, Toosey Prize, White Waller Prize, W. Glynn Williams Prize, Blacklock Medal, Holt Medal, Milne Medal, Cicely Williams Medal, Yorke Medal, William Hesketh Leverhulme Scholarship, Joseph P. Caplan Bursary, Jean Clayton Fellowship, Mildred Ellerker Award, Gatsby, Sir Eric Griffith-Jones Memorial Fellowship Fund, Thomas Mark Fund, Kenneth Newell Bursary, Rhodes-Gilles Fund, Gwendolen Clayton Memorial Scholarships, David Smith Fund, A. M. Browne Bursary.

Professional Advisers

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

Financial Statement and Funding Auditors:

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

Bankers:

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

Internal Auditors:

RSM Tenon
26 Pall Mall,
Manchester
M2 1JR

Solicitors:

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

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2010
Report of the Members of the Board of Trustees (continued)**

Members

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

Name	Date of appointment retirement* re-appointment **	Status of appointment	Capacity and Committees Served
JH Ross, BA	December 2007	Elected	Chairman of the Board Nominations & Governance Remuneration Chair of LATH
IM Jones ACIB	December 2009**	Elected	Hon Treasurer Finance & Investment Remuneration
I Bates BSc MBBS MD MRCP	December 2004	Ex Officio / staff	
J Brown LLB	December 2009**	Elected	Chairman Audit Remuneration
TT Francis, BSc, PhD	December 2007	Elected	Audit
D Greensmith MA	December 2009**	Elected	
Prof J Hemingway BSc PhD	September 2001	Ex Officio / staff	Director of LSTM Finance & Investment LATH Board, Nominations & Governance
A Hoskins MB BAO BCH MCommH FFPH	May 2007	Elected	NHS Executive North West LATH Board
CM Jones BA ACIS	December 2004	Nominated /UOL	Audit
SR O'Brien, MP	May 2010*		
Prof J Saunders	December 2004	Nominated /UOL	Finance & Investment
JH Schofield, BA, ACA	December 2007	Elected	Deputy Hon Treasurer Finance & Investment
Sir Brian Smith	December 2007**	Elected	Nominations & Governance
ACM Winter, MA	December 2007	Elected	LATH Board
RE Holland FCCA, MBA N Banatvala, MBBS, MSC, MD, FFPH, FRCP (WHO advisor)	June 2001 May 2010	Non member	Secretary to the Board Observer to the Board

University of Liverpool referred to as UOL

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2010

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

25 Donations

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

Revenue Donations

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

Delves Charitable Trust; World Friendship; Cargill Cotton plc; Lord Leverhulme's Charitable Trust; H J Rawlings Charitable Trust; Oglesby Charitable Trust; The Gunter Charitable Trust; R M Hewitt and a number of anonymous donations.

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

Mrs Irene Horsfall; Shirley Harrop; Lady C.M. Bibby; Mrs M.J. Lane; J.M. Wheeldon; Mr J.B. Bibby; Privy Purse Charitable Trust; Lady Christine Bibby; The Millfield Trust; The Westcroft Trust; Dorothy Roberts; Stanfield Trust; The Delphine Trust; The Charles Brotherton Charitable Trust; Miss H C Michael; W D MacPherson Trust; The late Marjorie Wainwright; Mr Andrew van Beek; Nicholas Barber; The Selwyn Lloyd Charitable Trust; Aurthur & Audrey Silkin Charitable Trust; Mr TJ Grant; G M Morrison Charitable Trust; Bassil Shippam and Alsford Trust; The Andrew Anderson Trust; The Gunter Charitable Trust; Mrs June Pinto; T.P. Naylor; Mr & Mrs Toosey; Gillian Summers; The Wyndham Charitable Trust; D J Bibby Fund; Mount Saint Bernard Abbey; JHG Coney Charitable Trust; The David Cutforth Charitable Trust; Susan Lockyer; The Leslie Bibby Fund; J. S. Pyke; H J Rawlings Trust; The late Kathleen Betty Thomas; Dr Stephen Gordon; Mr & Mrs Behrend and a number of anonymous donors.

Capital Donations

There were no capital donations during this period.

26 Corporate Governance

LSTM is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which LSTM has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in 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 2010.

The Board of Trustees

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

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

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

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

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

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2010

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

27 Corporate Governance (continued)

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

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

Appointments to the Board of Trustees

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

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

Audit Committee

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

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

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

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

Remuneration Committee

Throughout the year ending 31 July 2010, LSTM's remuneration committee comprised the Chairman, Vice Chairman, Treasurer and Chairman of the Audit Committee. The committee's responsibility is to make recommendations on the remuneration and benefits of the Director, Director of Administration and Support Services and other senior members of staff in LSTM.

Details of remuneration for the year ended 31 July 2010 are set out in note 9 of the financial statements.

Internal Control

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

The Board of Trustees has delegated to the Director of LSTM as Accounting Officer, the day-to-day responsibility for reviewing the adequacy of the system of internal financial control and making any appropriate amendments. She is also responsible for reporting to the Board any material weaknesses or breakdowns in internal financial control.

The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing LSTM's significant risks that has been in place and operational for the year ended 31 July 2010. The Board regularly reviews this process. The process continues to be developed with the adoption of a prioritised corporate risk action plan to include timescales and responsible officers. The process is now embedded within all levels of LSTM.

Going Concern

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2010

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

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 of Liverpool 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 its subsidiaries 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 adequate 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.

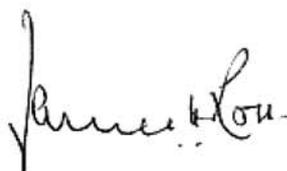
In so far as the Board of Trustees is aware

- There is no relevant audit information of which LSTM's auditors are unaware, and
- The Board of Trustees have taken all steps they should have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

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



JH Ross, BA
Chairman
8 November 2010

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2010

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
8 November 2010

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2010 Independent Auditor's Report

Report of the independent auditor to the Board of Trustees of Liverpool School of Tropical Medicine

We have audited the group and parent entity (LSTM) financial statements of the Liverpool School of Tropical Medicine Limited for the year ended 31 July 2010 which comprise the consolidated and LSTM's income and expenditure account, the consolidated and LSTM's statement of total recognised gains and losses, the consolidated and LSTM's balance sheets, the consolidated and LSTM's cash flow statements and the related notes on pages 16 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the governing body, in accordance with the charter and statutes of the LSTM and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Trustees for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of LSTM's Board of Trustees and auditors

The Board of Trustees' responsibilities for preparing the Report of the Members of the Board of Trustees and financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing (UK and Ireland).

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 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, and have been prepared in accordance with the Companies Act 2006. We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by LSTM have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, 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 whether in our opinion the Treasurer's report is consistent with the financial statements, if LSTM has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This information comprises only the Report of the Members of the Board of Trustees and the Statement of the System of Internal Financial Control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to other information.

Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the funding council. 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 governing body in preparing the financial statements and whether the accounting policies are appropriate to the Group and School's circumstances, consistently applied and adequately disclosed.

We planned and have performed our audit so as to obtain all the information and explanations we considered necessary 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 have 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 the Group's and LSTM's affairs as at 31 July 2010 and of the Group's and school's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education;
- the financial statements have been prepared in accordance with the Companies Act 2006;
- the information given in the Report of the Members of the Board of Trustees is consistent with the financial statements for the year ended 31 July 2010
- in all material respects, income from the Higher Education Funding Council for England, the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by LSTM during the year ended 31 July 2010 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with LSTM's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

John Shinnick
Senior Statutory Auditor
Registered Auditor
Chartered Accountants
MANCHESTER



For and on behalf of Grant Thornton UK LLP

8 November 2010

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2010**

Income and Expenditure Accounts

	Notes	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Income					
Funding Council Grants	2	6,311	6,311	4,613	4,613
Tuition fees and education contracts	3	2,814	2,814	3,640	3,640
Research grants and contracts	4	40,060	28,250	27,825	20,104
Other income	5	3,142	2,942	3,741	3,117
Endowment and Investment income	6	190	221	405	437
Surplus/(Deficit) on disposal of investments	7	8	8	(19)	(19)
Total income		52,525	40,546	40,205	31,892
Expenditure					
Staff costs	8	14,787	12,576	13,256	11,593
Other operating expenses	10	35,482	25,914	25,273	18,276
Depreciation	14	892	826	817	751
Interest payable	11	-	-	-	-
Total expenditure		51,161	39,316	39,346	30,620
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		1,364	1,230	859	1,272
Foreign currency gain		-	-	-	-
Unrealised surplus/(deficit) on revaluation of investments		374	374	(374)	(374)
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and revaluation of investments but before tax		1,738	1,604	485	898
Taxation	12	(5)	-	6	-
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments and tax	13	1,733	1,604	491	898

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

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2010**

Statement of the Total Recognised Gains and Losses

	Notes	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	13	1,733	1,604	491	898
(Depreciation)/appreciation of endowment asset investments (realised)	22	(6)	(6)	13	13
Endowment income retained for year	22	(44)	(44)	(39)	(39)
Revaluation of endowment asset investments (unrealised)	22	712	712	(650)	(650)
Revaluation of investments	23	109	109	-	-
Total recognised gains/(losses) relating to the period		<u>2,504</u>	<u>2,375</u>	<u>(185)</u>	<u>222</u>
Reconciliation					
Opening reserves and endowments		13,957	14,404	14,142	14,182
Total recognised gains/(losses) for the year		2,504	2,375	(185)	222
Closing reserves and endowments		<u>16,461</u>	<u>16,779</u>	<u>13,957</u>	<u>14,404</u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2010**

Balance Sheets as at 31 July

	Notes	Group 2010 £000	LSTM 2010 £000	Group 2009 £000	LSTM 2009 £000
Fixed assets					
Tangible assets	14	33,036	32,515	32,067	31,525
Investments	15	-	54	-	54
		<u>33,036</u>	<u>32,569</u>	<u>32,067</u>	<u>31,579</u>
Endowment assets	16	<u>6,561</u>	<u>6,561</u>	<u>5,899</u>	<u>5,899</u>
Current assets					
Stock		67	19	112	18
Debtors	17	6,666	7,157	6,714	7,681
Investments	18	4,688	4,688	2,984	2,984
Cash at bank and in hand		22,186	21,018	20,770	19,957
		<u>33,607</u>	<u>32,882</u>	<u>30,580</u>	<u>30,640</u>
Creditors: amounts falling due within one year	19	29,314	27,804	29,145	28,270
Net current assets		<u>4,293</u>	<u>5,078</u>	<u>1,435</u>	<u>2,370</u>
Total assets less current liabilities		43,890	44,208	39,401	39,848
NET ASSETS		<u>43,890</u>	<u>44,208</u>	<u>39,401</u>	<u>39,848</u>
Deferred capital grants	21	27,429	27,429	25,444	25,444
Endowments					
Restricted permanent	22	5,097	5,097	4,593	4,593
Unrestricted permanent	22	1,464	1,464	1,306	1,306
		<u>6,561</u>	<u>6,561</u>	<u>5,899</u>	<u>5,899</u>
Reserves					
Revaluation reserves	23	109	109	-	-
General reserve	24	9,791	10,109	8,058	8,505
		<u>9,900</u>	<u>10,218</u>	<u>8,058</u>	<u>8,505</u>
TOTAL FUNDS		<u>43,890</u>	<u>44,208</u>	<u>39,401</u>	<u>39,848</u>

The financial statements on pages 12 to 31 were approved by the Board of Trustees on 8 November 2010 and were signed on behalf of the Directors by:-



IM Jones - Honorary Treasurer



Professor J Hemingway - Director

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2010**

Cash Flow Statements

	Notes	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Cash flow from operating activities	25	1,631	1,279	10,423	10,088
Returns on investments and servicing of finance	26	107	138	321	353
Taxation	12	(5)	-	6	-
Capital expenditure and financial investment	27	(430)	(385)	(2,558)	(2,042)
Cash inflow before use of liquid resources and financing		<u>1,303</u>	<u>1,032</u>	<u>8,192</u>	<u>8,399</u>
Management of liquid resources	28	29	29	177	177
Increase in cash in the period		<u><u>1,332</u></u>	<u><u>1,061</u></u>	<u><u>8,369</u></u>	<u><u>8,576</u></u>
Reconciliation of net cash flow to movement in net funds					
Increase in cash in the period		1,332	1,061	8,369	8,576
Cash inflow from liquid resources	28	(29)	(29)	(177)	(177)
Movement in net funds in period		<u>1,303</u>	<u>1,032</u>	<u>8,192</u>	<u>8,399</u>
Net funds at 1 August	29	20,700	20,359	12,508	11,960
Net funds at 31 July	29	<u><u>22,003</u></u>	<u><u>21,391</u></u>	<u><u>20,700</u></u>	<u><u>20,359</u></u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2010

Notes to the Accounts

1 Statement of Principal Accounting Policies

i) Accounting convention

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

ii) Basis of consolidation

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

iii) Recognition of income

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

iv) Pension schemes

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

v) Foreign currencies

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

vi) Land and buildings

The newest LSTM building is erected on freehold land and is depreciated over a period of 50 years.

Other LSTM 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. Leasehold buildings are depreciated over a period of 50 years.

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

vii) Fixtures and equipment

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

viii) Investments

Endowment asset investments and current asset investments are included in the balance sheet at market value. The subsidiary undertakings are stated at cost.

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

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2010

1 Statement of Principal Accounting Policies (continued)

ix) **Liquid resources**

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

x) **Taxation status**

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

xi) **Stock and work in progress**

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

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

xii) **Deferred government grants**

Government grants in respect of capital expenditure are treated as deferred capital grants and are credited to the 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 LSTM has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

xv) **Reserves policy**

The Board of Trustees approved a strategic plan covering a five year period to 31 July 2013. This plan anticipates LSTM's free reserves being augmented by the end of the period. The Board has targeted, at the end of the five year period of the strategic plan for free reserves to represent a minimum of 3 months pay expenditure.

xvi) **Accounting for charitable donations**

Unrestricted Donations

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

Endowment Funds

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

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

2 Funding Council Grants

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Recurrent grant - HEFCE	6,311	6,311	4,613	4,613
FEC support grant - HEFCE	-	-	-	-
	<u>6,311</u>	<u>6,311</u>	<u>4,613</u>	<u>4,613</u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2010

3 Tuition Fees and Education Contracts

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
UK Higher Education students	576	576	453	453
Non-EU students	1,130	1,130	1,114	1,114
Short Courses	1,041	1,041	1,995	1,995
	<u>2,747</u>	<u>2,747</u>	<u>3,562</u>	<u>3,562</u>
Higher Education contracts	-	-	-	-
Other contracts	67	67	78	78
	<u>2,814</u>	<u>2,814</u>	<u>3,640</u>	<u>3,640</u>

4 Research Grants and Contracts

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Research Council	555	555	593	593
UK based charities	7,081	7,066	4,628	4,067
UK Central Government and other bodies	9,370	4,885	8,638	3,583
UK Industry, commerce and public operations	69	69	116	104
European Commission	6,499	6,367	2,142	2,107
Other overseas bodies	16,486	9,308	11,708	9,650
Other grants and contracts	-	-	-	-
Total	<u>40,060</u>	<u>28,250</u>	<u>27,825</u>	<u>20,104</u>

Included within UK based charity income is £1.4 million allocated to LSTM by IVCC, a UK registered charity under the control of LSTM. This income has been recognised as UK based charity income by being matched against the related charitable expenditure incurred by the Group. IVCC allocates funding to research institutions on a competitive basis as validated by its External Scientific Advisory Committee.

5 Other Income

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Other income generating activities	924	230	837	213
Other grant income	218	218	216	216
Releases from deferred capital grants	579	579	528	528
Donations for general purposes	22	22	96	96
Donations for specific purposes	115	115	153	153
Subvention from North West Regional Health Authority	312	312	250	250
Other income	972	1,406	1,661	1,661
Gift aid from subsidiary	-	60	-	-
	<u>3,142</u>	<u>2,942</u>	<u>3,741</u>	<u>3,117</u>

6 Endowment and Investment Income

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Dividend income and interest receivable	91	91	93	93
Income from general endowment asset investments (note 22)	38	38	54	54
Other endowment income	39	39	45	45
Other interest receivable	22	53	213	245
	<u>190</u>	<u>221</u>	<u>405</u>	<u>437</u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2010**

7 Surplus/(Deficit) on disposal of investments

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Total surplus/(deficit)	8	8	(19)	(19)
	<u>8</u>	<u>8</u>	<u>(19)</u>	<u>(19)</u>

8 Staff Costs

	Group Year ended 31 July 2010 Number	LSTM Year ended 31 July 2010 Number	Group Year ended 31 July 2009 Number	LSTM Year ended 31 July 2009 Number
The average number of persons (including senior post-holders) employed during the year, expressed as full-time equivalents, was:				
Professorial	12	12	11	11
Academic and academic related	55	55	53	53
Research	160	127	135	114
Secretarial and clerical	44	37	47	43
Technical	18	13	18	14
Other	9	9	10	7
	<u>298</u>	<u>253</u>	<u>274</u>	<u>242</u>

Staff costs for the above persons:

	£000	£000	£000	£000
Wages and salaries	12,237	10,372	10,870	9,507
Social security costs	988	824	982	853
Other pension costs	1,464	1,282	1,295	1,190
Restructuring costs	98	98	109	43
	<u>14,787</u>	<u>12,576</u>	<u>13,256</u>	<u>11,593</u>

Academic services - academic and academic related staff	3,909	3,909	3,364	3,364
Academic services - support staff	656	656	642	642
Academic services - laboratory staff	392	392	385	385
Academic support services staff	413	413	385	385
Research grants staff	7,662	5,815	6,704	5,531
Administration and central services staff	1,085	1,085	1,060	1,060
Premises staff	195	195	151	151
Other income-generating activities staff	400	36	456	32
Staff restructuring	75	75	109	43
Total	<u>14,787</u>	<u>12,576</u>	<u>13,256</u>	<u>11,593</u>

	Group Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000
Employment costs for staff on permanent contracts	14,623	12,955
Employment costs for staff on short-term and temporary contracts	89	192
Restructuring costs	75	109
	<u>14,787</u>	<u>13,256</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 2010

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

	Group		Group	
	Year ended 31 July 2010 Number senior post- holders	Number Other Staff	Year ended 31 July 2009 Number senior post- holders	Number Other Staff
£ 100,001 to £ 110,000	-	1	1	9
£ 110,001 to £ 120,000	1	2	-	3
£ 120,001 to £ 130,000	-	3	-	-
£ 130,001 to £ 140,000	-	2	-	-
£ 140,001 to £ 150,000	-	1	-	-
£150,001 to £160,000	-	-	-	1
£160,001 to £170,000	-	1	-	1
£180,001 to £190,000	-	1	-	-
£ 190,001 to £ 200,000	-	1	1	-
£ 210,001 to £ 220,000	-	1	-	-
£ 220,001 to £ 230,000	1	-	-	-
	<u>2</u>	<u>13</u>	<u>2</u>	<u>14</u>

A general pay award of 3.0% was made with effect from 1 October 2009, approved by the Board of Trustees.

9 Senior Post-holders' Emoluments

	Number 2010	Number 2009
The number of senior post-holders including the Director was:	2	2
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	288	270
Benefits in kind	-	-
Pension contributions	44	38
Total emoluments	<u>332</u>	<u>308</u>

The above emoluments include amounts payable to the Director of:

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Salary	188	175
Benefits in kind	-	-
	<u>188</u>	<u>175</u>
Pension contributions	<u>29</u>	<u>25</u>

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

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

Overseas activities

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

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2010**

10 Other Operating Expenses

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Teaching courses related costs	776	776	1,929	1,929
Laboratory and other costs	1,224	820	1,099	658
Teaching and other support services	1,042	1,042	862	862
Research grants costs	29,964	21,080	19,241	13,143
Administration and central services	563	328	611	287
General education	525	574	17	11
Premises running costs	1,012	981	1,131	1,062
Premises maintenance	328	265	356	297
Planned maintenance	48	48	27	27
Total	<u>35,482</u>	<u>25,914</u>	<u>25,273</u>	<u>18,276</u>

Other operating expenses include:

Auditors' remuneration:				
financial statements audit	29	18	35	25
internal audit	23	23	26	26
other services from either external or internal audit	28	28	9	9

11 Interest Payable

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
On bank loans, overdrafts and other loans:				
Repayable within 5 years, not by instalments	-	-	-	-
Repayable within 5 years, by instalments	-	-	-	-
Repayable wholly or partly in more than 5 years	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12 Taxation

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
United Kingdom corporation tax	5	-	(6)	-

13 Surplus on Continuing Operations for the Period

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

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
LSTM's surplus for the period	1,733	1,544	491	898
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	60	-	-
Total	<u>1,733</u>	<u>1,604</u>	<u>491</u>	<u>898</u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2010**

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 2009	26,651	7,969	1,213	35,833
Reclassification of Assets	115	(115)	-	-
Additions	1,209	966	60	2,235
Disposals	-	(345)	(38)	(383)
At 31 July 2010	<u>27,975</u>	<u>8,475</u>	<u>1,235</u>	<u>37,685</u>
Depreciation				
At 1 August 2009	768	2,217	781	3,766
Reclassification of Assets	51	(51)	-	-
Charge for year	551	169	172	892
Eliminated in respect of disposals	-	(3)	(6)	(9)
At 31 July 2010	<u>1,370</u>	<u>2,332</u>	<u>947</u>	<u>4,649</u>
Net Book Value at 31 July 2010	<u>26,605</u>	<u>6,143</u>	<u>288</u>	<u>33,036</u>
Net Book Value at 31 July 2009	<u>25,883</u>	<u>5,752</u>	<u>432</u>	<u>32,067</u>
Financed by capital grant	23,121	2,324	-	25,445
Financed by other	3,484	3,819	288	7,591
	<u>26,605</u>	<u>6,143</u>	<u>288</u>	<u>33,036</u>
LSTM				
Cost or Valuation				
At 1 August 2009	26,651	7,510	1,020	35,181
Reclassification of Assets	115	(115)	-	-
Additions	859	902	55	1,816
Disposals	-	-	-	-
At 31 July 2010	<u>27,625</u>	<u>8,297</u>	<u>1,075</u>	<u>36,997</u>
Depreciation				
At 1 August 2009	768	2,212	676	3,656
Reclassification of Assets	51	(51)	-	-
Charge for year	544	134	148	826
Eliminated in respect of disposals	-	-	-	-
At 31 July 2010	<u>1,363</u>	<u>2,295</u>	<u>824</u>	<u>4,482</u>
Net Book Value at 31 July 2010	<u>26,262</u>	<u>6,002</u>	<u>251</u>	<u>32,515</u>
Net Book Value at 31 July 2009	<u>25,883</u>	<u>5,298</u>	<u>344</u>	<u>31,525</u>
Financed by other capital grant	20,178	1,214	-	21,392
Financed by HEFCE capital grant	2,943	1,110	-	4,053
Financed by other	3,141	3,678	251	7,070
	<u>26,262</u>	<u>6,002</u>	<u>251</u>	<u>32,515</u>

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

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

Liverpool School of Tropical Medicine

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15 Investments

	LSTM Year ended 31 July 2010 £000	LSTM Year ended 31 July 2009 £000
Investments in subsidiary companies	<u>54</u>	<u>54</u>

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

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

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

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

16 Endowment Assets

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Balance at 1 August 2009	5,899	5,899	6,575	6,575
Additions	132	132	538	538
Disposals	(153)	(153)	(387)	(387)
Appreciation/(depreciation) on disposals / revaluation	712	712	(650)	(650)
Decrease in cash balances held at fund managers	(29)	(29)	(177)	(177)
Balance at 31 July 2010	<u>6,561</u>	<u>6,561</u>	<u>5,899</u>	<u>5,899</u>
Represented by:				
Fixed interest stocks (listed)	329	329	329	329
Equities (listed)	5,785	5,785	5,123	5,123
Cash balances	402	402	402	402
Other	45	45	45	45
Total	<u>6,561</u>	<u>6,561</u>	<u>5,899</u>	<u>5,899</u>

17 Debtors

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Amounts falling due within one year				
Trade debtors	1,424	179	569	24
Amounts owed by subsidiary undertakings	-	1,978	-	1,748
Balances due on research grants and contracts	3,754	3,754	4,758	4,758
Prepayments and accrued income	526	284	1,176	940
Amounts owed by Liverpool University	962	962	211	211
Total	<u>6,666</u>	<u>7,157</u>	<u>6,714</u>	<u>7,681</u>

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18 Investments

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Cost at 1 August 2009	3,325	3,325	3,343	3,343
Additions	1,504	1,504	297	297
Disposals	(294)	(294)	(315)	(315)
Cost at 31 July 2010	4,535	4,535	3,325	3,325
Unrealised (deficit)/surplus at 1 August 2009	(374)	(374)	84	84
Revaluation for the year	483	483	(458)	(458)
Market value as at 31 July 2010	4,644	4,644	2,951	2,951
Cash balances at investment brokers	44	44	33	33
	<u>4,688</u>	<u>4,688</u>	<u>2,984</u>	<u>2,984</u>
Represented by:				
Fixed interest stocks (listed)	1,944	1,944	672	672
Equities (listed)	2,020	2,020	1,685	1,685
Cash balances	57	57	41	41
Other	667	667	586	586
Total	<u>4,688</u>	<u>4,688</u>	<u>2,984</u>	<u>2,984</u>

19 Creditors: Amounts Falling Due Within One Year

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Bank loans and overdrafts	556	-	472	-
Corporation tax	-	-	-	-
Unexpended balances of research grants and contracts	24,246	18,572	24,903	24,903
Trade creditors	432	244	628	354
Amounts owed to subsidiary undertakings	-	5,682	-	-
Other taxation and social security	302	266	263	223
Accruals	3,778	3,040	2,879	2,790
	<u>29,314</u>	<u>27,804</u>	<u>29,145</u>	<u>28,270</u>

20 Borrowings

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less, or on demand	556	-	472	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u>556</u>	<u>-</u>	<u>472</u>	<u>-</u>

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21 Deferred Capital Grants

	Group Funding Council £000	Group Other Funding £000	Group Total £000	LSTM Total £000
At 1 August 2009				
Buildings	4,052	21,392	25,444	25,444
Equipment	-	-	-	-
Cash received				
Buildings	-	2,629	2,629	2,629
Equipment	-	-	-	-
Released to income and expenditure account				
Buildings	(89)	(490)	(579)	(579)
Equipment	-	-	-	-
Released to research accounts				
Buildings	-	(65)	(65)	(65)
Equipment	-	-	-	-
Total	<u>3,963</u>	<u>23,466</u>	<u>27,429</u>	<u>27,429</u>
At 31 July 2010				
Buildings	3,963	23,466	27,429	27,429
Equipment	-	-	-	-
Total	<u>3,963</u>	<u>23,466</u>	<u>27,429</u>	<u>27,429</u>

22 Endowments

	Group and LSTM Permanent Endowments		
	Restricted £000	Unrestricted £000	Total £000
	At 1 August 2009 - Capital value	4,211	1,306
- Accumulated income	382	-	382
Additions	-	-	-
Appreciation of endowment asset investments (realised)	(6)	-	(6)
Appreciation of endowment asset investments (unrealised)	554	158	712
Income for year	119	38	157
Transferred to income and expenditure account	(163)	(38)	(201)
At 31 July 2010 - Capital value	<u>4,760</u>	<u>1,464</u>	<u>6,224</u>
- Accumulated income	<u>337</u>	<u>-</u>	<u>337</u>
Representing			
Fellowships and scholarships funds	4,186	-	4,186
Prizes funds	38	-	38
Other funds	873	1,464	2,337
Total	<u>5,097</u>	<u>1,464</u>	<u>6,561</u>

23 Revaluation Reserves

	Investment Revaluation Reserve £000	Currency Revaluation Reserve £000	Group Total £000	LSTM Total £000
At 1 August 2009	-	-	-	-
Revaluations in the period (as per note 18)	483	-	483	483
Transferred to income and expenditure account	(374)	-	(374)	(374)
At 31 July 2010	<u>109</u>	<u>-</u>	<u>109</u>	<u>109</u>

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24 Movement in General Reserves

	Group Departmental Funds £000	Group Other Funds £000	Group Total £000	LSTM Total £000
Income and Expenditure Account Reserve				
At 1 August 2009	55	8,003	8,058	8,505
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	-	1,733	1,733	1 604
Transfer between funds	(18)	18	-	-
At 31 July 2010	<u>37</u>	<u>9,754</u>	<u>9,791</u>	<u>10,109</u>

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

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Surplus on continuing operations after depreciation of assets at valuation	1,364	1,230	859	1,272
Depreciation (note 1 & 14)	892	826	817	751
Deferred capital grants released to income (note 21)	(644)	(644)	(528)	(528)
Profit on disposal of tangible fixed assets	-	-	-	-
(Profit)/loss on disposal of investments	(8)	(8)	19	19
Interest payable (note 11)	-	-	-	-
Decrease / (increase) in stocks	45	(1)	32	(2)
Decrease / (increase) in debtors	48	524	(1,566)	(2,738)
Increase / (decrease) in creditors	85	(466)	11,150	11,706
Interest receivable (note 6)	(190)	(221)	(405)	(437)
University Endowed Chairs	39	39	45	45
Net cash inflow from operating activities	<u>1,631</u>	<u>1,279</u>	<u>10,423</u>	<u>10,088</u>

26 Returns on Investments and Servicing of Finance

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Income from long term investments and unrestricted permanent endowments	129	129	147	147
Net income from restricted permanent endowments	(44)	(44)	(39)	(39)
Other interest received	22	53	213	245
Interest paid	-	-	-	-
Net cash inflow from returns on investment and servicing of finance	<u>107</u>	<u>138</u>	<u>321</u>	<u>353</u>

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27 Capital Expenditure and Financial Investment

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Purchase of tangible fixed assets	(2,235)	(1,816)	(4,562)	(4,026)
Payments to acquire endowment assets	(132)	(132)	(538)	(538)
Payments to acquire investments	(1,515)	(1,515)	(289)	(289)
Receipt from sale of tangible fixed assets	374	-	20	-
Receipt from sale of investments surplus	302	302	296	296
Receipt from sale of endowment assets	147	147	400	400
Deferred capital grants received	2,629	2,629	2,115	2,115
Endowments received	-	-	-	-
Net cash outflow from capital expenditure and financial investment	<u>(430)</u>	<u>(385)</u>	<u>(2,558)</u>	<u>(2,042)</u>

28 Management of Liquid Resources

	Group Year ended 31 July 2010 £000	LSTM Year ended 31 July 2010 £000	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000
Movement in endowment assets (cash)	29	29	177	177
Net cash inflow from management of liquid resources	<u>29</u>	<u>29</u>	<u>177</u>	<u>177</u>

29 Analysis of Changes in Net Funds

	At 1 August 2009 £000	Cashflows £000	Other changes £000	At 31 July 2010 £000
Group				
Cash in hand, and at bank	20,770	1,416	-	22,186
Endowment asset investments (note16)	402	(29)	-	373
Overdrafts	(472)	(84)	-	(556)
	<u>20,700</u>	<u>1,303</u>	<u>-</u>	<u>22,003</u>
Net funds due within 1 year	20,700	1,303	-	22,003
Net funds due after 1 year	-	-	-	-
Total	<u>20,700</u>	<u>1,303</u>	<u>-</u>	<u>22,003</u>
LSTM				
Cash in hand, and at bank	19,957	1,061	-	21,018
Endowment asset investments (note16)	402	(29)	-	373
Overdrafts	-	-	-	-
	<u>20,359</u>	<u>1,032</u>	<u>-</u>	<u>21,391</u>
Net funds due within 1 year	20,359	1,032	-	21,391
Net funds due after 1 year	-	-	-	-
Total	<u>20,359</u>	<u>1,032</u>	<u>-</u>	<u>21,391</u>

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30 Pension and similar obligations

LSTM's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF) although a small number of staff belong to the National Health Service Superannuation Scheme (NHSSS). All schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. The total pension cost for the period was £1,295,000 (2009 £1,186,000).

Universities Superannuation Scheme (USS)

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

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

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. LSTM is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

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

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

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

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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30 Pension and similar obligations (continued)

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

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

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS 17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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

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

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers.

The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and LSTM had 158 active members participating in the scheme.

The total pension cost for LSTM was £882,000 (2009 £855,000). The contribution rate payable by LSTM was 16% of pensionable salaries.

University of Liverpool Pension Fund (ULPF)

LSTM participates in the University of Liverpool Superannuation Scheme, (ULPF) a defined benefit scheme 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.

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30 Pension and similar obligations (continued)

A full actuarial valuation of the scheme is currently being carried out by a qualified independent actuary as at 31 July 2009 and the preliminary results of this have been updated on an approximate basis to 31 July 2010.

The contributions made by the employer over the period have been £287,000 (2009 £242,000), equivalent to 16.4% (2009 13.4%) of Pensionable Salaries. Member contributions are payable in addition at the rate of 6.0% of pensionable pay. This level of contribution is currently being reviewed following the results of the triennial valuation of the scheme 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 5.4% per annum, salary increases would be 5.0% per annum and pensions would increase by 3.35% 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 £210.4m (2009 £181.6m) and the value of the past service liabilities was £272.0m (2009 £248.2m) leaving a deficit of £61.6m (2009 £66.6). The assets therefore were insufficient to cover the benefits, which had accrued to members after allowing for expected future increases in earnings.

During the year, LSTM contributed to 75 employees within this scheme (2009 91 employees). There was a total of 1,611 active members in this scheme at 31 July 2006.

National Health Service Superannuation Scheme (NHSSS)

LSTM participates in the National Health Service Superannuation Scheme, (NHSSS) a defined benefit scheme which is a statutory, unfunded, multi employer, defined benefit scheme in which LSTM is unable to identify its share of the underlying liabilities and assets and is accounted for on a contributions basis.

The contributions made by the employer over the financial year have been £114,000 (2009 £92,000), equivalent to 14% of Pensionable Salaries.

31 Post Balance Sheet Events

On 16 September 2010, LSTM received £6.4 million from the University of Liverpool. This represented the accumulated value of endowments that had been bequeathed to LSTM over the past 108 years and held, and accounted for, by the University.

It is anticipated that the Trust Deeds will be obtained in the near future, and these will inform how these amounts will be accounted for in the 2010/11 accounts.

32 Capital Commitments

	Group and LSTM	
	Year ended	Year ended
	31 July 2010	31 July 2009
	£000	£000
Commitments contracted for at 31 July	<u>880</u>	<u>Nil</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 construction of the CTID building. The grant has certain conditions with which the Group will need to comply in future periods. At this time the Group believes it will be able to comply with these conditions when necessary.

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34 Financial Instruments

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

	Group and LSTM	
	Year ended	Year ended
	31 July 2010	31 July 2009
	£000	£000
Sell currency and buy £	<u>(285)</u>	<u>(794)</u>

35 Related Party Transactions

LSTM is affiliated with the University of Liverpool and has balances owed within its debtors in the year to 31 July 2010 amounting to £962k. LSTM is not recognised by the Higher Education Funding Council and grants of £6.3m were transferred via the University of Liverpool to fund teaching and research. Other transactions include the payment of student fees and staff salaries. These grants, together with other University transactions, are incorporated within the Financial Statements. All such transactions are conducted at arm's length and in accordance with financial regulations and the financial memorandum enacted between the two organisations. University representatives hold two seats on the Board of Trustees. Similarly, LSTM 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 LSTM's operations and the composition of the Board of Trustees (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving an organisation in which a member of the Board may have an interest are conducted at arm's length and in accordance with LSTM's financial regulations and normal procurement procedures.

36 DFID Funding

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

	LSTM
	Year ended
	31 July 2010
	£000
ABBA	350
CNTD Global Programme Lymphatic Filariasis	1,200
Develop HR Maternal/Newborn Health	1,041
EHCAP	773
Health System Strengthening In Somalia	376
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