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# FINANCIAL STATEMENTS

## 2008/09

RESEARCHING AND EDUCATING TO SAVE LIVES

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## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 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 practises 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, more than 92 PhD students from 58 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 newly adopted 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 two years of the plan, the forecast total research income expectation for 2009 was 60.80% compared with the actual figures achieved of an increase of 26.98%.

Similar expectations were set for the major funders:

	Forecast	Actual
DFID	97.95%	77.57%
European Commission	20.79%	-14.25%
Bill & Melinda Gates Foundation	92.80%	45.86%
Wellcome Trust	33.38%	49.52%

Differences reflect actual expenditure against profiled forecasts which are anticipated to even out over the course of the 5 year plan. This years' results are disappointing from a perspective that income reflects defrayed costs in the accounts since there has been a failure to spend at the accelerated level in the plan. Grants awarded have continued to grow in accordance to the forecast business plan.

- **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
<b>Capital investment by turnover</b>	51.67%	7.14%	8.75%	9.80%

- **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
<b>Net cash flow as a % of total income (actual &amp; forecast)</b>	20.7	5.6	26.1	-4.9





## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 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.

Net liquidity days	2007	2008	2009	2010
	173	140	225	132

**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 is currently threatened and 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.

% of HEFCE income to turnover	2006	2007	2008	2009	2010
	11.64%	13.48%	11.92%	11.53%	12.22%

**LSTM's business plan** continues to be robust, bolstered by forward committed research contracts amounting to over £71million.

#### Student Numbers

- 8 LSTM is funded according to the level of activity that it generates each year. In 2008/09, 78 FTE postgraduate HEFCE funded EU students and 145 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 32 FTEs, the largest of which is in the medicine module.
- 9 LSTM also has its own programme of courses, which do not attract grant funding. Courses range from diplomas to certificates and are predominantly short term vocational courses ranging from a day to 3 weeks. A number of other courses are provided out of country. Although student numbers are misleading in this area, as some of the courses are funded and are not reflected in additional student fees, they show LSTM's commitment to teaching in a wider sense. Student numbers on short courses for in-house, EU out of country and non EU out of country are 109, 47 and 478 respectively.

#### Curriculum Developments

- 10 Methods of teaching and learning are continuously reviewed and developed to ensure that the curriculum meets the high standards set by LSTM and external agencies. Masters programmes follow a modular framework which facilitates the linkage between postgraduate certificates, diplomas and Masters awards.
- 11 Nine fully aligned MSc programmes, with a possible choice of 50 modules, are on offer. LSTM plans to introduce a number of new MSc programmes in 2008/09.

#### Transparency arrangements

- 12 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
- 13 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

- 14 LSTM generated a surplus in the year of £898k (2007/08 of £2,004k).
- 15 LSTM has accumulated reserves of £8,505k and cash balances of £19,957k. LSTM wishes to continue to accumulate reserves and cash balances in order to create a contingency fund in accordance with the reserves policy.
- 16 LSTM has four trading subsidiary companies, Liverpool Associates in Tropical Health Ltd (LATH) and Innovative Vector Control Consortium (IVCC), both not for profit companies limited by guarantee, 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.





# Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

## 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 2009

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

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.

The Group made a surplus in the year.

#### Post-balance Sheet Events

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

#### Staff and Student Involvement

- 18 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 was awarded Investors in People status during 2007/2008.

#### Taxation

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

#### Employment of Disabled Persons

- 20 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

- 21 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

- 22 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

- 23 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

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

##### Financial Statement and Funding Auditors:

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

##### Bankers:

RBS Bank  
100 Old Hall Street  
Liverpool  
L3 9QJ

##### Internal Auditors:

Bentley Jennison  
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 2009

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

#### Members

25 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 (from March 09)
IM Jones ACIB	December 2006**	Elected	Hon Treasurer Finance & Investment Remuneration
I Bates BSc MBBS MD MRCP	December 2004	Ex Officio / staff	
J Brown LLB	December 2006	Elected	Chairman Audit Remuneration
TT Francis, BSc, PhD	December 2007	Elected	Audit
D Greensmith MA	December 2006	Elected	
Prof J Hemingway BSc PhD	September 2001	Ex Officio / staff	Director of the School Finance & Investment LATH Board, Nominations & Governance
A Hoskins MB BAO BCH MCommH FFPH	May 2007	Elected	NHS Executive North West Audit
CM Jones BA ACIS	December 2004	Nominated /UOL	Audit
SR O'Brien, MP	December 2006	Elected	Nominations & Governance
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	June 2001	Non member	Secretary to the Board

University of Liverpool referred to as UOL





## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

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

#### 26 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; P.H. Holt Foundation; World Friendship; Cargill Cotton plc; Lord Leverhulme's Charitable Trust; The estate of the late Sir Michael Orr; The late Shirley Dudley Wynne Wingrove; H J Rawlings Charitable Trust; Oglesby Charitable Trust; Dr Sandra Mooney; Rev JD Collins and a number of anonymous donations.

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

Dr & Mrs Ismail-Speake; A V & Mrs Mokashi; Mr Whitehead; Miss Amabel Freeman; Jane Michael; Mr D. Devakumar; Mrs Z. Mares Randic; Mrs Irene Horsfall; United Biscuits Ltd; Shirley Harrop; D M Dickinson Trust; Lady C.M. Bibby; John Pope; The Charles Brotherton Charitable Trust; Mrs M.J. Lane; J.M. Wheeldon; Mr J.B. Bibby; The Selwyn Lloyd C.T.; The Andrew Anderson Trust; Aurthur & Audrey Silkin C.T.; G.M. Morrison C.T.; Mr T.P. Taylor; Bassil Shippam; A.W.H. Ward; E.M. Bibby; The Wyndham C.T.; Prof & Mrs Clarkson; Privy Purse Charitable Trust; PJH Wills C.T.; JR & PL Nicholson; Lady Christine Bibby; JHG Coney Charitable Trust; The David Cuforth Charitable Trust; Pyke & Sons; Austin Carty; I2L Research; Mr & Mrs Behrend; The Millfield Trust; Mrs June Pinto; Susan Lockyer; Mrs M. Pearson and a number of anonymous donors.

##### Capital Donations

There were no capital donations during this period.

#### 27 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 2009.

##### 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 term 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 2009

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

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

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

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

#### Remuneration Committee

Throughout the year ending 31 July 2009, LSTM's remuneration committee comprised the Chairman, Vice Chairman, Treasurer and Chairman of 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 2009 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 the Director of the School 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 2009. 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 2009

### 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

9 November 2009





## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 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

9 November 2009





## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 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 of the "financial statements" of the Liverpool School of Tropical Medicine for the year ended 31 July 2009 which comprise the consolidated income and expenditure account, the statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement 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 School and Sections 495 and 496 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 the School's Board of Trustees and auditors

The Board of Trustees' responsibilities for preparing the Treasurer's Report 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 the School 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 the School 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 Treasurer's report and the Corporate Governance Statement. 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 (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. 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 the School's affairs as at 31 July 2009 and of the Group'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 Treasurer's Report is consistent with the financial statements for the year ended 31 July 2009
- 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 the School during the year ended 31 July 2009 have been applied for the purposes for which they were received
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the School's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

John Shinnick  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
MANCHESTER  
9 November 2009



**Liverpool School of Tropical Medicine**  
**Financial Statements for the year ended 31 July 2009**  
**Consolidated Income and Expenditure Account**

	Notes	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
<b>Income</b>					
Funding Council Grants	2	4,613	4,613	3,792	3,792
Tuition fees and education contracts	3	3,640	3,640	2,864	2,864
Research grants and contracts	4	27,825	20,104	30,686	24,583
Other income	5	3,741	3,117	4,403	3,786
Endowment and Investment income	6	405	437	477	456
Deficit on disposal of investments	7	(19)	(19)	( 22)	( 22)
<b>Total income</b>		<b>40,205</b>	<b>31,892</b>	<b>42,200</b>	<b>35,459</b>
<b>Expenditure</b>					
Staff costs	8	13,256	11,593	11,948	10,421
Other operating expenses	10	25,273	18,276	28,190	22,850
Depreciation	14	817	751	500	453
Interest payable	11	0	-	-	-
<b>Total expenditure</b>		<b>39,346</b>	<b>30,620</b>	<b>40,638</b>	<b>33,724</b>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		859	1,272	1,562	1,735
Foreign currency gain		-	-	269	269
Unrealised deficit on revaluation of investments		(374)	(374)	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and revaluation of investments but before tax		485	898	1,831	2,004
Taxation	12	6	-	(8)	-
<b>Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments and tax</b>	13	<b>491</b>	<b>898</b>	<b>1,823</b>	<b>2,004</b>

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 2009**  
**Statement of the Total Recognised Gains and Losses**

	Notes	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	13	491	898	1,823	2,004
Appreciation of endowment asset investments (realised)	22	13	13	50	50
Endowment income retained for year	22	(39)	(39)	132	132
Revaluation of endowment asset investments (unrealised)	22	(650)	(650)	(1 143)	(1 143)
<b>Total recognised (losses)/gains relating to the period</b>		<b><u>(185)</u></b>	<b><u>222</u></b>	<b><u>862</u></b>	<b><u>1043</u></b>
<b>Reconciliation</b>					
Opening reserves and endowments		14,142	14,182	13,280	13,139
Total recognised (losses)/gains for the year		(185)	222	862	1,043
<b>Closing reserves and endowments</b>		<b><u>13,957</u></b>	<b><u>14,404</u></b>	<b><u>14,142</u></b>	<b><u>14,182</u></b>

**Liverpool School of Tropical Medicine  
Financial Statements for the year ended 31 July 2009**

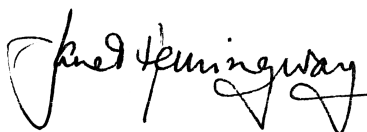
**Balance Sheets as at 31 July**

	Notes	Group 2009 £000	LSTM 2009 £000	Group 2008 £000	LSTM 2008 £000
<b>Fixed assets</b>					
Tangible assets	14	32,067	31,525	28,342	28,250
Investments	15	-	54	-	54
		<u>32,067</u>	<u>31,579</u>	<u>28,342</u>	<u>28,304</u>
Endowment assets	16	<u>5,899</u>	<u>5,899</u>	<u>6,575</u>	<u>6,575</u>
<b>Current assets</b>					
Stock		112	18	144	16
Debtors	17	6,714	7,681	5,148	4,943
Investments	18	2,984	2,984	3,468	3,468
Cash at bank and in hand		<u>20,770</u>	<u>19,957</u>	<u>11,965</u>	<u>11,381</u>
		30,580	30,640	20,725	19,808
<b>Creditors: amounts falling due within one year</b>	19	29,145	28,270	17,559	16,564
<b>Net current assets</b>		<u>1,435</u>	<u>2,370</u>	<u>3,166</u>	<u>3,244</u>
<b>Total assets less current liabilities</b>		39,401	39,848	38,083	38,123
<b>NET ASSETS</b>		<u>39,401</u>	<u>39,848</u>	<u>38,083</u>	<u>38,123</u>
<b>Deferred capital grants</b>	21	25,444	25,444	23,857	23,857
<b>Endowments</b>					
Restricted permanent	22	4,593	4,593	5,105	5,105
Unrestricted permanent	22	<u>1,306</u>	<u>1,306</u>	<u>1,470</u>	<u>1,470</u>
		5,899	5,899	6,575	6,575
<b>Reserves</b>					
Revaluation reserves	23	-	-	84	84
General reserve	24	<u>8,058</u>	<u>8,505</u>	<u>7,567</u>	<u>7,607</u>
		8,058	8,505	7,651	7,691
<b>TOTAL FUNDS</b>		<u>39,401</u>	<u>39,848</u>	<u>38,083</u>	<u>38,123</u>

The financial statements on pages 12 to 31 were approved by the Board of Trustees on 9 November 2009 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 2009**  
**Consolidated Cash Flow Statement**

	Notes	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
<b>Cash flow from operating activities</b>	25	10,423	10,088	2,346	2,275
Returns on investments and servicing of finance	26	321	353	547	526
Taxation	12	6	-	(8)	-
Capital expenditure and financial investment	27	(2,558)	(2,042)	(1,201)	(1,204)
Cash inflow before use of liquid resources and financing		<u>8,192</u>	<u>8,399</u>	<u>1,684</u>	<u>1,597</u>
Management of liquid resources	28	177	177	(179)	(179)
<b>Increase in cash in the period</b>		<u><u>8,369</u></u>	<u><u>8,576</u></u>	<u><u>1,505</u></u>	<u><u>1,418</u></u>
<b>Reconciliation of net cash flow to movement in net funds</b>					
Increase in cash in the period		8,369	8,576	1,505	1,418
Cash inflow from liquid resources	28	(177)	(177)	179	179
Movement in net funds in period		<u>8,192</u>	<u>8,399</u>	<u>1,684</u>	<u>1,597</u>
Net funds at 1 August	29	12,508	11,960	10,824	10,363
<b>Net funds at 31 July</b>	29	<u><u>20,700</u></u>	<u><u>20,359</u></u>	<u><u>12,508</u></u>	<u><u>11,960</u></u>



# Liverpool School of Tropical Medicine

## Financial Statements for the year ended 31 July 2009

### Notes to the Accounts

#### 1 Statement of Principal Accounting Policies

##### i) Accounting convention

These financial statements have been prepared under the historic cost convention as modified by the revaluation of Investments and Endowment Asset Investments, and in accordance with applicable Accounting Standards. They conform to the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions 2003, on the basis that the School receives funds from the Higher Education Funding Council for England (HEFCE).

##### ii) Basis of consolidation

The consolidated financial statements include the financial statements of 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 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. 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 has been released to the Income and Expenditure Account over the assets' useful life. The release of capital grant has matched the depreciation policy.

##### vii) Fixtures and equipment

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

##### viii) Investments

Endowment asset investments and current asset investments are included in the balance sheet at market value. The subsidiary 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. To this end, external managers have been instructed not to invest in derivatives and not to hedge against currency fluctuations or interest rate movements, and they have complied with this instruction.

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





## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 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 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Recurrent grant - HEFCE	4,613	4,613	3,792	3,792
FEC support grant - HEFCE	-	-	-	-
	<u>4,613</u>	<u>4,613</u>	<u>3,792</u>	<u>3,792</u>

## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 3 Tuition Fees and Education Contracts

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
UK Higher Education students	453	453	481	481
Non-EU students	1,114	1,114	1,018	1,018
Short Courses	1,995	1,995	1,200	1,200
	<u>3,562</u>	<u>3,562</u>	<u>2,699</u>	<u>2,699</u>
Higher Education contracts	-	-	-	-
Other contracts	78	78	165	165
	<u><b>3,640</b></u>	<u><b>3,640</b></u>	<u><b>2,864</b></u>	<u><b>2,864</b></u>

### 4 Research Grants and Contracts

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Research Council	593	593	488	488
UK based charities	4,628	4,067	3,693	2,660
UK Central Government and other bodies	8,638	3,583	7,333	3,164
UK Industry, commerce and public operations	116	104	375	372
European Commission	2,142	2,107	4,617	4,571
Other overseas bodies	11,708	9,650	14,180	13,328
Other grants and contracts	-	-	-	-
Total	<u><b>27,825</b></u>	<u><b>20,104</b></u>	<u><b>30,686</b></u>	<u><b>24,583</b></u>

### 5 Other Income

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Other income generating activities	837	213	675	194
Other grant income	216	216	212	212
Releases from deferred capital grants	528	528	310	310
Donations for general purposes	96	96	1,659	1,659
Donations for specific purposes	153	153	197	197
Subvention from North West Regional Health Authority	250	250	240	240
Other income	1,661	1,661	1,110	910
Gift aid from subsidiary	-	-	-	64
	<u><b>3,741</b></u>	<u><b>3,117</b></u>	<u><b>4,403</b></u>	<u><b>3,786</b></u>

### 6 Endowment and Investment Income

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Dividend income and interest receivable	93	93	97	97
Income from general endowment asset investments (note 22)	54	54	76	76
Other endowment income	45	45	62	62
Other interest receivable	213	245	242	221
	<u><b>405</b></u>	<u><b>437</b></u>	<u><b>477</b></u>	<u><b>456</b></u>

## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 7 Deficit on disposal of investments

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Total deficit	( 19)	( 19)	( 22)	( 22)
	<u>( 19)</u>	<u>( 19)</u>	<u>( 22)</u>	<u>( 22)</u>

### 8 Staff Costs

	Group Year ended 31 July 2009 Number	LSTM Year ended 31 July 2009 Number	Group Year ended 31 July 2008 Number	LSTM Year ended 31 July 2008 Number
Professional	11	11	10	10
Academic and academic related	53	53	56	55
Research	135	114	120	102
Secretarial and clerical	47	43	42	38
Technical	18	14	23	19
Other	10	7	10	7
	<u>274</u>	<u>242</u>	<u>261</u>	<u>231</u>

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

#### Staff costs for the above persons:

	£000	£000	£000	£000
Wages and salaries	10,870	9,507	9,908	8,589
Social security costs	982	853	841	739
Other pension costs	1,295	1,190	1,186	1,080
Restructuring costs	109	43	13	13
	<u>13,256</u>	<u>11,593</u>	<u>11,948</u>	<u>10,421</u>
Academic services - academic and academic related staff	3,788	3,364	3,505	3,161
Academic services - support staff	775	775	594	594
Academic services - laboratory staff	252	252	273	273
Academic support services staff	385	385	532	532
Research grants staff	6,704	5,531	5,816	4,775
Administration and central services staff	1,060	1,060	1,030	888
Premises staff	151	151	144	144
Other income-generating activities staff	32	32	41	41
Staff restructuring	109	43	13	13
Total	<u>13,256</u>	<u>11,593</u>	<u>11,948</u>	<u>10,421</u>

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Employment costs for staff on permanent contracts	12,955	11,744
Employment costs for staff on short-term and temporary contracts	192	191
Restructuring costs	109	13
	<u>13,256</u>	<u>11,948</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 2009

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

	Year ended 31 July 2009		Year ended 31 July 2008	
	Number senior post- holders	Number Other Staff	Number senior post- holders	Number Other Staff
£ 100,001 to £ 110,000	1	9	-	2
£ 110,001 to £ 120,000	-	3	-	-
£ 120,001 to £ 130,000	-	-	-	1
£ 130,001 to £ 140,000	-	-	-	1
£150,001 to £160,000	-	1	-	-
£160,001 to £170,000	-	1	-	-
£170,001 to £180,000	-	-	1	-
£ 190,001 to £ 200,000	1	-	-	-
	<u>2</u>	<u>14</u>	<u>1</u>	<u>4</u>

A general pay award of 5.0% was made with effect from 1 October 2008, approved by the Board of Trustees.

### 9 Senior Post-holders' Emoluments

	Number 2009	Number 2008
The number of senior post-holders including the Director was:	2	2
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	270	236
Benefits in kind	-	-
Pension contributions	38	33
<b>Total emoluments</b>	<u><b>308</b></u>	<u><b>269</b></u>

The above emoluments include amounts payable to the Director of:

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Salary	175	150
Benefits in kind	-	-
	<u>175</u>	<u>150</u>
Pension contributions	<u>25</u>	<u>21</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

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

## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 10 Other Operating Expenses

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Teaching courses related costs	1,929	1,929	1,158	1,158
Laboratory and other costs	1,099	658	1,269	806
Teaching and other support services	862	862	649	649
Research grants costs	19,241	13,143	23,232	18,775
Administration and central services	611	287	631	319
General education	17	11	308	308
Premises running costs	1,131	1,062	695	635
Premises maintenance	356	297	221	173
Planned maintenance	27	27	27	27
<b>Total</b>	<b><u>25,273</u></b>	<b><u>18,276</u></b>	<b><u>28,190</u></b>	<b><u>22,850</u></b>

#### Other operating expenses include:

Auditors' remuneration:				
financial statements audit	35	25	37	26
internal audit	26	26	24	24
other services from either external or internal audit	9	9	12	12
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 11 Interest Payable

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
On bank loans, overdrafts and other loans:				
Repayable within 5 years, not by instalments	-	-	-	-
Repayable within 5 years, by instalments	-	-	-	-
Repayable wholly or partly in more than 5 years	-	-	-	-
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

### 12 Taxation

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
United Kingdom corporation tax at 21%	<u>( 6 )</u>	<u>-</u>	<u>8</u>	<u>-</u>

### 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 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
LSTM's surplus for the period	491	898	1,823	1,940
Surplus generated by subsidiary undertakings and transferred to LSTM under gift aid	-	-	-	64
<b>Total</b>	<b><u>491</u></b>	<b><u>898</u></b>	<b><u>1,823</u></b>	<b><u>2,004</u></b>

## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 14 Tangible Fixed Assets

	Freehold land and building £000	Leasehold buildings £000	Fixtures and Equipment £000	Total £000
<b>GROUP</b>				
<b>Cost or Valuation</b>				
At 1 August 2008	24,732	5,543	1,132	31,407
Additions	1,919	2,431	212	4,562
Disposals	-	(5)	(131)	(136)
<b>At 31 July 2009</b>	<b>26,651</b>	<b>7,969</b>	<b>1,213</b>	<b>35,833</b>
<b>Depreciation</b>				
At 1 August 2008	270	2,098	697	3,065
Charge for year	498	124	195	817
Eliminated in respect of disposals	-	(5)	(111)	(116)
<b>At 31 July 2009</b>	<b>768</b>	<b>2,217</b>	<b>781</b>	<b>3,766</b>
<b>Net Book Value at 31 July 2009</b>	<b>25,883</b>	<b>5,752</b>	<b>432</b>	<b>32,067</b>
Net Book Value at 31 July 2008	24,462	3,445	435	28,342
Financed by capital grant	23,121	2,324	-	25,445
Financed by other	2,762	3,428	432	6,622
	<b>25,883</b>	<b>5,752</b>	<b>432</b>	<b>32,067</b>
<b>LSTM</b>				
<b>Cost or Valuation</b>				
At 1 August 2008	24,732	5,539	884	31,155
Additions	1,919	1,971	136	4,026
Disposals	-	-	-	-
<b>At 31 July 2009</b>	<b>26,651</b>	<b>7,510</b>	<b>1,020</b>	<b>35,181</b>
<b>Depreciation</b>				
At 1 August 2008	270	2,094	541	2,905
Charge for year	498	118	135	751
Eliminated in respect of disposals	-	-	-	-
<b>At 31 July 2009</b>	<b>768</b>	<b>2,212</b>	<b>676</b>	<b>3,656</b>
<b>Net Book Value at 31 July 2009</b>	<b>25,883</b>	<b>5,298</b>	<b>344</b>	<b>31,525</b>
Net Book Value at 31 July 2008	24,462	3,445	343	28,250
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	2,762	2,974	344	6,080
	<b>25,883</b>	<b>5,298</b>	<b>344</b>	<b>31,525</b>

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

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

## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 15 Investments

	LSTM Year ended 31 July 2009 £000	LSTM Year ended 31 July 2008 £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 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Balance at 1 August 2008	6,575	6,575	7,536	7,536
Additions	538	538	152	152
Disposals	(387)	(387)	(150)	(150)
Appreciation/(depreciation) on disposals / revaluation	(650)	(650)	(1,142)	(1,142)
(Decrease)/Increase in cash balances held at fund managers	(177)	(177)	179	179
Balance at 31 July 2009	<u>5,899</u>	<u>5,899</u>	<u>6,575</u>	<u>6,575</u>
Represented by:				
Fixed interest stocks (listed)	329	329	310	310
Equities (listed)	5,123	5,123	5,686	5,686
Cash balances	402	402	579	579
Other	45	45	-	-
Total	<u>5,899</u>	<u>5,899</u>	<u>6,575</u>	<u>6,575</u>

### 17 Debtors

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Amounts falling due within one year				
Trade debtors	569	24	829	223
Amounts owed by subsidiary undertakings	-	1,748	-	944
Balances due on research grants and contracts	4,758	4,758	2,929	2,929
Prepayments and accrued income	1,176	940	1,160	617
Amounts owed by Liverpool University	211	211	230	230
Total	<u>6,714</u>	<u>7,681</u>	<u>5,148</u>	<u>4,943</u>

## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 18 Investments

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Cost at 1 August 2008	3,343	3,343	2,401	2,401
Additions	297	297	1,947	1,947
Disposals	(315)	(315)	(1,005)	(1,005)
Cost at 31 July 2009	3,325	3,325	3,343	3,343
Unrealised surplus at 1 August 2008	84	84	660	660
Revaluation for the year	(458)	(458)	(576)	(576)
Market value as at 31 July 2009	2,951	2,951	3,427	3,427
Cash balances at investment brokers	33	33	41	41
	<u>2,984</u>	<u>2,984</u>	<u>3,468</u>	<u>3,468</u>
Represented by:				
Fixed interest stocks (listed)	672	672	770	770
Equities (listed)	1,685	1,685	1,795	1,795
Cash balances	41	41	218	218
Other	586	586	685	685
Total	<u>2,984</u>	<u>2,984</u>	<u>3,468</u>	<u>3,468</u>

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

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Bank loans and overdrafts	472	-	36	-
Corporation tax	-	-	4	-
Unexpended balances of research grants and contracts	24,903	24,903	13,255	13,255
Trade creditors	628	354	643	402
Other taxation and social security	263	223	226	210
Accruals	2,879	2,790	3,395	2,697
	<u>29,145</u>	<u>28,270</u>	<u>17,559</u>	<u>16,564</u>

### 20 Borrowings

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
<b>Bank loans and overdrafts</b>				
Bank loans and overdrafts are repayable as follows:				
In one year or less, or on demand	472	-	36	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u>472</u>	<u>-</u>	<u>36</u>	<u>-</u>



## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 21 Deferred Capital Grants

	Group Funding Council £000	Group Other Funding £000	Group Total £000	LSTM Total £000
At 1 August 2008				
Buildings	4,141	19,716	23,857	23,857
Equipment	-	-	-	-
Cash received				
Buildings	-	2,115	2,115	2,115
Equipment	-	-	-	-
Released to income and expenditure account				
Buildings	( 89)	( 439)	( 528)	( 528)
Equipment	-	-	-	-
<b>Total</b>	<b>4,052</b>	<b>21,392</b>	<b>25,444</b>	<b>25,444</b>
At 31 July 2009				
Buildings	4,052	21,392	25,444	25,444
Equipment	-	-	-	-
<b>Total</b>	<b>4,052</b>	<b>21,392</b>	<b>25,444</b>	<b>25,444</b>

### 22 Endowments

	Group and LSTM		
	Permanent Endowments		
	Restricted £000	Unrestricted £000	Total £000
At 1 August 2008 - Capital value	4,684	1,470	6,154
- Accumulated income	421	-	421
Additions	-	-	-
Appreciation of endowment asset investments (realised)	3	10	13
Appreciation of endowment asset investments (unrealised)	( 476)	( 174)	( 650)
Income for year	147	54	201
Transferred to income and expenditure account	( 186)	( 54)	( 240)
At 31 July 2009 - Capital value	<b>4,211</b>	<b>1,306</b>	<b>5,517</b>
- Accumulated income	<b>382</b>	<b>-</b>	<b>382</b>
<b>Representing</b>			
Fellowships and scholarships funds	3,784	-	3,784
Prizes funds	32	-	32
Other funds	777	1,306	2,083
<b>Total</b>	<b>4,593</b>	<b>1,306</b>	<b>5,899</b>

### 23 Revaluation Reserves

	Investment Revaluation Reserve £000	Currency Revaluation Reserve £000	Group Total £000	LSTM Total £000
At 1 August 2008	84	-	84	84
Revaluations in the period (as per note 18)	( 458)	-	( 458)	( 458)
Transferred to income and expenditure account	374	-	374	374
<b>At 31 July 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 24 Movement in General Reserves

	Group Departmental Funds £000	Group Other Funds £000	Group Total £000	LSTM Total £000
<b>Income and Expenditure Account Reserve</b>				
At 1 August 2008	65	7,502	7,567	7,607
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	-	491	491	898
Transfer between funds	( 10)	10	-	-
<b>At 31 July 2009</b>	<b>55</b>	<b>8,003</b>	<b>8,058</b>	<b>8,505</b>

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

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Surplus on continuing operations after depreciation of assets at valuation	859	1 272	1 831	2 004
Depreciation (note 1 & 14)	817	751	500	453
Deferred capital grants released to income (note 21)	( 528)	( 528)	( 310)	( 310)
Profit on disposal of tangible fixed assets	-	-	-	-
Loss on disposal of investments	19	19	22	22
Interest payable (note 11)	-	-	-	-
Decrease / (increase) in stocks	32	( 2)	( 46)	24
(Increase) / decrease in debtors	(1 566)	(2 738)	3 493	3 414
Increase / (decrease) in creditors	11 150	11 706	(2 729)	(2 938)
Interest receivable (note 6)	( 405)	( 437)	( 477)	( 456)
University Endowed Chairs	45	45	62	62
<b>Net cash inflow from operating activities</b>	<b>10,423</b>	<b>10,088</b>	<b>2,346</b>	<b>2,275</b>

### 26 Returns on Investments and Servicing of Finance

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Income from long term investments and unrestricted permanent endowments	147	147	173	173
Net income from restricted permanent endowments	( 39)	( 39)	132	132
Other interest received	213	245	242	221
Interest paid	-	-	-	-
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>321</b>	<b>353</b>	<b>547</b>	<b>526</b>

## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 27 Capital Expenditure and Financial Investment

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Purchase of tangible fixed assets	(4,562)	(4,026)	(5,110)	(5,084)
Payments to acquire endowment assets	(538)	(538)	(152)	(152)
Payments to acquire investments	( 289)	( 289)	(1 988)	(2 017)
Receipt from sale of tangible fixed assets	20	-	-	-
Receipt from sale of investments surplus	296	296	983	983
Receipt from sale of endowment assets	400	400	200	200
Deferred capital grants received	2,115	2,115	4,866	4,866
Endowments received	-	-	-	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<b><u>(2,558)</u></b>	<b><u>(2,042)</u></b>	<b><u>(1,201)</u></b>	<b><u>(1,204)</u></b>

### 28 Management of Liquid Resources

	Group Year ended 31 July 2009 £000	LSTM Year ended 31 July 2009 £000	Group Year ended 31 July 2008 £000	LSTM Year ended 31 July 2008 £000
Movement in endowment assets (cash)	177	177	( 179)	( 179)
<b>Net cash inflow from management of liquid resources</b>	<b><u>177</u></b>	<b><u>177</u></b>	<b><u>(179)</u></b>	<b><u>(179)</u></b>

### 29 Analysis of Changes in Net Funds

Group	At 1 August 2008 £000	Cashflows £000	Other changes £000	At 31 July 2009 £000
Cash in hand, and at bank	11,965	8,805	-	20,770
Endowment asset investments (note 16)	579	( 177)	-	402
Overdrafts	( 36)	( 436)	-	( 472)
	<u>12,508</u>	<u>8,192</u>	<u>-</u>	<u>20,700</u>
Net funds due within 1 year	12,508	8,192	-	20,700
Net funds due after 1 year	-	-	-	-
<b>Total</b>	<b><u>12,508</u></b>	<b><u>8,192</u></b>	<b><u>-</u></b>	<b><u>20,700</u></b>
<b>LSTM</b>				
Cash in hand, and at bank	11,381	8,576	-	19,957
Endowment asset investments (note 16)	579	( 177)	-	402
Overdrafts	-	-	-	-
	<u>11,960</u>	<u>8,399</u>	<u>-</u>	<u>20,359</u>
Net funds due within 1 year	11,960	8,399	-	20,359
Net funds due after 1 year	-	-	-	-
<b>Total</b>	<b><u>11,960</u></b>	<b><u>8,399</u></b>	<b><u>-</u></b>	<b><u>20,359</u></b>



## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 30 Pension and similar obligations

LSTM's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF) although a small number of staff belong to the National Health Service Superannuation Scheme (NHSS). All schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. The total pension cost for the period was £1,295,000 (2008 £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. USS has over 130,000 active members and the institution has 156 active members participating in the scheme.

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

Because of the mutual nature of the scheme, the institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 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 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%.





## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 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 LSTM 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, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding levels at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year 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 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

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:

<b>Assumption</b>	<b>Change in assumption</b>	<b>Impact on scheme liabilities</b>
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 bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers.

The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

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

The total pension cost for LSTM was £855,000 (2008 £771,000). The contribution rate payable by LSTM was 14% 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.

The latest full actuarial valuation of the scheme was carried out by a qualified independent actuary as at 31 July 2006 and updated on an approximate basis to 31 July 2008. A full actuarial valuation is currently being carried out as at 31 July 2009.





## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 30 Pension and similar obligations (continued)

The contributions made by the employer over the period have been £242,000 (2008 £215,000), equivalent to 13.4% of Pensionable Salaries. This level of contribution will be reviewed following the results of the triennial valuation of the scheme due as at 31 July 2009.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities, the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 6.0% per annum, salary increases would be 5.25% per annum and pensions would increase by 3.6% 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 £181.6m and the value of the past service liabilities was £248.2m leaving a deficit of £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 91 employees within this scheme (2008 88 employees). There was a total of 1,611 active members in this scheme at 31 July 2006.

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

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

The contributions made by the employer over the financial year have been £92,000 (2008 £94,000), equivalent to 14% of Pensionable Salaries.

### 31 Post Balance Sheet Events

There are no post balance sheet events

### 32 Capital Commitments

	Group and LSTM	
	Year ended 31 July 2009	Year ended 31 July 2008
	£000	£000
Commitments contracted for at 31 July	<u>Nil</u>	<u>1,629</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.

### 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 31 July 2009	Year ended 31 July 2008
	£000	£000
Sell currency and buy £	<u>( 794 )</u>	<u>137</u>





## Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2009

### 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 2009 and payable within its creditors in the year to 31 July 2009 amounting to £3k and £88k respectively. LSTM is not recognised by the Higher Education Funding Council and grants of £4.6m 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.





## NOTES

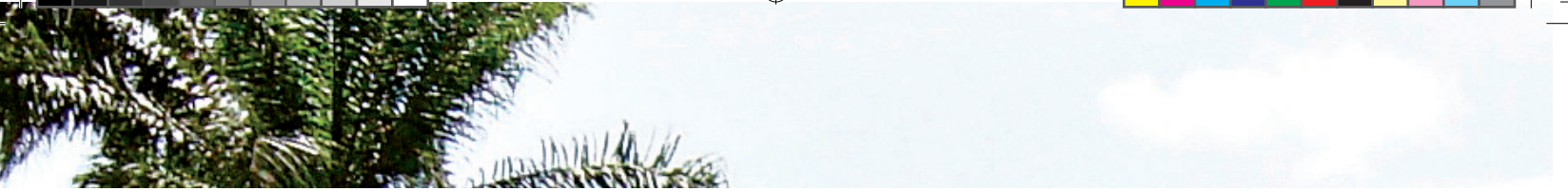






## NOTES





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

Affiliated to the University of Liverpool

