

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2008

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 objectives 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 A new 5 year plan for the period ended 31 July 2012 was presented and adopted by the Board on 8 June 2007. The new plan predominantly restated the original strategic objectives, as listed below, which will facilitate their continued development to support the evolving needs of the organisation. Regular evaluation and monitoring under the supervision of the Board of Trustees ensures that the items are current followed by an update each year:
 - achieve a new management structure with more responsibility devolved downwards to groups and the 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.

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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 disease 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 R & D. 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. These claims are based on an RAE Grade 5 for clinical laboratory based research in the last assessment exercise.

The Learning and Teaching programme was also revitalised with a raft of new vocational Masters and Diploma courses developed and a new modular structure designed. 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 100 PhD students from 30 countries, 15 research fellows and numerous visiting scientists working within collaborative programmes.

An ambitious strategic plan was implemented in 2002 to double activities in translational tropical medical research in specific areas. The plan required developing dramatically improved estates in line with the cutting edge research and major industrial interfaces being undertaken and planned. As a consequence of this plan the new Centre for Tropical and Infectious Diseases, designed by senior staff, was delivered in January 2008. This will free up sufficient space in the old building to allow LSTM to undertake much needed refurbishment work in this building without major detriment to on-going research activities.

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 2006. In the first year of the plan, the forecast total research income expectation for 2008 was 44.8% compared with the actual figures achieved of an increase of 56.4%.

Similar expectations were set for the major funders:

	Forecast	Actual
DFID	16.65%	54.52%
European Commission	55.99%	107.17%
Bill & Melinda Gates Foundation	65.58%	86.66%
Wellcome Trust	38.54%	-22.52%

Differences reflect actual expenditure against profiled forecasts which are anticipated to even out over the course of the 5 year plan. Any increase against the 5 year plan reflects a clear opportunity to add to the infrastructure.

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

	2007	2008	2009	2010
Capital investment by turnover	51.67%	11.90%	13.83%	5.88%

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

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

	2007	2008	2009	2010
Net cash flow as a % of total income (actual & forecast)	21	5.6	-1.2	-0.2

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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 and net ready assets, all divided by the years expenditure less depreciation.

	2007	2008	2009	2010
Net liquidity days	173	140	148	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 institute if sensibly managed, whilst any increase reflects a clear addition contribution to the infrastructure.

Teaching continues to stagnate with a failure to add to home/European funded numbers. This low allocation of 48 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.

	2006	2007	2008	2009	2010
% of HEFCE income to turnover	11.64%	13.48%	11.92%	13.19%	12.22%

LSTM's business plan continues to be robust, bolstered by forward committed research contracts amounting to over £50million.

Student Numbers

- LSTM is funded according to the level of activity that it generates each year. In 2007/08, 122 FTE postgraduate HEFCE funded EU students and 109 postgraduate overseas students attended the postgraduate taught courses. This represents a fall of 3.9% on 2006/07. LSTM also contributes to the teaching of a number of undergraduate courses, and is equivalent to 25 FTEs, the largest of which is in the veterinary faculty.
- 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 208,148 and 428 respectively.

Curriculum Developments

- 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.
- 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

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

Finances

- LSTM generated a surplus in the year of £2,004k (2006/07 of £420k).
- LSTM has accumulated reserves of £7,607k and cash balances of £11,381k. LSTM wishes to continue to accumulate reserves and cash balances in order to create a contingency fund in accordance with the reserves policy.
- LSTM has three trading subsidiary companies, Liverpool Associates in Tropical Health Ltd (LATH) a not-for profit company limited by guarantee, EchiTab Study Group (UK) Ltd (EchiTab) 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. A proportion of the surplus generated by the subsidiary is transferred to LSTM by gift aid. In the current year, the gift aid transferred is £62k.

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

LATH has five further subsidiary companies LATH Management Services Ltd (LMS), LATH (Kenya) Ltd, Liverpool Associates in Tropical Health Nigeria Ltd, LATH (USA) Inc. and LATH (Umoyo) Ltd. EchiTab is a company formed to develop research in snake antivenom with the Nigerian Ministry of Health. 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.

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

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 advisors 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

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

Members

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

Name	Date of appointment retirement* re-appointment **	Status of appointment	Capacity and Committees Served
RH Hawley MBE	December 2007*	Retired	
SP Sherrard	December 2007*	Retired	
ATR Macfarlane BA FCA	December 2007*	Retired	
JH Ross, BA	December 2007	Elected	Chairman of the Board Nominations & Governance Remuneration
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
MJP Cooke FCA	December 2007*	Retired	
WD Fulton JP DL FCA	December 2007*	Retired	
D Greensmith MA	December 2006	Elected	Chairman of LATH
Prof J Hemingway BSc PhD	September 2001	Ex Officio / staff	Director of the School Finance & Investment, LATH Board, Nominations & 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

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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:

Lord Cozens Hardy Charitable Trust; The late Shirley Dudley Wynne Wingrove; The Ancaster Trust; The Eleanor Rathbone Charitable Trust; The World Friendship Charity; The Royal Society of Obstetricians and Gynaecologists; Cargill Cotton; The Methodist Church; The Late Miss Violet Wallace; The Norman Collinson Charitable Trust; Shirley Harrop; H.J. Rawlings Charitable Trust; John Slater Foundation; The Gunter Charitable Trust; The Oglesby Charitable Trust; The late C.L. Bibby; J.H.G. Coney Charitable Trust; The Wellcome Trust; Coin Co. International Plc; Christopher J. Davies; The Farthing Charitable Trust; Farrington Hopkins Endowment and a number of anonymous donations.

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

S.J. Turner; Mrs June Pinto; Mr D.N. McEvoy; T.J. Grant; Mrs Pughe; The Millfield Trust; Lady C.M. Bibby; Sheena Shaw; Mrs Irene Horsfall; The Westcroft Trust; The Charles Brotherton Trust; Mrs M. Pearson; Gwen Finnegan; Mr A. Goulbourne; Mr A.W.H. Ward; Liverpool Charity and Voluntary Services; Judith W. Wheeldon; Mrs Mavis Lane; The Selwyn Lloyd Charitable Trust; The Basil Shippam and Alford Trust; The Andrew Anderson Charitable Trust; Mr J.B. Bibby; G.M. Morrison Charitable Trust; Arthur & Audrey Silkin Charitable Trust; Mr T.P. Naylor; The Peter Bowring Trust; Griffiths Jones; Mrs E.M. Bibby; Mr Colin Burleigh; M. Farrell; The Wyndham Charitable Trust; Mrs Rosemary Hawley; Mr John Billington; Tony Barton Mills; LEK Consulting; C.M. Cooper Charitable Settlement; P.J.H. Wills Charitable Trust; The Privy Purse Charitable Trust; Professor and Mrs Clarkson; STARLAB (UK) Ltd; The Heswall Society; Susan Lockyer; Mrs M. Pearson; Dr M.D. Speake and a number of anonymous donors.

Capital Donations towards the Centre for Tropical and Infectious Diseases

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

The Wolfson Foundation; Business Liverpool and several anonymous donors.

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 one of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.

With the exception of the full implementation of the Turnbull guidance as noted below under 'internal control', in the opinion of the Board of Trustees, LSTM complies with all the provisions of the Combined Code in so far as they apply to the Higher Education Sector, and it has complied throughout the year ended 31 July 2008.

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 2008

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 relationship, which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Board of Trustees

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

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

Audit Committee

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

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

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

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

Remuneration Committee

Throughout the year ending 31 July 2008, LSTM's remuneration committee comprised the 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 the institution.

Details of remuneration for the year ended 31 July 2008 is set out in note 9 of the financial statements.

Internal Control

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

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

The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing LSTM's significant risks that has been in place and operational for the year ended 31 July 2008. The Board regularly reviews this process. The process continues to be developed with the adoption of a prioritised corporate risk action plan to include time scales and responsible officers. The process is now being embedded within all levels of LSTM.

Going Concern

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2008

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

28 Statement of the Responsibilities of the Board of Trustees

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

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

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

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

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

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

Signed on behalf of the Board of Trustees



JH Ross, BA

Chairman

19 November 2008

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2008

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

19 November 2008

Liverpool School of Tropical Medicine Financial Statements for the year ended 31 July 2008

Independent Auditors' Report

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

We have audited the financial statements of Liverpool School of Tropical Medicine for the year ended 31 July 2008 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 30. 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. 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. 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 not consistent with the financial statements, if the School has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Treasurer's Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (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.

Basis of opinion

We have 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of LSTM and the group as at 31 July 2008 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 the Companies Act 1985 and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.
- 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 2008 have been applied for the purposes for which they were received
- in all material respects, income during the year ended 31 July 2008 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.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
Manchester
[19 November 2008]

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2008**

Consolidated Income and Expenditure Account

	Notes	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Income					
Funding Council Grants	2	3,792	3,792	2,926	2,926
Tuition fees and education contracts	3	2,864	2,864	2,446	2,446
Research grants and contracts	4	30,686	24,583	21,231	15,833
Other income	5	4,403	3,786	2,409	2,583
Endowment and Investment income	6	477	456	508	458
Deficit on disposal of investments	7	(22)	(22)	-	-
Total income		42,200	35,459	29,520	24,246
Expenditure					
Staff costs	8	11,948	10,421	10,506	9,441
Other operating expenses	10	28,190	22,850	18,392	14,252
Depreciation	14	500	453	180	133
Interest payable	11	-	-	-	-
Total expenditure		40,638	33,724	29,078	23,826
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		1,562	1,735	442	420
Foreign currency gain		269	269	-	-
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and revaluation of investments but before tax		1,831	2,004	442	420
Taxation	12	(8)	-	(6)	-
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments and tax	13	1,823	2,004	436	420

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

Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2008

Statement of the Total Recognised Gains and Losses

	Notes	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	13	1,823	2,004	436	420
Appreciation of endowment asset investments (realised)	22	50	50	158	158
Endowment income retained for year	22	132	132	31	31
Revaluation of endowment asset investments (unrealised)	22	(1,143)	(1,143)	268	268
Total recognised gains relating to the period		<u>862</u>	<u>1,043</u>	<u>893</u>	<u>877</u>
Reconciliation					
Opening reserves and endowments		13,280	13,139	12,387	12,262
Total recognised gains for the year		862	1,043	893	877
Closing reserves and endowments		<u>14,142</u>	<u>14,182</u>	<u>13,280</u>	<u>13,139</u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2008**

Balance Sheets as at 31 July

	Notes	Group 2008 £000	School 2008 £000	Group 2007 £000	School 2007 £000
Fixed assets					
Tangible assets	14	28,342	28,250	23,733	23,619
Investments	15	-	54	-	25
		<u>28,342</u>	<u>28,304</u>	<u>23,733</u>	<u>23,644</u>
Endowment assets	16	<u>6,575</u>	<u>6,575</u>	<u>7,536</u>	<u>7,536</u>
Current assets					
Stock		144	16	98	40
Debtors	17	5,148	4,943	8,641	8,357
Investments	18	3,468	3,468	3,061	3,061
Cash at bank and in hand		11,965	11,381	10,625	10,164
		<u>20,725</u>	<u>19,808</u>	<u>22,425</u>	<u>21,622</u>
Creditors: amounts falling due within one year	19	17,559	16,564	20,453	19,702
Net current assets		<u>3,166</u>	<u>3,244</u>	<u>1,972</u>	<u>1,920</u>
Total assets less current liabilities		38,083	38,123	33,241	33,100
NET ASSETS		<u>38,083</u>	<u>38,123</u>	<u>33,241</u>	<u>33,100</u>
Deferred capital grants	21	23,857	23,857	19,301	19,301
Endowments					
Restricted permanent	22	5,105	5,105	5,807	5,807
Unrestricted permanent	22	1,470	1,470	1,729	1,729
		<u>6,575</u>	<u>6,575</u>	<u>7,536</u>	<u>7,536</u>
Reserves					
Revaluation reserves	23	84	84	660	660
General reserve	24	7,567	7,607	5,744	5,603
		<u>7,651</u>	<u>7,691</u>	<u>6,404</u>	<u>6,263</u>
TOTAL FUNDS		<u>38,083</u>	<u>38,123</u>	<u>33,241</u>	<u>33,100</u>

The financial statements on pages 12 to 30 were approved by the Board of Trustees on 19 November 2008 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 2008**

Consolidated Cash Flow Statement

	Notes	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Cash flow from operating activities	25	2,346	2,275	6,202	6,402
Returns on investments and servicing of finance	26	547	526	432	382
Taxation	12	(8)	-	(6)	-
Capital expenditure and financial investment	27	(1,201)	(1,204)	(2,644)	(2,618)
Cash inflow before use of liquid resources and financing		<u>1,684</u>	<u>1,597</u>	<u>3,984</u>	<u>4,166</u>
Management of liquid resources	28	(179)	(179)	(145)	(145)
Increase in cash in the period		<u><u>1,505</u></u>	<u><u>1,418</u></u>	<u><u>3,839</u></u>	<u><u>4,021</u></u>
Reconciliation of net cash flow to movement in net funds					
Increase in cash in the period		1,505	1,418	3,839	4,021
Cash inflow from liquid resources	28	179	179	145	145
Movement in net funds in period		<u>1,684</u>	<u>1,597</u>	<u>3,984</u>	<u>4,166</u>
Net funds at 1 August	29	10,824	10,363	6,840	6,197
Net funds at 31 July	29	<u><u>12,508</u></u>	<u><u>11,960</u></u>	<u><u>10,824</u></u>	<u><u>10,363</u></u>

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2008

Notes to the Accounts

1 Statement of Principal Accounting Policies

i) **Accounting convention**

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

ii) **Basis of consolidation**

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

iii) **Recognition of income**

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

iv) **Pension schemes**

The School's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF). Both schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. 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 School buildings are erected on leasehold land leased from the University of Liverpool with a tenure of 50 years from 1964 with an option to renew for a further 50 years. Other buildings are leasehold for 99 years from 1924. Leasehold buildings are depreciated over a period of 50 years.

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

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

vii) **Fixtures and equipment**

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

viii) **Investments**

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

The Liverpool School of Tropical Medicine's treasury management policy is for all endowments to be invested in a portfolio of long term investments, while working balances and revenue reserves are invested short term with interest received credited to the income and expenditure account. The long term investments are managed by external fund managers accountable to the Liverpool School of Tropical Medicine's Finance & Investment Committee. The short term investments are in the money market and are the day to day responsibility of the 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 2008

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**

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

xi) **Stock and work in progress**

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

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

xii) **Deferred government grants**

Government grants in respect of capital expenditure are treated as deferred capital grants and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

xiii) **Maintenance of premises**

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

xiv) **Provisions**

Provisions are recognised when the School has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

xv) **Reserves policy**

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

xvi) **Accounting for charitable donations**

Unrestricted Donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, 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 the School 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 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Recurrent grant - HEFCE	3,792	3,792	2,926	2,926
FEC support grant - HEFCE	-	-	-	-
	<u>3,792</u>	<u>3,792</u>	<u>2,926</u>	<u>2,926</u>

Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2008

3 Tuition Fees and Education Contracts

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
UK Higher Education students	481	481	444	444
Non-EU students	1,018	1,018	948	948
Short Courses	1,200	1,200	959	959
	<u>2 699</u>	<u>2 699</u>	<u>2 351</u>	<u>2 351</u>
Higher Education contracts	-	-	-	-
Other contracts	165	165	95	95
	<u><u>2,864</u></u>	<u><u>2,864</u></u>	<u><u>2,446</u></u>	<u><u>2,446</u></u>

4 Research Grants and Contracts

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Research Council	488	488	781	781
UK based charities	3,693	2,660	4,114	3,311
UK Central Government and other bodies	7,333	3,164	5,646	2,050
UK Industry, commerce and public operations	375	372	115	115
European Commission	4,617	4,571	2,189	2,189
Other overseas bodies	14,180	13,328	8,385	7,386
Other grants and contracts			1	1
Total	<u><u>30,686</u></u>	<u><u>24,583</u></u>	<u><u>21,231</u></u>	<u><u>15,833</u></u>

5 Other Income

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Other income generating activities	675	194	577	577
Other grant income	212	212	206	206
Releases from deferred capital grants	310	310	62	62
Donations for general purposes	1,659	1,659	47	47
Donations for specific purposes	197	197	145	145
Subvention from North West Regional Health Authority	240	240	227	227
Other income	1,110	910	1,145	683
Gift aid from subsidiary	-	64	-	636
	<u><u>4,403</u></u>	<u><u>3,786</u></u>	<u><u>2,409</u></u>	<u><u>2,583</u></u>

6 Endowment and Investment Income

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Dividend income and interest receivable	97	97	102	102
Income from general endowment asset investments (note 22)	76	76	62	62
Other endowment income	62	62	107	107
Other interest receivable	242	221	237	187
	<u><u>477</u></u>	<u><u>456</u></u>	<u><u>508</u></u>	<u><u>458</u></u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2008**

7 Deficit on disposal of investments

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Total deficit	(22)	(22)	-	-
	<u>(22)</u>	<u>(22)</u>	<u>-</u>	<u>-</u>

8 Staff Costs

	Group Year ended 31 July 2008 Number	School Year ended 31 July 2008 Number	Group Year ended 31 July 2007 Number	School Year ended 31 July 2007 Number
--	-----------------------------------------------	------------------------------------------------	-----------------------------------------------	------------------------------------------------

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

Professorial	10	10	10	10
Academic and academic related	56	55	50	49
Research	120	102	115	102
Secretarial and clerical	42	38	43	33
Technical	23	19	19	19
Other	10	7	9	9
	<u>261</u>	<u>231</u>	<u>246</u>	<u>222</u>

Staff costs for the above persons:

	£000	£000	£000	£000
Wages and salaries	9,908	8,589	8,641	7,725
Social security costs	841	739	751	673
Other pension costs	1,186	1,080	1,014	943
Restructuring costs	13	13	100	100
	<u>11,948</u>	<u>10,421</u>	<u>10,506</u>	<u>9,441</u>

Academic services - academic and academic related staff	3,505	3,161	3,043	2,983
Academic services - support staff	594	594	536	536
Academic services - laboratory staff	273	273	370	370
Academic support services staff	532	532	368	368
Research grants staff	5,816	4,775	5,254	4,249
Administration and central services staff	1,030	888	672	672
Premises staff	144	144	139	139
Other income-generating activities staff	41	41	24	24
Staff restructuring	13	13	100	100
Total	<u>11,948</u>	<u>10,421</u>	<u>10,506</u>	<u>9,441</u>

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Employment costs for staff on permanent contracts	11,744	10,367
Employment costs for staff on short-term and temporary contracts	191	39
Restructuring costs	13	100
	<u>11,948</u>	<u>10,506</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 2008

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

	Year ended 31 July 2008		Year ended 31 July 2007	
	Number senior post- holders	Number Other Staff	Number senior post- holders	Number Other Staff
£ 100,001 to £ 110,000	-	2	-	1
£ 110,001 to £ 120,000	-	-	-	2
£ 120,001 to £ 130,000	-	1	-	1
£ 130,001 to £ 140,000	-	1	1	-
£ 170,001 to £ 180,000	1	-	-	-
	<u>1</u>	<u>4</u>	<u>1</u>	<u>4</u>

A general pay award of 3.0% was made with effect from 1 August 2007, and a further award of 3.0% was made with effect from 1 May 2008. Both were approved by the Board of Trustees.

9 Senior Post-holders' Emoluments

	Number 2008	Number 2007
The number of senior post-holders including the Director was:	2	2
Senior post-holders' emoluments are made up as follows:		
	£000	£000
Salaries	236	196
Benefits in kind	-	-
Pension contributions	33	28
Total emoluments	<u>269</u>	<u>224</u>

The above emoluments include amounts payable to the Director of:

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Salary	150	122
Benefits in kind	-	-
	<u>150</u>	<u>122</u>
Pension contributions	<u>21</u>	<u>17</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 the School other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Overseas activities

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2008

10 Other Operating Expenses

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Teaching courses related costs	1,158	1,158	1,047	1,047
Laboratory and other costs	1,269	806	1,067	766
Teaching and other support services	649	649	739	739
Research grants costs	23,232	18,775	13,972	10,581
Administration and central services	631	319	755	406
General education	308	308	19	19
Premises running costs	695	635	572	531
Premises maintenance	221	173	201	143
Planned maintenance	27	27	20	20
Total	<u>28,190</u>	<u>22,850</u>	<u>18,392</u>	<u>14,252</u>

Other operating expenses include:

Auditors' remuneration:

financial statements audit	37	26	24	18
internal audit	24	24	27	27
other services from either external or internal audit	12	12	3	3

11 Interest Payable

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
On bank loans, overdrafts and other loans:				
Repayable within 5 years, not by instalments	-	-	-	-
Repayable within 5 years, by instalments	-	-	-	-
Repayable wholly or partly in more than 5 years	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12 Taxation

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
United Kingdom corporation tax at 19%	8	-	6	-

13 Surplus on Continuing Operations for the Period

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

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
School's surplus / (deficit) for the period	1 823	1 940	436	(216)
Surplus generated by subsidiary undertakings and transferred to the School under covenant	-	64	-	636
Total	<u>1,823</u>	<u>2,004</u>	<u>436</u>	<u>420</u>

**Liverpool School of Tropical Medicine
Financial Statements for the year ended 31 July 2008**

14 Tangible Fixed Assets

	Freehold land and building £000	Leasehold buildings £000	Fixtures and Equipment £000	Total £000
GROUP				
Cost or Valuation				
At 1 August 2007	19,978	5,526	962	26,466
Additions	4,754	17	339	5,110
Disposals	-	-	(169)	(169)
At 31 July 2008	<u>24,732</u>	<u>5,543</u>	<u>1,132</u>	<u>31,407</u>
Depreciation				
At 1 August 2007	-	1,999	734	2,733
Charge for year	270	99	131	500
Eliminated in respect of disposals	-	-	(168)	(168)
At 31 July 2008	<u>270</u>	<u>2,098</u>	<u>697</u>	<u>3,065</u>
Net Book Value at 31 July 2008	<u>24,462</u>	<u>3,445</u>	<u>435</u>	<u>28,342</u>
Net Book Value at 31 July 2007	<u>19,978</u>	<u>3,527</u>	<u>228</u>	<u>23,733</u>
Financed by capital grant	21,483	2,375	-	23,858
Financed by other	2,979	1,070	435	4,484
	<u>24,462</u>	<u>3,445</u>	<u>435</u>	<u>28,342</u>
SCHOOL				
Cost or Valuation				
At 1 August 2007	19,978	5,522	736	26,236
Additions	4,754	17	313	5,084
Disposals	-	-	(165)	(165)
At 31 July 2008	<u>24,732</u>	<u>5,539</u>	<u>884</u>	<u>31,155</u>
Depreciation				
At 1 August 2007	-	1,995	622	2,617
Charge for year	270	99	84	453
Eliminated in respect of disposals	-	-	(165)	(165)
At 31 July 2008	<u>270</u>	<u>2,094</u>	<u>541</u>	<u>2,905</u>
Net Book Value at 31 July 2008	<u>24,462</u>	<u>3,445</u>	<u>343</u>	<u>28,250</u>
Net Book Value at 31 July 2007	<u>19,978</u>	<u>3,527</u>	<u>114</u>	<u>23,619</u>
Financed by other capital grant	18,479	1,237	-	19,716
Financed by HEFCE capital grant	3,004	1,138	-	4,142
Financed by other	2,979	1,070	343	4,392
	<u>24,462</u>	<u>3,445</u>	<u>343</u>	<u>28,250</u>

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

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

Liverpool School of Tropical Medicine

Financial Statements for the year ended 31 July 2008

15 Investments

	School Year ended 31 July 2008 £000	School Year ended 31 July 2007 £000
Investments in subsidiary companies	<u>54</u>	<u>25</u>

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

The School owns 100% of the issued ordinary £1 shares of 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.

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

16 Endowment Assets

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Balance at 1 August 2007	7,536	7,536	7,079	7,079
Additions	152	152	297	297
Disposals	(150)	(150)	(253)	(253)
Appreciation on disposals / revaluation	(1,142)	(1,142)	268	268
Increase in cash balances held at fund managers	179	179	145	145
Balance at 31 July 2008	<u>6,575</u>	<u>6,575</u>	<u>7,536</u>	<u>7,536</u>
Represented by:				
Fixed interest stocks (listed)	310	310	293	293
Equities (listed)	5,686	5,686	6,843	6,843
Cash balances	579	579	400	400
Total	<u>6,575</u>	<u>6,575</u>	<u>7,536</u>	<u>7,536</u>

17 Debtors

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Amounts falling due within one year				
Trade debtors	829	223	1,397	325
Amounts owed by Subsidiary undertakings	-	944	-	1,017
Balances due on research grants and contracts	2,929	2,929	6,810	6,810
Prepayments and accrued income	1,160	617	377	148
Amounts owed by Liverpool University	230	230	57	57
Total	<u>5,148</u>	<u>4,943</u>	<u>8,641</u>	<u>8,357</u>

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18 Investments

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Cost at 1 August 2007	2,401	2,401	2,401	2,401
Additions	1,947	1,947	-	-
Disposals	(1,005)	(1,005)	-	-
Cost at 31 July 2008	3,343	3,343	2,401	2,401
Unrealised surplus at 1 August 2007	660	660	376	376
Revaluation for the year	(576)	(576)	284	284
Market value as at 31 July 2008	3,427	3,427	3,061	3,061
Cash balances at investment brokers	41	41	-	-
	<u>3,468</u>	<u>3,468</u>	<u>3,061</u>	<u>3,061</u>
Represented by:				
Fixed interest stocks (listed)	770	770	688	688
Equities (listed)	1,795	1,795	1,491	1,491
Cash balances	218	218	159	159
Other	685	685	723	723
Total	<u>3,468</u>	<u>3,468</u>	<u>3,061</u>	<u>3,061</u>

19 Creditors: Amounts Falling Due Within One Year

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Bank loans and overdrafts	36	-	201	201
Corporation tax	4	-	4	-
Unexpended balances of research grants and contracts	13,255	13,255	15,316	15,316
Trade creditors	643	402	2,232	1,772
Other taxation and social security	226	210	216	196
Accruals	3,395	2,697	2,484	2,217
	<u>17,559</u>	<u>16,564</u>	<u>20,453</u>	<u>19,702</u>

20 Borrowings

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less, or on demand	36	-	201	201
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	<u>36</u>	<u>-</u>	<u>201</u>	<u>201</u>

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21 Deferred Capital Grants

	Group Funding Council £000	Group Other Funding £000	Group Total £000	School Total £000
At 1 August 2007				
Buildings	4,205	15,092	19,297	19,297
Equipment	-	4	4	4
Cash received				
Buildings		4,866	4,866	4,866
Equipment	-	-	-	-
Released to income and expenditure account				
Buildings	64	242	306	306
Equipment	-	4	4	4
Total	4,141	19,716	23,857	23,857
At 31 July 2008				
Buildings	4,141	19,716	23,857	23,857
Equipment	-			
Total	4,141	19,716	23,857	23,857

22 Endowments

	Group and School Permanent Endowments		
	Restricted	Unrestricted	Total
	£000	£000	£000
At 1 August 2007 - Capital value	5,518	1,729	7,247
- Accumulated income	289	-	289
Additions	-	-	-
Appreciation of endowment asset investments (realised)	50	-	50
Appreciation of endowment asset investments (unrealised)	(884)	(259)	(1 143)
Income for year	178	76	254
Transferred to income and expenditure account	(46)	(76)	(122)
At 31 July 2008 - Capital value	4,684	1,470	6,154
- Accumulated income	421	-	421
Representing			
Fellowships and scholarships funds	4,241	-	4,241
Prizes funds	34	-	34
Other funds	830	1,470	2,300
Total	5,105	1,470	6,575

23 Revaluation Reserves

	Investment Revaluation Reserve £000	Currency Revaluation Reserve £000	Group Total £000	School Total £000
At 1 August 2007	660	-	660	660
Revaluations in the period (as per note 18)	(576)		(576)	(576)
At 31 July 2008	84	-	84	84

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24 Movement on General Reserves

	Group Departmental Funds £000	Group Other Funds £000	Group Total £000	School Total £000
Income and Expenditure Account Reserve				
At 1 August 2007	127	5,617	5,744	5,603
Surplus on continuing operations after depreciation of assets at valuation, revaluation of investments, and tax	-	1 823	1 823	2 004
Transfer between funds	(62)	62	-	-
At 31 July 2008	65	7,502	7,567	7,607

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

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Surplus on continuing operations after depreciation of assets at valuation	1 831	2 004	442	420
Depreciation (note 1 & 14)	500	453	180	133
Deferred capital grants released to income (note 21)	(310)	(310)	(62)	(62)
Profit on disposal of tangible fixed assets	-	-	-	-
Loss on disposal of investments	22	22	-	-
Interest payable (note 11)	-	-	-	-
(Increase) / decrease in stocks	(46)	24	(59)	(1)
Decrease / (increase) in debtors	3 493	3 414	(2 814)	(2 884)
(Decrease) / increase in creditors	(2 729)	(2 938)	8 916	9 147
Interest receivable (note 6)	(477)	(456)	(508)	(458)
University Endowed Chairs	62	62	107	107
Net cash inflow from operating activities	2,346	2,275	6,202	6,402

26 Returns on Investments and Servicing of Finance

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Income from long term investments and unrestricted permanent endowments	173	173	164	164
Net income from restricted permanent endowments	132	132	31	31
Other interest received	242	221	237	187
Interest paid	-	-	-	-
Net cash inflow from returns on investment and servicing of finance	547	526	432	382

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27 Capital Expenditure and Financial Investment

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Purchase of tangible fixed assets	(5,110)	(5,084)	(15,620)	(15,594)
Payments to acquire endowment assets	(152)	(152)	(297)	(297)
Payments to acquire investments	(1 988)	(2 017)	-	-
Receipt from sale of investments surplus	983	983	-	-
Receipt from sale of endowment assets	200	200	342	342
Deferred capital grants received	4,866	4,866	12,862	12,862
Endowments received	-	-	69	69
Net cash outflow from capital expenditure and financial investment	<u>(1,201)</u>	<u>(1,204)</u>	<u>(2,644)</u>	<u>(2,618)</u>

28 Management of Liquid Resources

	Group Year ended 31 July 2008 £000	School Year ended 31 July 2008 £000	Group Year ended 31 July 2007 £000	School Year ended 31 July 2007 £000
Movement in endowment assets (cash)	(179)	(179)	(145)	(145)
Net cash inflow from management of liquid resources	<u>(179)</u>	<u>(179)</u>	<u>(145)</u>	<u>(145)</u>

29 Analysis of Changes in Net Funds

	At 1 August 2007 £000	Cashflows £000	Other changes £000	At 31 July 2008 £000
Group				
Cash in hand, and at bank	10,625	1,340	-	11,965
Endowment asset investments (note16)	400	179	-	579
Overdrafts	(201)	165	-	(36)
	<u>10,824</u>	<u>1,684</u>	<u>-</u>	<u>12,508</u>
Net funds due within 1 year	10,824	1,684	-	12,508
Net funds due after 1 year	-	-	-	-
Total	<u>10,824</u>	<u>1,684</u>	<u>-</u>	<u>12,508</u>
School				
Cash in hand, and at bank	10,164	1,217	-	11,381
Endowment asset investments (note16)	400	179	-	579
Overdrafts	(201)	201	-	-
	<u>10,363</u>	<u>1,597</u>	<u>-</u>	<u>11,960</u>
Net funds due within 1 year	10,363	1,597	-	11,960
Net funds due after 1 year	-	-	-	-
Total	<u>10,363</u>	<u>1,597</u>	<u>-</u>	<u>11,960</u>

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30 Pension and similar obligations

The School's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and University of Liverpool Pension Fund (ULPF) although a small number of staff belong to the National Health Service Superannuation Scheme (NHSSS). All schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services. The total pension cost for the period was £1,186,000 (2007 £1,014,000).

Universities Superannuation Scheme (USS)

The School participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

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

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum.

In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

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

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

Males	19.8 years
Females	22.8 years

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (ie the valuation rate of interest). On the FRS 17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

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

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30 Pension and similar obligations (continued)

Surpluses or deficits which arise at future valuations may impact on the School's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase / decrease by 0.5%	Decrease / increase by £2.2 billion
Rate of pension increases	Increase / decrease by 0.5%	Increase / decrease by £1.7 billion
Rate of salary growth	Increase / decrease by 0.5%	Increase / decrease by £0.5 billion
Rate of mortality	More prudent assumption (mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 billion

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities.

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

The next formal triennial actuarial valuation is due at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the School was £771,000 (2007 £696,000). The contribution rate payable by the School was 14% of pensionable salaries.

University of Liverpool Pension Fund (ULPF)

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

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

The contributions made by the employer over the period have been £215,000 (2007 £179,000), equivalent to 13.4% of Pensionable Salaries. This level of contribution is to continue until reviewed following the triennial valuation of the scheme due as at 31 July 2009.

The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 6.6% per annum, salary increases would be 5.4% per annum and pensions would increase by 3.75% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £196,984,000 and the value of the past service liabilities was £220,084,000 leaving a deficit of £23,100,000. The assets therefore were insufficient to cover the benefits, which had accrued to members after allowing for expected future increases in earnings.

During the year the School contributed to 88 employees within this scheme (2007 84 employees). There was a total of 1,611 active members in this scheme at 31 July 2006.

National Health Service Superannuation Scheme (NHSSS)

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

The contributions made by the employer over the financial year have been £94,000 (2007 £84,000), equivalent to 14% of Pensionable Salaries.

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31 Post Balance Sheet Events

There are no post balance sheet events

32 Capital Commitments

	Group and School	
	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Commitments contracted for at 31 July	<u>1,629</u>	<u>3,789</u>
Commitments under finance leases entered into but not yet provided for in the financial statements	<u>Nil</u>	<u>Nil</u>

33 Contingent Liability

The Group has received a capital grant from the North West Development Agency in connection with the ongoing construction of the CTID building. The grant has certain conditions with which the Group will need to comply in future periods. At this time the Group believes it will be able to comply with these conditions when necessary.

34 Financial Instruments

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

	Group and School	
	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Sell currency and buy £	<u>137</u>	<u>442</u>

35 Related Party Transactions

The School is affiliated with the University of Liverpool and has balances owed within its debtors in the year to 31 July 2008 and payable within its creditors in the year to 31 July 2008 amounting to £1k and £542k respectively. The School is not recognised by the Higher Education Funding Council and grants of £3.8m were transferred via Liverpool University to fund teaching and research. Other transactions include the payment of student fees and staff salaries. These grants together with other University transactions are incorporated within the Financial Statements. All such transactions are conducted at arm's length and in accordance with financial regulations and the financial memorandum enacted between the two organisations. University representatives hold two seats in the Board of Trustees. Similarly School staff members sit as members of the Liverpool University Senate and Council.

The group has taken advantage of the exemptions included in Financial Reporting Standard No 8 in not disclosing the transactions within other group companies, as all such transactions have been eliminated on consolidating the group results for the year.

Due to the nature of the School's operations and the composition of the Board of Trustees (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving an organisation in which a member of the Board may have an interest are conducted at arm's length and in accordance with the School's financial regulations and normal procurement procedures.

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