

**LIVERPOOL JOHN MOOORES UNIVERSITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2006**

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## Report of the Board of Governors

On behalf of the Board of Governors I am pleased to present the University's Financial Statements.

### Scope of the Financial Statements

These are the consolidated statutory accounts of Liverpool John Moores University and its subsidiaries for the year ended 31 July 2006.

### Results for the Year

The University's consolidated Income, Expenditure and Results for the year to 31 July 2006 are summarised as follows:

	<b>2005/06 £000</b>	<b>2004/05 £000</b>
Income	131,837	121,680
Expenditure	133,398	127,480
(Deficit)/Surplus after depreciation of assets at valuation and before tax	(1,561)	(5,800)
Profit on disposal of fixed assets	9,059	3,124
Loss on disposal of discontinued operations	-	(302)
Surplus/(deficit) after depreciation of fixed assets at valuation and disposal of fixed assets but before tax	7,498	(2,978)
Taxation	1	12
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax	7,497	(2,990)
Surplus/ (Deficit) for the year on a historical cost basis	8,709	(1,459)

The retained group surplus for the year was £8.7m and this includes a profit of £9.1m on the sale of four properties from the University's portfolio. The deficit would have been £0.4m without the property sales but this disguises an excellent underlying performance as it includes costs associated with the property disposal, a restructuring provision and a significant increase in the enhanced pension provision. The underlying surplus would have been in excess of £2m had it not been for these adjustments.

The impact of the implementation of FRS17 (Retirement Benefits) was an increase to group surplus of £539k for the current year. The overall impact, taking into account prior year adjustments was a decrease in reserves of £32,417k.

Income and Expenditure Reserves excluding the Pension Reserve (associated with the introduction of FRS17) are £15.6m, an increase of £8.6m compared with the previous year. The inclusion of the pension reserve results in negative Income and Expenditure Reserves of £16.4m.

Net assets increased by £3.7m during the year and this reflects further balance sheet strengthening which has included reduction and reclassification of loans and an increase in cash balances in advance of major investments in the next 10 years.

## **Property**

During the year the Board of Governors granted approval for a programme of development, which over the next decade will see the most significant changes to the LJMU estate in the University's history. The £100m Property Development Programme is an ambitious plan, which will set the blueprint for the future of the University.

The opening of the Cherie Booth building was the first stage in the transformation of our Byrom Street campus and plans are being developed for the next stage of development.

The Art and Design Academy, the biggest investment in arts education in the UK today, is on target to be completed for the summer of 2008 and it will play a significant role in the celebrations for the Capital of Culture.

## **Strategy Progress**

Driving the need for development of our property portfolio is the University's strategic plan. This year targets have been redefined and initiatives linked to delivery of the strategy. A balanced scorecard has been developed which will reflect, in real time, the progress towards delivery of our strategic plan.

Highlights of success and delivery include the launch of our Centre for Excellence in Teaching and Learning, winning a Queens Anniversary Award for Higher and Further Education, achieving institutional IIP status, increases in external research, enterprise and collaborative income and the start of an exciting development of a new market position and proposition which will dramatically enhance our reputation.

## **Conclusion**

I would like to thank all the staff across the University whose hard work and determination have contributed to the positive financial result this year.

There are many challenges ahead and I am confident that with the support and enthusiasm of the staff we will be able to deliver our strategic goals.

Commodore R H Walker  
Chair  
22<sup>nd</sup> November 2006

## **BOARD OF GOVERNORS**

The University is an independent Higher Education Corporation whose authority derives from the Education Reform Act 1988, and the Further and Higher Education Act 1992.

The Board of Governors derive their authority from the University's Instrument and Articles of Government which was approved by the Privy Council on 5 March 1993, and revised in 1995 and 2002.

The Instrument and Articles of Government states that the Board shall consist of not less than twelve and not more than twenty-four appointed members. The Board must decide what size it wishes to be. It was agreed that there should be up to eighteen members, of whom up to eleven would be independent members (this has been lifted temporarily to twenty members overall of whom thirteen members would be independent due to a period of board member turnover and to ensure continuity), one nominee each for the Academic Board and students, two staff governors, and two co-opted members. The membership of the Board is completed by the Vice Chancellor, who is the Chief Executive.

In the period from 1 August 2005 membership of the Board of Governors has been as follows: -

### **Ex-officio Members**

Professor M A Brown	Vice Chancellor & Chief Executive
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### **External Independent Members**

Commodore R H Walker	Chair & Pro Chancellor Chair of Remuneration Committee Chair of Nominations Committee
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Mr W H A Addy

Mr S Broomhead

Mr J Carson	(Re-appointed 1 September 2005)
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Mrs R Hawley	One year sabbatical ended 31 March 2006
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Mr R Hill	(Re-appointed 1 October 2005) Deputy Chair of Board of Governors (Retired as Deputy Chair 23 March 2006) Chair of Finance Committee
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Professor L Howell	Deputy Chairman of Audit Committee
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Mr J Kennedy	(Re-appointed 1 April 2006)
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Mr G Morris	(Re-appointed 2 July 2006)
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Ms D Shackleton	(Re-appointed 20 March 2006) Deputy Chair of Finance Committee
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Her Honour Judge E Steel	Chair of Employment Committee
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Sir M Thornton	Deputy Chair of Board of Governors (Appointed 1 April 2006) Chairman of Audit Committee
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Ms S Williams

**External Co-opted Members**

Mr P Holme	Co-opted Governor from Education Sector (Re-appointed 20 March 2006) Deputy Chair of Employment Committee
Ms C Hannah	Co-opted Governor from Health Sector

**Nominee Members**

Dr G Mazhindu	Staff Governor (Academic Board nominee)
Ms S Kearns	Student Governor (Student President) (Re-appointed 7 June 2006)

**Staff Members**

Ms J Ball	Staff Governor (Support Staff) (Retired 24 February 2006)
Mr J Ainsworth	Staff Governor (Support Staff) (Appointed 25 February 2006)
Mr B McClelland	Staff Governor (Academic Staff) (Retired 31 August 2005)
Mr J Middleton	Staff Governor (Academic Staff) (Appointed 1 September 2005)

## **OFFICERS AND ADVISORS OF THE UNIVERSITY**

**Vice Chancellor and Chief Executive** : Professor Michael Brown

**Bankers** : Barclays Bank plc  
7th Floor  
1 Marsden Street  
Manchester  
M2 1HW

**External Auditors** : KPMG LLP  
St James' Square  
Manchester  
M2 6DS

**Solicitors** : Davies Wallis Foyster  
5 Castle Street  
Liverpool  
L2 4XE

**Internal Auditors** : Deloitte & Touche LLP  
Martins Building  
Liverpool  
L2 8UY

## **RESPONSIBILITIES OF THE BOARD OF GOVERNORS OF LIVERPOOL JOHN MOORES UNIVERSITY**

In accordance with the Education Reform Act 1988, the Board of Governors of the University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University, and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and relevant Accounting Standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Board of Governors of the University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board has ensured that:

- Suitable accounting policies are selected and applied consistently.
- Judgements and estimates are made that are reasonable and prudent.
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Board is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board has taken reasonable steps to:

- Ensure that funds from the Higher Education Funding Council for England and the Training and Development Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the relevant Funding Council and any other conditions which the Funding Councils may from time to time prescribe.
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Safeguard the assets of the University and prevent and detect fraud.
- Secure the economical, efficient and effective management of the University's resources and expenditure.

Commodore R H Walker  
Chair  
22<sup>nd</sup> November 2006



## CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University 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.

In the opinion of the Board of Governors, the University complies with all the provisions of the Combined Code, in so far as they apply to the Higher Education Sector, and it has complied throughout the year ended 31 July 2006.

### Summary of the University's Structure of Corporate Governance

The University's Board of Governors comprises lay and academic persons appointed under the provisions of the Education Reform Act 1988, the majority of whom are non-executive. The composition of the Board of Governors is set out on page 3. The roles of Chair and Deputy Chair of the Board of Governors are separate from the role of the University's Chief Executive, the Vice Chancellor. The matters specifically reserved to the Board of Governors for decision are set out in the Articles of Government of the University, the Scheme of Delegation and under the Financial Memorandum with the Higher Education Funding Council for England.

The Board of Governors holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary companies.

The Board of Governors meets a minimum of four times a year, and has several committees: a Finance Committee; an Employment Committee; a Remuneration Committee; a Nominations Committee; and, an Audit Committee. All of these Committees are formally constituted with terms of reference and comprise mainly or entirely of lay members of the Board of Governors, one of whom is the Chair. During 2005/06, the Board and each of its Committees reviewed and reconfirmed their Terms of Reference.

The Finance Committee meets at least four times a year and recommends to the Board of Governors the University's annual revenue and capital budgets after giving consideration to the financial health of the University. It also receives at each meeting reports on the University's performance in relation to approved budgets, estate related capital investment plans, treasury management, and updates of the Medium Term Plan.

The Employment Committee considers issues related to staffing and employment in the University.

The Remuneration Committee considers the performance and determines the annual remuneration of the Vice Chancellor and Senior Officers of the University.

The Nominations Committee considers membership issues and nominations for vacancies on the Board.

The Audit Committee, which meets at least four times a year, is responsible for meeting the external auditors and internal auditors of the University and reviewing their work. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. The Committee also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business, monitors adherence with the regulatory requirements and reviews the University's accounting policies. Whilst the Vice Chancellor and other managers attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee is empowered to meet any auditors on their own for independent discussions.

The Board of Governors 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 judgment.

### Internal Control

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

The following procedures are in place to consider business continuity, risk management, value for money and the internal control procedures;

- Risk management has been incorporated into the corporate planning and decision-making processes of the institution and embedded within the faculties, schools and services;
- All papers and reports presented to the Strategic Management Group consider possible risk and value for money issues and incorporate key performance and risk indicators;

- All the Executive members and Deans report on activities to the Strategic Management Group on a monthly basis, which ensures identification and evaluation of risks. The Strategic Management Group also meet with the Vice Chancellor monthly on an individual basis to discuss progress against objectives and such discussions routinely include evaluation of risk in their areas of responsibility. Where possible, risks are monitored through the Balanced Scorecard and managed through action planning;
- The appropriate Committees of the Board receive regular reports from senior managers on the steps the University is taking to manage risks in their areas of responsibility, including progress reports on key projects;
- Business Impact Analyses are carried out periodically as part of the University's Business Continuity Management process. The information provided guides business continuity and disaster recovery planning and the consequent level of investment necessary to ensure business continuity for the University;
- The Board has ensured that the meeting calendar and agenda enable risk management and internal control to be considered on a regular basis during the year so that there is a full risk and control assessment before reporting on the year ended 31 July 2006;
- Comprehensive budgeting and systems are in place and the annual budget is reviewed and agreed by the Strategic Management Group, the Finance Committee and the Board of Governors;
- The Board of Governors, assisted by its Finance Committee, regularly reviews periodic and annual financial reports that indicate financial performance against forecasts;
- The Finance Committee receives regular reports on the implementation of the Strategic Property Review and the Capital Development Programme;
- Clearly defined capital investment control guidelines exist and are reviewed routinely;
- The Audit Committee receives an annual report on purchasing and the securing of value for money in procurement.
- The University has adopted the EFQM Excellence Model as a framework for the control and improvement of its management systems and the Senior Management Group commissions a self assessment against the model criteria every 18-24 months;
- Targets are set to measure financial and other performance;
- Formal project management disciplines have been adopted where appropriate;
- The Strategic Management Group, the Audit Committee and the Board of Governors receive regular reports from the internal auditors, which includes recommendations for improvement;
- The Strategic Management Group provides an annual statement to the Audit Committee and the Board of Governors confirming satisfaction with the University's system of internal control;
- The Board receives periodic reports from the Chairman of the Audit Committee concerning internal control.

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control, risk management and business continuity. The Board of Governors agenda also includes a regular item for consideration of risk and receives reports on this from the Strategic Management Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2006 meeting, the Audit Committee carried out the annual assessment for the year ended 31 July 2006 by considering documentation from internal audit, and taking account of events since 31 July 2006.

In the opinion of the Board of Governors, the governance practices of the University are consistent with the revised "Guide for Membership of Higher Education Governing Bodies in the UK, published by the Council of University Chairmen (CUC) November 2004. Following the Governance Effectiveness Review conducted in 2005, and in recognition that the maintenance of good corporate governance arrangements is an ongoing process, a programme of governance work for 2006/07 has been approved by the Board.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2006 and up to the date of the annual report and accounts, that it is regularly reviewed by the Board of Governors and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for Higher Education.

## Going Concern

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

## **REPORT OF THE INDEPENDENT AUDITORS, KPMG LLP, TO THE BOARD OF GOVERNORS OF LIVERPOOL JOHN MOORES UNIVERSITY**

We have audited the Group and University financial statements (the “financial statements”) of Liverpool John Moores University for the year ended 31 July 2006 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors 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 Governors, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the University's Board of Governors and Auditors**

The University's Board of Governors responsibilities for preparing the group financial statements in accordance with the 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 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England. We also report to you whether in our opinion the Board of Governors report is not consistent with the Financial Statements, the University 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 Board of Governors 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.

### **Basis of Opinion**

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

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

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2006 and of the University's and Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;

- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2006 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2006 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

KPMG LLP

December 2006

Chartered Accountants  
Registered Auditor

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

### **Basis of preparation**

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting for Further and Higher Education Institutions* and in accordance with applicable accounting standards.

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain land and buildings.

### **Prior year adjustment**

The University has adopted FRS17 Retirement Benefits in the financial statements. The full adoption of the standard represents a change in accounting policy and the comparatives have been restated accordingly.

### **Basis of consolidation**

The consolidated financial statements include the University and its subsidiary undertakings for the financial year to 31 July 2006. Intra-group sales and purchases are eliminated fully on consolidation. In accordance with FRS2, the activities of the Students Union and the University's Development Trust have not been consolidated because the University does not control or have significant influence over their managerial and financial policy decisions.

### **Recognition of income**

Income from research grants, 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. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

### **Pension schemes**

The three pension schemes for the University's staff are the Teachers Pension Scheme (TPS), Universities Superannuation Scheme (USS) and the Merseyside Pension Fund (MPF). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The Funds are valued every five years (TPS) by actuaries using the entry age method, or three years (MPF and USS) by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the Schemes 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. Variations from regular cost are spread over the expected average remaining working lifetime of Members of the Schemes after making allowances for future withdrawals.

### **Tangible fixed assets**

#### **a. Land and buildings**

Land and Buildings are stated at valuation. The basis of valuation is open market value for existing use (except where this is not appropriate and accordingly buildings are valued on a depreciated replacement cost basis). CB Richard Ellis, Chartered Surveyors, revalued freehold and leasehold land and buildings at 30 April 2005. Valuations normally take place every 5 years. Freehold land is not depreciated. Buildings are depreciated over their expected useful lives of 40 years and leasehold buildings over the life of the lease. Assets in the course of construction are not depreciated.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Fixed assets that have been disposed of after the year end but prior to the signing of these accounts, have been transferred to current assets.

## **b. Maintenance of premises**

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

## **c. Telescope**

The Liverpool Telescope has been capitalised at cost and is being depreciated over 20 years.

## **d. Equipment**

Equipment, including computers and software, costing less than £10,000 per individual item, or group of related items, is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost and depreciated over 4 years.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful life of the equipment.

## **e. Leases**

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the shorter of the fair value of the leased assets at the inception of the lease or the life of the asset as appropriate. The excess of lease payments over recorded lease obligations is treated as finance charges, which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the leases.

## **Investments**

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Investments that form part of Endowment Assets are included in the balance sheet at market value.

Current asset investments are included at the lower of their original cost and net realisable value.

## **Stocks**

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

## **Taxation status**

The University 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 Taxes Act 1988. Accordingly, the University 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 Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The University receives no similar exemption in respect of Value Added Tax.

The University's subsidiary companies with the exception of JMU Building Services and Maintenance Ltd (which has the same taxation status as the University) are subject to corporation tax and VAT in the same way as any commercial organisation.

## **Cash flows and liquid resources**

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

## **Provisions**

Provisions are recognised when the University 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.

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2006

	Note	2005/06 £000	2004/05 £000 *As restated
<b>Income</b>			
Funding council grants	1	72,307	66,369
Tuition fees and education contracts	2	36,444	32,101
Research grants and contracts	3	8,172	7,945
Other income	4	14,313	14,609
Investment income	5	601	656
<b>Total income</b>		<b>131,837</b>	<b>121,680</b>
<b>Expenditure</b>			
Staff costs	6	84,199	77,971
Other operating expenses	8	42,878	43,240
Depreciation	10	4,511	4,587
Interest payable	7	1,810	1,682
<b>Total expenditure</b>	<b>8</b>	<b>133,398</b>	<b>127,480</b>
<b>(Deficit) after depreciation of fixed assets at valuation but before tax</b>		<b>(1,561)</b>	<b>(5,800)</b>
Profit on disposal of fixed assets	10	9,059	3,124
Loss on disposal of discontinued operations		-	(302)
Surplus/(Deficit) after depreciation of fixed assets at valuation and disposal of fixed assets but before tax		7,498	(2,978)
Taxation	9	1	12
<b>Surplus/ (Deficit) after depreciation of fixed assets at valuation and tax</b>	<b>21</b>	<b>7,497</b>	<b>(2,990)</b>

\* The results for the year ended 31 July 2005 have been restated to reflect the full implementation of FRS17. Details of the restatement of comparatives can be found in note 29.

## CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 July 2006

	Note	2005/06 £000	2004/05 £000
Surplus/(Deficit) after depreciation of fixed assets at valuation and tax		7,497	(2,990)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	1,212	1,531
<b>Historical cost surplus/(deficit) for the period after tax</b>		<b>8,709</b>	<b>(1,459)</b>



## BALANCE SHEETS

As at 31 July 2006

	Note	Group		University	
		2006 £000	2005 £000 *As restated	2006 £000	2005 £000 *As restated
<b>Fixed assets</b>					
Tangible assets	10	94,021	99,521	94,021	99,494
Investments	11	39	39	16,029	16,029
		<u>94,060</u>	<u>99,560</u>	<u>110,050</u>	<u>115,523</u>
<b>Endowment asset investments</b>	12	198	188	198	188
<b>Current assets</b>					
Stocks and work in progress		77	96	51	73
Debtors	13	11,607	11,016	12,207	11,305
Short-term deposits	16	21,602	10,111	21,102	10,111
Cash at bank and in hand	16	627	851	483	684
		<u>33,913</u>	<u>22,074</u>	<u>33,843</u>	<u>22,173</u>
<b>Creditors: Amounts falling due within one year</b>	14	31,761	24,914	30,867	24,230
<b>Net current assets/(liabilities)</b>		<u>2,152</u>	<u>(2,840)</u>	<u>2,976</u>	<u>(2,057)</u>
<b>Total assets less current liabilities</b>		96,410	96,908	113,224	113,654
<b>Creditors: Amounts falling due after more than one year</b>	15	10,232	17,970	27,030	34,768
<b>Provisions for liabilities and charges</b>	17	<u>12,163</u>	<u>11,439</u>	<u>12,163</u>	<u>11,459</u>
<b>Net assets excluding pension liability</b>		<b>74,015</b>	<b>67,499</b>	<b>74,031</b>	<b>67,427</b>
<b>Pension Scheme liability</b>	25	<u>(32,417)</u>	<u>(29,567)</u>	<u>(32,417)</u>	<u>(29,567)</u>
<b>Net assets including pension liability</b>		<u><b>41,598</b></u>	<u><b>37,932</b></u>	<u><b>41,614</b></u>	<u><b>37,860</b></u>
<b>Represented by:</b>					
<b>Deferred capital grants</b>	18	13,600	12,642	13,600	12,642
<b>Endowments</b>					
Specific	19	195	185	195	185
General	19	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
<b>Total Endowments</b>		<u>198</u>	<u>188</u>	<u>198</u>	<u>188</u>
<b>Reserves</b>					
Income and Expenditure Account excluding pension reserve	21	16,054	7,947	16,070	7,875
Pension Reserve	25	<u>(32,417)</u>	<u>(29,567)</u>	<u>(32,417)</u>	<u>(29,567)</u>
Income and Expenditure Account including pension reserve	25	<u>(16,363)</u>	<u>(21,620)</u>	<u>(16,347)</u>	<u>(21,692)</u>
Revaluation Reserve	20	<u>44,163</u>	<u>46,722</u>	<u>44,163</u>	<u>46,722</u>
<b>Total Reserves</b>		<u>27,800</u>	<u>25,102</u>	<u>27,816</u>	<u>25,030</u>
<b>Total</b>		<u><b>41,598</b></u>	<u><b>37,932</b></u>	<u><b>41,614</b></u>	<u><b>37,860</b></u>

\*Details of the restatement of comparatives are set out in note 29.

The financial statements on pages 14 to 35 were approved by the Board of Governors on 22<sup>nd</sup> November 2006.

Commodore R H Walker  
**Chair**

Michael Brown  
**Vice Chancellor**

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2006

	Note	2005/06 £000	2004/05 £000
<b>Net cash inflow from operating activities</b>	22	4,946	1,977
Returns on investments and servicing of finance	23	(343)	(286)
Taxation		(7)	(4)
Capital expenditure and financial investment	23	7,541	314
		<hr/>	<hr/>
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		12,137	2,001
Management of liquid resources	23	(11,491)	(400)
Financing	23	(860)	(865)
		<hr/>	<hr/>
<b>(Decrease)/Increase in cash in the year</b>		(214)	736
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
		<b>2005/06 £000</b>	<b>2004/05 £000</b>
(Decrease)/Increase in cash in the year	24	(214)	736
Cash inflow from decrease in debt and lease financing	24	3,951	1,112
Cash inflow from movement in liquid resources	24	11,491	400
		<hr/>	<hr/>
Change in net debt resulting from cash flows		15,228	2,248
Movement in net debt for year 2006		15,228	2,248
Net debt at 1 August 2005		(6,389)	(8,637)
		<hr/>	<hr/>
Net debt at 31 July 2006	24	8,839	(6,389)
		<hr/>	<hr/>

# STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2006

	<b>Note</b>	<b>2005/06 £000</b>	<b>2004/05 £000 As restated</b>
Surplus/(Deficit) after depreciation of fixed assets at valuation and tax		7,497	(2,990)
Appreciation of endowment asset investments	19	10	-
HEFCE grant received re inherited debt payment	20	3,091	245
Realised gain on disposal of revalued assets	20	(4,438)	-
Unrealised surplus on revaluation of assets	20	-	22,783
Actuarial loss in respect of pension scheme	25	(3,389)	(6,858)
<b>Total recognised gains relating to the year</b>		<b>2,771</b>	<b>13,180</b>
Prior year adjustment*		-	(21,723)
<b>Total recognised gains and losses since last year</b>		<b>2,771</b>	<b>(8,543)</b>

## Reconciliation

	<b>2005/06 £000</b>	<b>2004/05 £000</b>
Opening reserves and endowments	25,290	33,833
Total recognised gains in year	2,771	13,180
Discontinued Activities: release of income and expenditure reserve	(63)	-
Prior year adjustment: FRS17 Retirement Benefits	-	(21,723)
Closing reserves and endowments	<b>27,998</b>	<b>25,290</b>

\* Net pension liability as at 31<sup>st</sup> August 2004.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006

<b>1</b>	<b>Funding Council grants</b>	<b>HEFCE £000</b>	<b>TDA £000</b>	<b>2005/06 £000</b>	<b>2004/05 £000</b>
	Recurrent grant	59,457	4,478	63,935	59,378
	Specific grants				
	Inherited liabilities	367	-	367	1,103
	Other	5,952	1,371	7,323	5,256
	Deferred capital grants released in year				
	Buildings (note 18)	219	-	219	309
	Equipment (note 18)	463	-	463	323
		<u>66,458</u>	<u>5,849</u>	<u>72,307</u>	<u>66,369</u>
<b>2</b>	<b>Tuition fees and education contracts</b>			<b>2005/06 £000</b>	<b>2004/05 £000</b>
	Full-time students (UK and European Union)			16,938	15,255
	Full-time students charged overseas fees and other fees			5,762	4,500
	Part-time fees (UK and European Union)			2,756	2,429
	Other fees and NHS education contracts			10,988	9,917
				<u>36,444</u>	<u>32,101</u>
<b>3</b>	<b>Research grants and contracts</b>			<b>2005/06 £000</b>	<b>2004/05 £000</b>
	Research councils			1,845	1,402
	UK based charities			274	502
	Health & Hospitals			1,510	1,660
	Central and Local Government			2,626	2,574
	Other research grants and contracts			1,917	1,807
				<u>8,172</u>	<u>7,945</u>
<b>4</b>	<b>Other income</b>			<b>2005/06 £000</b>	<b>2004/05 £000</b>
	Residences and Catering			1,887	1,821
	Other Services rendered			7,539	8,319
	Released from deferred capital grant (note 18)			355	376
	Other Income			<u>4,532</u>	<u>4,093</u>
				<u>14,313</u>	<u>14,609</u>
<b>5</b>	<b>Investment income</b>			<b>2005/06 £000</b>	<b>2004/05 £000</b>
	Income from short-term deposits			<u>601</u>	<u>656</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 6 Staff costs

	2005/06 £000	2004/05 £000 As Restated
Salaries and wages	67,998	63,869
Social security costs	5,761	5,426
Pension costs (including FRS17 adjustment)	6,903	7,763
	80,662	77,058
Severance: Restructuring costs	1,673	419
	82,335	77,477
Pension costs relating to enhanced pension provision (note 17)	1,864	494
	84,199	77,971

	2005/06 £	2004/05 £
Emoluments of the Vice Chancellor		
Salary	204,500	180,000
Benefits in kind	1,240	500
	205,740	180,500
Pension contributions	27,600	24,300

The Vice Chancellor's pay award for 2005-06 covers two financial years 2005-06 and 2006-07. The pension contributions in respect of the Vice Chancellor are in relation to employer's contributions to the Teachers Pension Scheme and are paid at the same rate as for other employees.

The average number of persons employed by the University during the year as expressed in full time equivalents was:

	Number	Number
Academic	861	822
Support	1,277	1,215
Other	197	257
	2,335	2,294

Remuneration of higher paid staff other than the Vice Chancellor, including pension contributions:

£70,000 - £79,999	11	8
£80,000 - £89,999	6	1
£90,000 - £99,999	8	6
£100,000-£109,000	8	7

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 7 Interest payable

	2005/06 £000	2004/05 £000
On bank loans, overdraft and other loans:		
Wholly repayable within five years	32	31
Not wholly repayable within five years	697	684
Finance leases	238	204
Interest on Liverpool City Council inherited debt (reimbursed by HEFCE)	395	196
	<u>1,362</u>	<u>1,115</u>
FRS17 Adjustment: Net interest on pension liabilities (note 25)	448	567
	<u>1,810</u>	<u>1,682</u>

### 8 Analysis of 2005/06 expenditure by activity

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable £000	Total £000
Academic	53,448	857	12,605	-	66,910
Academic services	7,901	8	5,284	-	13,193
Research grants & contracts	4,200	120	2,405	-	6,725
Residences & catering	855	171	969	234	2,229
Premises	4,377	2,682	11,212	1,092	19,363
Administration & central services	6,718	564	3,280	484	11,046
General education	1,790	-	4,252	-	6,042
Staff student facilities	1,567	3	1,668	-	3,238
Other expenses	3,343	106	1,203	-	4,652
Total per income and expenditure account	<u>84,199</u>	<u>4,511</u>	<u>42,878</u>	<u>1,810</u>	<u>133,398</u>

### Other operating expenditure includes:

	2005/06 £000	2004/05 £000
Auditors remuneration		
External audit	38	36
External auditors provision of non audit services	65	84
Internal audit	54	75
Operating leases	121	70

### 9 Taxation

	2005/06		2004/05	
	Group £000	University £000	Group £000	University £000
<b>Current Tax:</b>				
UK Corporation taxation at 30%	4	4	8	8
(Over)/under provision of taxation in prior years	<u>(3)</u>	<u>(3)</u>	<u>4</u>	<u>5</u>
	<u>1</u>	<u>1</u>	<u>12</u>	<u>13</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 10 Tangible fixed assets

Group	Freehold Land and Buildings	Leasehold Land and Buildings	Assets Under Construc- tion	Telescope	Equipment	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 August 2005	86,673	7,493	-	4,296	13,417	111,879
Additions	1,421	-	1,717	-	1,906	5,044
Re-classification	(1,829)	-	1,829	-	-	-
Disposals	(6,145)	-	-	-	(1,364)	(7,509)
At 31 July 2006	80,120	7,493	3,546	4,296	13,959	109,414
<b>Depreciation</b>						
At 1 August 2005	463	1,432	-	430	10,033	12,358
Charge for the year	1,855	389	22	215	2,030	4,511
Re-classification	(6)	-	6	-	-	-
Disposals	(152)	-	-	-	(1,324)	(1,476)
At 31 July 2006	2,160	1,821	28	645	10,739	15,393
<b>Net book value</b>						
Inherited	55,252	5,672	1,500	-	-	62,424
Financed by capital grant	10,234	-	75	1,957	1,167	13,433
Other	12,474	-	1,943	1,694	2,053	18,164
At 31 July 2006	77,960	5,672	3,518	3,651	3,220	94,021
At 1 August 2005	86,210	6,061	-	3,866	3,384	99,521
<b>University</b>	<b>Freehold Land and Buildings £000</b>	<b>Leasehold Land and Buildings £000</b>	<b>Assets Under Construc- tion £000</b>	<b>Telescope £000</b>	<b>Equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>						
At 1 August 2005	86,673	7,493	-	4,296	12,547	111,009
Additions	1,421	-	1,717	-	1,906	5,044
Re-classification	(1,829)	-	1,829	-	-	-
Disposals	(6,145)	-	-	-	(494)	(6,639)
At 31 July 2006	80,120	7,493	3,546	4,296	13,959	109,414
<b>Depreciation</b>						
At 1 August 2005	463	1,432	-	430	9,190	11,515
Charge for the year	1,855	389	22	215	2,030	4,511
Re-classification	(6)	-	6	-	-	-
Disposals	(152)	-	-	-	(481)	(633)
At 31 July 2006	2,160	1,821	28	645	10,739	15,393
<b>Net book value</b>						
Inherited	55,252	5,672	1,500	-	-	62,424
Financed by capital grant	10,234	-	75	1,957	1,167	13,433
Other	12,474	-	1,943	1,694	2,053	18,164
At 31 July 2006	77,960	5,672	3,518	3,651	3,220	94,021
At 1 August 2005	86,210	6,061	-	3,866	3,357	99,494

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 10 Tangible fixed assets (continued)

The net book value of assets held under finance leases is £4,931,931 in respect of land and buildings and £nil in respect of equipment. The depreciation charge for the year, in respect of leased land and buildings is £161,737 and in respect of leased equipment is £nil.

The University's freehold and some leasehold land and buildings were valued at 30 April 2005 at open market value for existing use or depreciated replacement cost at £83m. In addition the remaining leased buildings are shown at the value of the lease. Included in land and building is freehold land to the value of £11m that is not depreciated.

Should land and buildings that have been financed by exchequer funds be sold, the University may be required, under the terms of the Finance Memorandum with HEFCE, to surrender the proceeds.

In 2006 the University sold the following properties, Josephine Butler House, 68 Hope Street, Blackburn Place and Hahnemann Building, which had a net book value of £5,992k, realising a profit on sale of £9,059k including the release of revaluation reserves of £4,439k.

Other disposals comprise equipment that had a net book value of £13K.

### 11 Investments

Group	Other Investments £000
-------	------------------------------

#### Cost or valuation

At 1 August 2005 and at 31 July 2006	39
--------------------------------------	----

Other investments are in respect of shares in CVCP Properties PLC (1.0%) and Amaze Ltd (250,000 preference shares, redemption value £nil).

University	Interests in Group Undertakings £000	Other Investments £000	Total £000
------------	---	------------------------------	---------------

#### Cost or valuation

Net book value at 1 August 2005 and at 31 July 2006	15,990	39	16,029
---	--------	----	--------

The University's subsidiary undertakings and its percentage shareholding in each are as follows.

Name of Undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held %
JMU Property Development Company Ltd	England & Wales	Ordinary £1 shares	100
JMU Services Ltd	England & Wales	Ordinary £1 shares	100
JMU Learning Resource Centre Ltd	England & Wales	Ordinary £1 shares	100
JMU Building Services and Maintenance Ltd	England & Wales	-	-
Liverpool Business School Ltd	England & Wales	Ordinary £1 shares	100

The University exercises a significant influence over the operations of JMU Building Services and Maintenance Limited, a company limited by guarantee. The University is the guarantor and the directors of the company must be appointed from officers or governors of the University, or members of the Company. Liverpool Business School Limited is a dormant company.



## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 11 Investments (continued)

Liverpool Science Park Limited is a company limited by guarantee. The company was incorporated on the 13 June 2003. In the period to the 30 September 2005 it was a joint venture between Liverpool John Moores University, University of Liverpool and Liverpool City Council, their interest in the company being 40.05%, 40.05% and 19.9% respectively. On the 30 September 2005 the interest holdings in the company changed to 51% for the Liverpool City Council, and 24.5% each to the University of Liverpool and Liverpool John Moores University. The company commenced trading in November 2005. The net liabilities of this company for the year ended 31 July 2006 are £6,851, the group share of these being £1,678.

### 12 Endowment asset investments

	<b>Group and University £000</b>
At 1 August 2005	188
Additions	12
Disposals	(10)
Appreciation during year	8
	<hr/>
<b>Balance at 31 July 2006, represented by short term deposits</b>	<b>198</b>
	<hr/>

### 13 Debtors

	<b>Group</b>		<b>University</b>	
	<b>2006 £000</b>	<b>2005 £000</b>	<b>2006 £000</b>	<b>2005 £000</b>
<b>Amounts falling due within one year</b>				
Trade debtors	3,578	3,310	2,863	2,950
Prepayments	1,558	1,624	1,545	1,587
Other debtors	4,763	4,403	4,725	4,281
Amounts due from associated company	915	645	915	645
Amounts due from subsidiary companies	-	-	1,366	808
	<hr/>	<hr/>	<hr/>	<hr/>
	10,814	9,982	11,414	10,271
<b>Amounts falling due after one year</b>				
Other Debtors	793	1,034	793	1,034
	<hr/>	<hr/>	<hr/>	<hr/>
	11,607	11,016	12,207	11,305
	<hr/>	<hr/>	<hr/>	<hr/>

	<b>Group</b>		<b>University</b>	
	<b>2006 £000</b>	<b>2005 £000</b>	<b>2006 £000</b>	<b>2005 £000</b>
<b>14 Creditors: Amounts falling due within one year</b>				
HEFCE grants not applied	4,009	4,525	4,009	4,525
Accruals - research grants	8,591	6,284	8,591	6,284
Payroll deductions	2,241	2,096	2,241	2,096
LCC loan debt principal 2006/07 (Note 15)	-	261	-	261
Bank loans principal 2006/07	538	538	538	538
Finance leases 2006/07 (Note 16)	3,935	260	3,935	260
Amounts due to subsidiary companies	-	-	11	31
Trade creditors	3,176	2,666	3,152	2,510
Other creditors	9,271	8,284	8,390	7,725
	<hr/>	<hr/>	<hr/>	<hr/>
	31,761	24,914	30,867	24,230
	<hr/>	<hr/>	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

15 Creditors: Amounts falling due after one year	Group		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Liverpool City Council loan debt at 1 August 2005	3,091	3,336	3,091	3,336
Repayment of loan debt principal during year	(3,091)	(245)	(3,091)	(245)
Liverpool City Council loan debt at 31 July 2006	-	3,091	-	3,091
Loan debt principal due in 2006/07 (note 14)	-	(261)	-	(261)
Bank loan	9,115	9,653	9,115	9,653
Finance leases	-	3,997	-	3,997
Inter company leases	-	-	16,798	16,798
Other creditors	1,117	1,490	1,117	1,490
	10,232	17,970	27,030	34,768

The City Council debt was repaid in full in November 2005. This settlement was fully funded by a HEFCE grant.

## 16 Interest rate risk profile of financial liabilities

	Cash at Bank and in hand				Short Term Deposits			
	Group		University		Group		University	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Floating Rate	627	851	483	684	-	-	-	-
Fixed Rate	-	-	-	-	21,602	10,111	21,102	10,111
As at 31 July	627	851	483	684	21,602	10,111	21,102	10,111

The short-term deposits are placed with banks at rates based on prevailing market rates at the time of the deposit. All balances were held in sterling.

Maturity of financial liabilities	Debt	2006 Finance Leases	Total	Debt	2005 Finance Leases	Total
	£000	£000	£000	£000	£000	£000
Within 1 year or on demand	538	3,935	4,473	799	260	1,059
Between 1 & 2 years	538	-	538	793	260	1,053
Between 3 & 5 years	1,614	-	1,614	2,224	780	3,004
Over 5 years	6,963	-	6,963	9,466	2,957	12,423
Finance charges allocated to future periods	9,653	3,935	13,588	13,282	4,257	17,539

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 16 Interest rate risk profile of financial liabilities (continued)

The Bank loans are as follows:

Original Value £m	Term Years	Fixed/Variable	Security	Interest rate
10.4	25	Fixed to 2009	Aldham Robarts LRC	8.11%
3.0	25	Variable	Assorted Properties	5.43%
3.0	25	Variable	Avril Robarts LRC	5.43%

The Finance Leases relate to fixed rate finance lease obligations of one of £6.5m payable over 25 years, secured on Dillistone and Patey residences and various equipment lease agreements.

There is also a 21 year lease in respect of the Avril Robarts Learning Resource Centre.

### Borrowing facilities

The group has no undrawn borrowing facility available as at 31 July 2006.

	Total £000	Floating Rate Financial Liabilities £000	Fixed Rate Financial Liabilities £000
As at 31 July 2006	<u>13,588</u>	<u>4,140</u>	<u>9,448</u>
As at 31 July 2005	<u>17,539</u>	<u>4,380</u>	<u>13,159</u>

All the group's creditors falling due within 1 year (other than bank and other borrowings) are excluded from the above table.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 17 Provisions for liabilities and charges

<b>Group</b>	<b>Pension Enhancements £000</b>	<b>Discontinued Operations £000</b>	<b>Other £000</b>	<b>Total £000</b>
At 1 August 2005	10,863	181	395	11,439
Utilised in the year	(713)	(181)	(187)	(1,081)
Transfer from/(to) income and expenditure account	1,805	-	-	1,805
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2006	11,955	-	208	12,163
	<hr/>	<hr/>	<hr/>	<hr/>
<b>University</b>	<b>Pension Enhancements £000</b>	<b>Discontinued Operations £000</b>	<b>Other £000</b>	<b>Total £000</b>
At 1 August 2005	10,863	302	294	11,459
Utilised in the year	(772)	(388)	-	(1,160)
Transfer from/(to) income and expenditure account	1,864	-	-	1,864
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2006	11,955	(86)	294	12,163
	<hr/>	<hr/>	<hr/>	<hr/>

The pension provision is in respect of pension enhancements payable to staff that have taken early retirement. The provision has been revalued at 31 July 2006.

The provision for discontinued operations relates to future income.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 18 Deferred capital grants

#### Group and University

	HEFCE £000	Other £000	Total £000
At 1 August 2005			
Buildings	8,040	2,289	10,329
Equipment	477	1,836	2,313
	<u>8,517</u>	<u>4,125</u>	<u>12,642</u>
Income			
Buildings	992	-	992
Equipment	899	104	1,003
	<u>1,891</u>	<u>104</u>	<u>1,995</u>
Total			
Released to income and expenditure			
Buildings (notes 1 and 4)	219	51	270
Equipment (note 1 and 4)	463	304	767
	<u>682</u>	<u>355</u>	<u>1,037</u>
Total			
At 31 July 2006			
Buildings	8,813	2,238	11,068
Equipment	913	1,636	2,532
	<u>9,726</u>	<u>3,874</u>	<u>13,600</u>
<b>Total</b>			

### 19 Endowments

#### Group and University

	Specific £000	General £000	Total £000
At 1 August 2005	185	3	188
Appreciation in year	8	-	8
Additions in year	9	3	12
Expenditure in year	(7)	(3)	(10)
	<u>195</u>	<u>3</u>	<u>198</u>
<b>At 31 July 2006</b>			
Representing:			
<b>Trust &amp; prize funds</b>	<u>195</u>	<u>3</u>	<u>198</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 20 Revaluation reserve

	<b>Group and University</b>	
	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<b>Revaluations</b>		
At 1 August 2005	46,722	25,225
Loan principal repaid, funded by HEFCE	3,091	245
Revaluation during the year	-	22,783
Release on Sale of Property	(4,438)	-
Contributions to depreciation: Released in year (note 21)	(1,212)	(1,531)
<b>At 31 July 2006</b>	<b>44,163</b>	<b>46,722</b>

### 21 Income and expenditure account

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
			<b>As restated</b>	<b>As restated</b>
At 1 August as previously stated	(21,620)	(21,692)	8,420	9,322
Prior year adjustment in respect of FRS17	-	-	(21,723)	(21,723)
At 1 August as restated	(21,620)	(21,692)	(13,303)	(12,401)
Surplus/(Deficit) retained for the year	7,497	7,522	(2,990)	(3,964)
Elimination of reserves on disposal of subsidiary company	(63)	-	-	-
Transfer from revaluation reserve	1,212	1,212	1,531	1,531
Actuarial loss in respect of pension scheme	(3,389)	(3,389)	(6,858)	(6,858)
At 31 July	(16,363)	(16,347)	(21,620)	(21,692)
<b>Balance represented by:</b>				
Pension Reserve	(32,417)	(32,417)	(29,567)	(29,567)
Income and Expenditure account excluding pension reserve	16,054	16,070	7,947	7,875
	(16,363)	(16,347)	(21,620)	(21,692)

### 22 Reconciliation of consolidated operating surplus/(deficit) to net cashflow from operating activities

	<b>2005/06</b>	<b>2004/05</b>
	<b>£000</b>	<b>£000</b>
		<b>As restated</b>
Operating Surplus/ (Deficit) before taxation as restated	7,498	(2,978)
Adjustment to operating surplus due to FRS 17 Implementation	(539)	986
Operating Surplus/(deficit) before taxation, as previously stated	6,959	(1,992)
Profit on disposal of fixed assets	(9,059)	(3,124)
Depreciation (note 10)	4,511	4,587
Deferred capital grants released to income (note 18)	(1,037)	(1,008)
Interest receivable (note 5)	(601)	(656)
Interest payable less: Net interest on pension liabilities	1,362	1,115
Interest reimbursement by HEFCE	(395)	(196)
Decrease/(increase) in stock	19	(3)
(Increase)/ decrease in debtors	(601)	2,285
Increase/(decrease) in creditors	3,064	1,105
Increase/(decrease) in provisions (note 17)	724	(136)
<b>Net cash inflow from operating activities</b>	<b>4,946</b>	<b>1,977</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 23 Analysis of cash flows for headings netted in the cashflow statement

	2005/06 £000	2004/05 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	611	708
Interest paid	(1,111)	(966)
Reimbursement of interest on inherited debt	395	196
Interest element of finance lease rental payment	(238)	(224)
	<u>(343)</u>	<u>(286)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(5,044)	(6,186)
Disposal of tangible fixed assets	10,653	5,336
Disposal of subsidiary company	(63)	-
Receipt of deferred capital grants	1,995	1,164
	<u>7,541</u>	<u>314</u>
<b>Management of liquid resources</b>		
Cash placed on short term deposit (note 24)	<u>(11,491)</u>	<u>(400)</u>
<b>Financing</b>		
<b>Debt due within one year:</b>		
Repayment of secured loan	(538)	(538)
Repayment of inherited debt	(3,091)	(245)
Recovery of HEFCE inherited debt	3,091	245
Capital element of finance lease rental payments	3,675	(22)
<b>Debt due beyond one year:</b>		
Capital element of finance lease rental payments	<u>(3,997)</u>	<u>(305)</u>
	<u>(860)</u>	<u>(865)</u>

### 24 Analysis of net debt

	At 1 August 2005 £000	Cash Flow £000	Non Cash Change £000	At 31 July 2006 £000
Cash in hand and at bank				
Endowments	188	10	-	198
General	851	(224)	-	627
	<u>1,039</u>	<u>(214)</u>	<u>-</u>	<u>825</u>
Debt due after one year	(12,483)	2,830	538	(9,115)
Debt due within one year	(799)	799	(538)	(538)
Finance leases	(4,257)	322	-	(3,935)
	<u>(17,539)</u>	<u>3,951</u>	<u>-</u>	<u>(13,588)</u>
Current asset investments	<u>10,111</u>	<u>11,491</u>	<u>-</u>	<u>21,602</u>
	<u>(6,389)</u>	<u>15,228</u>	<u>-</u>	<u>8,839</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

### 25 Pension schemes

The pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), which is administered by the Teachers' Pension Agency (TPA), the Universities Superannuation Scheme (USS), which is administered by Universities Superannuation Scheme Limited and the Merseyside Pension Fund (MPF), which is administered by Wirral Metropolitan Borough Council. The total pension cost for the period was £7,892,207 (2005 - £7,344,574).

#### Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions for the year ended 31 July 2006 amount to £4,448,142 (2005 - £4,235,760). Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2001
Actuarial method	Prospective Benefits
Gross rate of return	7.0% per annum
Rate of real earnings growth	1.5% per annum
Market value of assets at date of last valuation	£142,880m
Proportion of members' benefits covered by the actuarial value of the assets	100%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the period from 1 April 2005 to 31 July 2006 the employer contribution was 13.5%. With effect from 1 January 2007 the employers and employees contributions will increase to 14.1% and 6.4% respectively.

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. (The University has set out above the information available on the scheme and the implications for the University in terms of the anticipated contributions rates).

#### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme, a defined benefit scheme, which is externally funded and contracted out of the State Earnings-Related Pension Scheme.

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2005
Actuarial method	Projected Unit
Investment returns per annum	6.2% per annum
Pension increases per annum	2.9 % per annum
Salary scale increases per annum	3.9% per annum
Market value of assets at date of last valuation	£21,740 million
Proportion of members' benefits covered by the actuarial value of the assets	77%

The total pension contribution to USS for the University was £81k (2005 £55k). The employer contribution rate payable by the University was 14%. Surpluses or deficits, which arise at future valuations, may impact on universities' future contribution commitment.



## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000
University's estimated asset share	84,283	71,933	59,976
Present value of scheme liabilities	(116,700)	(101,500)	(81,699)
Deficit in the scheme	(32,417)	(29,567)	(21,723)

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the USS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. (The University has set out above the information available on the surplus in the scheme and the implications for the University in terms of the anticipated contributions rates).

### Local Government Pension Scheme (LGPS) - Merseyside Pension Fund

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2006 was £3,424,000 (2005 £3,064,000). The agreed contribution rates are 12.5% from 1 April 2006 for employers and 6% for employees.

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. An actuarial valuation as at 31 March 2004 is in the process of being carried out. All revisions to contributions were implemented from 1 April 2005. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Projected Unit
Investment returns per annum	6.5% per annum
Pension increases per annum	2.5% per annum
Salary scale increases per annum	3.75% per annum
Market value of assets at date of last valuation	£2,955 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	76%

The following information is based upon a full actuarial valuation of the Fund at 31 March 2004 updated to 31 July 2006 by a qualified independent actuary.

	At 31 July 2006	At 31 July 2005	At 31 July 2004
Inflation	3.0%	2.7%	2.8%
Rate of increase in salaries	4.25%	3.95%	3.8%
Rate of increase for pensions	3.0%	2.7%	2.8%
Discount rate for liabilities	5.1%	5.0%	5.7%

The University's share of the assets in the scheme and the expected rates of return were:

	Long term rate of return expected at 31 July 2006	Value at 31 July 2006 £000	Long term rate of return expected at 31 July 2005	Value at 31 July 2005 £000	Long term rate of return expected at 31 July 2004	Value at 31 July 2004 £000
Equities	7.0%	48,801	7.5%	42,871	7.5%	34,786
Government Bonds	4.4%	15,592	4.4%	13,164	5.0%	10,136
Other Bonds	5.1%	4,551	5.0%	3,741	5.7%	2,579
Property	6.5%	7,838	6.5%	3,093	6.5%	5,938
Other	5.75%	7,501	6.78%	9,064	4.5%	6,537
Total Market Value of assets		84,283		71,933		59,976

## NOTES TO THE FINANCIAL STATEMENTS

**Analysis of the amount charged to income and expenditure account**

	<b>Year Ended 31 July 2006 £000</b>	<b>Year Ended 31 July 2005 £000</b>
Service cost	(4,534)	(3,483)
Past service/Curtailment costs	2,097	-
Total operating charge	<u>(2,437)</u>	<u>(3,483)</u>

**Analysis of net return on pension scheme**

	<b>Year Ended 31 July 2006 £000</b>	<b>Year Ended 31 July 2005 £000</b>
Expected return on pension scheme assets	4,735	4,179
Interest on pension liabilities	<u>(5,183)</u>	<u>(4,746)</u>
Net return	<u>(448)</u>	<u>(567)</u>

**Amount recognised in the statement of total recognised gains and losses (STRGL)**

	<b>Year Ended 31 July 2006 £000</b>	<b>Year Ended 31 July 2005 £000</b>
Actual return less expected return on pension scheme assets	4,392	8,014
Experience gains and losses arising on the scheme liabilities	(3,249)	(1,158)
Change in financial and demographic assumptions underlying the scheme liabilities	<u>(4,532)</u>	<u>(13,714)</u>
Actuarial loss recognised in STRGL	<u>(3,389)</u>	<u>(6,858)</u>

**Movement in deficit during the year**

	<b>Year Ended 31 July 2006 £000</b>	<b>Year Ended 31 July 2005 £000</b>
Deficit in scheme at 1 August 2005	(29,567)	(21,723)
Movement in year:		
Current service charge	(4,534)	(3,483)
Contributions	3,424	3,064
Past service/Curtailment cost	2,097	-
Net interest/return on assets	(448)	(567)
Actuarial loss	<u>(3,389)</u>	<u>(6,858)</u>
Deficit in scheme at 31 July 2006	<u>(32,417)</u>	<u>(29,567)</u>

31 July 2006 (continued)

<b>History of experience gains and losses</b>	<b>Year Ended 31 July 2006 £000</b>	<b>Year Ended 31 July 2005 £000</b>	<b>Year Ended 31 July 2004 £000</b>	<b>Year Ended 31 July 2003 £000</b>	<b>Year Ended 31 July 2002 £000</b>
Difference between the expected and actual return on assets:					
Amount	1,143	6,856	645	445	(10,934)
% of scheme assets	1.59%	9.5%	1.1%	0.8%	22.7%
Change in assumptions					
Amount	(4,532)	(13,714)	(1,449)	(6,258)	-
% of scheme liabilities	3.9%	13.5%	1.8%	8.6%	-
Total amount recognised in STRGL					
Amount	(3,389)	(6,858)	(804)	(6,703)	(10,934)
% of scheme liabilities	2.9%	6.8%	1.0%	9.2%	17.9%

## 26 Access funds

	<b>2005/06 £000</b>	<b>2004/05 £000</b>
Balance at 1 August	51	168
Funding Council grants	1,204	1,048
Interest earned	15	19
	<hr/>	<hr/>
	1,270	1,235
Disbursed to students	(1,061)	(1,184)
	<hr/>	<hr/>
<b>Balance at 31 July 2006</b>	<b>209</b>	<b>51</b>

Funding Council grants are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

## 27 Training and Development Agency bursaries

	<b>2005/06 £000</b>	<b>2004/05 £000</b>
Balance at 1 August 2005	16	114
Training and Development Agency grants	1,884	1,647
	<hr/>	<hr/>
	1,900	1,761
University administration fee	(38)	(35)
Disbursed to students	(1,728)	(1,710)
	<hr/>	<hr/>
<b>Balance at 31 July 2006</b>	<b>134</b>	<b>16</b>

## 28 Capital commitments

There University had £1,892k of commitments contracted at 31 July 2006 (2004/05 £3,002k) but not provided for in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2006 (continued)

## 29 Prior Year Adjustment

During the year, the University adopted the requirements of FRS17 (Retirement Benefits). Under the provisions of FRS3 this constituted a change in accounting policy and is therefore accounted for as a prior year adjustment. The effect of the prior year adjustment on the position as previously reported at 31 July 2005 is set out below:

<b>Income and Expenditure Account</b>	<b>2004/05 £000</b>	<b>PYA</b>	<b>2004/05 As restated £000</b>
Total Income	121,680		121,680
Total Expenditure	(126,494)	(986)	(127,480)
(Deficit)/Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax	(4,814)	(986)	(5,800)
Profit on sale of fixed assets	3,124		3,124
Loss on disposal of discontinued operations	(302)		(302)
Taxation	(12)		(12)
	<u>(2,004)</u>	(986)	<u>(2,990)</u>
<b>Statement of total recognised gains and losses</b>			
Deficit after depreciation of fixed assets at valuation and tax	(2,004)	(986)	(2,990)
HEFCE grant received re inherited debt payment	245		245
Unrealised surplus on revaluation of assets	22,783		22,783
Actual loss in respect of pension scheme	-	(6,858)	(6,858)
Total recognised (losses)/gains relating to the period	<u>21,024</u>		<u>(13,180)</u>
<b>Balance Sheet</b>			
Fixed Assets	99,521		99,521
Investments	39		39
Endowment Assets	188		188
Current Assets	22,074		22,074
Current liabilities	(24,914)		(24,914)
Long term liabilities	(17,970)		(17,970)
Provisions	(11,439)		(11,439)
Pension Liability	-	(29,567)	(29,567)
<b>Net Assets</b>	<u>67,499</u>		<u>37,932</u>
Deferred Capital Grants	12,642		12,642
Total Endowments	188		188
Revaluation Reserves	46,722		46,722
General Reserve excluding pension liability	7,947		7,947
Pension Reserve	-	(29,567)	(29,567)
<b>Total Reserves</b>	<u>67,499</u>		<u>37,932</u>
			<b>£000</b>
Adjustment to opening income and expenditure Account reserve at 1 August 2004			21,723
Adjustment to Income and Expenditure account for the year ended 31 July 2005			986
Adjustment to statement of total recognised gains and losses for the year ended 31 July 2005			6,858
Total			<u>29,567</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

31 July 2006 (continued)

### **30 Related party transactions**

Due to the nature of the University's operations and the composition of the Board which, being drawn from local 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 organisations in which a member of the Board may have an interest are declared and conducted at arm's length, in accordance with the University's financial regulations and normal procurement procedures.

The University maintains a Register of Interests and if a potential conflict of interest arises, the member of the Board would withdraw from a meeting of the Board of Governors.

The University has taken advantage of the exemption available under FRS 8 "Related Party Transactions" not to disclose transactions with group companies which are eliminated on consolidation.

### **31 Ultimate Parent Organisation**

Liverpool John Moores University is the ultimate parent organisation. Copies of the group accounts are obtainable from the Finance Director, Rodney House, 70 Mount Pleasant, Liverpool, L3 5UX.