

**LIVERPOOL JOHN MOORES UNIVERSITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2007**

## CONTENTS

### **PAGE**

Report of the Board of Governors	1
Board of Governors	4
Officers and Advisors of the University	6
Responsibilities of the Board of Governors	7
Corporate Governance	8
Report of the Auditors	11
Statement of Principal Accounting Policies	13
Consolidated Income and Expenditure Account	15
Balance Sheets	16
Consolidated Cash Flow Statement	17
Statement of Consolidated Total Recognised Gains and Losses	18
Notes to the Financial Statements	19

## 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 2007.

### Results for the Year

The University's consolidated Income, Expenditure and Results for the year to 31 July 2007 are summarised as follows:

	<b>2006/07 £000</b>	<b>2005/06 £000</b>
Income	143,699	131,837
Expenditure	141,129	133,398
	<hr/>	<hr/>
Surplus/(Deficit) after depreciation of assets at valuation and before tax	2,570	(1,561)
Profit on disposal of fixed assets	2,574	9,059
	<hr/>	<hr/>
Surplus after depreciation of fixed assets at valuation and disposal of fixed assets but before tax	5,144	7,498
Taxation	1	(1)
	<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	5,145	7,497
	<hr/>	<hr/>
Surplus for the year on a historical cost basis	6,287	8,709
	<hr/>	<hr/>

### Highlights of the Year

- Significant progress on the World of Work (WOW) agenda
- £2.5m Science and Technology Facilities Council grant awarded
- Property Development positively moving forward
- Centre for Excellence in Teaching and Learning opened and up and running
- Prince of Wales, the King of Thailand and the President of Ghana received Honorary Fellowships
- Strong underlying financial performance with growth in international students, collaborative activity, enterprise and research

## **Financial Headlines**

- Historical cost surplus for the year £6.3m
- Capital expenditure over £10m for the first time in over 5 years
- Loans less than £10m and gearing at 38%
- Income growth of 9% to £143.7m
- Increased expenditure of 5.8% to £141.1m

## **Income and Expenditure Account**

2006/07 has been a challenging but successful financial year with a retained group surplus for the year of £6.3m.

Total Income increased by 9% to £143.7m. The majority of the increase was due to the benefit received from the first year of increased student fees but there were also increases in the strategic growth areas of international fees, enterprise, research and collaborative partnerships. Home and overseas student numbers increased from 2005/06.

Expenditure increased by 5.8% to £141.1m. Staff costs have increased by 8% due to pay modernisation and the pay award. The main areas of increase in other operating costs include the cost of bursaries, increased planned expenditure on maintenance, fuel and power costs and increased rents.

During the year the University also disposed of its Dilistone and Patey residences resulting in a £2.6m surplus. This is consistent with our residences strategy.

The impact of FRS17 (Retirement Benefits) was a decrease to group surplus of £2.1m (2005/06 an increase of £0.5m).

## **Balance Sheet**

Income and Expenditure Reserves excluding the Pension Reserve (associated with FRS17) are £24.5m an increase of £8.4m compared with the previous year. The inclusion of the Pension Reserve results in negative Income and Expenditure reserves of £3m (2005/06 negative £16.4m).

Net assets, excluding pension liability, increased by £16.6m during the year and once again reflect further balance sheet strengthening including reduction in onerous leases and an increase in cash balances to prepare for the investments in the next 10 years.

## **Capital Programme**

The capital development programme has moved forward significantly this year: Three steering groups have been established to oversee the master planning and projects.

### **Mount Pleasant Campus**

- The Design Academy is progressing on site and will be completed in summer 2008
- Refurbishment of John Foster building completed summer 2007
- Relocation of the law school to improved accommodation
- Planning phase for multifunctional and generic teaching space on the Clarence Street site
- Planning phase for a specialist facility for the Screen Academy

### **City Campus**

- Planning phase for a new centre for Sports Science and Psychology
- Rationalisation and refurbishment of existing buildings including the construction of a new lecture theatre and relocation of concrete labs.

### **IM Marsh**

- Investment in and upgrading of the campus

HEFCE funded Centre for Excellence in Teaching and Learning

- £2.34m has been spent at IM Marsh and Great Crosshall St to enable the Centre for Excellence in Teaching and Learning programme

### **Strategy Progress**

Significant progress has been made on all areas of the strategy but there has been a major focus on taking the LJMU+ World of Work (WoW) initiative forward:

- Powerful External Advisory Board established
- Standard graduate skills set and measures finalised
- Programmes updated
- High level WoW skills agreed and assessment approaches being finalised
- Graduate Development Centre created and launched
- Assessment Centre established

### **Conclusion**

This has been a very satisfying and successful year. LJMU+ and the 'WOW' factor have been a significant step forward and, together with huge ongoing improvements in the development of our campus, have considerably enhanced our reputation as a University and, more importantly, what we can offer uniquely to our students.

On behalf of all my fellow Governors, I should like to thank all our staff for their part in what has been, and continues to be, a great team effort. Thanks to this effort, and the continuing commitment which goes with it, LJMU is well-placed to tackle the next set of challenges facing HE and we look forward to them with justifiable confidence.

Sir M Thornton

Chairman  
19 November 2007

## **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 2006 membership of the Board of Governors has been as follows: -

### **Ex-officio Members**

Professor M A Brown	Vice Chancellor & Chief Executive
---------------------	-----------------------------------

### **External Independent Members**

Sir M Thornton	Chairman and Pro Chancellor (Appointed 1 April 2007) Chairman of Remuneration Committee Chairman of Nominations Committee (Retired as Chairman of Audit Committee 31 <sup>st</sup> March 2007)
Commodore R H Walker	Chairman & Pro Chancellor (Retired 31 <sup>st</sup> March 2007) Chairman of Remuneration Committee (Retired 31 <sup>st</sup> March 2007) Chairman of Nominations Committee (Retired 31 <sup>st</sup> March 2007)
Mr W H A Addy	Retired from the Board 31 <sup>st</sup> July 2007
Mr S Broomhead	Retired from the Board 31 <sup>st</sup> January 2007
Mr J Carson	
Mrs R Hawley	Deputy Chairman of Audit Committee
Mr R Hill	Chairman of Finance Committee
Professor L Howell	Deputy Chairman of Audit Committee (retired 22 <sup>nd</sup> November 2006) Deputy Chairman of Finance Committee (appointed 22 <sup>nd</sup> November 2006)
Mr J Kennedy	
Mr G Morris	
Ms D Shackleton	Deputy Chairman of Finance Committee (retired 22 <sup>nd</sup> November 2006) Deputy Chairman of Audit Committee (appointed 22 <sup>nd</sup> November 2006) Chairman of Audit Committee (Appointed 4 <sup>th</sup> July 2007)

Her Honour Elizabeth Steel	Deputy Chairman of Board of Governors (Appointed 1 <sup>st</sup> April 2007) Chairman of Employment Committee
----------------------------	--

Ms S Williams	
---------------	--

Sir J Dwyer	Appointed 1 <sup>st</sup> February 2007
-------------	---

Mrs A Redmond	Appointed 1 <sup>st</sup> April 2007
---------------	--------------------------------------

Ms C Dove	Appointed 1 <sup>st</sup> August 2007
-----------	---------------------------------------

#### **External Co-opted Members**

Mr P Holme	Co-opted Governor from Education Sector Deputy Chairman of Employment Committee
------------	--

Ms C Hannah	Co-opted Governor from Health Sector
-------------	--------------------------------------

#### **Nominee Members**

Dr G Mazhindu	Staff Governor (Academic Board Nominee) (retired 17 <sup>th</sup> April 2007)
Prof D Burton	Staff Governor (Academic Board Nominee) (appointed 18 <sup>th</sup> April 2007)

Ms S Kearns	Student Governor (Student President) (Retired 6 <sup>th</sup> June 2007)
Ms J Clayden-Wallace	Student Governor (Student President) (Appointed 7 <sup>th</sup> June 2007)

#### **Staff Members**

Mr J Ainsworth	Staff Governor (Non Teaching Staff)
----------------	-------------------------------------

Mr J Middleton	Staff Governor (Teaching Staff) (Retired 31 <sup>st</sup> August 2007)
----------------	--

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

<b>Vice Chancellor and Chief Executive</b>	:	Professor Michael Brown
<b>Bankers</b>	:	Barclays Bank plc 7th Floor 1 Marsden Street Manchester M2 1HW
<b>External Auditors</b>	:	KPMG LLP St James' Square Manchester M2 6DS
<b>Solicitors</b>	:	Davies Wallis Foyster 5 Castle Street Liverpool L2 4XE
<b>Internal Auditors</b>	:	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 Council 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.

Sir M Thornton  
Chairman  
19 November 2007

## 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 2007.

### 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 pages 4 and 5. The roles of Chairman and Deputy Chairman 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 educational character and 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 has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

Upon commencing appointment, Governors are required to declare any pecuniary, family or other personal interest, direct or indirect, and this is noted in the Register of Members' Interests. Governors are expected to update their entry at any time as and when their circumstances change, and the University conducts an annual update in accordance with the recommendations of the CUC, and also the recommendations of the Financial Reporting Standard 8 (FRS8), relating to disclosures of transactions in the University's Financial Statements.

The Board of Governors meets a minimum of four times a year, and has several committees: An Audit Committee, a Finance Committee; an Employment Committee; a Remuneration Committee; and a Nominations 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. The Chairman is not a member of the Audit Committee. The Board of Governors and its committees review their terms of reference on a regular basis with a view, inter alia, to ensuring they are embedding risk effectively into their work.

In addition to its formal meetings, the Board holds workshops and a residential event during the year, at which items of strategic importance are discussed.

The Finance Committee meets at least three 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, and treasury management.

The Employment Committee considers issues related to staffing and employment in the University. The responsibilities of the Committee also encompass equality diversity monitoring and the regulatory aspects of the University's relationship with the student body.

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.

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. A Governance Effectiveness Review was conducted in 2005, but the Board recognises that the maintenance of good corporate governance arrangements is an ongoing process, and a programme of governance work has been undertaken during 2006/07, primarily a review of the process for the appointment of Governors and the role of the Nominations Committee.

## 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 system of internal control is based on an ongoing process integrated with the strategic planning process and designed to identify the key risk to the achievements of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The University has the following procedures in place:

The University has adopted the EFQM Excellence Model as a framework for the control and improvement of its management systems and the Strategic Management Group commissions a self assessment against the model criteria every 18-24 months. As part of the 'Excellence' agenda, the University addresses the effectiveness of strategic management using the principles of the Balanced Scorecard. The University has been recognized as an "Investor in Excellence";

Risk management has been incorporated into the corporate planning and decision-making processes of the institution. The web intranet pages provide to staff in full, details of the Risk and Business Continuity Management Frameworks;

The Strategic Management Group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the operational units and reinforced by risk awareness training;

All papers and reports presented to the Strategic Management Group consider possible risk issues and appropriate key performance and risk indicators. In addition, all members include a section on the identification, evaluation and management of risk areas in their monthly reports to the Vice Chancellor;

The Risk Moderation Panel has formal terms of reference as a working group of the Strategic Management Group. The Institutional Risk Register is reviewed on a regular basis and procedures for identifying risks refined;

Clearly defined capital investment control guidelines exist and are reviewed routinely;

Comprehensive budgeting and financial systems are in place.

In addition, the Board of Governors is informed by the effectiveness of the systems of internal control by the following:

The Board has ensured that the meeting calendar and annual programme of business 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 2007. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The Internal Auditors, who operate to the standards defined in the HEFCE Accountability and Audit Code of Practice, submit regular reports including independent opinion on the adequacy and effectiveness of the system of internal control, with 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 Audit Committee, on behalf of the Board receive independent opinion each year from the Internal Auditors contained in their annual report, and also from the External Auditors within the Audit Management Letter;

The Board receives periodic reports from the Chairman of the Audit Committee concerning internal control;

The Audit Committee receives an annual report on purchasing and the securing of value for money in procurement;

The annual budget is reviewed and agreed by the Strategic Management Group, following which it is approved by the Finance Committee and the Board of Governors;

The Board of Governors, assisted by its Finance Committee, reviews regularly periodic and annual financial reports that indicate financial performance against forecasts;

The Finance Committee receives regular reports on the implementation of the Property Development Programme.

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 2007 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 2007 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 (2003), 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 (2003). 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 2007 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 Statement of Recommended Practice: Accounting for Further and Higher Education (2003);

- 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 2007 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2007 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

17 December 2007

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 – 2003) : *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.

### **Basis of consolidation**

The consolidated financial statements include the University and its subsidiary undertakings for the financial year to 31 July 2007. 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 Council are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Council 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.

#### **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 2007

	Note	2006/07 £000	2005/06 £000
<b>Income</b>			
Funding council grants	1	70,433	72,307
Tuition fees and education contracts	2	45,686	36,444
Research grants and contracts	3	9,376	8,172
Other income	4	16,621	14,313
Investment income	5	1,583	601
<b>Total income</b>		<b>143,699</b>	<b>131,837</b>
<b>Expenditure</b>			
Staff costs	6	90,869	84,199
Other operating expenses	8	44,187	42,878
Depreciation	10	4,330	4,511
Interest payable	7	1,743	1,810
<b>Total expenditure</b>	8	<b>141,129</b>	<b>133,398</b>
<b>Surplus/(Deficit) after depreciation of fixed assets at valuation but before tax</b>		<b>2,570</b>	<b>(1,561)</b>
	10	2,574	9,059
Profit on disposal of fixed assets			
Surplus after depreciation of fixed assets at valuation and disposal of fixed assets but before tax		5,144	7,498
Taxation	9	1	(1)
<b>Surplus after depreciation of fixed assets at valuation and tax</b>	21	<b>5,145</b>	<b>7,497</b>

## CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 July 2007

	Note	2006/07 £000	2005/06 £000
Surplus after depreciation of fixed assets at valuation and tax		5,145	7,497
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	913	1,212
Realisation of Property Revaluation gains of previous years		229	-
<b>Historical cost surplus for the period after tax</b>		<b>6,287</b>	<b>8,709</b>

## BALANCE SHEETS

As at 31 July 2007

	Note	Group		University	
		2007 £000	2006 £000	2007 £000	2006 £000
<b>Fixed assets</b>					
Tangible assets	10	95,100	94,021	95,100	94,021
Investments	11	39	39	16,029	16,029
		<u>95,139</u>	<u>94,060</u>	<u>111,129</u>	<u>110,050</u>
<b>Endowment asset investments</b>	12	177	198	177	198
<b>Current assets</b>					
Stocks and work in progress		77	77	50	51
Debtors	13	12,595	11,607	12,798	11,567
Short-term deposits	16	29,823	21,602	29,823	21,102
Cash at bank and in hand	16	2,668	627	2,132	483
		<u>45,163</u>	<u>33,913</u>	<u>44,803</u>	<u>33,203</u>
<b>Creditors: Amounts falling due within one year</b>	14	28,295	31,761	27,733	30,867
<b>Net current assets</b>		<u>16,868</u>	<u>2,152</u>	<u>17,070</u>	<u>2,336</u>
<b>Total assets less current liabilities</b>		112,184	96,410	128,376	112,584
<b>Creditors: Amounts falling due after more than one year</b>	15	9,322	10,232	25,480	26,390
<b>Provisions for liabilities and charges</b>	17	<u>12,279</u>	<u>12,163</u>	<u>12,279</u>	<u>12,163</u>
<b>Net assets excluding pension liability</b>		<b>90,583</b>	<b>74,015</b>	<b>90,617</b>	<b>74,031</b>
<b>Pension Scheme liability</b>	25	<u>27,509</u>	<u>32,417</u>	<u>27,509</u>	<u>32,417</u>
<b>Net assets including pension liability</b>		<b>63,074</b>	<b>41,598</b>	<b>63,108</b>	<b>41,614</b>
<b>Represented by:</b>					
<b>Deferred capital grants</b>	18	22,914	13,600	22,914	13,600
<b>Endowments</b>					
Specific	19	175	195	175	195
General	19	2	3	2	3
<b>Total Endowments</b>		<u>177</u>	<u>198</u>	<u>177</u>	<u>198</u>
<b>Reserves</b>					
Income and Expenditure Account excluding pension reserve	21	24,471	16,054	24,505	16,070
Pension Reserve	25	(27,509)	(32,417)	(27,509)	(32,417)
		<u>(3,038)</u>	<u>(16,363)</u>	<u>(3,004)</u>	<u>(16,347)</u>
Income and Expenditure Account including pension reserve					
Revaluation Reserve	20	<u>43,021</u>	<u>44,163</u>	<u>43,021</u>	<u>44,163</u>
<b>Total Reserves</b>		<u>39,983</u>	<u>27,800</u>	<u>40,017</u>	<u>27,816</u>
		<b>63,074</b>	<b>41,598</b>	<b>63,108</b>	<b>41,614</b>

The financial statements on pages 15 to 35 were approved by the Board of Governors on 19 November 2007.

Sir M Thornton  
Chairman

Michael Brown  
Vice Chancellor

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 July 2007

	<b>Note</b>	<b>2006/07 £000</b>	<b>2005/06 £000</b>
<b>Net cash inflow from operating activities</b>	22	6,511	4,946
Returns on investments and servicing of finance	23	(1,844)	(343)
Taxation		-	(7)
Capital expenditure and financial investment	23	10,047	7,541
<b>Cash inflow before use of liquid resources and financing</b>		<b>14,714</b>	<b>12,137</b>
Management of liquid resources	23	(8,221)	(11,491)
Financing	23	(4,473)	(860)
<b>Increase/(Decrease) in cash in the year</b>		<b>2,020</b>	<b>(214)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
		<b>2006/07 £000</b>	<b>2005/06 £000</b>
Increase/(Decrease) in cash in the year	24	2,020	(214)
Cash inflow from decrease in debt and lease financing	24	4,473	3,951
Cash inflow from movement in liquid resources	24	8,221	11,491
Change in net debt resulting from cash flows		14,714	15,228
Movement in net debt for year 2007		14,714	15,228
Net debt at 1 August 2006		8,839	(6,389)
Net debt at 31 July 2007	24	23,553	8,839

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 31 July 2007

	<b>Note</b>	<b>2006/07 £000</b>	<b>2005/06 £000</b>
Surplus after depreciation of fixed assets at valuation and tax		5,145	7,497
Depreciation of endowment asset investments	19	(21)	10
HEFCE grant received re inherited debt payment	20	-	3,091
Realised gain on disposal of revalued assets	20	-	(4,438)
Actuarial gain/(loss) in respect of pension scheme	25	7,038	(3,389)
		<hr/>	<hr/>
<b>Total recognised gains relating to the year</b>		<b>12,162</b>	<b>2,771</b>
		<hr/>	<hr/>
<b>Reconciliation</b>		<b>2006/07 £000</b>	<b>2005/06 £000</b>
Opening reserves and endowments		27,998	25,290
Total recognised gains in year		12,162	2,771
Discontinued Activities: release of income and expenditure reserve		-	(63)
		<hr/>	<hr/>
Closing reserves and endowments		40,160	27,998
		<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007

<b>1</b>	<b>Funding Council grants</b>	<b>HEFCE £000</b>	<b>TDA £000</b>	<b>2006/07 £000</b>	<b>2005/06 £000</b>
	Recurrent grant	60,807	4,570	65,377	63,935
	Specific grants				
	Inherited liabilities	-	-	-	367
	Other	1,765	2,476	4,241	7,323
	Deferred capital grants released in year				
	Buildings (note 18)	245	-	245	219
	Equipment (note 18)	570	-	570	463
		<u>63,387</u>	<u>7,046</u>	<u>70,433</u>	<u>72,307</u>
<b>2</b>	<b>Tuition fees and education contracts</b>			<b>2006/07 £000</b>	<b>2005/06 £000</b>
	Full-time students (UK and European Union)			26,239	16,938
	Full-time students charged overseas fees and other fees			6,005	5,762
	Part-time fees (UK and European Union)			2,967	2,756
	Other fees and NHS education contracts			10,475	10,988
				<u>45,686</u>	<u>36,444</u>
<b>3</b>	<b>Research grants and contracts</b>			<b>2006/07 £000</b>	<b>2005/06 £000</b>
	Research councils			1,790	1,845
	UK based charities			615	274
	Health & Hospitals			1,666	1,510
	Central and Local Government			3,245	2,626
	Other research grants and contracts			<u>2,060</u>	<u>1,917</u>
				<u>9,376</u>	<u>8,172</u>
<b>4</b>	<b>Other income</b>			<b>2006/07 £000</b>	<b>2005/06 £000</b>
	Residences and Catering			1,033	1,887
	Other Services rendered			10,231	7,539
	Released from deferred capital grant (note 18)			312	355
	Other Income			<u>5,045</u>	<u>4,532</u>
				<u>16,621</u>	<u>14,313</u>
<b>5</b>	<b>Investment income</b>			<b>2006/07 £000</b>	<b>2005/06 £000</b>
	Income from short-term deposits			<u>1,583</u>	<u>601</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### 6 Staff costs

	2006/07 £000	2005/06 £000
Salaries and wages	73,821	67,998
Social security costs	6,200	5,761
Pension costs (including FRS17 adjustment)	9,962	6,903
	<u>89,931</u>	<u>80,662</u>
Severance: Restructuring costs	177	1,673
	<u>90,108</u>	<u>82,335</u>
	709	1,864
	<u>90,869</u>	<u>84,199</u>

Pension costs relating to enhanced pension provision (note 17)

	2006/07 £	2005/06 £
Emoluments of the Vice Chancellor		
Salary	204,500	204,500
Benefits in kind	5,600	1,240
	<u>210,100</u>	<u>205,740</u>
Pension contributions	28,392	27,600

The Vice Chancellor's pay award for 2005-06 covered 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	878	861
Support	1,269	1,277
Other	188	197
	<u>2,335</u>	<u>2,335</u>

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

£70,000 - £79,999	40	11
£80,000 - £89,999	15	6
£90,000 - £99,999	3	8
£100,000-£109,000	4	8
Over £110,000	12	-

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### 7 Interest payable

	2006/07 £000	2005/06 £000
On bank loans, overdraft and other loans:		
Wholly repayable within five years	36	32
Not wholly repayable within five years	689	697
Finance leases	100	238
Interest on Liverpool City Council inherited debt (reimbursed by HEFCE)	-	395
Interest on VAT Assessment	19	-
	<u>844</u>	<u>1,362</u>
FRS17 Adjustment: Net interest on pension liabilities (note 25)	<u>899</u>	<u>448</u>
	<u>1,743</u>	<u>1,810</u>

### 8 Analysis of 2006/07 expenditure by activity

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable £000	Total £000
Academic	54,849	894	11,058	-	66,801
Academic services	8,748	854	5,136	-	14,738
Research grants & contracts	4,692	59	2,869	-	7,620
Residences & catering	941	142	948	100	2,131
Premises	5,073	2,297	11,214	689	19,273
Administration & central services	8,761	7	3,201	954	12,923
General education	2,223	-	6,403	-	8,626
Staff student facilities	2,634	-	1,566	-	4,200
Other expenses	2,948	77	1,792	-	4,817
Total per income and expenditure account	<u>90,869</u>	<u>4,330</u>	<u>44,187</u>	<u>1,743</u>	<u>141,129</u>

### Other operating expenditure includes:

	2006/07 £000	2005/06 £000
Auditors remuneration		
External audit	43	38
External auditors provision of non audit services	55	65
Internal audit	62	54
Operating leases	196	121
Special support bursaries	2,056	-

### 9 Taxation

	2006/07		2005/06	
	Group £000	University £000	Group £000	University £000
<b>Current Tax:</b>				
UK Corporation taxation at 30%	-	4	-	8
Under/(Over) provision of taxation in prior years	<u>1</u>	<u>(3)</u>	<u>(1)</u>	<u>4</u>
	<u>1</u>	<u>1</u>	<u>(1)</u>	<u>12</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### 10 Tangible fixed assets

#### Group and University

	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 2006	80,120	7,493	3,546	4,296	13,959	109,414
Additions	2,702	345	5,909	-	2,359	11,315
Re-classification	3	-	(3)	-	-	-
Disposals	(1,125)	(6,470)	-	-	(988)	(8,583)
At 31 July 2007	81,700	1,368	9,452	4,296	15,330	112,146
<b>Depreciation</b>						
At 1 August 2006	2,160	1,821	28	645	10,739	15,393
Charge for the year	1,715	175	-	215	2,225	4,330
Disposals	(46)	(1,618)	(28)	-	(985)	(2,677)
At 31 July 2007	3,829	378	-	860	11,979	17,046
<b>Net book value</b>						
Inherited	56,368	713	1,500	-	-	58,581
Financed by capital grant	11,949	-	7,952	1,842	1,171	22,914
Other	9,554	277	-	1,594	2,180	13,605
At 31 July 2007	77,871	990	9,452	3,436	3,351	95,100
At 1 August 2006	77,960	5,672	3,518	3,651	3,220	94,021

The net book value of assets held under finance leases is £nil (2005/06 £4,931,931) in respect of land and buildings and £nil (2005/06 nil) in respect of equipment. The depreciation charge for the year, in respect of leased land and buildings is £nil (2005/06 £161,737) and in respect of leased equipment is £nil (2005/06 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 £12.255m 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 2007 the University sold the following properties, Dillistone and Patey and Redmond Close, which had a net book value of £5,930k, realising a profit on sale of £2,666k including the release of revaluation reserves of £229k. In 2006 the profit on disposal of properties was £9,059k including a release from revaluation reserve of £4,438k.

Other disposals comprise equipment that had a net book value of £3k.

In addition to the above fixed assets the University also holds corporate assets, donated to the University with an insurance value of £37k.



## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### 11 Investments

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

#### Cost or valuation

At 1 August 2006 and at 31 July 2007	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 2006 and at 31 July 2007	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.

Liverpool Science Park Limited is a company limited by guarantee. The company was incorporated on the 13 June 2003. Liverpool John Moores University, University of Liverpool and Liverpool City Council's interest in the company is 24.5%, 24.5% and 51% respectively. The company commenced trading in November 2005. The financial year end for the company was changed to 31 March during 2006/07 to be in line with the Liverpool City Council's accounting period. The net liabilities of the company for the 8 month period ended 31 March 2007 are £14,558, the group share of these being £3,567. There has been no significant movement to the net liabilities of the company up to 31 July 2007.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### 12 Endowment asset investments

**Group and  
University  
£000**

At 1 August 2006	198
Additions	7
Disposals	(37)
Appreciation during year	9
<b>Balance at 31 July 2007, represented by short term deposits</b>	<b>177</b>

### 13 Debtors

**Group**

**University**

	<b>2007 £000</b>	<b>2006 £000</b>	<b>2007 £000</b>	<b>2006 £000</b>
<b>Amounts falling due within one year</b>				
Trade debtors	2,253	3,578	1,703	2,863
Prepayments	5,111	1,558	5,061	1,545
Other debtors	3,932	4,763	3,932	4,725
Amounts due from associated company	747	915	747	915
Amounts due from subsidiary companies	-	-	803	726
	<u>12,043</u>	<u>10,814</u>	<u>12,246</u>	<u>10,774</u>
<b>Amounts falling due after one year</b>				
Other Debtors	<u>552</u>	<u>793</u>	<u>552</u>	<u>793</u>
	<u>12,595</u>	<u>11,607</u>	<u>12,798</u>	<u>11,567</u>

### 14 Creditors: Amounts falling due within one year

**Group**

**University**

	<b>2007 £000</b>	<b>2006 £000</b>	<b>2007 £000</b>	<b>2006 £000</b>
HEFCE grants not applied	1,697	4,009	1,697	4,009
Accruals - research grants	7,819	8,591	7,819	8,591
Payroll deductions	2,524	2,241	2,524	2,241
Bank loans principal 2006/07	538	538	538	538
Finance leases 2006/07 (Note 16)	-	3,935	-	3,935
Amounts due to subsidiary companies	-	-	14	11
Trade creditors	2,596	3,176	2,586	3,152
Other creditors	<u>13,121</u>	<u>9,271</u>	<u>12,555</u>	<u>8,390</u>
	<u>28,295</u>	<u>31,761</u>	<u>27,733</u>	<u>30,867</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

15	Creditors: Amounts falling due after one year	Group		University	
		2007 £000	2006 £000	2007 £000	2006 £000
	Liverpool City Council loan debt at 1 August 2006	-	3,091	-	3,091
	Repayment of loan debt principal during year	-	(3,091)	-	(3,091)
	Liverpool City Council loan debt at 31 July 2007	-	-	-	-
	Loan debt principal due in 2007/08 (note 14)	-	-	-	-
	Bank loan	8,577	9,115	8,577	9,115
	Inter company leases	-	-	16,158	16,158
	Other creditors	745	1,117	745	1,117
		9,322	10,232	25,480	26,390

## 16 Interest rate risk profile of financial liabilities

	Cash at Bank and in hand				Short Term Deposits			
	Group		University		Group		University	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Floating Rate	2,668	627	2,132	483	-	-	-	-
Fixed Rate	-	-	-	-	29,823	21,602	29,823	21,102
As at 31 July 2007	2,668	627	2,132	483	29,823	21,602	29,823	21,102

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	2007 Finance Leases	Total	Debt	2006 Finance Leases	Total
	£000	£000	£000	£000	£000	£000
Within 1 year or on demand	538	-	538	538	3,935	4,473
Between 1 & 2 years	538	-	538	538	-	538
Between 3 & 5 years	1,614	-	1,614	1,614	-	1,614
Over 5 years	6,425	-	6,425	6,963	-	6,963
Finance charges allocated to future periods	9,115	-	9,115	9,653	3,935	13,588

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (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	6.41%
3.0	25	Variable	Avril Robarts LRC	6.86%

A finance lease obligation of £3,935k was repaid during the year.

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 2007.

	Total £000	Floating Rate Financial Liabilities £000	Fixed Rate Financial Liabilities £000
As at 31 July 2007	<u>9,115</u>	<u>3,900</u>	<u>5,215</u>
As at 31 July 2006	<u>13,588</u>	<u>4,140</u>	<u>9,448</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 2007 (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 2006	11,955	-	208	12,163
Utilised in the year	(716)	-	89	(627)
Transfer from/(to) income and expenditure account	709	-	34	743
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2007	11,948	-	331	12,279
	<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 2006	11,955	(86)	294	12,163
Utilised in the year	(716)	89	-	(627)
Transfer from/(to) income and expenditure account	709	(3)	37	743
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2007	11,948	-	331	12,279
	<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 2007.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### 18 Deferred capital grants

#### Group and University

	HEFCE £000	Other £000	Total £000
At 1 August 2006			
Buildings	8,813	2,238	11,051
Equipment	913	1,636	2,549
	<u>9,726</u>	<u>3,874</u>	<u>13,600</u>
Income			
Buildings	9,291	513	9,804
Equipment	728	43	771
	<u>10,019</u>	<u>556</u>	<u>10,575</u>
Total			
Adjustment to HEFCE Equipment	(25)	-	(25)
Adjustment to HEFCE Buildings	(109)	-	(109)
Released to income and expenditure			
Buildings (notes 1 and 4)	245	58	303
Equipment (note 1 and 4)	570	254	824
	<u>815</u>	<u>312</u>	<u>1,127</u>
Total			
At 31 July 2007			
Buildings	17,750	2,693	20,443
Equipment	1,046	1,425	2,471
	<u>18,796</u>	<u>4,118</u>	<u>22,914</u>
<b>Total</b>			

### 19 Endowments

#### Group and University

	Specific £000	General £000	Total £000
At 1 August 2006	195	3	198
Appreciation in year	9	-	9
Additions in year	-	7	7
Expenditure in year	(29)	(8)	(37)
	<u>175</u>	<u>2</u>	<u>177</u>
<b>At 31 July 2007</b>			
Representing:			
<b>Trust &amp; prize funds</b>	<u>175</u>	<u>2</u>	<u>177</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### 20 Revaluation reserve

	<b>Group and University</b>	
	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
<b>Revaluations</b>		
At 1 August 2006	44,163	46,722
Loan principal repaid, funded by HEFCE	-	3,091
Release on Sale of Property	(229)	(4,438)
Contributions to depreciation: Released in year (note 21)	(913)	(1,212)
	<hr/>	<hr/>
<b>At 31 July 2007</b>	<b>43,021</b>	<b>44,163</b>

### 21 Income and expenditure account

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August 2006	(16,363)	(16,347)	(21,620)	(21,692)
Surplus retained for the year	5,145	5,163	7,497	7,522
Elimination of reserves on disposal of subsidiary company	-	-	(63)	-
Transfer from revaluation reserve	1,142	1,142	1,212	1,212
Actuarial gain/(loss) in respect of pension scheme	7,038	7,038	(3,389)	(3,389)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2007	(3,038)	(3,004)	(16,363)	(16,347)
<b>Balance represented by:</b>				
Pension Reserve	(27,509)	(27,509)	(32,417)	(32,417)
Income and Expenditure account excluding pension reserve	24,471	24,505	16,054	16,070
	<hr/>	<hr/>	<hr/>	<hr/>
	(3,038)	(3,004)	(16,363)	(16,347)

### 22 Reconciliation of consolidated operating surplus to net cashflow from operating activities

	<b>2006/07</b>	<b>2005/06</b>
	<b>£000</b>	<b>£000</b>
Operating Surplus before taxation	5,144	7,498
Increase/(Decrease) for FRS 17	2,130	(539)
Profit on disposal of fixed assets	(2,574)	(9,059)
Depreciation (note 10)	4,330	4,511
Deferred capital grants released to income (note 18)	(1,127)	(1,037)
Interest receivable (note 5)	(1,583)	(601)
Interest payable less: Net interest on pension liabilities	844	1,362
Interest reimbursement by HEFCE	-	(395)
Decrease/(increase) in stock	-	19
(Increase)/ decrease in debtors	(846)	(601)
Increase/(decrease) in creditors	77	3,064
Increase/(decrease) in provisions (note 17)	116	724
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>6,511</b>	<b>4,946</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

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

	2006/07 £000	2005/06 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	1,441	611
Interest paid	(744)	(1,111)
Reimbursement of interest on inherited debt	-	395
Interest element of finance lease rental payment	(2,541)	(238)
	<u>(1,844)</u>	<u>(343)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(11,315)	(5,044)
Disposal of tangible fixed assets	10,896	10,653
Disposal of subsidiary company	-	(63)
Receipt of deferred capital grants	10,466	1,995
	<u>10,047</u>	<u>7,541</u>
<b>Management of liquid resources</b>		
Cash placed on short term deposit (note 24)	<u>(8,221)</u>	<u>(11,491)</u>
<b>Financing</b>		
<b>Debt due within one year:</b>		
Repayment of secured loan	(538)	(538)
Repayment of inherited debt	-	(3,091)
Recovery of HEFCE inherited debt	-	3,091
Capital element of finance lease rental payments	(3,935)	3,675
<b>Debt due beyond one year:</b>		
Capital element of finance lease rental payments	-	(3,997)
	<u>(4,473)</u>	<u>(860)</u>

### 24 Analysis of net debt

	At 1 August 2006 £000	Cash Flow £000	Non Cash Change £000	At 31 July 2007 £000
Cash in hand and at bank:				
Endowments	198	(21)	-	177
General	627	2,041	-	2,668
	<u>825</u>	<u>2,020</u>	<u>-</u>	<u>2,845</u>
Debt due after one year	(9,115)	-	538	(8,577)
Debt due within one year	(538)	538	(538)	(538)
Finance leases	(3,935)	3,935	-	-
	<u>(13,588)</u>	<u>4,473</u>	<u>-</u>	<u>(9,115)</u>
Current asset investments	21,602	8,221	-	29,823
	<u>8,839</u>	<u>14,714</u>	<u>-</u>	<u>23,553</u>



## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (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.

#### Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions for the year ended 31 July 2007 amount to £4,873,589 (2006 – £4,448,142). 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 2004
Actuarial method	Prospective Benefits
Gross rate of return	6.5% per annum
Rate of real earnings growth	1.5% per annum
Market value of assets at date of last valuation	£163,240
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 August 2006 to 31 December 2006 the employers and employees contributions were 13.5% and 6% respectively. With effect from 1 January 2007 the employers and employees contributions were 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.

#### 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 £115k (2006 £81k). The employer contribution rate payable by the University for the financial year was 14%. Surpluses or deficits, which arise at future valuations, may impact on universities' future contribution commitment.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### 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 2007 was £3,698,330 (2006 £3,424,000). The agreed contribution rates for the financial year were 12.5% for employers and 6% for employees, remaining unchanged from those set at 1 April 2006.

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. 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 2007 by a qualified independent actuary.

	At 31 July 2007	At 31 July 2006	At 31 July 2005
Inflation	3.2%	3.0%	2.7%
Rate of increase in salaries	4.45%	4.25%	3.95%
Rate of increase for pensions	3.2%	3.0%	2.7%
Discount rate for liabilities	5.8%	5.1%	5.0%

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 2007	Value at 31 July 2007 £000	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
Equities	7.5%	56,917	7.0%	48,801	7.5%	42,871
Government Bonds	4.9%	14,749	4.4%	15,592	4.4%	13,164
Other Bonds	5.8%	5,295	5.1%	4,551	5.0%	3,741
Property	6.5%	8,887	6.0%	7,838	6.5%	3,093
Other	6.625%	8,698	5.75%	7,501	6.78%	9,064
Total Market Value of assets		<u>94,546</u>		<u>84,283</u>		<u>71,933</u>

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

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Employer Service cost	(4,990)	(4,534)
Past service/Curtailment costs	-	2,097
Total operating charge	<u>(4,990)</u>	<u>(2,437)</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### Analysis of net pension finance (costs)

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Expected return on pension scheme assets	5,144	4,735
Interest on pension liabilities	(6,043)	(5,183)
Net pension finance (costs)	(899)	(448)

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

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Actual return less expected return on pension scheme assets	2,774	4,392
Experience gains and losses arising on the scheme liabilities	-	(3,249)
Change in financial and demographic assumptions underlying the scheme liabilities	4,264	(4,532)
Actuarial gain/(loss) recognised in STRGL	7,038	(3,389)

### Movement in deficit during the year

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Deficit in scheme at 1 August 2006	(32,417)	(29,567)
Movement in year:		
Current service charge	(4,990)	(4,534)
Contributions	3,759	3,424
Past service/Curtailment cost	-	2,097
Net interest on assets	(899)	(448)
Actuarial gain/(loss)	7,038	(3,389)
Deficit in scheme at 31 July 2007	(27,509)	(32,417)

### Reserves

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
University's estimated asset share	94,546	84,283	71,933
Present value of scheme liabilities	(122,055)	(116,700)	(101,500)
Deficit in the scheme	(27,509)	(32,417)	(29,567)

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2007 (continued)

### History of experience gains and losses

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000	Year Ended 31 July 2003 £000
Difference between the expected and actual return on assets:					
Amount	2,774	1,143	6,856	645	445
% of scheme assets	2.9%	1.59%	9.5%	1.1%	0.8%
Change in assumptions					
Amount	4,264	(4,532)	(13,714)	(1,449)	(6,258)
% of scheme liabilities	3.5%	3.9%	13.5%	1.8%	8.6%
Total amount recognised in STRGL					
Amount	7,038	(3,389)	(6,858)	(804)	(6,703)
% of scheme liabilities	5.8%	2.9%	6.8%	1.0%	9.2%

### 26 Access funds

	2006/07 £000	2005/06 £000
Balance at 1 August 2006	209	51
Funding Council grants	883	1,204
Interest earned	23	15
	<hr/>	<hr/>
	1,115	1,270
Disbursed to students	(1,014)	(1,061)
	<hr/>	<hr/>
<b>Balance at 31 July 2007</b>	<b>101</b>	<b>209</b>
	<hr/>	<hr/>

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

	2006/07 £000	2005/06 £000
Balance at 1 August 2006	134	16
Training and Development Agency grants	2,176	1,884
Adjustment	22	-
	<hr/>	<hr/>
	2,332	1,900
University administration fee	(37)	(38)
Disbursed to students	(2,220)	(1,728)
	<hr/>	<hr/>
<b>Balance at 31 July 2007</b>	<b>75</b>	<b>134</b>
	<hr/>	<hr/>

### 28 Capital commitments

There University had £16,271k of commitments contracted at 31 July 2007 (2005/06 £1,892k) but not provided for in these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

31 July 2007 (continued)

### **29 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.

### **30 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.