

**LIVERPOOL JOHN MOORES UNIVERSITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2005**

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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 2005. Details of the Group are found within note 11.

### Results for the Year

The University's consolidated Income, Expenditure and Results for the year to 31 July 2005 are summarised as follows:

	<b>2004/05 £000</b>	<b>2003/04 £000</b>
Income	121,680	117,982
Expenditure	126,494	116,928
(Deficit)/Surplus after depreciation of assets at valuation and before tax	(4,814)	1,054
Profit on disposal of fixed assets	3,124	-
Loss on disposal of discontinued operations	(302)	-
(Deficit)/surplus after depreciation of fixed assets at valuation and disposal of fixed assets but before tax	(1,992)	1,054
Taxation	12	14
(Deficit)/Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	(2,004)	1,040
Surplus/ (Deficit) for the year on a historical cost basis	(473)	2,165

The retained group deficit for the year was £473k. This deficit takes fully into account the losses and provisions for TTL, which was sold at the end of August. TTL will have no further impact on the accounts of the University Group. The accounts also reflect the profit of £3,124k on the sale of North Western Halls.

Increases in HEFCE funding, NHS funds and European income have been partially offset by reductions in tuition fees, and TTL sales income. Increases in expenditure have been greater than those in income as strategic investment continues in infrastructure and targeted staffing. Budgets have been strained in some areas as we have seen strong rises in both the operating and maintenance costs of buildings.

Income and Expenditure Reserves are now £7,947k. Total reserves have increased by £21m as the revaluation of University property has been taken into account. Student debt levels have reduced and cash balances remained stable.

### Property

An exciting rationalisation of the University property portfolio has begun this year as design work has commenced on our £23.5m Design Academy and on a new Corporate and Professional Training Suite. A first tranche of property disposal has commenced which will deliver funding for new, fit for purpose contemporary buildings. Further rationalisation will continue in order to deliver a modern efficient environment for students and staff.

In addition a new lecture theatre has been built at Byrom Street and major improvements made to the condition and feel of the buildings.

## **Sale of subsidiary**

I am pleased to report the sale of TTL to Las Cumbres UK, the UK division of the Las Cumbres Observatory, a US scientific and educational foundation. This ensures the continued long-term viability of TTL and employment for its employees. LCO also has the financial resources to support the levels of investment needed to bring the astronomical ambition of developing a global network of telescopes one step closer to becoming a reality.

## **Strategy Progress**

Despite a difficult financial year the University continues to deliver its strategic plan and the highlights for the year include:

Continuation of process reviews and process implementation, completion of phase 1 of the Science Park, successful bids for Centres of Excellence and HEIF funding, increases in research activity and OFFA agreement accepted.

## **Conclusion**

The University has a difficult year ahead as it faces the challenges of its changing environment along with driving to deliver its strategy.

Finally may I thank all our staff for their commitment and support, which will deliver the strong and stable future we all desire.

Commodore R H Walker  
Chair  
7 December 2005

## **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 2004 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 (reappointed 23 March 2005) Chair of Remuneration Committee Chair of Nominations Committee
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Mr W H A Addy	Deputy Chair of Board of Governors (retired as Deputy Chair 22 March 2005)
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Mr S Broomhead	
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Mr J Carson	(reappointed 1 September 2005)
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Mrs R Hawley	One year sabbatical commenced 1 April 2005 Chair of Employment Committee (retired as Committee Chair 22 March 2005)
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Mr R Hill	(reappointed 1 October 2005) Deputy Chair of Board of Governors (appointed 23 March 2005) Chair of Finance Committee
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Professor L Howell	(reappointed 12 December 2004) Deputy Chairman of Audit Committee
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Mr J Kennedy	
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Mr G Morris	
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Ms D Shackleton	Deputy Chair of Finance Committee
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Her Honour Judge E Steel	(reappointed 12 December 2004) Deputy Chair of Employment Committee (appointed 23 March 2005)
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Sir M Thornton Chairman of Audit Committee

Ms S Williams

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

Mr P Holme Co-opted Governor from Education Sector  
Deputy Chair of Employment Committee (appointed 23 March 2005)

Ms C Hannah  
Co-opted Governor from Health Sector  
(Appointed 18 October 2004)

### **Nominee Members**

Mr P Hinton Staff Governor (Academic Board nominee) (retired 31 March 2005)

Dr G Mazhinu Staff Governor (Academic Board nominee) (appointed 18 April 2005)

Mr J Miller Student Governor (Student President) (retired 6 June 2005)

Ms S Kearns Student Governor (Student President) (appointed 7 June 2005)

### **Staff Members**

Ms J Ball Staff Governor (Support Staff)

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

<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 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  
7 December 2005



## **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 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 2005.

### **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 who is the Chair.

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 performance in relation to approved budgets, estate related capital investment plans, treasury management within the University, and updates of the Medium Term Plan.

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

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

The Nominations Committee considers nominations for vacancies on the Board.

The Audit Committee, which meets at least three 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 judgement.

### **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 and 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 and the internal control procedures thereon;

- All papers and reports presented to the senior management group consider possible risk issues and incorporate key performance and risk indicators;
- All senior management group members report on activities to the Vice Chancellor on a monthly basis, which ensures identification, evaluation and management to risk areas by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training;

- Comprehensive budgeting systems with an annual budget is reviewed and agreed by the senior management group, the Finance Committee and the Board of Governors;
- Regular reviews by the Board of Governors of periodic and annual financial reports which indicate financial performance against forecasts;
- 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.
- Targets are set to measure financial and other performance;
- Clearly defined capital investment control guidelines;
- The adoption of formal project management disciplines where appropriate;
- The senior management group, the Audit Committee and the Board of Governors also receive regular reports from internal audit, which includes recommendations for improvement;
- Risk management has been incorporated into the corporate planning and decision-making processes of the institution and embedded within in the faculties, schools and services;
- A Business Impact Analysis survey has been carried out as part of the University's Business Continuity Management process. The information provided is guiding the business continuity and disaster recovery planning and the consequent level of investment necessary to ensure business continuity for the University;
- The Board have 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 2005;
- 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 thereon from the senior 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 2005 meeting, the Audit Committee carried out the annual assessment for the year ended 31 July 2005 by considering documentation from internal audit, and taking account of events since 31 July 2005.

In 2005, the Board of Governors conducted a full review of the University's institutional governance arrangements. The review determined that there is a high level of satisfaction within the Board of Governors with the current governance arrangements, alongside a commitment to self-evaluation and continuous improvement. In the opinion of the 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.

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 2005 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 considers that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue 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 financial statements on pages 11 to 34, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 11 to 12.

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 Governing Body and Auditors**

The Board of Governors is responsible for preparing the Annual Report. As described on page 6, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

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 Institutions. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied, for the purposes for which they were received, and whether income 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.

We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of Opinion**

We conducted our audit in accordance with Auditing Standards 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 Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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:

- a. the financial statements give a true and fair view of the state of affairs of the group and the University at 31 July 2005, and of the group's deficit of expenditure over income and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions;
- b. in all material respects, income for the year ended 31 July 2005 from the Higher Education Funding Council for England and the Training and Development Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;

- c in all material respects, income, during the year ended 31 July 2005 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 and the Funding Agreement with the Training and Development Agency.

KPMG LLP  
Chartered Accountants and Registered Auditor  
St James Square  
Manchester  
M2 6DS  
14 December 2005

## **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.

### **Basis of consolidation**

The consolidated financial statements include the University and its subsidiary undertakings for the financial year to 31 July 2005. 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 principal 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 2005

	Note	2004/05 £000 Continuing Operations	2004/05 £000 Discontinued Operations *	2004/05 £000 Total	2003/04 £000 As restated
<b>Income</b>					
Funding council grants	1	66,369	-	66,369	63,525
Tuition fees and education contracts	2	32,101	-	32,101	32,459
Research grants and contracts	3	7,945	-	7,945	6,615
Other income	4	14,072	537	14,609	14,876
Investment income	5	655	1	656	507
<b>Total income</b>		<b>121,142</b>	<b>538</b>	<b>121,680</b>	<b>117,982</b>
<b>Expenditure</b>					
Staff costs	6	76,545	1,007	77,552	71,549
Other operating expenses	8	42,628	612	43,240	39,493
Depreciation	10	4,562	25	4,587	4,589
Interest payable	7	1,115	-	1,115	1,297
<b>Total expenditure</b>	<b>8</b>	<b>124,850</b>	<b>1,644</b>	<b>126,494</b>	<b>116,928</b>
<b>(Deficit)/Surplus after depreciation of fixed assets at valuation but before tax</b>				(4,814)	1,054
Profit on disposal of fixed assets	10			3,124	-
Loss on disposal of discontinued operations				(302)	-
(Deficit)/surplus after depreciation of fixed assets at valuation and disposal of fixed assets but before tax				(1,992)	1,054
Taxation	9			12	14
<b>(Deficit)/Surplus after depreciation of fixed assets at valuation and tax</b>	<b>21</b>			<b>(2,004)</b>	<b>1,040</b>

\* The discontinued operations relate to the sale of the subsidiary company Telescope Technologies Limited to Las Cumbres Observatory, which took place on 31<sup>st</sup> August 2005. As a result, the 2003/04 figures have been restated.

## CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 July 2005

		2004/05 £000	2003/04 £000
(Deficit)/Surplus after depreciation of fixed assets at valuation and tax		(2,004)	1,040
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	1,531	1,125
<b>Historical cost (deficit)/surplus for the period after tax</b>		<b>(473)</b>	<b>2,165</b>

## BALANCE SHEETS

As at 31 July 2005

	Note	Group		University	
		2005 £000	2004 £000	2005 £000	2004 £000
<b>Fixed assets</b>					
Tangible assets	10	99,521	75,140	99,494	75,095
Investments	11	39	39	16,029	16,029
		<u>99,560</u>	<u>75,179</u>	<u>115,523</u>	<u>91,124</u>
<b>Endowment asset investments</b>	12	<u>188</u>	<u>188</u>	<u>188</u>	<u>188</u>
<b>Current assets</b>					
Assets held for resale	10	-	3,917	-	3,963
Stocks and work in progress		96	93	73	57
Debtors	13	11,016	13,353	11,305	15,543
Short-term deposits	16	10,111	9,711	10,111	9,711
Cash at bank and in hand	16	851	1,028	684	17
		<u>22,074</u>	<u>28,102</u>	<u>22,173</u>	<u>29,291</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>24,914</u>	<u>24,425</u>	<u>24,230</u>	<u>23,535</u>
<b>Net current (liabilities)/assets</b>		<u>(2,840)</u>	<u>3,677</u>	<u>(2,057)</u>	<u>5,756</u>
<b>Total assets less current liabilities</b>		96,908	79,044	113,654	97,068
<b>Creditors: Amounts falling due after more than one year</b>	15	17,970	19,446	34,768	36,739
<b>Provisions for liabilities and charges</b>	17	11,439	11,575	11,459	11,404
<b>Net assets</b>		<u><b>67,499</b></u>	<u><b>48,023</b></u>	<u><b>67,427</b></u>	<u><b>48,925</b></u>
<b>Represented by:</b>					
<b>Deferred capital grants</b>	18	<u>12,642</u>	<u>14,190</u>	<u>12,642</u>	<u>14,190</u>
<b>Endowments</b>					
Specific	19	185	183	185	183
General	19	<u>3</u>	<u>5</u>	<u>3</u>	<u>5</u>
		188	188	188	188
<b>Reserves</b>					
Revaluation reserve	20	46,722	25,225	46,722	25,225
Income and expenditure account	21	<u>7,947</u>	<u>8,420</u>	<u>7,875</u>	<u>9,322</u>
<b>Total reserves</b>		<u>54,669</u>	<u>33,645</u>	<u>54,597</u>	<u>34,547</u>
<b>Total</b>		<u><b>67,499</b></u>	<u><b>48,023</b></u>	<u><b>67,427</b></u>	<u><b>48,925</b></u>

The financial statements on pages 13 to 34 were approved by the Board of Governors on 7 December 2005.

Commodore R H Walker  
**Chair**

Michael Brown  
**Vice Chancellor**



**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 July 2005

	<b>Note</b>	<b>2004/05 £000</b>	<b>2003/04 £000</b>
<b>Net cash inflow from operating activities</b>	22	1,977	1,616
Returns on investments and servicing of finance	23	(286)	(713)
Taxation		(4)	(14)
Capital expenditure and financial investment	23	314	(1,263)
		<hr/>	<hr/>
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		2,001	(374)
Management of liquid resources	23	(400)	7,403
Financing	23	(865)	(7,299)
		<hr/>	<hr/>
<b>Increase/(Decrease) in cash in the year</b>		736	(270)
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
		<b>2004/05 £000</b>	<b>2003/04 £000</b>
Increase/(Decrease) in cash in the year	24	736	(270)
Cash inflow/(outflow) from decrease in debt and lease financing	24	1,112	7,620
Cash inflow/(outflow) from movement in liquid resources	24	400	(7,403)
		<hr/>	<hr/>
Change in net debt resulting from cash flows		2,248	(53)
Non-cash changes		-	-
		<hr/>	<hr/>
Movement in net debt for year 2005		2,248	(53)
Net debt at 1 August 2004		(8,637)	(8,584)
		<hr/>	<hr/>
Net debt at 31 July 2005	24	(6,389)	(8,637)
		<hr/>	<hr/>

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

For the year ended 31 July 2005

	<b>Note</b>	<b>2004/05 £000</b>	<b>2003/04 £000</b>
(Deficit)/Surplus after depreciation of fixed assets at valuation and tax		(2,004)	1,040
Net Increase in endowments	19	-	2
HEFCE grant received re inherited debt payment	20	245	323
Donated equipment received during the year	20	-	(3)
Unrealised surplus on revaluation of assets	20	22,783	-
<b>Total recognised gains relating to the year</b>		<b>21,024</b>	<b>1,362</b>

**Reconciliation**

	<b>2004/05 £000</b>	<b>2003/04 £000</b>
Opening reserves and endowments	33,833	32,471
Total recognised gains in year	21,024	1,362
Closing reserves and endowments	<b>54,857</b>	<b>33,833</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005

<b>1</b>	<b>Funding Council grants</b>	<b>HEFCE £000</b>	<b>TDA £000</b>	<b>2004/05 £000</b>	<b>2003/04 £000</b>
	Recurrent grant	55,175	4,203	59,378	55,034
	Specific grants				
	Inherited liabilities	1,103	-	1,103	1,127
	Other	4,113	1,143	5,256	6,724
	Deferred capital grants released in year				
	Buildings (note 18)	309	-	309	309
	Equipment (note 18)	323	-	323	331
		<u>61,023</u>	<u>5,346</u>	<u>66,369</u>	<u>63,525</u>
<b>2</b>	<b>Tuition fees and education contracts</b>			<b>2004/05 £000</b>	<b>2003/04 £000</b>
	Full-time students (UK and European Union)			15,255	16,015
	Full-time students charged overseas fees and other fees			4,500	5,030
	Part-time fees (UK and European Union)			2,429	2,831
	Other fees and NHS education contracts			9,917	8,583
				<u>32,101</u>	<u>32,459</u>
<b>3</b>	<b>Research grants and contracts</b>			<b>2004/05 £000</b>	<b>2003/04 £000</b>
	Research councils			1,402	1,186
	UK based charities			502	577
	Health & Hospitals			1,660	2,036
	Central and Local Government			2,574	1,755
	Other research grants and contracts			1,807	1,061
				<u>7,945</u>	<u>6,615</u>
<b>4</b>	<b>Other income</b>	<b>£000</b>	<b>£000</b>	<b>2004/05 £000</b>	<b>2003/04 £000</b>
		<b>Continuing</b>	<b>Discontinued</b>	<b>Continuing</b>	<b>Discontinued</b>
	Residences and catering	1,821	-	1,821	2,456
	Other services rendered	8,314	-	8,319	6,974
	Release from deferred capital grant (note 18)	376	-	376	367
	Other income	3,556	537	4,093	3,160
		<u>14,072</u>	<u>537</u>	<u>14,609</u>	<u>12,957</u>
<b>5</b>	<b>Investment income</b>	<b>£000</b>	<b>£000</b>	<b>2004/05 £000</b>	<b>2003/04 £000</b>
		<b>Continuing</b>	<b>Discontinued</b>	<b>Continuing</b>	<b>Discontinued</b>
	Income from short-term deposits	655	1	656	506
		<u>655</u>	<u>1</u>	<u>656</u>	<u>507</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

<b>6</b>	<b>Staff costs</b>	<b>£000</b>	<b>2004/05</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>2003/04</b>	<b>£000</b>
		Continuing Operations	Discontinued Operations	<b>Total</b>	Continuing Operations	Discontinued Operations		<b>Total</b>
	Salaries and wages	63,017	852	63,869	58,389	973		59,362
	Social security costs	5,333	93	5,426	4,940	106		5,046
	Pension costs (note 25)	7,301	43	7,344	6,699	53		6,752
		75,651	988	76,639	70,028	1,132		71,160
	Severance: Restructuring costs	400	19	419	310	-		310
	Contributions to pensions	494	-	494	79	-		79
		76,545	1,007	77,552	70,417	1,132		71,549

	<b>2004/05</b>	<b>2003/04</b>
	<b>£</b>	<b>£</b>
Emoluments of the Vice Chancellor		
Salary	180,000	160,000
Benefits in kind	500	469
	180,500	160,469
Pension contributions	24,300	21,600

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:

	<b>Number</b>	<b>Number</b>
Academic	822	910
Support	1,215	1,034
Other	257	245
	2,294	2,189

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 7 Interest payable

	2004/05 £000	2003/04 £000
On bank loans, overdraft and other loans:		
Wholly repayable within five years	31	36
Not wholly repayable within five years	684	744
Finance leases	204	303
Interest on Liverpool City Council inherited debt (reimbursed by HEFCE)	196	214
	<u>1,115</u>	<u>1,297</u>

### 8 Analysis of 2004/05 expenditure by activity

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable £000	Total £000
Academic	48,470	796	12,712	-	61,978
Academic services	7,139	349	4,257	-	11,745
Research grants & contracts	3,491	84	2,543	-	6,118
Residences & catering	855	181	1,477	201	2,714
Premises	4,308	2,325	11,618	881	19,132
Administration & central services	5,667	710	3,071	33	9,481
General education	1,518	-	4,299	-	5,817
Staff student facilities	1,575	5	1,741	-	3,321
Other expenses	4,529	137	1,522	-	6,188
	<u>77,552</u>	<u>4,587</u>	<u>43,240</u>	<u>1,115</u>	<u>126,494</u>

### Other operating expenditure includes:

	2004/05 £000	2003/04 £000
Auditors remuneration		
External audit	36	35
External auditors provision of non audit services	84	102
Internal audit	75	76
Operating leases	70	71
	<u>265</u>	<u>284</u>

### 9 Taxation

	2005		2004	
	Group £000	University £000	Group £000	University £000
<b>Current Tax:</b>				
UK Corporation taxation at 30%	8	8	-	-
Under provision of taxation in prior years	<u>4</u>	<u>5</u>	<u>14</u>	<u>-</u>
	<u>12</u>	<u>13</u>	<u>14</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 10 Tangible fixed assets

Group	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Telescope £000	Equipment £000	Total £000
<b>Cost or valuation</b>					
At 1 August 2004	64,066	10,995	4,296	13,913	93,270
Additions	4,504	-	-	1,682	6,186
Re-classification	2,825	(2,825)	-	-	-
Revaluation	15,278	(677)	-	-	14,601
Disposals	-	-	-	(2,178)	(2,178)
At 31 July 2005	86,673	7,493	4,296	13,417	111,879
<b>Depreciation</b>					
At 1 August 2004	5,236	2,443	215	10,236	18,130
Charge for the year	1,997	400	215	1,975	4,587
Re-classification	622	(622)	-	-	-
Revaluation	(7,392)	(789)	-	-	(8,181)
Disposals	-	-	-	(2,178)	(2,178)
At 31 July 2005	463	1,432	430	10,033	12,358
<b>Net book value</b>					
Inherited	62,172	6,061	-	-	68,233
Financed by capital grant	9,719	-	2,072	851	12,642
Other	14,319	-	1,794	2,533	18,646
At 31 July 2005	86,210	6,061	3,866	3,384	99,521
At 1 August 2004	58,830	8,552	4,081	3,677	75,140
<b>University</b>					
	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Telescope £000	Equipment £000	Total £000
<b>Cost or valuation</b>					
At 1 August 2004	64,066	10,995	4,296	13,050	92,407
Additions	4,504	-	-	1,675	6,179
Re-classification	2,825	(2,825)	-	-	-
Revaluation	15,278	(677)	-	-	14,601
Disposals	-	-	-	(2,178)	(2,178)
At 31 July 2005	86,673	7,493	4,296	12,547	111,009
<b>Depreciation</b>					
At 1 August 2004	5,236	2,443	215	9,418	17,312
Charge for the year	1,997	400	215	1,950	4,562
Re-classification	622	(622)	-	-	-
Revaluation	(7,392)	(789)	-	-	(8,181)
Disposals	-	-	-	(2,178)	(2,178)
At 31 July 2005	463	1,432	430	9,190	11,515
<b>Net book value</b>					
Inherited	62,172	6,061	-	-	68,233
Financed by capital grant	9,719	-	2,072	851	12,642
Other	14,319	-	1,794	2,506	18,619
At 31 July 2005	86,210	6,061	3,866	3,357	99,494
At 1 August 2004	58,830	8,552	4,081	3,632	75,095

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 10 Tangible fixed assets (continued)

The net book value of assets held under finance leases is £5,093,668 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 £161,712 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 £8m 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 September 2004 the university sold its North Western Hall property, which had a net book value of £3,963k realising a profit on sale of £3,124k, including the release of a deferred capital grant of £1,705k.

Disposals comprise equipment which had a net book value of £nil.

### 11 Investments

Group	Other Investments £000
<b>Cost or valuation</b>	
At 1 August 2004 and at 31 July 2005	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
<b>Cost or valuation</b>			
Net book value at 1 August 2004 and at 31 July 2005	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
Telescope Technologies 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 2005 (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. There are no results to consolidate for the year ended 31 July 2005.

### 12 Endowment asset investments

	<b>Group and University £000</b>
At 1 August 2004	188
Additions	3
Disposals	(11)
Appreciation during year	8
	<hr/>
<b>Balance at 31 July 2005, represented by short term deposits</b>	<b>188</b>
	<hr/> <hr/>

### 13 Debtors

	<b>Group</b>		<b>University</b>	
	<b>2005 £000</b>	<b>2004 £000</b>	<b>2005 £000</b>	<b>2004 £000</b>
<b>Amounts falling due within one year</b>				
Trade debtors	3,310	5,807	2,950	4,927
Prepayments	1,624	1,455	1,587	1,424
Other debtors	4,403	2,860	4,281	2,734
Amounts due from associated company	645	2,010	645	2,010
Amounts due from subsidiary companies	-	-	808	3,227
	<hr/>	<hr/>	<hr/>	<hr/>
	9,982	12,132	10,271	14,322
<b>Amounts falling due after one year</b>				
Other Debtors	<hr/>	<hr/>	<hr/>	<hr/>
	1,034	1,221	1,034	1,221
	<hr/>	<hr/>	<hr/>	<hr/>
	11,016	13,353	11,305	15,543
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<b>Group</b>		<b>University</b>	
	<b>2005 £000</b>	<b>2004 £000</b>	<b>2005 £000</b>	<b>2004 £000</b>
<b>14 Creditors: Amounts falling due within one year</b>				
Bank overdraft	-	913	-	913
HEFCE grants not applied	4,525	2,939	4,525	2,939
Accruals - research grants	6,284	6,950	6,284	6,950
Payroll deductions	2,096	366	2,096	366
LCC loan debt principal 2005/06 (Note 15)	261	245	261	245
Bank loans principal 2005/06	538	538	538	538
Finance leases 2005/06 (Note 16)	260	282	260	282
Amounts due to subsidiary companies	-	-	31	123
Trade creditors	2,666	4,686	2,510	4,314
Other creditors	8,284	7,506	7,725	6,865
	<hr/>	<hr/>	<hr/>	<hr/>
	24,914	24,425	24,230	23,535
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS



15	Creditors: Amounts falling due after one year	Group		University	
		2005 £000	2004 £000	2005 £000	2004 £000
	Liverpool City Council loan debt at 1 August 2004	3,336	3,659	3,336	3,659
	Repayment of loan debt principal during year	(245)	(323)	(245)	(323)
	Liverpool City Council loan debt at 31 July 2005	3,091	3,336	3,091	3,336
	Loan debt principal due in 2005/06 (note 14)	(261)	(245)	(261)	(245)
	Bank loan	9,653	10,191	9,653	10,191
	Finance leases	3,997	4,302	3,997	4,302
	Inter company leases	-	-	16,798	17,293
	Other creditors	1,490	1,862	1,490	1,862
		17,970	19,446	34,768	36,739

The City Council debt incorporates several individual borrowings, which are being repaid over a variety of periods. There is insufficient information with regard to the individual asset details in order to identify the specific assets incorporated into the schedule. Interest charges made in relation to the principal outstanding are calculated in accordance with the City Council policies for the management of the Consolidated Loans Fund. Repayment of principal sums is in accordance with a 10% accumulating Sinking Fund. At present, it is HEFCE policy to fund this liability.

#### 16 Interest rate risk profile of financial liabilities

	Cash at Bank and in hand				Short Term Deposits			
	Group		University		Group		University	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Floating Rate	851	1,028	684	17	-	-	-	-
Fixed Rate	-	-	-	-	10,111	9,711	10,111	9,711
As at 31 July	851	1,028	684	17	10,111	9,711	10,111	9,711

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	2005			2004		
	Debt £000	Finance Leases £000	Total £000	Debt £000	Finance Leases £000	Total £000
Within 1 year or on demand	799	260	1,059	1,697	282	1,979
Between 1 & 2 years	793	260	1,053	1,592	520	2,112
Between 3 & 5 years	2,224	780	3,004	2,224	780	3,004
Over 5 years	9,466	2,957	12,423	9,466	3,002	12,468
Finance charges allocated to future periods	13,282	4,257	17,539	14,979	4,584	19,563

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (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 Josephine Butler House North Western Hall	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.

Finance leases in respect of one University property were settled 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 2005.

	Total 2004/05 £000	Floating Rate Financial Liabilities £000	Fixed Rate Financial Liabilities £000
As at 31 July 2005	17,539	4,380	13,159
As at 31 July 2004	19,562	5,533	14,029

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 2005 (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 2004	11,114	-	461	11,575
Utilised in the year	(745)	-	(242)	(987)
Transfer from/(to) income and expenditure account	494	181	176	851
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	10,863	181	395	11,439
	<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 2004	11,114	-	290	11,404
Utilised in the year	(745)	-	(71)	(816)
Transfer from/(to) income and expenditure account	494	302	75	871
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2005	10,863	302	294	11,459
	<hr/>	<hr/>	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 18 Deferred capital grants

#### Group and University

	HEFCE £000	Other £000	Total £000
At 1 August 2004			
Buildings	7,582	4,077	11,659
Equipment	566	1,965	2,531
	<u>8,148</u>	<u>6,042</u>	<u>14,190</u>
Income			
Buildings	767	-	767
Equipment	234	163	397
	<u>1,001</u>	<u>163</u>	<u>1,164</u>
Total			
Adjustment on disposal			
Buildings (note 10)	-	(1,705)	(1,705)
Equipment	-	-	-
	<u>-</u>	<u>(1,705)</u>	<u>(1,705)</u>
Released to income and expenditure			
Buildings (notes 1 and 4)	309	83	392
Equipment (note 1 and 4)	323	293	616
	<u>632</u>	<u>376</u>	<u>1,008</u>
Total			
At 31 July 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>
<b>Total</b>			

### 19 Endowments

#### Group and University

	Specific £000	General £000	Total £000
At 1 August 2004	183	5	188
Appreciation in year	8	-	8
Additions in year	-	3	3
Expenditure in year	(6)	(5)	(11)
	<u>185</u>	<u>3</u>	<u>188</u>
<b>At 31 July 2005</b>			
Representing:			
<b>Trust &amp; prize funds</b>	<u>185</u>	<u>3</u>	<u>188</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 20 Revaluation reserve

	<b>Group and University</b>	
	<b>2005</b>	<b>2004</b>
<b>Revaluations</b>	<b>£000</b>	<b>£000</b>
At 1 August 2004	25,225	26,030
Loan principal repaid, funded by HEFCE	245	323
Donated equipment reserve adjustment	-	(3)
Revaluation during the year	22,783	-
Contributions to depreciation:		
Released in year (note 21)	(1,531)	(1,125)
	<hr/>	<hr/>
<b>At 31 July 2005</b>	<b>46,722</b>	<b>25,225</b>

<b>21 Income and expenditure account</b>	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August	8,420	9,322	6,255	6,362
(Deficit)/surplus after depreciation and tax	(2,004)	(2,978)	1,040	1,835
Transfer from revaluation reserve (note 20)				
Contribution to depreciation	1,531	1,531	1,125	1,125
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 July</b>	<b>7,947</b>	<b>7,875</b>	<b>8,420</b>	<b>9,322</b>

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

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>
(Deficit)/Surplus before taxation	(1,992)	1,054
Profit on disposal of fixed assets	(3,124)	-
Depreciation (note 10)	4,587	4,589
Deferred capital grants released to income (note 18)	(1,008)	(1,007)
Interest receivable (note 5)	(656)	(507)
Interest payable (note 7)	1,115	1,297
Interest reimbursement by HEFCE	(196)	(214)
(Increase)/decrease in stock	(3)	56
(Increase)/ decrease in debtors	2,285	(4,303)
Increase in creditors	1,105	1,566
(Decrease)/Increase in provisions (note 17)	(136)	(915)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>1,977</b>	<b>1,616</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

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

	2004/05 £000	2003/04 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	708	493
Interest paid	(966)	(1,016)
Reimbursement of interest on inherited debt	196	214
Interest element of finance lease rental payment	(224)	(404)
	<hr/>	<hr/>
	(286)	(713)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(6,186)	(2,440)
Proceeds from disposal of tangible fixed assets	5,336	-
Receipt of deferred capital grants	1,164	1,177
	<hr/>	<hr/>
	314	(1,263)
<b>Management of liquid resources</b>		
Cash placed on short term deposit (note 24)	(400)	7,403
	<hr/>	<hr/>
<b>Financing</b>		
<b>Debt due within one year:</b>		
Repayment of secured loan	(538)	(538)
Repayment of inherited debt	(245)	(323)
Recovery of HEFCE inherited debt	245	323
Capital element of finance lease rental payments	(22)	(3,623)
<b>Debt due beyond one year:</b>		
Capital element of finance lease rental payments	(305)	(3,138)
	<hr/>	<hr/>
	(865)	(7,299)
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 24 Analysis of net debt

	At 1 August 2004 £000	Cash Flow £000	Non Cash Change £000	At 31 July 2005 £000
Cash in hand and at bank				
Endowments	188	-	-	188
General	1,028	(177)	-	851
Overdraft	(913)	913	-	-
	<hr/> 303	<hr/> 736	<hr/> -	<hr/> 1,039
Debt due after one year	(13,282)	-	799	(12,483)
Debt due within one year	(784)	784	(799)	(799)
Finance leases	(4,585)	328	-	(4,257)
	<hr/> (18,651)	<hr/> 1,112	<hr/> -	<hr/> (17,539)
Current asset investments	9,711	400	-	10,111
	<hr/> (8,637)	<hr/> 2,248	<hr/> -	<hr/> (6,389)

### 25 Pension schemes

The principal 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 £7,344,574 (2004 - £6,752,409).

#### Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions for the year ended 31 July 2005 amount to £4,235,760 (2004 - £3,977,409). Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

#### SSAP 24

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	£102,010m
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 2004 to 31 July 2005 the employer contribution was 13.5%.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 25 Pension Schemes (continued)

#### FRS 17

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.

#### SSAP 24

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 2002
Actuarial method	Projected Unit
Investment returns per annum	6.0% per annum
Pension increases per annum	2.7 % per annum
Salary scale increases per annum	3.7% per annum
Market value of assets at date of last valuation	£19,770 million
Proportion of members' benefits covered by the actuarial value of the assets	101%

The total pension contribution to USS for the University was £55k (2004 £47k). 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.

#### FRS 17

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 2005 was £3,064,000 (2004 £2,777,000). The agreed contribution rates are 12.5% from 1 April 2005 for employers and 6% for employees.

#### SSAP 24

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	£2,954 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	76%



## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 25 Pension Schemes (continued)

FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2004 updated to 31 July 2005 by a qualified independent actuary.

	At 31 July 2005	At 31 July 2004	At 31 July 2003
Inflation	2.7%	2.8%	2.5%
Rate of increase in salaries	3.95%	3.8%	3.5%
Rate of increase for pensions	2.7%	2.8%	2.5%
Discount rate for liabilities	5.0%	5.7%	5.5%

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 2005	Value at 31 July 2005 £000	Long term rate of return expected at 31 July 2004	Value at 31 July 2004 £000	Long term rate of return expected at 31 July 2003	Value at 31 July 2003 £000
Equities	7.5%	42,871	7.5%	34,786	7.5%	30,105
Government Bonds	4.4%	13,164	5.0%	10,136	4.7%	9,431
Other Bonds	5.0%	3,741	5.7%	2,579	5.5%	2,558
Property	6.5%	3,093	6.5%	5,938	6.5%	5,595
Other	6.78%	9,064	4.5%	6,537	3.75%	5,595
Total Market Value of assets		71,933		59,976		53,284
				Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000	Year Ended 31 July 2003 £000
University's estimated asset share				71,933	59,976	53,284
Present value of scheme liabilities				(101,500)	(81,699)	(73,155)
Deficit in the scheme				(29,567)	(21,723)	(19,871)

Under the transitional arrangement of FRS17, no provision has been made by the University for the institution's share of the deficit of the scheme. If provision were made, the following entries would be made:

#### Balance Sheet Presentation

	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000	Year Ended 31 July 2003 £000
Net assets excluding FRS 17 pension liability	67,499	48,023	46,488
Net pension liability	(29,567)	(21,723)	(19,871)
Net assets including FRS17 pension liability	37,932	26,300	26,617

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 25 Pension Schemes (continued)

#### Reserves Note

	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000	Year Ended 31 July 2003 £000
Income and expenditure account excluding FRS17 pension liability	7,947	8,420	6,255
Pension reserve	<u>(29,567)</u>	<u>(21,723)</u>	<u>(19,871)</u>
Income and expenditure account including FRS17 pension liability	<u>(21,620)</u>	<u>(1,303)</u>	<u>(13,616)</u>

Under the transitional arrangements of FRS17, the University pension charge for the year calculated under FRS17 assumptions is not included in the financial statements. If the charge had been included on an FRS 17 basis, the following entries would be made:

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

	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000
Service cost	(3,483)	(2,966)
Past service/Curtailment costs	<u>-</u>	<u>(257)</u>
Total operating charge	<u>(3,483)</u>	<u>(3,223)</u>

#### Analysis of net return on pension scheme

	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000
Expected return on pension scheme assets	4,179	3,497
Interest on pension liabilities	<u>(4,746)</u>	<u>(4,099)</u>
Net return	<u>(567)</u>	<u>(602)</u>

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

	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000
Actual return less expected return on pension scheme assets	8,014	645
Experience gains and losses arising on the scheme liabilities	(1,158)	-
Change in financial and demographic assumptions underlying the scheme liabilities	<u>(13,714)</u>	<u>(1,449)</u>
Actuarial loss recognised in STRGL	<u>(6,858)</u>	<u>(804)</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 25 Pension Schemes (continued)

#### Movement in deficit during the year

	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000
Deficit in scheme at 1 August 2004	(21,723)	(19,871)
Movement in year:		
Current service charge	(3,483)	(2,966)
Contributions	3,064	2,777
Past service/Curtailment cost	-	(257)
Net interest/return on assets	(567)	(602)
Actuarial loss	(6,858)	(804)
Deficit in scheme at 31 July 2005	(29,567)	(21,723)

#### History of experience gains and losses

	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000	Year Ended 31 July 2003 £000	Year Ended 31 July 2002 £000
Difference between the expected and actual return on assets:				
Amount	6,856	645	445	(10,934)
% of scheme assets	9.5%	1.1%	0.8%	22.7%
Change in assumptions				
Amount	(13,714)	(1,449)	(6,258)	-
% of scheme liabilities	13.5%	1.8%	8.6%	-
Total amount recognised in STRGL				
Amount	(6,858)	(804)	(6,703)	(10,934)
% of scheme liabilities	6.8%	1.0%	9.2%	17.9%

#### Group Personal Pension

Telescope Technologies Ltd operates a defined contribution pension scheme. Contributions are charged to the Income and Expenditure account as they become payable in accordance with the rules of the scheme. The scheme is operated by Group Personal Pension and is for the employees and directors of the company. The assets of the scheme are held separately from the company in an independently administered fund.

The total pension cost for the University and its subsidiaries was:

	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000
Contributions to USS	55	47
Contributions to TPS	4,236	3,977
Contributions to MPF	3,064	2,777
Contributions to Group Personal Pension	43	53
Contributions paid	7,398	6,854
less Utilisation of pension enhancement provision	(54)	(102)
	7,344	6,752

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2005 (continued)

### 26 Access funds

	2004/05 £000	2003/04 £000
Balance at 1 August	168	71
Funding Council grants	1,048	1,376
Interest earned	19	20
	<hr/>	<hr/>
	1,235	1,467
Disbursed to students	(1,184)	(1,299)
	<hr/>	<hr/>
<b>Balance at 31 July</b>	<b>51</b>	<b>168</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

	2004/05 £000	2003/04 £000
Balance at 1 August 2004	114	239
Training and Development Agency grants	1,647	1,471
	<hr/>	<hr/>
	1,761	1,710
University administration fee	(35)	(34)
Disbursed to students	(1,710)	(1,562)
	<hr/>	<hr/>
	16	114

### 28 Capital commitments

There university had £3,002k of commitments contracted at 31 July 2005 (2003/04 £nil) but not provided for in these financial statements.

### 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, L2 2LE.