

**LIVERPOOL JOHN MOORES UNIVERSITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2009**

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## Operating and Financial Review

### 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 2009.

### Mission

Our mission is to serve and enrich our students, clients and communities by providing opportunities for advancement through education, training, research and the transfer of knowledge.

LJMU is working towards a new future where LJMU will be the number one UK University for graduate careers and a university of choice for organisations in search of research and consultancy that will help them compete in an increasingly global economy.

We believe we can achieve these goals. The foundations are already in place, and the supporting structures well developed.

### Strategic Objectives

The mission, core Purpose and values are the explicit platform for the University's Strategic Statement and Plan for the period 2007-2012; and articulate the Fundamental Concepts of Excellence, as defined by the European Foundation for Quality Management (EFQM), in ways meaningful to LJMU.

Currently we are introducing a major new initiative that will deliver to our students high quality academic programmes connected to the world of work and business plus a range of measures and certified experiences and personal skills that will best equip them for successful careers. Specifically, the strategic plan focuses on an innovative concept, which, internally, we call World of Work (WoW®) that centres on employer engagement and graduate careers. For this reason World of Work has been devised as the means by which our students can accumulate broader high-level 'world-of-work' skills; to have these assessed and certified independently of their academic study, giving prospective employers absolute confidence of the value of an LJMU graduate, whether this be in the private, public, or voluntary and social employment sectors. To achieve this successfully we believe that it is critical that employers are actively involved in the process. Accordingly the University is piloting a unique and innovative form of employer engagement.

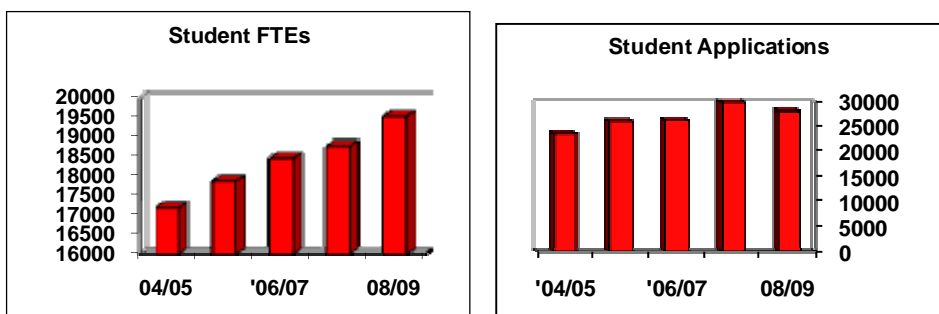
We are also continuing to maintain growth in our traditional public income sources whilst increasing significantly growth rates in income from non-public sources, such as contract research, commercial enterprise and knowledge transfer.

We are also focussed on maintaining our reputation for excellence in governance and management, through continuous development and improvement against the rigours of the EFQM Excellence Model, and through the continued development of a strong strategic management focus.

### Operations

#### Students

LJMU is the tenth largest university in the UK with 25,900 students in Liverpool plus a further 4,500 students enrolled on accredited University courses overseas. Actual full time equivalent numbers for 2008/09 were 19,508 an increase of 4% compared with 07/08 continuing the trend of growth over the past 5 years.



The growth in numbers reflects several initiatives, developments and successes which make LJMU more attractive to students:

- The development of a Foundation Degree in Police Studies in partnership with Merseyside Police represented LJMU's first bid to the HEFCE for Employer Engagement additional student numbers. The success of the bid has now resulted in the first cohorts of new recruits to the Foundation Degree with the aim of providing higher level skills to new officers. The nature of the collaboration puts the University at the forefront of the higher skills and employer engagement agenda.

- New student support zones are being introduced to enhance the student experience which has merged staff from Libraries, IT and student support.
- A major initiative has been the development of a web based tool to provide access to a wealth of data relating to programmes, modules, students and UCAS applications. The "Webhub" provides staff with the opportunity to interrogate data sets relating to student/programme performance.

Graduate Skills and WOW has seen significant successes this year:

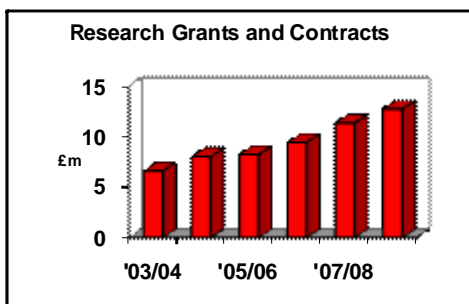
- Policy Maker recognition including best practice case study in nationally important publications in 2009 and hosting many VIP visitors (including senior officials from the Malaysian Government) who have been keen to see what LJMU have achieved.
- WoW pilot study successfully completed and modified and improved following feedback . Already circa 1200 students signed up for the current year.
- Collaborative relationships with the WoW National Employers Group continue to flourish with members such as Siemens, Marks and Spencer, Oracle, United Utilities, NHS and Sony.
- The Graduate Development Centre has achieved major successes in brokerage and work related learning including placements with Liverpool City Council and support from Merseyside Police
- Delivery of the highly-successful Graduate Accelerator Programme in response to the Economic Crisis Investment Fund.

## Research

Core HEFCE research income funds are strategically deployed within LJMU to support World-leading research and research of international excellence. Where strategically appropriate to do so, such income also supports emerging research strengths. The target for future year on year growth remains at 10% which builds on growth of approx. 13% between 07/08 and 08/09.

## Highlights

- The results of RAE2008 recognised the excellence of the research performed across LJMU.
  - Two-thirds of our research activity operates at World-leading and International levels of excellence.
  - Particular research strengths are those in STEM (e.g., electrical and general engineering, astrophysics, built environment, nursing & allied health) and STEM-related subjects (e.g., biological anthropology, sports sciences).
  - The School of Sports and Exercise Science was recognised as 'being amongst the very best departments in the World' in RAE2008.
  - The results of RAE2008 generated a 41% increase in annual HEFCE QR funding.
  - The Astrophysics Research Institute secured a £2.9m research grant from the Science and Technologies Facilities Council to support the operation of the Liverpool Telescope during 2009-2014.
- The rate of growth of external (non-HEFCE) research income in recent years remains the highest of NW Universities and amongst the highest in the UK overall (well ahead of the sector average of 7%).
- Collaborative research grants remain a significant driver for LJMU's HEIF income.
- LJMU continues to lever external non-HEFCE research income using core research income at a rate at approx. 4:1 (well ahead of the sector average).



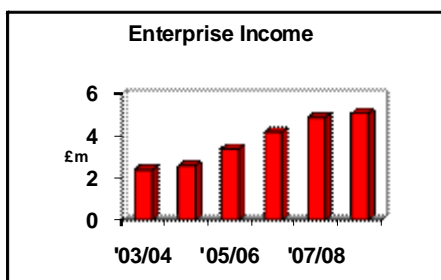
## Commercial Enterprise and Knowledge Transfer

The University combines HEIF 4 funding and core funds to ensure continuation of a range of support for this activity across the University. Successful complementary European Union funding bids are used to further develop the support for student and alumni start-up businesses.

During the year the annual Higher Education Business and Community Interaction survey (HEBCIS) was published and showed the total annual value of LJMU's interaction with business and the community reached £18.8m. Against the 160 UK HEIs in the survey LJMU ranked 49<sup>th</sup> for the total value of interaction with business and the community.

## Highlights

- In 2008/9 the University's commercial enterprise turnover reached £5.106m representing the 5th consecutive year of growth and at a profit margin of 42%.
- Knowledge Transfer Partnership (KTP) programmes equated to 10.75 project years delivered during the year with a total revenue (grant plus company contribution) of £589k. Two LJMU partnerships won national KTP awards and LJMU achieved the UK's first Short KTP. Through Classic and Short KTPs, the



University's position was maintained as a leading regional provider of KTPs. In 2008/9 the number of students undergoing bespoke entrepreneurship training grew to over 600, the high profile and popular 'start-up network' was built and bursaries were awarded to support the establishment of more than 35 student businesses.

- The Automatic, LJMU's unique creative facilitation space and team, designed and delivered bespoke events for organisations from the public, private and third sectors, including the NHS.
- LJMU partnered with Blenheim Associates (a firm of business turnaround practitioners) on the joint design and joint delivery of a Postgraduate Certificate in Business Turnaround, unique in the UK.
- During the year, Forsigs Ltd, a LJMU/industry partner owned spin out, established itself as a potential leader in the field of digital forensics.
- In 2008/09, LJMU secured contracts with organisations on the world stage, including FIFA (Federation Internationale de Football Association).
- During the year LJMU bursary recipient, Trendy Vend, saw its stylish vending machines installed across Liverpool and its brand established nationally.
- LJMU's partnership with a major venture capitalist supported three high-growth technology spin-out companies. The company portfolio was further enhanced by two own-funded and industry partner joint-funded high growth technology spin outs.
- In 2008/09, the University generated a 23% increase in international commercial technology transfer activity, with major contracts established and built upon in Saudi Arabia, India and Libya.

## Resources

### Capital Development Highlights

- Three Campus area master plans have been finalised and it is expected that c£180m will have been spent during the period 02/03 to 12/13.
- Significant loan secured from Barclays Bank to enable the programme of work.
- £30m Art and Design Academy completed and fully occupied.
- The Tom Reilly Building, the new home for the University's School of Sport and Exercise Science and Psychology Department is on target for completion at the end of November 2009.
- Development has started on the Clarence Street Building, a £37m general teaching and screen academy development for the Faculties of Business and Law and Media, Arts and Social Science. Initial enabling works are due to commence in January 2010.
- New student zones created at IM Marsh and Mount Pleasant with Phase 1 of the City Campus zone completed over summer.
- Cladding and window replacement project at Byrom Street progressing ahead of schedule using brought forward Teaching Capital Investment Fund.
- Planning ongoing for a new teaching building at the IM Marsh site.

During the year there have been major systems developments with Oracle HR, Oracle Payroll and Oracle Financials all going live ahead of the original planned schedule. The planning and development of the new student system, Campus Solutions, has commenced during the year for a go live in 2010.

## Results for the Year

The University's consolidated Income, Expenditure and Results for the year to 31 July 2009 are summarised as follows:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Income	172,643	162,234
Expenditure	169,396	157,799
Surplus after depreciation of assets at valuation and before tax	3,247	4,435
Profit on disposal of fixed assets	-	-
Surplus after depreciation of fixed assets at valuation and disposal of fixed assets but before tax	3,247	4,435
Share of Operating (loss)/profit in associate	(353)	(48)
Taxation	-	2
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	2,894	4,389
Deficit for the year transferred to accumulated income in endowment funds	101	15
Surplus for the year	2,995	4,404
Surplus for the year on a historical cost basis	4,339	5,314

## Financial Headlines

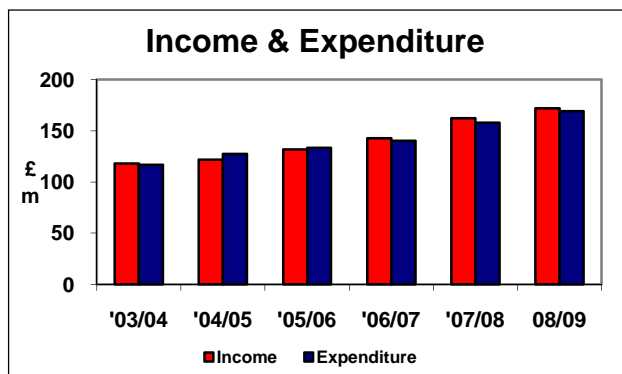
- Historical cost surplus for the year £4.3m
- Capital expenditure £33.9m
- Income growth of 6.4% to £172.6 m
- Increased expenditure of 7.3% to £169.3 m
- Net worth at £84.3m before pension liabilities

## Income and Expenditure Account

2008/09 has been an excellent year with a retained group surplus for the year of £4.3m. This is a particularly good result as the University did not benefit from profits from property sales this year and had an FRS 17 charge of £4.9m. Excluding this charge and costs in Associate companies of £0.3m the underlying surplus was £9.5m which will be used to underpin our capital programme going forward.

Total Income increased by 6.4% to £172.6m. £8.7m of the increase was due to the benefit received from an additional year of full student fees and increases in fees and charges. Overseas numbers and fees added a further £2.1m. HEFCE core funding, additional numbers and increases in widening participation funds resulted in £3.5m additional income. Research grants have increased by £2.2m and collaborative income has also improved. Offsetting these increases we have seen reductions in NWDA/ERDF activity and interest receivable amounting to £2.5m. 2007/08 also benefited from a significant one off VAT recovery of £2.1m.

Expenditure increased by 7.3% to £169.3m. Staff costs have increased by 6.8% due to the pay award, pension costs and incremental growth. The main areas of increase in other operating costs include the cost of student bursaries and scholarships (£2.7m), fuel and light and capital related expenditure (£1.6m). The impact of FRS17 (Retirement Benefits) was a decrease to group surplus of £4.9m (2007/8 £3.1m).



## Balance Sheet

The Balance Sheet has been further strengthened. Income and Expenditure Reserves excluding the Pension Reserve (associated with FRS17) are £42.1m an increase of £9m compared with the previous year. The inclusion of the Pension Reserve results in negative Income and Expenditure reserves of £21.8m (2007/08 negative £30.8m).

Fixed Assets have increased by £30.9m. Assets Under Construction are £21.7m (07/08 £28.2m) and include the costs for the Tom Reilly Building due for completion in November 2009. The Art and Design Academy Costs have been moved out of AUC as the building is now complete. £3.6m has been transferred from Assets for resale in the year as the sale of this building has been deferred due to the economic climate.

Cash deposits have reduced by £5.7m during the year but no loans had been drawn down despite capital expenditure of £33.9m. Loans were negotiated in the year and £20m was drawn down in August 2009. The net current liability position arose as a result of movements in unapplied capital and revenue grants and spend on our ongoing capital programme. Following receipt of the first £20m tranche of the loan the year end position of net current liabilities reverted to net current assets.

## Governance and Risk

- The University's governance practices are consistent with the revised "Guide for Membership of Higher Education Governing Bodies in the UK" by the Committee of University Chairman (CUC), published in November 2004.
- The University remains strongly committed to adopting best practice in terms of Governance and Management. The management system has been developed and improved since 2002 using the EFQM Excellence model framework. A well developed strategic management and performance system based on the 'Balanced Scorecard' discipline ensures continued strategic focus. Building on the success of becoming the only university in Europe ever to reach the standard required to win a full excellence award (winning the UK Excellence Award in 2008) the University made an application for the 2009 EFQM Excellence Awards (EEA) and utilised the independent assessment process and feedback report as the planned 2009 'self-assessment' exercise. The University was confirmed as a "Finalist" for the EFQM Excellence Award (an award in its own right) and was presented with a Finalist Trophy in Brussels on 28<sup>th</sup> October 2009. Unusually, no Awards were presented in any category in the 2009 EEA; illustrating the high standards and firm rigor of the competition.
- Risk management has been incorporated into the corporate planning and decision making processes of the University. The Institutional Risk Register is reviewed on a regular basis in conjunction with the periodic assessment of performance against objectives.

## Future

During the last 12 months the political and economic climate has changed significantly. There is now even greater uncertainty surrounding funding levels, costs and tuition fees. The next 4 years will be an extremely difficult period.

The University is however determined to deliver its strategic plan and continue with its ambitious capital programme. This will require focus and hard decisions. The SMG have a plan of activities over the next 6 months which will have both short and medium term impact on sustainability.

## Conclusion

2008/09 has been an extremely successful year and this along with our strong leadership and strategic direction places LJMU in a strong and robust position to deal with the challenges and difficulties we will face in the financial climate ahead.

Sir M Thornton  
Chairman  
23 November 2009

## **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. The Board currently consists of twenty members, of whom up to thirteen would be independent members, one nominee each from 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 2008 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  
Chairman of Remuneration Committee  
Chairman of Nominations Committee

Mr A Bell                                  Appointed 21 September 2009

Mr J Carson

Ms C Dove

Sir J Dwyer

Sir D Henshaw                      Appointed 21 September 2009

Mr R Hill                                  Chairman of Finance Committee

Mr A Holroyd                      Appointed 21 September 2009

Prof L Howell                      Retired 20 September 2009

Mr J Kennedy                      Retired 31 March 2009

Sir B Massie

Mr G Morris                      Deputy Chairman Finance Committee

Mrs A Redmond                      Deputy Chairman Audit Committee

Ms D Shackleton                      Chairman of Audit Committee

Her Honour Elizabeth Steel                      Chairman of Employment Committee

Ms S Williams

**External Co-opted Members**

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

**Nominee Members**

Prof D Burton    Staff Governor (Academic Board Nominee )  
(Retired 17 April 2009)

Ms K Johnston    Staff Governor (Academic Board Nominee)  
(Elected 18 April 2009)

Mr E Symondson    Student Governor (Student President)

**Staff Members**

Mr J Ainsworth    Staff Governor (Non Teaching Staff)

Dr G Bresnen    Staff Governor (Teaching Staff)

## OFFICERS AND ADVISORS OF THE UNIVERSITY

<b>Vice Chancellor and Chief Executive</b>	:	Professor Michael Brown
<b>Bankers</b>	:	Barclays Bank plc 6th 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 St Pauls Square Old Hall Street Liverpool L3 9AE
<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  
23 November 2009

## **CORPORATE GOVERNANCE**

The University is committed to adopting good practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

As an independent Corporation deriving its legal status from the Education Reform Act 1988, the University is satisfied that it has complied with the provision of the Code in so far as they are applicable.

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

The University is an exempt charity and as such is required to undertake activities which are in accordance with its aims and objectives and which are for the public benefit. The University will, as part of its Corporate Governance Statement in future years, provide details on how it delivers the public benefit, following publication of guidance by the Higher Education Funding Council for England [HEFCE].

The University's Board of Governors comprises lay, academic, student and other staff 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 6. The role of Chairman of the Board of Governors is separate from the role of the University's Chief Executive, the Vice Chancellor. The matters reserved specifically 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, the ongoing strategic direction and the financial solvency of the University. The Board, in addition to its formal Board and Committee meetings, holds a number of strategic workshops and a residential strategic event each year, affording it the opportunity to influence strategic issues at an early stage in their development. The Board is also responsible for approval of major developments, including property developments, and is in 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 its 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 Council of University Chairmen (CUC), and also the recommendations of the Financial Reporting Standard 8 (FRS8), relating to disclosures of transactions in the University's Financial Statements. Upon appointment Governors are also required to sign a statement of confidentiality.

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 and there is no overlap in membership of the Audit and Finance Committees. The Vice Chancellor is not a member of the Audit Committee and attends in his capacity of Chief Executive. The Board of Governors and its Committees review their terms of reference on a regular basis with a view, inter alia, to ensuring that they are embedding risk effectively into their work. In addition to its formal meetings, the Board holds workshops and a residential strategic 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 meets at least 4 times a year and considers issues related to staffing and employment in the University. The responsibilities of the Committee also encompass equality and diversity monitoring and the regulatory aspects of the University's relationship with the student body.

The Remuneration Committee, which meets at least once a year, considers the performance and determines the annual remuneration of the Vice Chancellor and Senior Officers of the University.

The Nominations Committee meets at least once a year, more regularly if necessary, and considers membership issues and nominations for vacancies on the Board.

The Audit Committee, which meets at least four times a year, is responsible for overseeing the work of the external auditors and internal auditors and 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 should this be decided to be necessary by either party.

In the opinion of the Board of Governors, the governance practices of the University are consistent with the "Guide for Membership of Higher Education Governing Bodies in the UK, published by the Committee of University Chairmen (CUC) in March 2009.

During 2009 the Board of Governors conducted an in-depth review of the institutional governance arrangements of the University. Such a review is conducted every 4 years with any actions/enhancements implemented in the meantime as and when the need arises. The review undertaken in the past year determined that there continues to be a high level of satisfaction within the Board of Governors and the Executive with the current governance arrangements within the University, alongside a commitment to self-evaluation and continuous improvement. The recommendations arising from the review will be implemented during 2009/10 and an executive summary of the review report together with the recommendations and action plan for implementation have been published on the University's website. The Board recognises that the maintenance of good corporate governance arrangements is an ongoing process and a programme of governance work will be undertaken during 2009/10 in addition to the implementation of the recommendations of the Governance Effectiveness Review.

### **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 risks 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 remains strongly committed to adopting best practice in terms of Governance and Management. The management system has been developed and improved since 2002 using the EFQM Excellence Model framework and a strong strategy remains in place, based on the core business processes of Student Recruitment; Development & Support; Learning, Teaching & Assessment; Research & Scholarship; and, Commercial Enterprise & Knowledge Transfer. A well developed strategic management and performance system based on the 'Balanced Scorecard' discipline ensures continued strategic focus. The University continues to test the strength of its management system through both internal self-assessment and external award assessment. Building on the success in winning the UK Excellence Award (Large Public Sector) in 2008, the University applied for the EFQM Excellence Award in 2009 and was declared as a finalist in July. Finalist status in the ultimate quality award process in Europe, represents an exceptional achievement.
- 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 together with an Enterprise Risk Management Strategy that refers to the University's position on risk appetite;
- The Strategic Management Group receives reports setting out key performance and risk indicators and considers possible control issues brought to its 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 as a matter of routine. 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. As well as moderating the scoring of risks, the Risk Moderation Panel advises the Strategic Management Group on further refinements to risk identification, presentation and monitoring. The Institutional Risk Register is reviewed on a regular basis in conjunction with the periodic assessment of performance against the objectives of the Strategic Plan.
- 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 2009. 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 its satisfaction with the University's system of internal control;
- In July 2005, the Board of Governors agreed that the primary responsibilities of the Board should be extended to include ensuring the University has a sound system of risk management in recognition that this is an essential responsibility of the Board of Governors. The Audit Committee, on behalf of the Board and via regular reports, monitors and reviews the risk management framework and its effectiveness.
- The Institutional Risk Register was presented to the Board of Governors on two occasions during the year and the Audit Committee has overseen the effectiveness of risk control processes.
- The Audit Committee, on behalf of the Board, receives 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 procurement and the securing of value for money;
- The annual budget is reviewed and agreed by the Strategic Management Group, following which it is approved by 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 Capital and Property Development Programme.
- The Audit Committee received the outcomes of an institutional review undertaken by HEFCE in January 2009.

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 2009 and up to the date of the approval 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.

## **Independent auditors' report 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 2009 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 historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with 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 Council / Board of Governors and Auditors**

The University Board of Governors' responsibilities for preparing the Operating and Financial Review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page [number].

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Financial Memorandum with the Training and Development Agency for Schools.

In addition we report to you if, in our opinion, 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 Operating and Financial Review 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 judgments made by the University's Council/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 the group and the University's affairs as at 31 July 2009 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2009 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2009 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 Financial Memorandum with the Training and Development Agency for Schools.

S Suchoparek  
for and on behalf of KPMG LLP. Statutory Auditor  
Chartered Accountants  
Manchester M2 6DS

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

### **Basis of preparation**

These financial statements have been prepared in accordance with the statement of recommended practice (SORP – 2007): *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 2009. Intra-group sales and purchases are eliminated fully on consolidation. In accordance with FRS2, the activities of the Students Union 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). Valuations normally take place every 5 years. Freehold land is not depreciated. Buildings are depreciated over their expected useful lives of 50 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.

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 2009

	Note	2008/09 £000	2007/08 £000
<b>Income</b>			
Funding council grants	1	77,589	77,041
Tuition fees and education contracts	2	68,928	57,897
Research grants and contracts	3	12,740	11,292
Other income	4	12,591	14,121
Investment income	5	795	1,883
		<hr/>	<hr/>
<b>Total income</b>		<b>172,643</b>	<b>162,234</b>
<b>Expenditure</b>			
Staff costs	6	105,721	99,014
Other operating expenses	8	53,712	52,105
Depreciation	10	6,164	5,121
Interest payable	7	3,799	1,559
		<hr/>	<hr/>
<b>Total expenditure</b>	8	<b>169,396</b>	<b>157,799</b>
<b>Surplus after depreciation of fixed assets at valuation but before tax</b>		<b>3,247</b>	<b>4,435</b>
Profit on disposal of fixed assets	10	-	-
		<hr/>	<hr/>
Surplus after depreciation of fixed assets at valuation and disposal of fixed assets but before tax		3,247	4,435
Share of operating (loss)/profit in Associates		(353)	(48)
Taxation	9	-	2
		<hr/>	<hr/>
<b>Surplus after depreciation of fixed assets at valuation and tax</b>		<b>2,894</b>	<b>4,389</b>
Deficit for the year transferred to accumulated income in endowment funds	19	101	15
		<hr/>	<hr/>
<b>Surplus for the year</b>	21	<b>2,995</b>	<b>4,404</b>

The income and expenditure account has been prepared in respect of continuing operations.

## CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 July 2009

	Note	2008/09 £000	2007/08 £000
Surplus after depreciation of fixed assets at valuation and tax		2,995	4,404
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	1,344	910
		<hr/>	<hr/>
<b>Historical cost surplus for the period after tax</b>		<b>4,339</b>	<b>5,314</b>

**BALANCE SHEETS**

As at 31 July 2009

	Note	Group		University	
		2009 £000	2008 £000	2009 £000	2008 £000
<b>Fixed assets</b>					
Tangible assets	10	140,452	109,512	140,452	109,512
Investments	11	39	39	16,341	16,161
Investment in associate					
Share of net liabilities	11	(61)	(48)	-	-
		<u>140,430</u>	<u>109,503</u>	<u>156,793</u>	<u>125,673</u>
<b>Endowment asset investments</b>	12	1,363	165	1,363	165
<b>Current assets</b>					
Assets held for resale	10	-	3,576	-	3,576
Stocks and work in progress		45	52	39	46
Debtors	13	8,250	11,201	7,569	10,556
Short-term deposits	16	20,441	26,135	20,441	26,135
Cash at bank and in hand		830	930	597	379
		<u>29,566</u>	<u>41,894</u>	<u>28,646</u>	<u>40,692</u>
<b>Creditors: Amounts falling due within one year</b>	14	38,736	31,531	37,584	30,244
<b>Net current (liabilities)/assets</b>		<u>(9,170)</u>	<u>10,363</u>	<u>(8,938)</u>	<u>10,448</u>
<b>Total assets less current liabilities</b>		132,623	120,031	149,218	136,286
<b>Creditors: Amounts falling due after more than one year</b>	15	7,501	8,412	23,659	24,570
<b>Provisions for liabilities and charges</b>	17	<u>12,935</u>	<u>12,801</u>	<u>12,935</u>	<u>12,801</u>
<b>Net assets excluding pension liability</b>		<b>112,187</b>	<b>98,818</b>	<b>112,624</b>	<b>98,915</b>
<b>Pension Scheme liability</b>	25	<u>63,959</u>	<u>63,656</u>	<u>63,959</u>	<u>63,656</u>
<b>Net assets including pension liability</b>		<b><u>48,228</u></b>	<b><u>35,162</u></b>	<b><u>48,665</u></b>	<b><u>35,259</u></b>
<b>Represented by:</b>					
<b>Deferred capital grants</b>	18	27,920	23,658	27,920	23,658
<b>Endowments</b>					
Permanent	19	12	-	12	-
Expendable	19	1,351	165	1,351	165
<b>Total Endowments</b>		<u>1,363</u>	<u>165</u>	<u>1,363</u>	<u>165</u>
<b>Reserves</b>					
Income and Expenditure Account excluding pension reserve	21	42,137	32,884	42,574	32,981
Pension Reserve	25	(63,959)	(63,656)	(63,959)	(63,656)
		<u>(21,822)</u>	<u>(30,772)</u>	<u>(21,385)</u>	<u>(30,675)</u>
Income and Expenditure Account including pension reserve					
Revaluation Reserve	20	<u>40,767</u>	<u>42,111</u>	<u>40,767</u>	<u>42,111</u>
		<u>18,945</u>	<u>11,339</u>	<u>19,382</u>	<u>11,436</u>
<b>Total Reserves</b>		<b><u>48,228</u></b>	<b><u>35,162</u></b>	<b><u>48,665</u></b>	<b><u>35,259</u></b>

The financial statements on pages 17 to 37 were approved by the Board of Governors on 23 November 2009.

Sir M Thornton  
Chairman

Michael Brown  
Vice Chancellor & Chief Executive

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 July 2009

	<b>Note</b>	<b>2008/09 £000</b>	<b>2007/08 £000</b>
<b>Net cash inflow from operating activities</b>	22	23,618	15,282
Returns on investments and servicing of finance	23	380	1,119
Taxation		-	-
Capital expenditure and financial investment	23	(28,245)	(21,301)
		<hr/>	<hr/>
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		(4,247)	(4,900)
Management of liquid resources	23	5,694	3,688
Financing	23	(538)	(538)
		<hr/>	<hr/>
<b>(Decrease)/Increase in cash in the year</b>		<u>909</u>	<u>(1,750)</u>
 <b>Reconciliation of net cash flow to movement in net debt</b>			
		<b>2008/09 £000</b>	<b>2007/08 £000</b>
Increase/(Decrease) in cash in the year	24	909	(1,750)
Cash inflow from decrease in debt and lease financing	24	538	538
Cash (outflow)/inflow from movement in liquid resources	24	(5,694)	(3,688)
		<hr/>	<hr/>
Change in net debt resulting from cash flows		(4,247)	(4,900)
Non cash movement on Endowments	24	189	-
Movement in net debt for year 2008		(4,058)	(4,900)
Net debt at 1 August 2007		18,653	23,553
		<hr/>	<hr/>
Net debt at 31 July 2008	24	<u>14,595</u>	<u>18,653</u>

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

For the year ended 31 July 2009

	<b>Note</b>	<b>2008/09 £000</b>	<b>2007/08 £000</b>
Surplus after depreciation of fixed assets at valuation and tax		2,894	4,389
New Endowments	19	1,299	3
Actuarial gain/(loss) in respect of pension scheme	25	4,611	(33,048)
		<hr/>	<hr/>
<b>Total recognised gains/(losses) relating to the year</b>		<b>8,804</b>	<b>(28,656)</b>
		<hr/>	<hr/>
<b>Reconciliation</b>		<b>2008/09 £000</b>	<b>2007/08 £000</b>
Opening reserves and endowments		11,504	40,160
Total recognised (losses)/gains in year		8,804	(28,656)
		<hr/>	<hr/>
Closing reserves and endowments		<b>20,308</b>	<b>11,504</b>
		<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009

<b>1 Funding Council grants</b>	<b>HEFCE £000</b>	<b>TDA £000</b>	<b>2008/09 £000</b>	<b>2007/08 £000</b>
Recurrent grant	66,747	5,140	71,887	69,145
Specific grants	3,232	1,453	4,685	7,045
Deferred capital grants released in year				
Buildings (note 18)	389	-	389	289
Equipment (note 18)	628	-	628	562
	<u>70,996</u>	<u>6,593</u>	<u>77,589</u>	<u>77,041</u>
 <b>2 Tuition fees and education contracts</b>			<b>2008/09 £000</b>	<b>2007/08 £000</b>
Full-time students (UK and European Union)			44,216	34,662
Full-time students charged overseas fees and other fees			9,305	7,196
Part-time fees (UK and European Union)			3,290	3,184
Other fees and NHS education contracts			12,117	12,855
			<u>68,928</u>	<u>57,897</u>
 <b>3 Research grants and contracts</b>			<b>2008/09 £000</b>	<b>2007/08 £000</b>
Research councils			1,980	2,088
UK based charities			584	364
Health & Hospitals			3,204	2,174
Central and Local Government			4,018	3,512
Other research grants and contracts			2,954	3,154
			<u>12,740</u>	<u>11,292</u>
 <b>4 Other income</b>			<b>2008/09 £000</b>	<b>2007/08 £000</b>
Residences and Catering			1,257	1,148
Other Services rendered			8,309	7,419
Released from deferred capital grant (note 18)			331	217
Other Income			2,694	5,337
			<u>12,591</u>	<u>14,121</u>
 <b>5 Endowment and Investment income</b>			<b>2008/09 £000</b>	<b>2007/08 £000 (restated)</b>
Income from expendable endowments			9	9
Income from short-term deposits			786	1,874
			<u>795</u>	<u>1,883</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

<b>6 Staff costs</b>	<b>2008/09 £000</b>	<b>2007/08 £000</b>
Salaries and wages	85,413	78,478
Social security costs	7,028	6,643
Pension costs (including FRS17 adjustment)	12,399	12,082
	<hr/> 104,840	<hr/> 97,203
Severance: Restructuring costs	141	561
	<hr/> 104,981	<hr/> 97,764
	740	1,250
Pension costs relating to enhanced pension provision (note 17)	<hr/> 105,721	<hr/> 99,014
	<hr/> <b>2008/09 £</b>	<hr/> <b>2007/08 £</b>
Emoluments of the Vice Chancellor		
Salary	270,000	235,000
Benefits in kind	1,360	1,326
	<hr/> 271,360	<hr/> 236,326
Pension contributions	<hr/> 38,070	<hr/> 33,132
	<hr/> <b>2008/09 Number</b>	<hr/> <b>2007/08 Number</b>
The average number of persons employed by the University during the year as expressed in full time equivalents was:		
Academic	1,080	943
Support	1,192	1,219
Other	174	175
	<hr/> 2,446	<hr/> 2,337
	<hr/> <b>2008/09 Number</b>	<hr/> <b>2007/08 Number</b>
Remuneration of higher paid staff other than the Vice Chancellor, excluding pension contributions:		
£100,000 - £109,999	5	1
£110,000 - £119,999	-	8
£120,000 - £129,999	5	5
£130,000 - £139,999	5	-

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

<b>7 Interest payable</b>	<b>2008/09 £000</b>	<b>2007/08 £000</b>
On bank loans, overdraft and other loans:		
Wholly repayable within five years	36	27
Not wholly repayable within five years	549	680
Interest on VAT Assessment	1	4
	<u>586</u>	<u>711</u>
FRS17 Adjustment: Net interest on pension liabilities (note 25)	3,213	848
	<u>3,799</u>	<u>1,559</u>

<b>8 Analysis of 2008/09 expenditure by activity</b>	<b>2009</b>	<b>2008</b>
Academic	76,460	70,661
Academic services	17,598	16,328
Research grants & contracts	11,402	9,607
Residences & catering	1,619	1,709
Premises	22,327	23,113
Administration & central services	12,423	13,756
General education	15,261	11,199
Staff student facilities	4,933	4,589
Other expenses	7,373	6,837
Total per income and expenditure account	<u>169,396</u>	<u>157,799</u>

<b>Other operating expenditure includes:</b>	<b>2008/09 £000</b>	<b>2007/08 £000</b>
Auditors remuneration		
External audit (of this amount £36k relates to the University)	40	39
External auditors provision of non audit services:		
Taxation	39	26
Grant audits	33	28
Special work	41	616
Internal audit	116	55
Operating leases	410	250
Special support bursaries	6,666	4,006

<b>9 Taxation</b>	<b>2008/09</b>		<b>2007/08</b>	
	<b>Group £000</b>	<b>University £000</b>	<b>Group £000</b>	<b>University £000</b>
<b>Current Tax:</b>				
UK Corporation taxation at 30%	-	-	-	-
Under/(Over) provision of taxation in prior years	-	2	-	1
	<u>-</u>	<u>2</u>	<u>-</u>	<u>1</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

## 10 Tangible fixed assets

### Group and University

	<b>Freehold Land and Buildings</b>	<b>Leasehold Land and Buildings</b>	<b>Assets Under Construc- tion</b>	<b>Telescope</b>	<b>Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>						
At 1 August 2008	78,879	1,371	28,155	4,334	16,885	129,624
Additions	3,395	6	24,263	-	6,198	33,862
Re-classified	34,598	-	(30,723)	-	-	3,875
Disposals	(151)	-	-	-	(8,707)	(8,858)
	<u>116,721</u>	<u>1,377</u>	<u>21,695</u>	<u>4,334</u>	<u>14,376</u>	<u>158,503</u>
At 31 July 2009	<u>116,721</u>	<u>1,377</u>	<u>21,695</u>	<u>4,334</u>	<u>14,376</u>	<u>158,503</u>
<b>Depreciation</b>						
At 1 August 2008	5,574	878	-	1,075	12,584	20,111
Charge for the year	2,370	298	-	218	3,278	6,164
Re-classified	298	-	-	-	-	298
Disposals	-	-	-	-	(8,522)	(8,522)
	<u>8,242</u>	<u>1,176</u>	<u>-</u>	<u>1,293</u>	<u>7,340</u>	<u>18,051</u>
At 31 July 2009	<u>8,242</u>	<u>1,176</u>	<u>-</u>	<u>1,293</u>	<u>7,340</u>	<u>18,051</u>
<b>Net book value</b>						
Inherited	53,023	57	-	-	-	53,080
Financed by capital grant	25,636	-	-	1,612	672	27,920
Other	29,820	144	21,695	1,429	6,364	59,452
	<u>108,479</u>	<u>201</u>	<u>21,695</u>	<u>3,041</u>	<u>7,036</u>	<u>140,452</u>
At 31 July 2009	<u>108,479</u>	<u>201</u>	<u>21,695</u>	<u>3,041</u>	<u>7,036</u>	<u>140,452</u>
At 1 August 2008	<u>73,305</u>	<u>493</u>	<u>28,155</u>	<u>3,259</u>	<u>4,300</u>	<u>109,512</u>

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.

An interim revaluation was performed by CB Richard Ellis Limited in 2007/08 which concluded that the carrying values of fixed assets are materially correct.

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.

Due to changes in the current economic climate, properties previously included as Current assets, with a net book value of £3.576m, have been reclassified as Fixed Assets at 31<sup>st</sup> July 2009. The University is currently not actively marketing these properties.

Disposals comprise equipment that had a net book value of £336k.

In addition to the above fixed assets the University also holds corporate assets, donated to the University with an insurance value of £37k, and equipment donated with a market value of £12.7k.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

### 11 Investments

#### Group

#### Other Investments

£000

#### Cost or valuation

At 1 August 2008 and 31 July 2009

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

Interest in  
Group  
Undertakings  
£000

Other  
Investments  
£000

Investment  
in  
Associates  
£000

Total  
£000

#### Cost or valuation

Net book value at 1 August 2008	16,122	39	-	16,161
Reallocation	(132)	-	132	-
Additions	-	-	180	180
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2009 (note 30)	15,990	39	312	16,341

During the year the University made investments in three newly formed companies, Microwaste Limited, Forsigs Limited and Hot Waves Innovations Limited. These companies are spinout companies which have been set up as a vehicle for exploiting proof of concept ideas. The University has reallocated two investments previously stated as Interests in Group Undertakings to Investment in Associates, due to the nature of this investment.

Investments in Associates are in respect of shares in:

Company	Principal Activity	Share Holding
Microsense Limited	Non invasive blood monitoring medical devices	83.33 % owned
Pharmalucia Limited	Antimicrobial photodynamic therapies	49.97% owned
Hotwaves Innovations Ltd	Novel energy efficient water heating systems	49.97% owned
Microwaste Ltd	Novel microwave waste management system	49.97% owned
Forsigs Ltd	Developing forensic software applications	62.5% owned

#### Investment in associate

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 net liabilities of the company for the year ended 31 March 2009 are £295,411 the group share of these being £72,376. The company's financial year end was 31<sup>st</sup> March 2009. There has been no significant movement to the net liabilities of the company up to 31 July 2009.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

**11 Investments (continued)**

	<b>Share of net liabilities at 1 August 2008</b>	<b>Share of net assets/ (liabilities) for the year</b>	<b>Share of net liabilities at 31 July 2009</b>
Liverpool Science Park Limited	(48)	(25)	(73)
Pharmalucia Limited	-	1	1
Microwaste Limited	-	3	3
Microsense Limited	-	1	1
Hotwaves Innovations Limited	-	4	4
Forsigs Limited	-	3	3
	<u>(48)</u>	<u>(13)</u>	<u>(61)</u>

**12 Endowment asset investments**

<b>Group and University</b>	<b>2009 £000</b>	<b>2008 £000</b>
At 1 August 2008	165	177
Additions	1,299	3
Disposals	(110)	(24)
Appreciation during year	9	9
<b>Balance at 31 July 2009</b>	<u>1,363</u>	<u>165</u>

**13 Debtors**

	<b>Group</b>		<b>University</b>	
	<b>2009 £000</b>	<b>2008 £000</b>	<b>2009 £000</b>	<b>2008 £000</b>
<b>Amounts falling due within one year</b>				
Trade debtors	2,695	3,865	1,845	2,945
Prepayments	1,168	1,616	1,155	1,593
Other debtors	3,982	4,900	3,754	4,900
Amounts due from associated company	385	559	385	559
Amounts due from subsidiary companies	-	-	410	298
	<u>8,230</u>	<u>10,940</u>	<u>7,549</u>	<u>10,295</u>
<b>Amounts falling due after one year</b>				
Other Debtors	<u>20</u>	<u>261</u>	<u>20</u>	<u>261</u>
	<u>8,250</u>	<u>11,201</u>	<u>7,569</u>	<u>10,556</u>

**NOTES TO THE FINANCIAL STATEMENTS**

31 July 2009 (continued)

14	Creditors: Amounts falling due within one year	Group		University	
		2009 £000	2008 £000	2009 £000	2008 £000
	HEFCE grants not applied	7,519	1,896	7,519	1,896
	Accruals - research grants	12,295	9,565	12,295	9,565
	Payroll deductions	2,899	2,223	2,899	2,223
	Bank loan	538	538	538	538
	Amounts due to subsidiary companies	-	-	544	366
	Trade creditors	3,895	2,688	3,817	2,625
	Other creditors	11,590	14,621	9,972	13,031
		<u>38,736</u>	<u>31,531</u>	<u>37,586</u>	<u>30,244</u>

15	Creditors: Amounts falling due after one year	Group		University	
		2009 £000	2008 £000	2009 £000	2008 £000
	Bank loan	7,501	8,039	7,501	8,039
	Inter company leases	-	-	16,158	16,158
	Other creditors	-	373	-	373
		<u>7,501</u>	<u>8,412</u>	<u>23,659</u>	<u>24,570</u>

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

	Cash at Bank and in hand				Short Term Deposits			
	Group		University		Group		University	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Floating Rate	830	930	597	379	-	-	-	-
Fixed Rate	-	-	-	-	20,441	26,135	20,441	26,135
As at 31 July 2009	<u>830</u>	<u>930</u>	<u>597</u>	<u>379</u>	<u>20,441</u>	<u>26,135</u>	<u>20,441</u>	<u>26,135</u>

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.

	2009 £000	2008 £000
Maturity of financial liabilities		
Within 1 year or on demand	538	538
Between 1 & 2 years	538	538
Between 3 & 5 years	1,614	1,614
Over 5 years	<u>5,349</u>	<u>5,887</u>
Finance charges allocated to future periods	<u>8,039</u>	<u>8,577</u>

All financial liabilities relate to loan debt.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (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%

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 2009.

	Total £000	Floating Rate Financial Liabilities £000	Fixed Rate Financial Liabilities £000
As at 31 July 2009	<u>8,039</u>	<u>3,420</u>	<u>4,619</u>
As at 31 July 2008	<u>8,577</u>	<u>3,660</u>	<u>4,917</u>

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

### 17 Provisions for liabilities and charges

#### Group and University

	Pension Enhancements £000	Other £000	Total £000
At 1 August 2008	12,470	331	12,801
Utilised in the year	(779)	(331)	(1,110)
Transfer from/(to) income and expenditure account	725	519	1,244
At 31 July 2009	<u>12,416</u>	<u>519</u>	<u>12,935</u>

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 2009.

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

### 18 Deferred capital grants

#### Group and University

	<b>Funding Council £000</b>	<b>Other £000</b>	<b>Total £000</b>
At 1 August 2008			
Buildings	17,678	3,814	21,492
Equipment	898	1,268	2,166
<b>Total</b>	<b>18,576</b>	<b>5,082</b>	<b>23,658</b>
Income			
Buildings	2,756	1,894	4,650
Equipment	515	452	967
<b>Total</b>	<b>3,271</b>	<b>2,346</b>	<b>5,617</b>
Adjustment to HEFCE Equipment	(7)	-	(7)
Released to income and expenditure			
Buildings (notes 1 and 4)	389	117	506
Equipment (note 1 and 4)	628	214	842
<b>Total</b>	<b>1,017</b>	<b>331</b>	<b>1,348</b>
At 31 July 2009			
Buildings	20,045	5,591	25,636
Equipment	778	1,506	2,284
<b>Total</b>	<b>20,823</b>	<b>7,097</b>	<b>27,920</b>

Included in the Buildings total of £25,636 k is £474k relating to the Telescope enclosure which is shown in the Telescope category in Fixed Assets (Note 10).

### 19 Endowments

#### Group and University

	<b>Restricted Permanent £000</b>	<b>Restricted Expendable £000</b>	<b>Total 2009 £000</b>	<b>Total 2008 £000</b>
<b>Balances at 1 August 2008 (restated)</b>				
Capital	-	89	89	89
Accumulated income	-	76	76	88
	-	165	165	177
Net additions/(disposals)	12	1,287	1,299	3
Appreciation of endowment asset investments	-	9	9	9
Expenditure for the year	-	(110)	(110)	(24)
Net movement for the year	12	1,186	1,198	(12)
<b>Balances at 31 July 2009</b>	<b>12</b>	<b>1,351</b>	<b>1,363</b>	<b>165</b>
<b>Represented by:</b>				
Capital	12	1,082	1,094	89
Accumulated income	-	80	80	76
Debtors	-	189	189	-
	12	1,351	1,363	165

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

### 20 Revaluation reserve

	<b>Group and University</b>	
	<b>2009</b>	<b>2008</b>
<b>Revaluations</b>	<b>£000</b>	<b>£000</b>
At 1 August 2008	42,111	43,021
Contributions to depreciation: Released in year (note 21)	(1,344)	(910)
<b>At 31 July 2009</b>	<b>40,767</b>	<b>42,111</b>

### 21 Income and expenditure account

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August 2008	(30,772)	(30,675)	(3,038)	(3,004)
Surplus retained for the year	2,995	3,335	4,404	4,467
Transfer from revaluation reserve	1,344	1,344	910	910
Actuarial gain/(loss) in respect of pension scheme	4,611	4,611	(33,048)	(33,048)
<b>At 31 July 2009</b>	<b>(21,822)</b>	<b>(21,385)</b>	<b>(30,772)</b>	<b>(30,675)</b>
<b>Balance represented by:</b>				
Pension Reserve	(63,959)	(63,959)	(63,656)	(63,656)
Income and Expenditure account excluding pension reserve	42,137	42,574	32,884	32,981
	<b>(21,822)</b>	<b>(21,385)</b>	<b>(30,772)</b>	<b>(30,675)</b>

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

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Operating Surplus before taxation	3,247	4,435
Increase/(Decrease) for FRS 17	4,914	3,099
Depreciation (note 10)	6,164	5,121
Deferred capital grants released to income (note 18)	(1,348)	(1,068)
Interest receivable (note 5)	(786)	(1,874)
Interest payable less: Net interest on pension liabilities	586	711
Decrease/(increase) in stock	7	25
(Increase)/ decrease in debtors	2,771	1,438
Increase/(decrease) in creditors	7,828	2,858
Increase/(decrease) in provisions (note 17)	134	522
Endowment transfer	101	15
<b>Net cash inflow from operating activities</b>	<b>23,618</b>	<b>15,282</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

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

	2008/09 £000	2007/08 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	966	1,830
Interest paid	(586)	(711)
	<u>380</u>	<u>1,119</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(33,862)	(23,122)
Receipt of deferred capital grants	5,617	1,821
	<u>(28,245)</u>	<u>(21,301)</u>
<b>Management of liquid resources</b>		
Cash placed on short term deposit (note 24)	<u>(5,694)</u>	<u>(3,688)</u>
<b>Financing</b>		
<b>Debt due within one year:</b>		
Repayment of secured loan	(538)	(538)
Capital element of finance lease rental payments	-	-
	<u>(538)</u>	<u>(538)</u>

### 24 Analysis of net debt

	At 1 August 2008 £000	Cash Flow £000	Non Cash Change £000	At 31 July 2009 £000
Cash in hand and at bank:				
Endowments	165	1,009	189	1,363
General	930	(100)	-	830
	<u>1,095</u>	<u>909</u>	<u>189</u>	<u>2,193</u>
Debt due after one year	(8,039)	-	538	(7,501)
Debt due within one year	(538)	538	(538)	(538)
	<u>(8,577)</u>	<u>538</u>	<u>-</u>	<u>(8,039)</u>
Current asset investments	26,135	(5,694)	-	20,441
	<u>18,653</u>	<u>(4,247)</u>	<u>189</u>	<u>14,595</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (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 2009 amount to £5,692,562 (2008 – £5,481,794). 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	£163,240m
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. 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 2008
Actuarial method	Projected Unit
Investment returns per annum	6.1% per annum
Pension increases per annum	3.3 % per annum
Salary scale increases per annum	4.3% per annum
Market value of assets at date of last valuation	£28,843 million
Proportion of members' benefits covered by the actuarial value of the assets	71%

The total pension contribution to USS for the University was £114k (2008 £126k). 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 2009 (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 2009 was £4,869,200 (2008 £4,134,906). The agreed contribution rate for employers for the financial year was 12.5 %, remaining unchanged from that set at 1 April 2007. The rate paid is based on the whole time equivalent pensionable pay in accordance with the following table:

Salary	Pension Contribution Rate
£0 – 12,000	5.5%
£12,000.01 – 14,000	5.8%
£14,000.01 – 18,000	5.9%
£18,000.01 – 30,000	6.5%
£30,000.01 – 40,000	6.8%
£40,000.01 – 75,000	7.2%
More than £75,000.01	7.5%

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 2008. 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 2007
Actuarial method	Projected Unit
Investment returns per annum	6.5% per annum
Pension increases per annum	2.75% per annum
Salary scale increases per annum	4% per annum
Market value of assets at date of last valuation	£4,301 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	80%

The following information is based upon a full actuarial valuation of the Fund at 31 March 2008 updated to 31 July 2009 by a qualified independent actuary.

	At 31 July 2009	At 31 July 2008	At 31 July 2007	At 31 July 2006
Inflation	3.7%	3.8%	3.2%	3.0%
Rate of increase in salaries	4.95%	5.05%	4.45%	4.25%
Rate of increase for pensions	3.7%	3.8%	3.2%	3.0%
Discount rate for liabilities	6.3%	5.9%	5.8%	5.1%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2009 Years	At 31 July 2008 Years
<i>Retiring today</i>		
Males	20.3	20.3
Females	23.2	23.1
<i>Retiring in 20 years</i>		
Males	21.3	21.3
Females	24.1	24.0

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

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

	Long term rate of return expected at	Value at	Long term rate of return expected at	Value at	Long term rate of return expected at	Value at	Long term rate of return expected at	Value at
	31 July 2009	31 July 2009	31 July 2008	31 July 2008	31 July 2007	31 July 2007	31 July 2006	31 July 2006
		£000		£000		£000		£000
Equities	7.5%	57,098	7.5%	52,682	7.5%	56,917	7.0%	48,801
Government Bonds	4.5%	14,862	4.8%	22,318	4.9%	14,749	4.4%	15,592
Other Bonds	5.8%	4,233	5.9%	670	5.8%	5,295	5.1%	4,551
Property	6.5%	6,208	6.5%	8,237	6.5%	8,887	6.0%	7,838
Other	4%	<u>11,664</u>	6.25%	<u>11,877</u>	6.625%	<u>8,698</u>	5.75%	<u>7,501</u>
Total Market Value of assets		<u>94,065</u>		<u>95,784</u>		<u>94,546</u>		<u>84,283</u>

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

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Employer Service cost	6,568	4,831
Past service/Curtailment costs	<u>60</u>	<u>1,615</u>
Total operating charge	<u>6,628</u>	<u>6,446</u>

### Analysis of net pension finance (costs)

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Expected return on pension scheme assets	6,375	6,374
Interest on pension liabilities	<u>(9,588)</u>	<u>(7,222)</u>
Net pension finance (costs)	<u>(3,213)</u>	<u>(848)</u>

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

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Actual return less expected return on pension scheme assets	(12,591)	(9,249)
Loss resulting from change in valuation method	-	(185)
Change in financial and demographic assumptions underlying the scheme liabilities	<u>17,202</u>	<u>(23,614)</u>
Actuarial gain/(loss) recognised in STRGL	<u>4,611</u>	<u>(33,048)</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

### Movement in deficit during the year

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
Deficit in scheme at 1 August 2008	(63,656)	(27,509)
Movement in year:		
Current service charge	(6,568)	(4,831)
Contributions	4,927	4,195
Past service/Curtailment cost	(60)	(1,615)
Net interest on assets	(3,213)	(848)
Actuarial gain/(loss)	4,611	(33,048)
	<hr/>	<hr/>
Deficit in scheme at 31 July 2009	<u>(63,959)</u>	<u>(63,656)</u>

In accordance with the revised FRS17 accounting standard, assets have been valued at realisable (i.e. bid) values for the year ended 31 July 2009. Previously assets were valued at fair (in effect mid market) value. Given the immaterial nature of the adjustments, a prior period adjustment has not been made for the change in valuation method. The difference in closing reserves as at 31 July 2008 and opening reserves at 1 August 2008 arising as a result of this change is (2008 - £185K)00 and has been included in the actuarial loss for the year.

### Analysis of the movements in the present value of the scheme liabilities

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
At the beginning of the year	159,440	122,055
Current service cost	6,568	4,831
Interest cost	9,588	7,222
Contributions by scheme participants	2,423	2,037
Actuarial losses and (gains)	(17,202)	23,614
Benefits paid	(2,853)	(1,934)
Past service cost	44	1,572
Curtailments	16	43
	<hr/>	<hr/>
At the end of the year	<u>158,024</u>	<u>159,440</u>

### Analysis of movement in the market value of the scheme assets

	<b>Year Ended 31 July 2009 £000</b>	<b>Year Ended 31 July 2008 £000</b>
At the beginning of the year	95,784	94,361
Expected rate of return on scheme assets	6,375	6,374
Actuarial (losses) and gains	(12,591)	(9,249)
Contribution by the employer	4,927	4,195
Contributions by scheme participants	2,423	2,037
Benefits paid	(2,853)	(1,934)
	<hr/>	<hr/>
At the end of the year	<u>94,065</u>	<u>95,784</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

### Reserves

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000
University's estimated asset share	94,065	95,784	94,546
Present value of scheme liabilities	(158,024)	(159,440)	(122,055)
Deficit in the scheme	<u>(63,959)</u>	<u>(63,656)</u>	<u>(27,509)</u>

### History of experience gains and losses

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
Difference between the expected and actual return on assets:					
Amount	12,591	9,249	2,774	1,143	6,856
% of scheme assets	13.4%	9.7%	2.9%	1.59%	9.5%
Change in assumptions					
Amount	17,202	(23,614)	4,264	(4,532)	(13,714)
% of scheme liabilities	10.9%	14.9%	3.5%	3.9%	13.5%
Total amount recognised in STRGL					
Amount	4,611	(32,863)	7,038	(3,389)	(6,858)
% of scheme liabilities	2.9%	20.7%	5.8%	2.9%	6.8%

### 26 Access funds

	2008/09 £000	2007/08 £000
Balance at 1 August 2008	36	101
Funding Council grants	716	813
Interest earned	7	15
	<u>759</u>	<u>929</u>
Disbursed to students	(569)	(893)
<b>Balance at 31 July 2009</b>	<u>190</u>	<u>36</u>

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

	2008/09 £000	2007/08 £000
Balance at 1 August 2008	175	75
Training and Development Agency grants	2,525	2,280
	<u>2,700</u>	<u>2,355</u>
University administration fee	(41)	(24)
Disbursed to students	(2,364)	(2,156)
<b>Balance at 31 July 2009</b>	<u>295</u>	<u>175</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 July 2009 (continued)

### 28 Capital commitments

The University had £12m of commitments contracted at 31 July 2009 (2007/08 £22.5m) 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.

The University charged Liverpool Science Park Limited £31k interest during the year. At 31 July 2009 Liverpool Science Park Limited owed The University £385k in outstanding loans, this balance is shown within Debtors. Included within Debtors is also a balance of £80k which relates to accrued interest.

### 30 Subsidiary undertaking

The subsidiary companies (all of which are registered in England and Wales), wholly owned or effectively controlled by the University are as follows:

Company	Principle Activity	Status
JMU Property Development Company Ltd	Property Development Company	100% owned
JMU Services Ltd	Academic enterprise	100% owned
JMU Learning Resource Centre Ltd	Leasing of the Avril Roberts Learning Resource Centre	100% owned
JMU Building Services and Maintenance Ltd	Promotion of the advancement of education By provision of funds to the University	-
Liverpool Business School Ltd	Dormant	100% owned

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.

### 31 Ultimate Parent Organisation

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

### 32 Post Balance Sheet Events

On 28<sup>th</sup> August 2009, Liverpool John Moores University drew down £20m, as part of a £60m loan facility, agreed with Barclays Bank Plc. This loan facility was arranged as part of the University's Property Strategy.