

Financial Statements 2011-12

The Chancellor

Professor Sir David King, BSc, PhD, ScD, FRS, FRSC, FInstP

The Pro-Chancellor

Professor James Keaton, MBE, BSc, LL.D, FSDC, FRSA

The Vice-Chancellor

Professor Sir Howard Newby, CBE, BA, PhD, AcSS

The President of Council

David McDonnell, CBE, DL, FCA, FRSA

The Vice-President of Council

The Earl of Derby, DL (from 4 July 2012)

The Treasurer

Jon Haymer, MA, FCA

The Deputy Treasurer

Neil Ashbridge (until 1 January 2012)
Andrew Scott, MA, DPhil (from 1 April 2012)

The Pro-Vice-Chancellors

Professor Dinah Birch, BA, MA, DPhil, FEA
Professor Andrew Derrington, BA, PhD
Professor Kelvin Everest, BA, PhD, FEA
Professor Ian Greer, MD, FRCP (Glas), FRCPE, FRCP, FRCPI, FFSRH, FAE, FCCP, FRCOG, FMedSci
Professor Michael Hoey, BA, PhD, AcSS
Professor Stephen Holloway, BSc, PhD, FInstP, FAPS

Chief Operating Officer

Patrick Hackett, BArch

Director of Finance

Robert Eastwood, BA, ACA

Professional Advisers

Independent Auditors	KPMG LLP
Bankers	Barclays Bank plc
Lawyers	Pinsent Masons LLP

Financial Statements

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The Council of the University

The key committees of the Council are:-

1. Planning & Resources Committee
2. Nominations Committee
3. Remuneration Committee
4. Audit Committee

Names	Membership of key committees
The Chancellor Professor Sir David King, BSc, PhD, ScD, FRS, FRSC, FInstP	
The Pro-Chancellor Professor James Keaton, MBE, BSc, LL.D, FSDC, FRSA	1,3
The Vice-Chancellor Professor Sir Howard Newby, CBE, BA, PhD, AcSS	1,2,3
The President of Council David McDonnell, CBE, DL, FCA, FRSA	1,2,3
The Vice-President of Council The Earl of Derby, DL (from 4 July 2012)	
The Treasurer Jon Haymer, MA, FCA	1,2,3
The Deputy Treasurer Neil Ashbridge (until 1 January 2012) Andrew Scott, MA, DPhil (from 1 April 2012)	2 (from 4 July 2012)
The Pro-Vice-Chancellors Professor Dinah Birch, BA, MA, DPhil, FEA Professor Kelvin Everest, BA, PhD, FEA Professor Stephen Holloway, BSc, PhD, FInstP, FAPS	1 1
Clerk to Council Patrick Hackett, BArch	1
Appointed by the Court: Christopher Baker, MBE, BA, MA Professor Sir Michael Barber, Hon LLD (until 8 March 2012) Roger Platt, BSc, PhD, MA, PhD (from 1 April 2012)	2,4 4

The Council of the University

Appointed by the Council:

Professor Helen Carty, DL, MB BCH BAO (NUI), MRCPI, FRCR London, FRCPI,
FRCP (Lon), FRCPCH, FFRRCSI (from 4 July 2012)

The Earl of Derby, DL (until 3 July 2012)

Joseph Duffey, PhD (until 31 December 2011)

Paul Johnson, BSc, PhD (from 4 July 2012)

Ian Jones, ACIB

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Sir Colin Lucas, MA, DPhil, FRHistS

Dame Lorna Muirhead, DBE, CSTJ, SRN, SCM, MTD, FRCM, FRCOG,
FJMU, Hon LLD

Abila Pointing, MBE, DL, MA

Andrew Scott, MA, DPhil (until 31 March 2012)

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Patricia Young, BA

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Senate Appointed/Elected Members:

Professor Anu Arora, LLB, PhD, Barrister (until 30 September 2012)

Professor Fiona Beveridge (from 1 October 2012)

Professor Andrew Cooper, BSc, PhD (from 1 October 2011)

Professor Dominic Elliott, BA, MBA, PhD, FBCI (from 1 October 2011)

Professor Charles Forsdick, BA, PhD

Professor Lu-Yun Lian, BSc, PhD, MBA

2

Stuart Marshall-Clarke, PhD, MIBiol

Professor Laura McAllister, BSc, PhD (until 30 September 2011)

Professor Michael Wooldridge, BSc, PhD (until 30 September 2011)

Elected by the Convocation

Brian Barwick, BA

The President of the Guild of Students

Maeve McDaid (until 31 July 2012)

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Sam Butler (from 1 August 2012)

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Report of the Treasurer

I am pleased to present my report to accompany the financial statements of the University for the year ending 31st July 2012.

The University managed the challenge of having the cut in Higher Education Funding Council for England (HEFCE) funding in the year to 31st July 2012, without ability to offset this with a rise in tuition fees, and yet it still delivered a strong financial performance. By continuing to generate a surplus and a strong cash flow from operating activities the University remains in a position to respond positively to any further changes in the funding regime. The University continued its investment programme required to achieve the key ambitions contained within the Strategic Plan with over £70m invested in buildings and equipment during the year. The three major investments completed in the year were new facilities for teaching and research in Central Teaching Laboratories, the Ronald Ross biosciences building and the new Vine Court student residences situated on the University campus in the city centre. All three were officially opened during the early part of 2012/13.

The significant area of growth in income came from increases in academic fees and support grants. This reflects the increasing popularity of the University of Liverpool as a place to study at all levels, with overall student numbers increasing by over 1,000 during the year, a rise of 5.7% on the previous year. The continued pressure on funding from HEFCE was evidenced in the total funding grants reducing further from £121.4m to £111.8m. Staff costs were maintained at 53% of total income which demonstrates the ability of the University to manage its cost base in order to meet the challenges it faces over the coming years.

The scale of the many challenges facing the University of Liverpool, in common with other universities, is recognised. The University continues to aim to achieve the objectives contained in its Strategic Plan, 2009 to 2014, by investing in staff and buildings to achieve success over the long term in a sustainable manner.

The University's Strategic Plan

The University has confirmed its commitment to an ambitious Strategic Plan for the period 2009 to 2014. This defines how the University aims to be successful within the challenging and changing higher education environment. Delivery of the Plan will ensure that the University will be Liverpool-centric and globally connected, with the experience of the Liverpool graduate being distinctive.

The University is an internationally focused institution whose activities are rooted in world-leading research excellence and reflect the dynamics of the knowledge economy. The focus remains on existing and emerging strengths, aspiring to achieve growth in quality and scale across five key priorities:-

- Improving our research performance
- Positioning ourselves as a global university
- Driving knowledge exchange and innovation
- Enhancing the student experience
- Extending widening participation

Within each of these priorities are key ambitions or outcomes, and performance towards these ambitions is regularly monitored.

Key Events during the Year

a) Research

The Research Strategy of the University focuses on continuing to develop areas of excellence and identifying key research themes which will enable the University to optimise opportunities for interdisciplinary research and respond to global challenges.

During the year the value of research grants and contracts the University was awarded increased by 26%. This included research related to the interplay of rodent behavior to determine control strategies, the funding of a centre of excellence in musculoskeletal ageing research, model based development of anti-tuberculosis drug combinations, and the creation of a nano investigation centre at Liverpool. As well as receiving UK research councils grants the University has been successful in securing awards from the Department of Health, Unilever, BP, the Department for Communities and Local Government, Cancer Research, the British Academy and the European Commission.

Within Humanities and Social Science, research grants awarded to the University ranged from the study of Haiti and the international politics of slavery, a longitudinal study into the costs of imprisonment, an economic evaluation of public health interventions in Wirral to modeling interest rate dynamics.

This reflects the excellence and breadth of research across the University.

Report of the Treasurer

b) Teaching

The University continues to deliver learning and teaching across a wide range of disciplines, meeting its HEFCE student number obligations. The following table shows the growth in student populations over the last three years:

Full Time & Part Time Students	2012	2011	2010
Home & EU undergraduates	13,406	13,129	12,757
Home & EU postgraduates	1,966	1,844	1,888
Overseas undergraduates	2,321	1,897	1,549
Overseas postgraduate	1,611	1,339	1,115
Total	19,304	18,269	17,309

One of the key priorities included in the Strategic Plan is extending widening participation activities. The following table demonstrates the University's success in this area for the last three years for which data is available:-

Widening Participation Indicators

	University of Liverpool				
	2010/11	2009/10	2008/09	Target Benchmark 2010/11	Russell Group 2010/11
	%	%	%	%	%
Percentage of young full time undergraduate entrants from state schools or colleges	85.6	85.6	84.7	82.8	73.7
Percentage of young full time undergraduate entrants from NS-SEC classes 4,5,6,7	23.5	23.3	25.2	24.6	19.3
Entrants from low participation neighbourhoods	8.7	8.2	8.7	7.8	5.5

Source : Higher Education Statistics Agency (HESA) Performance Indicator Tables

c) Global Positioning

During the year the University continued to build on its global activities. The University's joint venture in China, Xi'an Jiaotong Liverpool University (XJTLU) continues and is supported by the National Science Foundation in China. XJTLU continues to build its research infrastructure and to develop its links with multi-national companies on the Suzhou Industrial Park.

Demand for University's online programmes, delivered in partnership with Laureate Online Education, has also increased. Over 11,000 students are currently registered on the online programmes, with over 90% of these students from outside of the UK. The e-learning unit continues to support and improve the University's capability for e-learning, both for programmes based on campus and the online programmes.

An Internationalisation Strategy has been developed to achieve this key priority. This concentrates on:

- Being a global institution
- Creating graduates for the 21st Century
- Improving research excellence and knowledge exchange
- Improving our reputation as a global University
- Reflecting internationalisation at Liverpool

Report of the Treasurer

d) Developing the Estate

The quality of the University estate is fundamental to the experience of both staff and students. Investment in the University campus continues in line with the capital expenditure programme identified in the Strategic Plan.

During 2011/12 over £70m was invested to deliver improved infrastructure and facilities to ensure that research, learning and teaching space, accommodation and catering facilities are fit for purpose and enhance the student experience.

e) Driving Knowledge Exchange and Innovation

The University continues to actively support, promote and facilitate its knowledge exchange agenda to enable high quality research through collaborative programmes and commercial activities, supported by the Partnerships and Innovation department.

This department drives the University's stakeholder engagement and establishment of strategic partnerships. It promotes the University's civic mission through institutional leadership in the region and city, influences public policy development and engages citizens in cultural and educational pursuits. The department identifies regional, national and international opportunities through collaborative research, contract research, and consultancy which advance the University's knowledge capital into diverse markets.

Public Benefit – University's Charitable Purpose

The University of Liverpool is an exempt charity and is required to demonstrate the public benefit of its work. The University's Council is aware of its duties in relation to the Charity Commission's guidance in this area.

As one of the United Kingdom's leading research institutions, the University is ranked in the top 1% of higher education institutions worldwide and is a member of the prestigious Russell Group, comprising the leading research universities in the United Kingdom.

The University has a strong identity as the original 'redbrick' university with a long and proud tradition of civic engagement in the city of Liverpool and its surrounding region. The University's Strategic Plan 2009-14 refers to a culture of support and collaboration that 'will benefit the communities in which we operate, both at home and overseas'.

Civic engagement cuts across our core business and is undertaken by academic and professional services staff as well as students. Staff and students contribute as University representatives, experts, volunteers and citizens.

The University's public engagement can be seen in activities such as:

- Corporate representation on external bodies
- Acting as an honest broker and thought leader (for example facilitating discussions between disparate organisations)
- Targeting business support services such as Knowledge Transfer Partnerships with Liverpool businesses
- Widening Participation activities
- Volunteering and work placement opportunities for students
- Working with partners to improve the graduate offer (for example housing)
- Research and evaluation of programmes

Activities are also in line with each of the five key priorities. Illustrations of these are:

Global University	<ul style="list-style-type: none"> • Incubation networks with global / local relevance • Capacity building and capital investment in Malawi / Southern Africa • Overseas research collaborations and relevance to City Region knowledge economy
Research Performance	<ul style="list-style-type: none"> • Research institutes with international expertise and local resonance (Liverpool Institute of Health Inequalities Research, Institute of Cultural Capital) • Community-based / community-led research
Knowledge Exchange	<ul style="list-style-type: none"> • Public policy activities
Student Experience	<ul style="list-style-type: none"> • Cross HE / FE collaborative volunteering programmes • Student-led consultancy and research
Widening Participation	<ul style="list-style-type: none"> • Strategic University engagement with Academy Schools

Report of the Treasurer

Widening Participation / Developing Skills

The University has developed a three-step framework for its widening participation activities. The three steps are:

- Sowing the Seeds that progression to higher education is an option and a choice – ages 9-12 years
- Aim-higher targeted activities directly linked to choice and attainment – ages 15-17 years
- Scholars and Go Higher schemes which are directly linked to supported admission – 17+ years and adults returning to education.

This framework has been developed over a number of years, working in partnership with other Merseyside HEIs and with a wide range of schools and colleges in the region and nationally. The effectiveness of the overall approach within the Merseyside region has been shown by the increase in participation in HE of young people from Merseyside in the period since 1997-98. This includes some of the most deprived communities within England.

The University of Liverpool outreach activities target the following under-represented groups:

- Those from National Socio-Economic Classifications 4-7 (lower socio-economic groups)
- Those living in low participation neighbourhoods
- Disabled learners
- Certain black and minority ethnic (BME) populations
- Young people who have been in local authority care
- Mature learners/adults returning to education

The University provides a range of aspirational activities to over 8,000 young people each year, recognising that some of these might lead to increased participation in HE but not progression to the University of Liverpool. The focus of activity is on pupils who are 'most able but least likely to attend HE', and a progression curriculum has been developed and delivered over a number of years to schools and colleges primarily within the Merseyside region, although access to summer schools has been available to schools from across England.

The University has developed a partnership with Merseyside secondary schools and colleges whose performance at GCSE is below the national and local average and which have a high percentage of pupils living in one of the 13,000 most deprived lower super output areas (LSOA) in England, as identified by the Index of Multiple Deprivation. The University works on an intensive basis with these schools and with their feeder primary schools, to raise aspirations and support attainment.

The University co-sponsors three Academy Schools - the North Liverpool Academy; the Enterprise South Liverpool Academy; and the University Academy, Birkenhead. It also co-sponsors a Trust School (Parklands High School, Speke); and two University Technical Colleges – the Liverpool Life Sciences UTC (due to open in September 2013) and the Birkenhead Engineering UTC (which plans to open in September 2014).

The three-step framework encompasses work with feeder primary schools, whole year interventions for Years 7 and 8, and increasingly targeted and more in-depth interventions from Year 9 onwards, including support for young people in care which has resulted in the award of the Frank Buttle Trust Quality Mark. The University continues to target specific under-represented groups through project-based activity and has a three year programme specifically targeted at the brightest but most disaffected young people. The institution also offers summer schools and residentials with an emphasis on STEM. At post-16, the University's approach is to target individual learners, with an increasing focus on supporting schools and colleges to encourage learners to consider progression to a research intensive HEI, in particular, supporting applicants to the University of Liverpool.

The Scholars programme targets individual learners in year 12 who are studying a two year level 3 qualification in Merseyside schools, and who have 8 grade A* - C grades at GCSE including English and Maths, no family history of HE, and are in receipt of a 16-19 bursary from their current school or college. Scholars are provided with an academic mentor, a range of academic activities including academic skills workshops and lectures, and produce an academic assignment. If successful, they are offered a guaranteed conditional offer at the University and a reduction in the UCAS points needed for entry.

The University is also a member of the Realising Opportunities Group of research-intensive universities. The members of this Group recognise programmes such as Scholars when making decisions about applications, thus providing the young people taking part in such schemes access to a wider group of research-intensive universities. Care leavers, Scholars, and those students recruited from corresponding programmes at the universities in the Realising Opportunities Group will be eligible for an enhanced support package.

The University has developed access routes to science, engineering, medicine, dentistry, veterinary medicine and health sciences in partnership with Carmel College, St Helens and Birkenhead Sixth Form College. These Year 0 programmes offer guaranteed progression, on successful completion of the year at a specified standard, to the University's highly selective medicine, dentistry and veterinary science programmes, to its nursing and health sciences programmes, and to a range of science and engineering programmes. The University has extended the recruitment criteria for the programmes which are routes to clinical programmes from vocational learners to under-represented groups more widely, thus further widening access to highly selective professional programmes. In addition to the access routes to STEM subjects, a one year, part-time, on-campus access course for adults, Go Higher, is available. This prepares students for entry to first year programmes in the humanities and social sciences.

Report of the Treasurer

The University works closely with hundreds of businesses in the North West to promote knowledge transfer into the regional economy and introduce new skills and processes. A Masters in Public Administration and Management has been introduced which enables staff in key public agencies to come together to explore cross-sector perspectives and work together to address fundamental changes taking place in public and voluntary services. The University is also committed to providing lifelong learning for local people through its Continuing Education programme with professional updating and re-skilling opportunities.

Cultural Activities

The University's Victoria Gallery and Museum (VG&M) houses the University's fine art and museum collections. Free to the public, its special exhibitions programme, showcasing both local and international artists, is extremely popular and the VG&M welcomes more than 50,000 visitors each year. This year the VG&M took part in the Liverpool Biennial, with an exhibition by moving image artist Paul Rooney.

The University's Confucius Institute aims to deliver improved understanding of Chinese culture and increased language development opportunities. The Institute is a collaborative project between the University, Xi'an Jiaotong University and Hanban, the Chinese Government agency for the promotion of Chinese language and culture.

The University aims to provide a focal point for all China-related activity in Merseyside, working closely with schools and colleges, local businesses, community groups and individuals to promote Chinese language and culture. Running Mandarin classes throughout the year, it also has a cultural programme focusing on calligraphy, Chinese ink painting, tai chi and dance, and a monthly lecture series that delves into the shared history of China and the UK.

As part of its outreach work, the University runs an annual Dragonboat race on the Mersey, which this year featured 270 school children from across the region. The University runs a Summer School programme which recently welcomed around 240 students, mainly from South America.

The University also runs a number of thought-provoking lecture series for the public throughout the year on a wide variety of subject areas. The events are well-attended and are webcast to enable greater accessibility.

The Science and Society lecture series explores the beneficial relationship between science and society. Recent speakers have included Sir Mark Walport, Director of the Wellcome Trust, on the future funding of biomedical research; Professor David Clary, President, Magdalen College, Oxford and Chief Scientific Adviser at the Foreign and Commonwealth Office, on the role of science in international relations; Professor Andrew Willmott, Director of Science and Technology at the National Oceanography Centre, on the grand challenges in ocean science; Nick Jelley, Professor of Physics from the University of Oxford, on renewable energy and society; Colin Blakemore, Professor of Neuroscience from the University of Oxford and President of the Motor Neurone Disease Association, on the impact of living longer on society; and Sir Ian Wilmut, Director of the Research Centre for Regenerative Medicine at the University of Edinburgh, on the promise of stem cell research for society's health.

Paul Barry-Walsh, founder of the Fredericks Foundation, a leading UK microfinance organisation that helps disadvantaged people to set up or expand their own business, gave the University's Fred Freeman Philanthropy lecture on influences that he asserts need to be radically addressed in order for society as a whole to improve.

Art critic, journalist, TV presenter, novelist, lecturer and educationalist, Andrew Graham-Dixon, gave the University's Lucrezia Zaina bequest lecture which promotes the exploration and enjoyment of Italian culture. The audience gathered to listen to an inspirational lecture on Italian artist, Caravaggio.

Public Policy Engagement

The University plays a major role as a neutral space for discussion of issues of relevance to the Liverpool City Region. The Foresight Group is a Liverpool City Region membership network, co-founded and hosted by the University, and committed to forging a shared future vision for a sustainable and prosperous Liverpool City Region.

The Group believes that the future success of the city and its region is dependent on building the city's uniqueness and offering something different from comparator cities. Its commitment to exploring and championing innovative approaches to achieve better outcomes for Liverpool and its citizens affords it a broad-ranging agenda, covering the economy, society – including health and well-being – and the environment.

The Policy Provocations series takes on big policy challenges shaping our future and asks how we can tackle them in new ways. Led by the University of Liverpool and City Region partners, the series brings together perspectives from leading international, UK and local thinkers to provide a platform for passionate public debate. Topics covered this year included: 'Tomorrow's city'; 'Can the private sector deliver?'; 'Do we still need libraries?'; 'Can aid deliver for Africa' and 'Whose job is it to make business responsible?'

These events, staged at a variety of venues around the city, draw audiences from local decision-makers; employees from the public, private and third sectors; general public and representatives from targeted communities; as well as staff, students and alumni.

Report of the Treasurer

The University has established a new Public Policy Institute to ask how we can secure a prosperous, healthy, sustainable and vibrant future whilst managing the impacts of global economic, environmental, social and cultural challenges upon them. Taking inspiration from the University's heritage as a civic institution, the Institute will seek to deliver research and learning opportunities which have a direct impact on the way public policy responses to these challenges are understood, formulated, delivered and evaluated. It will provide a gateway for local, national and international audiences to access the University's public policy expertise and engage with staff leading solutions-focused projects.

Knowledge Transfer

The University is committed to making its ground-breaking research and frontier technologies available to its business partners for the benefit of the regional and national economies.

A prime example of this is the University's partnership with Unilever. The two organisations have recently signed a partnership agreement to extend their pioneering research into new areas. The two organisations will extend their research into the development of new bio-derived chemicals for use in home and personal care products. They will also work together on formulation design which will cut across several sectors such as home and personal care, and foods.

Unilever and the University have a long-standing research partnership in the area of product and process innovation. Scientists from both organisations collaborate at the University's £9.6M Centre for Materials Discovery to improve the effectiveness and sustainability of Unilever's household products. This innovative facility enables industries across a range of sectors to move rapidly into the next generation of materials science and play a major role in advancing the research capability of the Northwest.

The University also uses Knowledge Transfer Partnerships to help organisations of all sizes to improve their competitiveness.

Health and Wellbeing

The University believes strongly in Corporate Social Responsibility and continues to play a valuable role in the treatment and prevention of disease in Malawi alongside the Queen Elizabeth Central Hospital, and is sharing its expertise in this area with the Clinton Global Initiative – a project established by former US President Bill Clinton to devise and implement innovative solutions to some of the world's most pressing challenges.

The University is also committed to improving the wellbeing of Liverpool's local population and has established a £2m Institute for Research into Health Inequalities, dedicated to the study of health and wellbeing issues. The institute is funded by Liverpool Primary Care Trust and aims to provide leadership and excellence in public health research with a particular focus on health inequalities in the Liverpool city region.

The University also participates at senior level in the Liverpool Fairness Commission, established to look at the causes and effects of poverty within the city, identify inequalities and develop clear long-term plans to address these challenges. Chaired by the Chief Executive Officer of Blackburne House, the Fairness Commission includes cross-sector representation and is based on the approach taken by Islington Council.

The University's sports centre is open to everyone. Around 1,000 members of community groups use the facilities each week. Merseyside Caribbean Cricket Club make use of the University sports grounds as well as England Homeless Football Team who use the facilities for free.

Student Engagement

Volunteering enriches the learning experience of the University's students. The University works in collaboration with the Guild of Students to offer volunteering opportunities in legal support; health and wellbeing; environment and conservation; working with young people; and arts and culture. One example is the Liverpool Law Clinic, a community-focused law in action programme, run by staff and undergraduate students from the University's Law School. The clinic offers the public free, first-rate, legal advice on a wide range of issues including employment rights, consumer rights, divorce and immigration law.

Liverpool's 'Students In Free Enterprise' (SIFE) group, based in its Management School, runs educational outreach projects to impact the community and transform people's lives. Throughout their entrepreneurial journey students acquire an invaluable set of skills such as leadership, project management, communication, presentation and team-working. They use the knowledge learned in classes and get to apply it to real world challenges. Current SIFE Liverpool projects range from assisting struggling businesses in deprived areas of Liverpool to addressing water contamination in South Africa.

Knowledge Economy

External organisations benefit from the University's world class expertise through a range of mechanisms including: contract and collaborative research, consultancy, training and continuing professional development, knowledge transfer partnerships, student projects and placements, volunteering and access to world class equipment and facilities. In

Report of the Treasurer

2011/12 the University of Liverpool engaged with over 900 businesses and other external organisations in the context of collaborative and contract research alone.

In 2011/12 the University participated in:

- £25.2m of collaborative research funded jointly by business and the public sector
- £13.2m of collaborative research funded by the EU alone, involving collaborations with 235 businesses or research and technology organisations
- 643 contract research commissions which generated a combined income of £14.9m
- And delivered 20,118 learner days of courses for business and the community

With the knowledge economy sector likely to remain a key source of employment growth, the University is helping local economies move away from a reliance on the public sector and towards private sector growth. It is helping to reduce regional disparities and align knowledge exchange activities with the economic priorities of the region - the Vice-Chancellor continues to chair the Liverpool City Region Knowledge Economy Group.

To prepare students for the job market, the Careers & Employability Service has also introduced a programme of 'Graduate Boot camps'. Aimed at new leavers, the boot camps provide opportunities for networking with employers while developing a range of high-demand employability skills.

Financial Performance

Financial performance during the year ending 31st July 2012 was strong. The surplus after depreciation and before tax was £7.8m, 1.9% of income. Net cash inflow from operating activities during the year was £30.3m. The continued investment programme of the University resulted in capital expenditure totalling £70.2m during the year, resulting in cash held by the Group of £77.0m as at 31st July 2012.

Income increased to £419.2m, a rise of 2.9%, despite a reduction in Funding Council Grants which reduced by 7.9% to £111.8m. This was offset by increases in Academic fees and support grants, which increased by £16.6m (15.4%) on the previous year, evidencing that demand for places to study at the University of Liverpool was strong during the year. Research grant and contracts income increased by £5.2m (4.7%). Staff costs increased to £222.6m, an increase of 3% on the previous year. Expressed as a percentage on Total Income, staff costs remained virtually unchanged at 53.1% in the year to 31st July 2012, compared to 53.0% the previous year.

The strong financial performance results from the realignment of the University to meet the current economic challenges, coupled with the continued benefits from operational efficiencies being achieved following the implementation of a new organisation structure.

The balance sheet remains strong. Cash balances total £77m, fixed assets are in excess of £450m, whilst borrowings due after more than one year are £107.2m. The net assets excluding the pension asset increased to £512.3m.

Following the independent revaluation exercise undertaken for the University of Liverpool Pension Fund there was a significant movement in the pension reserve, from a deficit of £56.8m to a surplus of £9.5m. This contributed to an increase in Total Funds to £521.8m at 31st July 2012, up from £444.4m at the previous year end.

While the financial markets remain volatile, management of the endowment portfolio and pension fund assets were ahead of the benchmarks set by the University and Trustee Board for the financial year.

The Future

The year to 31st July 2012 saw the first impact of the cuts in HEFCE funding without a rise in tuition fee income as approved under the University's access agreement. Further cuts in teaching funding will occur in the medium term and the University will raise tuition fees to £9,000 per annum from September 2012 onwards. Further cuts in funding for capital projects have been announced by both HEFCE and the Research Councils. Adding to the uncertainty of income will be the impact of revised student numbers controls and the numbers of students achieving grades AAB at A level or equivalent.

The result of these changes to the higher education environment has been a reduction in demand for places at the University from Home/EU undergraduates for the September 2012 intake. There is little doubt that the next few years will remain challenging. Further changes to student number controls are being considered adding to the uncertainty faced by the University.

The University faces these uncertainties in a strong financial position and remains committed to invest further in its student experience and build on its reputation as a leading Russell Group university for achieving widening access. It is anticipated that the University will commit more than 30% of its additional fee income in 2012-13 to supporting students from lower income backgrounds and will offer enhanced outreach activities alongside new measures to support retention.

Report of the Treasurer

The University remains committed to continued investment to achieve the key ambitions contained with the Strategic Plan, whilst ensuring this is undertaken in a manner consistent with maintaining its financial sustainability. This investment will also be in the human capital of the University, as it seeks to further improve its research performance. External funding has been secured by the University to ensure it is able to manage its liquidity.

Key Performance Indicators

Refinements to the reporting of key performance indicators to senior management and the governance committees continue to be made. The Strategic Management Team Performance Report is produced on a quarterly basis. The report focuses on the key priorities in the Strategic Plan, assessing performance towards the agreed key ambitions.

The Liverpool School of Tropical Medicine

The University values its close working relationship with the Liverpool School of Tropical Medicine (LSTM), whilst recognising its independent legal status. Its teaching programmes are validated by the University and there are many collaborative research projects. The University remains accountable to HEFCE for the funding provided to LSTM and there are long standing shared services in place, such as payroll, pension funds, library and computing services. Accordingly the University continues to fully consolidate LSTM into these financial statements.

Equal Opportunities Policy

The aim of the University's policy is to ensure that no job applicant or member of staff receives less than favourable treatment on the grounds of disability, sex, marital status, religion, race, colour, nationality or ethnic or national origins, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. Selection criteria and procedures are reviewed to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All members of staff will be given equal opportunity, and where appropriate, special training to progress within the University. The University is committed to ensuring that this policy remains fully effective.

Ethical Investment Policy

It is the role of Council to set out the ethical platform on which the University's endowment asset investments are managed. The Council instructs its investment managers, through the Investments Committee, to invest University funds only in those companies who meet the criteria set for ethical investment. It is the role of the Investments Committee to maximize the potential returns on investments within such criteria as established by Council. Investment managers report regularly to the Investments Committee on actions they have taken relating to ethical investment.

Reserves Policy

The University recognises its obligations as an exempt charity to expend the resources provided to it for charitable purposes and its reserves are retained for a variety of purposes. A significant proportion is represented by endowments which are retained and used in accordance with the wishes of the benefactors. The University has also built up its own reserve balances over a number of years to provide a source of funding for future activities. Further reserves are retained to provide working capital to support the University's complex operations and to invest in land, buildings and equipment to develop its activities.

Jon Haymer, MA, FCA
Treasurer

Corporate Governance Statement

The University of Liverpool is a corporate body established by Royal Charter dated 1903. Under the corporate objectives set out in the Charter, the University remains committed to the 'advancement of learning and ennoblement of life'.

The University is governed by the Council which comprises lay and academic members appointed under the Statutes of the University, the majority of whom are non-executive (see page 3 for members). Council members are the University's Charitable Trustees. The Council has the responsibility for the ongoing strategic direction of the University, approval of major developments and the oversight of the day to day operations of its business and of its subsidiary companies. It meets a minimum of four times each year and has several Committees, the key ones being Planning and Resources Committee, a Nominations Committee, a Remuneration Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference and contain significant lay member representation. Council membership of the key committees is shown on page 3 and 4.

The Planning and Resources Committee, *inter alia*, recommends to Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Nominations Committee seeks and considers nominations for potential lay members of the Council, recommends appointments to the University's lay officer posts and recommends nominations to Council for membership of its central Committees.

The Remuneration Committee undertakes and determines the review of all professorial and senior administrative staff salaries, and the approval of any proposal for voluntary severance or early retirement of the most senior staff.

The Audit Committee, which meets four times a year, is responsible for advising the Council and Vice-Chancellor on the effectiveness of the University's management and control systems. To this end, it meets with the External Auditors to discuss their audit findings, and with the Internal Auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England and the National Audit Office as they affect the University's business and monitor adherence with the regulatory requirements. The Committee reviews the University's annual financial statements together with the accounting policies. It advises the Council on the appointment and remuneration of the Internal and External Auditors. The Committee is chaired by the Pro-Chancellor, or another member of Council, and whilst senior executives and other lay officers attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee meets with the Internal and External Auditors on their own for independent discussions.

The roles of President and Vice-President of the Council are separated from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University and in the Financial Memorandum with the Higher Education Funding Council for England.

The Vice-Chancellor is supported in his role by six Pro-Vice-Chancellors, comprising three Executive Pro-Vice-Chancellors and three Pro-Vice-Chancellors, for Internationalisation, Research and Knowledge Exchange, and Student Experience. They lead the academic management of the University which is organised into faculties and academic departments. The professional services are managed by the Chief Operating Officer.

The Council of the University 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 Audit Committee, on behalf of the Council, has reviewed the effectiveness of the University's system of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Council is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks. This process is regularly reviewed by the Council. It accords with the internal control guidance for directors of companies as set out in the Combined Code as deemed appropriate for higher education and with the HEFCE 'Best Practice' guidance on Risk Management and broad compliance with the Committee of University Chairs (CUC) Guidance.

The Council and the University's Strategic Management Team receive reports setting out key performance and risk indicators. The Council also receives regular reports from the Audit Committee and the Health & Safety Committee setting out, where necessary, recommendations for change and improvement. Processes and systems are continually being refined to ensure that the reporting mechanism is enhanced. Council's view of the effectiveness of the system of internal control is also informed by the work of the executive officers of the University who have responsibility for the development and maintenance of the internal control framework.

Responsibilities of the Council of the University

Statement of Primary Responsibilities of the Council of the University of Liverpool

The Council, under the provisions of the Charter and the Statutes of the University, is the governing body of the University. The Charter identifies the Council as being responsible for “the custody and use of the Common Seal, the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University”. The detailed powers and duties of the Council are defined in Statute 23.

The primary responsibilities of the Council may be defined as:

- To appoint the Vice-Chancellor and to agree and monitor the delegation of authority to him/her
- To approve the strategic direction of the University
- To approve the annual budget
- To monitor performance against plans/budgets and, for this purpose, to identify and utilise key performance indicators
- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest
- To fulfil statutory/regulatory responsibilities

(Approved by the Council at its meeting on 16 June 2005)

Working through its Planning and Resources Committee and Audit Committee, the Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education (July 2007), and all relevant accounting and financial reporting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its designated office holder (the Vice-Chancellor), is required to prepare audited 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 Council has to ensure that:

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

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum agreed with the 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;

Responsibilities of the Council of the University

- secure the economical, efficient and effective management of the University's resources and expenditure. The key elements of the University's system of internal financial control, which are designed to discharge the responsibilities set out above, include the following:
 - clear definitions of the responsibilities of, and the authority delegated to, all heads of departments;
 - a comprehensive short and medium term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
 - regular reviews of academic performance and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
 - clearly defined and formalised requirements for approval and control of expenditure;
 - a formalised treasury management policy;
 - a comprehensive Financial Handbook detailing financial controls and procedures, approved by the Audit Committee and Council; and
 - a professional independent Internal Audit team whose programme of work is approved annually by the Audit Committee.

The Council are satisfied that the system of internal control described above has been in place throughout the year ended 31 July 2012.

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF LIVERPOOL

We have audited the group and University financial statements (the "financial statements") of the University of Liverpool for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, in accordance with section 18 of the Charters and Statutes of the institution. 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 Council and auditor

As explained more fully in the statement of Responsibilities of the Council of the University, the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Treasurer to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the University and group.

SR Clark

Stephen Clark
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

[Date]

28/11/2012

The maintenance and integrity of the University of Liverpool website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income and Expenditure Account

for the year ended 31 July 2012

		2012	2011
Income	Note	£m	£m
Funding Council Grants	2	111.8	121.4
Academic fees and support grants	3	124.6	108.0
Research grants and contracts	4	115.6	110.4
Other operating income	5	75.5	72.4
Endowment income and interest receivable	6	6.2	4.5
Less: Share of joint venture income	10	(14.5)	(9.3)
Total Income		419.2	407.4
Expenditure			
Staff Costs	7,9	222.6	216.0
Other operating expenses	7	166.5	161.7
Depreciation	7	19.3	19.0
Interest payable	7	3.0	3.5
Total Expenditure		411.4	400.2
Surplus after depreciation of tangible fixed assets and before tax		7.8	7.2
Share of operating profit of joint venture	10	2.8	0.7
Taxation credit/ (charge)	8	0.2	0.2
Surplus after depreciation of tangible fixed assets and tax		10.8	8.1
Exceptional payroll costs		-	(4.4)
Profit on the sale of fixed assets		-	2.9
Surplus on continuing operations after depreciation of tangible fixed assets and tax		10.8	6.6
Surplus endowment income for the year transferred to Accumulated income in endowment funds		(1.5)	(1.3)
Surplus for the year retained within general reserves		9.3	5.3

There is no material difference between the surplus on an historical cost basis and the result for the year.
The above results relate to continuing operations.

Consolidated and University Balance Sheets

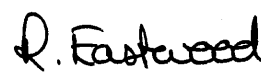
as at 31 July 2012

	Note	Consolidated		University	
		2012	2011 Restated	2012	2011 Restated
		£m	£m	£m	£m
Fixed Assets					
Tangible assets	11,12	447.6	396.9	386.4	334.8
Investments	14	5.9	6.2	24.7	26.5
Investments in joint ventures					
Share of gross assets	10	33.3	25.4	-	-
Share of gross liabilities	10	(30.1)	(24.8)	-	-
		456.7	403.7	411.1	361.3
Endowment assets	15	137.9	136.7	124.5	123.1
Current assets					
Stock		1.0	1.1	0.8	0.7
Debtors	17	47.1	61.9	40.7	44.0
Investments	18	13.5	18.1	2.0	7.0
Cash at bank and in hand		77.0	58.3	61.7	40.2
		138.6	139.4	105.2	91.9
Less: Creditors - amounts falling due within one year	19	(110.1)	(115.5)	(81.9)	(73.3)
Net current assets		28.5	23.9	23.3	18.6
Total assets less current liabilities		623.1	564.3	558.9	503.0
Less: Creditors - amounts falling due after more than one year	20	(110.8)	(63.1)	(95.5)	(47.5)
Net assets excluding pension liability		512.3	501.2	463.4	455.5
Net pension asset/(liability)	28	9.5	(56.8)	9.5	(56.8)
Net assets including pension liability		521.8	444.4	472.9	398.7
Represented by:					
Deferred capital grants	21	212.2	215.0	183.8	186.5
Endowments					
Expendable	16	21.5	19.2	21.5	19.2
Permanent	16	116.4	117.5	103.0	103.9
		137.9	136.7	124.5	123.1
Capital and Reserves					
Income and expenditure excluding pension reserve	23	158.0	146.0	150.9	142.2
Pension reserve	28	9.5	(56.8)	9.5	(56.8)
Income and expenditure including pension reserve		167.5	89.2	160.4	85.4
Revaluation reserve	22	4.2	3.5	4.2	3.7
		171.7	92.7	164.6	89.1
Total funds		521.8	444.4	472.9	398.7

The financial statements on pages 18 to 50 were approved by the Council on 23 November 2012 and signed on its behalf by:


Jon Haymer
Treasurer


Professor Sir Howard Newby
Vice-Chancellor


Robert Eastwood
Director of Finance

Consolidated Cash Flow Statement

for the year ended 31 July 2012

	Notes	2012 £m	2011 Restated £m
Net cash inflow from operating activities	25	30.3	26.7
Returns on investments and servicing of finance			
Income from endowments		3.8	3.7
Other interest received		1.0	0.5
Other Investment income		0.1	0.2
Interest paid on loans		(3.0)	(3.5)
Interest element of finance lease payable		(0.3)	(0.3)
		1.6	0.6
Taxation	8	0.2	0.2
Capital expenditure and financial investment			
Payments to acquire fixed assets		(70.2)	(64.5)
Endowment assets acquired and received		(26.0)	(24.5)
Receipts from sale of fixed assets		-	2.9
Receipts from sale of endowment assets		26.0	29.2
Receipts from sale of investments		0.4	0.2
Investments acquired		(2.0)	(5.0)
Deferred capital grants received		4.5	9.0
Exceptional payroll costs		-	(4.4)
Endowments received		1.1	0.7
		(66.2)	(57.9)
Net cash outflow before use of liquid resources and financing		(34.1)	(30.4)
Financing			
Interest and capital element of finance lease repayments		(0.3)	(0.3)
Decrease in cash in the period		(34.4)	(30.7)
Reconciliation of net cash flow to movement in net funds/(debt)			
(Decrease)/increase in cash in the period		(34.4)	(30.7)
Change in net debt resulting from cash flows		0.3	0.3
(Decrease)/increase in net funds in year		(34.1)	(30.4)
Net funds at 1 August		21.1	51.5
Net (debt)/funds at 31 July		(13.0)	21.1

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2012

	Note	2012	2011
		£m	£m
Surplus on continuing operations after depreciation of tangible fixed assets and tax		10.8	6.6
Pension Scheme RPI/CPI adjustment*		-	6.6
Actuarial gain in respect of pension scheme	28	69.0	3.5
Movement in income and expenditure reserve	23	79.8	16.7
Appreciation of endowment asset investments		(1.4)	14.0
Net of additions/(disposal) of Endowments		1.1	0.7
Revaluation of Assets		0.7	-
Total recognised gains relating to the year		80.2	31.4
Reconciliation			
Opening reserves and endowments		229.4	198.0
Total recognised gains for the year		80.2	31.4
Closing reserves and endowments		309.6	229.4

* In its June 2010 budget, the Government announced that it intended the future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). In the year ended 31 July 2011, the University considered the University of Liverpool Pension Fund scheme rules and associated members' literature and concluded that as a result a revised actuarial assumption about the level of inflation indexation should be made. This resulted in a gain of £6.6m which was recognised through the Statement of Total Recognised Gains and Losses in the 2010/11 financial statements.

Notes to the Accounts

1. Statement of Principal Accounting Policies

a. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards and in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

b. Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings (as detailed in note 14) for the financial year to 31 July 2012. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the University does not control those activities. The financial statements include full consolidation of the results of the Liverpool School of Tropical Medicine, an affiliated organisation, on the basis of dominant influence. Uniform accounting policies are applied consistently across the group.

c. Intra-group transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the University and its associates and joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity; the part relating to the Group's share is eliminated.

d. Recognition of income

Funding Council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when the relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment on the balance sheet.

Notes to the Accounts

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

e. Agency arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

f. Accounting for research and development

Expenditure on pure and applied research is treated as a part of the continuing activities of the University.

g. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

h. Land and buildings

Land and buildings are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

Interest relating to the financing of constructed building projects has been capitalised in accordance with FRS 15.

i. Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred.

j. Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

k. Depreciation

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the University of between 30 and 50 years on the amount at which the tangible fixed asset is included in the balance sheet. Where material, a depreciable asset's anticipated useful economic life is reviewed annually and the accumulated and future depreciation adjusted in accordance with FRS 15.

Leasehold land and buildings are amortised over the life of the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

Notes to the Accounts

Equipment funded by research grants is depreciated over the initial life of the grant or otherwise, over 4 years

i. Leases

Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under current and long-term liabilities. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against surplus in proportion to the reducing capital element outstanding. Assets acquired on finance leases are depreciated over the life of the lease.

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

m. Heritage assets

The University owns a considerable collection of works of art and museum objects, which were donated or bequeathed to the University during the last 120 years, and nearly all, prior to 1970. The vast majority of these items are not included in the financial statements. The University considers that in many cases it would not be practical to obtain a meaningful valuation. Very few heritage assets could be sold by the University due to the restrictive nature of their acquisition. Further information is provided in note 13. The cost of conservation and restoration of the heritage collection is reported in the Income and Expenditure Account in the year it is incurred.

n. Stock

Stock is stated at the lower of cost and net realisable value except for stock at Wood Park Farm, which has been valued at market value.

o. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

p. Investments

Listed investments held as fixed assets or endowment assets are stated at market value. Investments in subsidiaries or in companies in which the University has been allotted shares are shown at cost. Investment properties were revalued as at 31 July 2012 by external professionally qualified valuers.

Investments are reviewed for impairment to their carrying value if there is any indication that impairment might have occurred.

Increases in market value over the original cost are credited to the revaluation reserve. Any deficit on revaluation which is not offset by amounts previously credited to and retained in the revaluation reserve in respect of that asset are written off to the Income and Expenditure Account.

Non-endowment investments held by LSTM are held as current assets as they are available to be drawn down on demand.

Investment properties are held in the balance sheet at market value.

Notes to the Accounts

q. Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Para 1 of schedule 6 to the Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly the University, but not its subsidiary companies, is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly s 505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992) to the extent that such income or gains are applied to exclusively charitable purposes.

The University group receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT relating to tangible fixed assets is included in their cost.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Corporation tax payable is provided on taxable profits at the current rate.

r. Accounting for charitable donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University [SORP para 144]
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income [SORP paragraph 143, 147]
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective [SORP para 144]

s. Accounting for retirement benefits

The two principal pension schemes for University staff are the Universities Superannuation Scheme (USS) and the University of Liverpool Pension Fund (ULPF). Both schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by each fund's trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme.

For ULPF, pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for in accordance with FRS 17.

The assets of the USS scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Notes to the Accounts

t. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

u. Capitalisation of interest

Interest relating to the financing of constructed building projects has been capitalised in accordance with FRS 15. This is applied consistently across the group.

Notes to the Accounts

2. Funding Council grants	2012	2011
	£m	£m
HEFCE recurrent grants-Teaching	64.1	70.0
HEFCE recurrent grant-Research	36.3	37.0
HEFCE specific grants	7.7	11.0
Deferred capital grant released in year Buildings (see note 21)	3.7	3.4
	<hr/>	<hr/>
	111.8	121.4
	<hr/>	<hr/>
3. Academic fees and support grants	2012	2011
	£m	£m
Full time Home and EU students	56.0	53.1
Full time Overseas students	45.9	37.0
Part time students	2.5	2.5
Special courses	5.7	5.9
Research Training Support grants	0.6	0.5
Share of tuition fee income from joint venture	13.9	9.0
	<hr/>	<hr/>
	124.6	108.0
	<hr/>	<hr/>
4. Research grants and contracts	2012	2011
	£m	£m
Research Councils	26.6	29.6
Charities	21.0	21.5
Industry and commerce	9.9	8.4
Governmental (UK and EU)	37.9	34.0
Other	20.2	16.9
	<hr/>	<hr/>
	115.6	110.4
	<hr/>	<hr/>

Included in the above is £2.3m in respect of deferred capital grant releases relating to research funded equipment.

Notes to the Accounts

5. Other operating income

	2012 £m	2011 £m
Residences and catering	14.1	13.5
Health Authorities	9.4	8.8
Other services	22.7	19.8
Donations	1.5	1.5
Released from deferred capital grants	2.6	2.6
Other income	25.1	26.0
Share of other income from joint venture	0.1	0.2
	<hr/>	<hr/>
	75.5	72.4
	<hr/>	<hr/>

6. Endowment income and interest receivable

	2012 £m	2011 £m
Income from expendable endowments	0.6	0.6
Income from permanent endowments	3.2	3.1
Income from short term deposits	1.0	0.7
Other investment income	0.2	-
Pension Scheme - Income	0.7	0.1
Share of Investment Income from joint venture	0.5	-
	<hr/>	<hr/>
	6.2	4.5
	<hr/>	<hr/>

7. Analysis of expenditure by activity

	Staff	Other Operating Expenses	Depreciation	Interest Payable	2012	2011
	£m	£m	£m	£m	£m	£m
Academic departments	124.2	36.3	3.6	0.1	164.2	147.6
Research grants and contracts	42.1	54.9	2.4	-	99.4	94.8
Academic Services	15.2	11.0	1.0	-	27.2	25.4
General educational expenditure	5.9	19.6	-	-	25.5	24.7
Maintenance of premises	10.0	20.2	10.7	-	40.9	39.2
Administration and central services	12.0	8.9	-	2.0	22.9	23.9
Students & staff facilities & amenities	3.4	5.8	-	-	9.2	7.4
Residences and catering	4.4	7.5	0.4	0.2	12.5	12.6
Other services rendered	2.0	2.3	1.2	0.7	6.2	19.3
Additional Pension Costs per FRS17	3.4	-	-	-	3.4	5.3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	222.6	166.5	19.3	3.0	411.4	400.2
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Accounts

Other Operating Expenses includes:

		2012 £'000	2011 £'000
KPMG LLP			
External Audit Fee	University	62	59
	University prior year	38	-
	Subsidiaries	11	18
Taxation and consultancy services	University	136	131
	Subsidiaries*	388	-
PricewaterhouseCoopers LLP KPMG LLP			
Taxation and consultancy services	University	47	52
Internal Audit	University	133	139
Ellis Chapman and Associates			
Taxation	University	22	33
Mitchell Charlesworth			
Taxation and consultancy services	University	4	33
Grant Thornton LLP			
External Audit Fee	LSTM	45	44
Taxation and consultancy services	University	11	-
	LSTM	21	-
RSM Tenon			
Internal Audit	LSTM	25	24
HBD Accountancy Services			
External Audit Fee	Liverpool University Press 2004 Limited	3	3

*2012 figure for subsidiaries of £388k includes £382k fee payable to KPMG in relation to VAT Climate Change Levy recovery from HMRC

8. Taxation

	2012 £m	2011 £m
UK tax credit/(charge) at 23% (2011: 25%)		
Deferred Tax - origination and reversal of timing differences	0.2	0.2

Notes to the Accounts

9. Staff Costs

	2012	2011
	£m	£m
Staff costs were:		
Salaries	180.3	172.8
Social security costs	14.7	14.1
Pension costs including FRS 17 adjustments (note 27)	27.6	29.1
	<u>222.6</u>	<u>216.0</u>

Emoluments of the Vice-Chancellor, including benefits in kind and pension contribution for 2012 were £361k (2011: £351k).

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rate as for other academic staff and amounted to £33k (2011: £48k). Pension costs ceased in April 2012.

Compensation for loss of office paid to members of staff whose annual remuneration is in excess of £100,000 per annum for 2012 was £0k (2011: £183k).

Staff Numbers by Major Category

	2012	2011
	Full time Equivalent	Full time Equivalent
Academic	2,706	2,646
Clinical	160	164
Technical	575	584
Clerical	825	769
Other	300	318
	<u>4,566</u>	<u>4,481</u>

Staffing Full Time Equivalents (FTE's) are based on the HESA staff return and represent the actual FTE.

Remuneration bands of other higher paid staff, excluding pension costs, but including payments made on behalf of the NHS in respect of staff with contracted clinical responsibilities.

	2012	2011
	Number	Number
£100,000 - £109,999	18	20
£110,000 - £119,999	21	18
£120,000 - £129,999	18	15
£130,000 - £139,999	9	9
£140,000 - £149,999	8	6
£150,000 - £159,999	2	5
£160,000 - £169,999	10	10
£170,000 - £179,999	3	7
£180,000 - £189,999	8	7
£190,000 - £199,999	1	-
£200,000 - £209,999	3	2
£210,000 - £219,999	2	2
£220,000 - £229,999	1	2
£260,000 - £269,999	1	1
£280,000 - £289,999	1	2
£290,000 - £299,999	-	1
£300,000 - £309,999	1	1
	<u>107</u>	<u>108</u>

Notes to the Accounts

10. Joint Venture Xi'an Jiaotong-Liverpool University (XJTLU)

The University owns 50% of the issued ordinary capital of Xi'an Jiaotong-Liverpool University, which is registered in the People's Republic of China.

XJTLU Income and Expenditure Account year ending 31.7.12

	Total 100% £m	University Share at 50% £m
Income	29.0	14.5
Expenditure	23.4	11.7
Net Income	----- 5.6	----- 2.8

XJTLU Balance Sheet as at 31.7.12

	Total 100% £m	University Share at 50% £m
Assets	66.6	33.3
Liabilities	(60.2)	(30.1)
Total Assets less Liabilities	----- 6.4	----- 3.2
Reserves	(3.8)	(1.9)
University of Liverpool Investment	(2.6)	(1.3)
Total Reserves and Capital	----- (6.4)	----- (3.2)

Notes to the Accounts

11. Consolidated Tangible Assets

	Land and Buildings			Equipment	Assets Under Construction	Total	
	Freehold £m	Leasehold £m	Finance Lease £m	£m	£m	£m	
Cost at 1 August 2011	373.8	39.2	5.8	83.7	49.8	552.3	
Additions in the year at cost	17.2	-	-	7.3	45.7	70.2	
Transfer from assets under construction	20.7	-	-	0.7	(21.4)	-	
Reclassified Assets	(0.3)	0.3	-	0.3	(0.3)	-	
Less: Disposals during the year	-	(0.1)	-	(0.7)	-	(0.8)	
Cost at 31 July 2012	411.4	39.4	5.8	91.3	73.8	621.7	
Accumulated Depreciation							
At 1 August 2011	85.2	12.4	3.2	54.6	-	155.4	
Charge for the year	9.2	1.1	0.3	8.7	-	19.3	
Eliminated on disposals	-	(0.1)	-	(0.5)	-	(0.6)	
Depreciation at 31 July 2012	94.4	13.4	3.5	62.8	-	174.1	
Net Book Value							
	31 July 2012	317.0	26.0	2.3	28.5	73.8	447.6
	31 July 2011	288.6	26.8	2.6	29.1	49.8	396.9

The University has freehold and leasehold interests in a wide range of properties including academic buildings, student residences and other associated properties. Land and buildings with a net book value of £135.3m, and a cost of £187.1m have been funded from Treasury sources; should these buildings be sold, the University would have to use the proceeds in accordance with the Financial Memorandum with the Higher Education Funding Council for England or surrender them to HM Treasury. The University has granted a long leasehold interest in a small part of its estate to Rosemary Young Persons Charitable Housing Ltd. (a charity), on which new student accommodation has been built. It has been agreed that the University will lease back this accommodation, with an option to purchase after 25 years (in the year 2019). This is the property to which the finance lease relates.

The insured value of the buildings is £842 million.

Included in the net book value of leasehold assets is a net sum of £13.4 million representing grant-aided expenditure on the Royal Liverpool University Hospital and the Dental Hospital, the title of which is vested in the Secretary of State for Health and for which the University has been granted a long lease.

Notes to the Accounts

12. University Tangible Fixed Assets

	Land and Buildings		Finance Lease £m	Equipment £m	Assets Under Construction £m	Total £m	
	Freehold £m	Leasehold £m					
	Cost at 1 August 2011	335.9					28.1
Additions in the year at cost	16.8	-	-	6.6	45.4	68.8	
Transfer from assets under construction	20.7	-	-	0.7	(21.4)	-	
Disposals	-	-	-	(0.6)	-	(0.6)	
Cost at 31 July 2012	373.4	28.1	5.8	69.0	73.4	549.7	
Accumulated Depreciation							
At 1 August 2011	80.7	11.0	3.2	51.8	-	146.7	
Charge for the year	8.4	0.8	0.3	7.5	-	17.0	
Eliminated on disposal	-	-	-	(0.4)	-	(0.4)	
Depreciation at 31 July 2012	89.1	11.8	3.5	58.9	-	163.3	
Net Book Value							
	31 July 2012	284.3	16.3	2.3	10.1	73.4	386.4
	31 July 2011	255.2	17.1	2.6	10.5	49.4	334.8

13. Heritage Assets

The University holds its heritage assets in two collections:

The Fine and Decorative Art Collection consists of 7,000 items of metal ware, fine furniture, ceramics, paintings, drawings, prints and sculptures. It is held in the Victoria Gallery and Museum in the University's iconic redbrick Victoria Building, which is open to the public. An insurance valuation was updated professionally by Sotheby's in 2011 of £30.8m, but £12m-17m of that related to two items only, pictures by Lucien Freud and Turner, valued at £5-7m and £7-10m respectively.

The Heritage Collection consists of 15,000 museum objects which have been collected over many years by academic departments of the University, and has been brought together into the Victoria Gallery and Museum. Many of the objects may originally have had value for teaching purposes, but this is no longer the case. 10,000 items are geological specimens, and the remainder come from a wide range of departments of the University. The Collection has never been valued, and, given the wide range of objects, such a valuation is not considered to be practical.

Notes to the Accounts

14. Investments

	Consolidated		University	
	2012 £m	2011 £m	2012 £m	2011 £m
Market value of fixed asset investments	0.5	0.9	0.5	0.9
Properties	5.4	5.3	5.4	5.3
<i>University companies at cost</i>				
Ulive Innovations and enterprises	-	-	-	1.6
Liverpool University Press (2004) Ltd	-	-	0.7	0.7
University of Liverpool Energy Company Ltd (ULEC)	-	-	3.0	3.0
University of Liverpool Construction Company Ltd (ULCCo)	-	-	0.1	0.1
UL Properties Limited (ULPS)	-	-	13.7	13.7
Xi'an Jiaotong-Liverpool University	-	-	1.3	1.2
	5.9	6.2	24.7	26.5

The University owns 100% of the issued ordinary capital of ULEC, ULCCo, ULCS, ULPS and Liverpool University Press (2004) Ltd. The University's subsidiary companies are all registered in England and Wales. All of these companies have been consolidated. The principal purpose of these companies is to support the activities of the University.

The University owns 50% of the issued ordinary capital of Xi'an Jiaotong-Liverpool University, which is registered in the People's Republic of China.

The financial statements include full consolidation of the results of the Liverpool School of Tropical Medicine, an affiliated organisation, on the basis of the University's ability to exercise dominant influence.

The University holds shares in the following companies, none of which are considered to be material; and are therefore not consolidated in these financial statements.

University Equity (%)

Liverpool Science Park Limited	24.5	Q Technologies Limited	24.9
Intellihep Limited	18.0	Pepsyn Limited	3.5
Iota Nanosolutions Limited	3.5	Theryte Limited	3.6
Sepsis Limited	50.6	Provexis IBD Limited	25.0
Connect Internet Solutions	24.9	Senectus Therapeutics Limited	16.7
Trucolour Limited	23.0	Laureate – University of Liverpool	
Aimes CIC Ltd	20.0	Ventures B.V.	20.0

Notes to the Accounts

15. Endowment Assets

	Consolidated		University	
	2012 £m	2011 £m	2012 £m	2011 £m
Balances as at 1 August	136.7	120.7	123.1	114.0
Purchases of investments	26.0	24.5	23.0	24.5
Disposal of investments	(26.0)	(29.2)	(25.8)	(29.0)
Net appreciation	(1.4)	14.0	(1.3)	13.4
Increase/(decrease) in cash balances	2.6	6.7	5.5	0.2
As at 31 July	137.9	136.7	124.5	123.1
Represented by:				
Quoted equities	95.6	94.7	86.7	88.4
Fixed interest bonds	19.7	18.9	19.2	18.6
Property and other investments	7.0	10.1	7.0	10.0
Cash in bank held for endowment funds	15.6	13.0	11.6	6.1
Total Endowment Assets	137.9	136.7	124.5	123.1

16. Endowments - Consolidated

	Unrestricted Permanent £m	Restricted Permanent £m	Total Permanent £m	Restricted Expendable £m	Total £m
Capital Value	5.5	99.0	104.5	16.7	121.2
Accumulated Income	2.8	9.3	12.1	3.4	15.5
As at 1 August 2011	8.3	108.3	116.6	20.1	136.7
Net Additions/(disposals)	-	0.2	0.2	0.9	1.1
Appreciation/(Depreciation) of Investments	-	(2.0)	(2.0)	0.6	(1.4)
Investment Income	-	3.4	3.4	0.6	4.0
Expenditure	-	(1.8)	(1.8)	(0.7)	(2.5)
As at 31 July 2012	8.3	108.1	116.4	21.5	137.9
Represented by:					
Capital Value	5.5	97.3	102.8	18.0	120.8
Accumulated Income	2.8	10.8	13.6	3.5	17.1
	8.3	108.1	116.4	21.5	137.9

Notes to the Accounts

16. Endowments continued – University of Liverpool

	Unrestricted Permanent £m	Restricted Permanent £m	Total Permanent £m	Restricted Expendable £m	Total £m
Capital Value	0.2	93.8	94.0	16.7	110.7
Accumulated Income	-	9.0	9.0	3.4	12.4
As at 1 August 2011	0.2	102.8	103.0	20.1	123.1
Net Additions/(disposals)	-	0.3	0.3	0.9	1.2
Appreciation/(Depreciation) of Investments	-	(1.9)	(1.9)	0.6	(1.3)
Transfer from Restricted Permanent to Restricted Expendable					
Investment Income	-	3.1	3.1	0.6	3.7
Expenditure	-	(1.5)	(1.5)	(0.7)	(2.2)
As at 31 July 2012	0.2	102.8	103.0	21.5	124.5
Represented by:					
Capital Value	0.2	92.2	92.4	18.0	110.4
Accumulated Income	-	10.6	10.6	3.5	14.1
	0.2	102.8	103.0	21.5	124.5

17. Debtors

	Consolidated		University	
	2012	2011	2012	2011
	£m	£m	£m	£m
Debtors - Trade	17.6	15.7	14.1	14.6
- Intergroup	-	-	0.2	1.6
Prepayments and accrued income	29.5	46.2	26.4	27.8
	47.1	61.9	40.7	44.0

There were no intergroup debtors due over one year (2011 £0.7m).

Notes to the Accounts

18. Investments

	Consolidated		University	
	2012	2011	2012	2011
	£m	£m	£m	£m
Represented by:				
Fixed interest stocks (listed)	8.5	6.5	-	-
Equities (listed)	2.0	2.2	-	-
Cash balances	2.3	8.6	2.0	7.0
Other	0.7	0.8	-	-
	<u>13.5</u>	<u>18.1</u>	<u>2.0</u>	<u>7.0</u>

Current asset investments as at 31 July 2011 in the 2010/11 accounts has been restated in the 2011/12 accounts to include £7m which had been classified as cash.

19. Creditors: Amounts falling due within one year

	Consolidated		University	
	2012	2011	2012	2011
	£m	£m	£m	£m
Bank Overdraft	0.2	0.8	-	-
Obligations under finance leases	0.4	0.3	0.4	0.3
Creditors - trade	15.8	19.3	15.1	17.0
- intergroup	-	-	2.0	0.6
Deferred Income	67.5	71.1	46.7	39.6
Social security and other taxation	5.8	6.4	5.5	6.1
Accrued charges	20.4	17.6	12.2	9.7
	<u>110.1</u>	<u>115.5</u>	<u>81.9</u>	<u>73.3</u>

20. Creditors: Amounts falling due after more than one year

	Consolidated		University	
	2012	2011	2012	2011
	£m	£m	£m	£m
Unsecured Loans payable by 2036*	40.0	40.0	40.0	40.0
Unsecured Loans payable by 2028**	15.0	15.0	-	-
Unsecured Revolving facility***	50.0	-	50.0	-
Obligations under Finance Leases				
due 2-5 years	1.7	1.6	1.7	1.6
due over 5 years	0.5	1.0	0.5	1.0
Other Creditors	3.6	5.5	3.3	4.9
	<u>110.8</u>	<u>63.1</u>	<u>95.5</u>	<u>47.5</u>

* The Unsecured Loan payable by 2036 bears a fixed interest rate of 4.99% and the £40m is repayable in full in 2036.

** The Unsecured Loan payable by 2028 bears an interest rate of 4.975% and the £15m is repayable in full by bullet repayment on 13 March 2028.

*** The Unsecured Revolving facility bears an interest rate of 2.86%. The facility matures in November 2016.

Notes to the Accounts

21. Deferred capital grants - university and consolidated

	Consolidated			University		
	Funding Council	Other Grants & Donations	Total	Funding Council	Other Grants & Donations	Total
	£m	£m	£m	£m	£m	£m
At 1 August 2011						
Buildings	149.3	64.4	213.7	143.9	41.4	185.3
Equipment	-	1.3	1.3	-	1.2	1.2
Total	<u>149.3</u>	<u>65.7</u>	<u>215.0</u>	<u>143.9</u>	<u>42.6</u>	<u>186.5</u>
Transfers between categories						
Buildings	(3.5)	1.4	(2.1)	(3.5)	1.4	(2.1)
Equipment	-	2.1	2.1	-	2.1	2.1
Total	<u>(3.5)</u>	<u>3.5</u>	<u>-</u>	<u>(3.5)</u>	<u>3.5</u>	<u>-</u>
Reinstatement of equipment bala						
Buildings	-	-	-	-	-	-
Equipment	-	1.5	1.5	-	1.5	1.5
Total	<u>-</u>	<u>1.5</u>	<u>1.5</u>	<u>-</u>	<u>1.5</u>	<u>1.5</u>
Cash received/receivable						
Buildings	1.4	1.3	2.7	1.2	1.1	2.3
Equipment	-	1.8	1.8	-	1.8	1.8
Total	<u>1.4</u>	<u>3.1</u>	<u>4.5</u>	<u>1.2</u>	<u>2.9</u>	<u>4.1</u>
Released to income and expenditure						
Buildings	(3.7)	(1.6)	(5.3)	(3.7)	(1.1)	(4.8)
Equipment	-	(3.5)	(3.5)	-	(3.5)	(3.5)
Total	<u>(3.7)</u>	<u>(5.1)</u>	<u>(8.8)</u>	<u>(3.7)</u>	<u>(4.6)</u>	<u>(8.3)</u>
As 31 July 2012						
Buildings	143.5	65.5	209.0	137.9	42.8	180.7
Equipment	-	3.2	3.2	-	3.1	3.1
Total	<u>143.5</u>	<u>68.7</u>	<u>212.2</u>	<u>137.9</u>	<u>45.9</u>	<u>183.8</u>

Notes to the Accounts

22. Revaluation reserve

	Consolidated		University	
	2012	2011	2012	2011
	£m	£m	£m	£m
Balance 1 August	3.5	3.5	3.7	3.7
Revaluations in the period	0.7	-	0.5	-
Balance 31 July	<u>4.2</u>	<u>3.5</u>	<u>4.2</u>	<u>3.7</u>

23. Income and expenditure reserves

	Consolidated		University	
	2012	2011	2012	2011
	£m	£m	£m	£m
Balance 1 August	89.2	73.8	85.4	67.7
Surplus on income and expenditure account	9.3	5.3	6.0	7.6
Actuarial gain on pension reserve	69.0	10.1	69.0	10.1
Balance 31 July	<u>167.5</u>	<u>89.2</u>	<u>160.4</u>	<u>85.4</u>
Represented by:				
University Reserves	150.9	142.2	150.9	142.2
Subsidiaries	7.1	3.8	-	-
Income & Expenditure Excluding Pension Reserve	<u>158.0</u>	<u>146.0</u>	<u>150.9</u>	<u>142.2</u>
Pension Reserve	9.5	(56.8)	9.5	(56.8)
	<u>167.5</u>	<u>89.2</u>	<u>160.4</u>	<u>85.4</u>

Notes to the Accounts

24. Access to Learning (Hardship) Funds

	2012	2011
	£000	£000
Income		
Excess of Income over Expenditure brought forward	29	33
Funding Council grants	282	280
University contribution	-	2
Interest earned	1	-
	<u>312</u>	<u>315</u>
Expenditure		
Disbursed to students	(267)	(267)
Payments made	(8)	(19)
	<u>37</u>	<u>29</u>
Excess of Income over Expenditure carried forward		

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

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

	2012	2011
	£m	Restated £m
Surplus on continuing operations after depreciation of assets and before tax	7.8	7.2
Pension costs less contributions payable	2.8	5.3
Depreciation (notes 1 and 11)	19.3	19.0
Deferred capital grants released to income (note 21)	(7.4)	(8.9)
Finance lease interest charge	0.3	0.3
Loss on disposal of Fixed Asset	0.2	-
Write down of Fixed Asset Investment	1.0	-
Interest payable	3.0	3.5
Increase in stocks	0.1	(0.2)
(Increase)/Decrease in debtors	14.8	(11.2)
Increase in creditors	(4.7)	13.2
(Decrease)/Increase in creditors > 1 year	(1.9)	2.9
Investment Income	(5.0)	(4.4)
	<u>30.3</u>	<u>26.7</u>
Net cash inflow from operating activities		

Notes to the Accounts

26. Analysis of Changes in Net Funds

	1 August 2011 Restated £m	Cashflows £m	31 July 2012 £m
Cash in hand, and at bank			
Endowment assets investments	13.0	2.6	15.6
Current Asset Investments	8.6	(6.3)	2.3
Cash in hand, and at bank	58.2	18.8	77.0
Overdrafts	(0.8)	0.6	(0.2)
	<u>79.0</u>	<u>15.7</u>	<u>94.7</u>
Finance leases			
Debt due within 1 year	(0.3)	(0.1)	(0.4)
Debt due after 1 year	(2.6)	0.3	(2.3)
Other debt due after 1 year*	(55.0)	(50.0)	(105.0)
	<u>21.1</u>	<u>(34.1)</u>	<u>(13.0)</u>

* The "Other debt due after 1 year" element of the Opening Net Funds has been restated from (£55.6)m to (£55.0)m to adjust for a creditor which had been incorrectly classified as a loan in the net funds analysis in the 2010/11 accounts. The cash flow statement has also been restated for this.

27. Capital commitments

	Consolidated		University	
	2012	2011	2012	2011
	£m	£m	£m	£m
Authorised not yet contracted	92.2	35.5	85.4	33.4
Authorised and contracted	37.4	38.5	37.1	38.4
	<u>129.6</u>	<u>74.0</u>	<u>122.5</u>	<u>71.8</u>

Notes to the Accounts

28. Retirement benefits

The basis of the contributions to the schemes below are the long-term contribution rates. The total pension cost for the University was:

	2012	2011
	£m	£m
Contributions to Universities Superannuation Scheme	17.8	17.2
Contributions to University of Liverpool Pension Fund	7.9	10.1
Contributions to other schemes	1.9	1.8
	<hr/>	<hr/>
Total Pension Cost (note 9)	27.6	29.1
	<hr/>	<hr/>

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Notes to the Accounts

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light'"] YoB tables – No age rating
Female members' mortality	S1NA ["light'"] YoB tables –rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CM 2009 projections with a 1.25% pa long term rate were also adopted.

The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK Government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme, although these became effective from October 2011. These include:-

New Entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal Pension Age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Notes to the Accounts

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost Sharing

If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension Increase Cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at March 2012, under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011, allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in Assumption	Impact on Shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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

The trustees believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of the covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

Notes to the Accounts

At 31 March 2012, USS had over 145,000 active members and the University had 2,384 active members participating in the scheme.

The total pension cost to USS for the University was £16.9m (2011: £16.1m). This includes £1.4m of outstanding contributions at 31 July 2012. The contribution rate payable by the University was 16% of pensionable salaries.

University of Liverpool Pension Fund (ULPF)

The ULPF is a defined benefit scheme operated in the UK. The final salary section of the Fund is closed to new entrants with effect from 31 July 2011 and from 1 August 2011, new members are eligible to join the CARE section of the Fund. An actuarial valuation is being carried out at 31 July 2012 and the preliminary results have been updated by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The employer currently pays contributions at the rate of 13.4% of pensionable pay. Member contributions are payable in addition at a rate of 7.5% of pensionable pay for Final Salary members and 6.5% of pensionable pay for CARE members. These contribution rates are currently under review following the outcome of the triennial valuation of the scheme as at 31 July 2012.

The major assumptions used by the actuary were (in nominal terms):

	2012	2011	2010	2009	2008
	%	%	%	%	%
Rate of increase in salaries	2.85 (plus promotion al salary scale)	5.25	5.00	5.25	5.40
Allowance for rate of increase in pensions of RPI or 5% p.a. if less	N/A	3.60	3.35	3.60	3.75
Allowance for rate of increase in pensions of CPI or 5% p.a. if less	1.85	3.10	N/A	N/A	N/A
Allowance for rate of increase in pensions of RPI or 2.5% p.a. if less	2.40	2.50	2.50	2.50	2.50
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	N/A	N/A	3.50	3.75	3.75
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	1.95	3.25	N/A	N/A	N/A
Allowance for revaluation of deferred pensions of RPI or 2.5% p.a. if less	N/A	N/A	2.50	2.50	N/A
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	1.95	2.50	N/A	N/A	N/A
Discount Rate	4.40	5.30	5.40	6.00	6.60
Inflation assumption (based on RPI)	2.85	3.75	3.50	3.75	3.90
Inflation assumption (based on CPI)	1.95	3.25	N/A	N/A	N/A
Allowance for revaluation of CARE benefit (for service for new joiners after 1 August 2011)	1.95	N/A	N/A	N/A	N/A
Allowance for discretionary increases on benefits in excess if GMPO accrued prior to 6 April 1997	No	Yes	Yes	Yes	Yes
Allowance for commutation of pension for cash at retirement	80% of members commute 25% for cash at retirement	None	None	None	None

Notes to the Accounts

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 2012 %	Fair value at 2012 £m	Long-term rate of return expected at 2011 %	Fair value at 2011 £m	Long-term rate of return expected at 2010 %	Fair value at 2010 £m	Long-term rate of return expected at 2009 %	Fair value at 2009 £m	Long-term rate of return expected at 2008 %	Fair value at 2008 £m
Equities	7.4	171.8	7.70	172.7	8.00	149.8	8.00	127.7	8.00	135.5
Bonds	5.1	62.6	5.20	53.5	5.60	47.5	5.25	42.4	5.00	41.9
Cash	0.5	0.2	0.50	(0.8)	0.50	1.9	4.50	1.1	4.25	3.7
Property	7.4	11.4	7.70	11.8	8.00	11.2	8.00	10.4	8.00	15.9
Total market value of assets		<u>246.0</u>		<u>237.2</u>		<u>210.4</u>		<u>181.6</u>		<u>197.0</u>

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Total market value of assets	246.0	237.1	210.4	181.6	197.0
Actuarial present value of scheme liabilities	<u>(236.5)</u>	<u>(293.9)</u>	<u>(272.0)</u>	<u>(248.2)</u>	<u>(220.1)</u>
Surplus/(deficit) in the scheme	<u>9.5</u>	<u>(56.8)</u>	<u>(61.6)</u>	<u>(66.6)</u>	<u>(23.1)</u>

Notes to the Accounts

Analysis of the amount charged to income and expenditure account

	2012	2011
	£m	£m
Employer service costs (net of employee contributions)	7.8	9.8
	<u> </u>	<u> </u>
Total operating charge	<u>7.8</u>	<u>9.8</u>

Analysis of pension finance income

	2012	2011
	£m	£m
Expected return on pension scheme assets	16.3	14.8
Interest on pension liabilities	(15.6)	(14.7)
	<u> </u>	<u> </u>
Pension finance (charge)/income	<u>0.7</u>	<u>0.1</u>

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

	2012	2011
	£m	£m
Actuarial return less expected return on assets	(3.4)	17.8
Experience gains and losses on liabilities	9.1	7.0
RPI/CPI Adjustment	-	6.5
Changes in assumptions underlying the present value of liabilities	63.3	(21.2)
	<u> </u>	<u> </u>
Actuarial gain/(loss)	<u>69.0</u>	<u>10.1</u>

Movement in illustrative balance sheet figures during the year:

	2012	2011
	£m	£m
Deficit in scheme at beginning of year	(56.8)	(61.6)
Movement in year:		
Current service cost	(7.7)	(9.8)
RPI/CPI Adjustment	-	6.5
Contributions	4.3	4.5
Net interest/return on assets	0.7	0.1
Actuarial gain/(loss)	69.0	3.5
	<u> </u>	<u> </u>
Surplus/(deficit) in scheme at end of year	<u>9.5</u>	<u>(56.8)</u>

The total pension contribution to ULPF was £ 4.3m (2011: £4.4m). The contribution rate payable by the University was 13.4% of pensionable salaries.

Notes to the Accounts

	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Cumulative Difference between expected and actual return on scheme assets					
Amount (£m)	(3.4)	17.8	19.9	(25.7)	(29.5)
Percentage of scheme assets	-1%	8%	9%	-14%	-15%
Experience gains and losses on scheme liabilities					
Amount (£m)	9.1	7.0	10.7	4.1	(7.8)
Percentage of scheme liabilities	4%	-2%	-4%	-2%	4%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount (£m)	63.3	(14.7)	(20.0)	(18.2)	22.2
Percentage of scheme liabilities	-27%	5%	7%	7%	-10%
Total amount which is recognised in the consolidated statement of total recognised gains and losses					
Amount (£m)	69	10.1	10.6	(39.8)	(15.1)
Percentage of scheme liabilities	-29%	-3%	-4%	16%	7%

29. Capitalisation of finance costs

The aggregate amount of capitalised interest included within fixed asset cost is £2.2m.

The value of finance costs capitalised in the year ending 31 July 2012 is £1.2m (2011 £0.2m)

Notes to the Accounts

30. Related party transactions

Due to the nature of the University's operations and the composition of its Council (being drawn from local public and private sector organisations) and senior management team, it is inevitable that transactions will take place with organisations in which a member of Council or the senior management team may have an interest. All such transactions are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. It is noted that the following transactions are in this category. The value as reflected in the University accounts is shown:

	Income	Expenditure	Balances at 31.7.12 due to (from) the University
	£m	£m	£m
Professor Sir Howard Newby Chair, Liverpool Science Park	-	0.1	-
Mr Patrick Hackett Non Executive Director, Aintree University Hospital NHS Foundation Trust Trustee, University of Liverpool Pension Fund	1.8 0.2	0.2 4.3	0.1 0.5
Professor Sir David King Director, Smith School of Enterprise and the Environment, Oxford University Chair of Advisory Board, National Oceanography Centre	0.4 0.5	0.2 -	- -
Mr Christopher J Baker Chairman, Aintree University Hospital NHS Foundation Trust	1.8	0.2	0.1
Mr Rob Eastwood Trustee, University of Liverpool Pension Fund	0.2	4.3	0.5
Mr John Cartwright Director and Chair of Board, Net North West	0.1	0.1	-
Mrs Carol Mills Member, Board of Trustees, University of Liverpool Pension Fund	0.2	4.3	0.5
David McDonnell Director, University of Liverpool Pension Fund Director, USS Ltd	0.2 -	4.3 16.9	0.5 -
Professor Ian Greer Chair Translational Stem Cell Committee, Medical Research Council	0.2	0.1	-
Mr John Flamson Board Director, Liverpool Science Park	-	0.1	-

Notes to the Accounts

31. Trustees Expenses

Expenses of £5,157.47 were paid to Trustees during the year.
There were no payments made for serving as a Trustee.
There were no payments made for services provided by a Trustee

32. Leases

The total rental under operating leases, charged as an expense in the profit and loss account, are disclosed below:

	2012	2011
	£m	£m
Hire of Plant and Machinery	0.6	0.1

Commitments under leases to pay rentals during the year following the year of these accounts are given in the table below, analysed to the period in which the lease expires

Obligations under operating lease comprise	2012	2011
	£m	£m
Land and Buildings		
Expiring within 1 year	-	-
Expiring during years 2-5	0.1	0.1
Expiring thereafter	1.6	1.4
Other assets		
Expiring within 1 year	0.6	-
Expiring during years 2-5	1.5	-
Expiring thereafter	-	-

Obligations under finance leases are included in creditors (note 18 and 19)