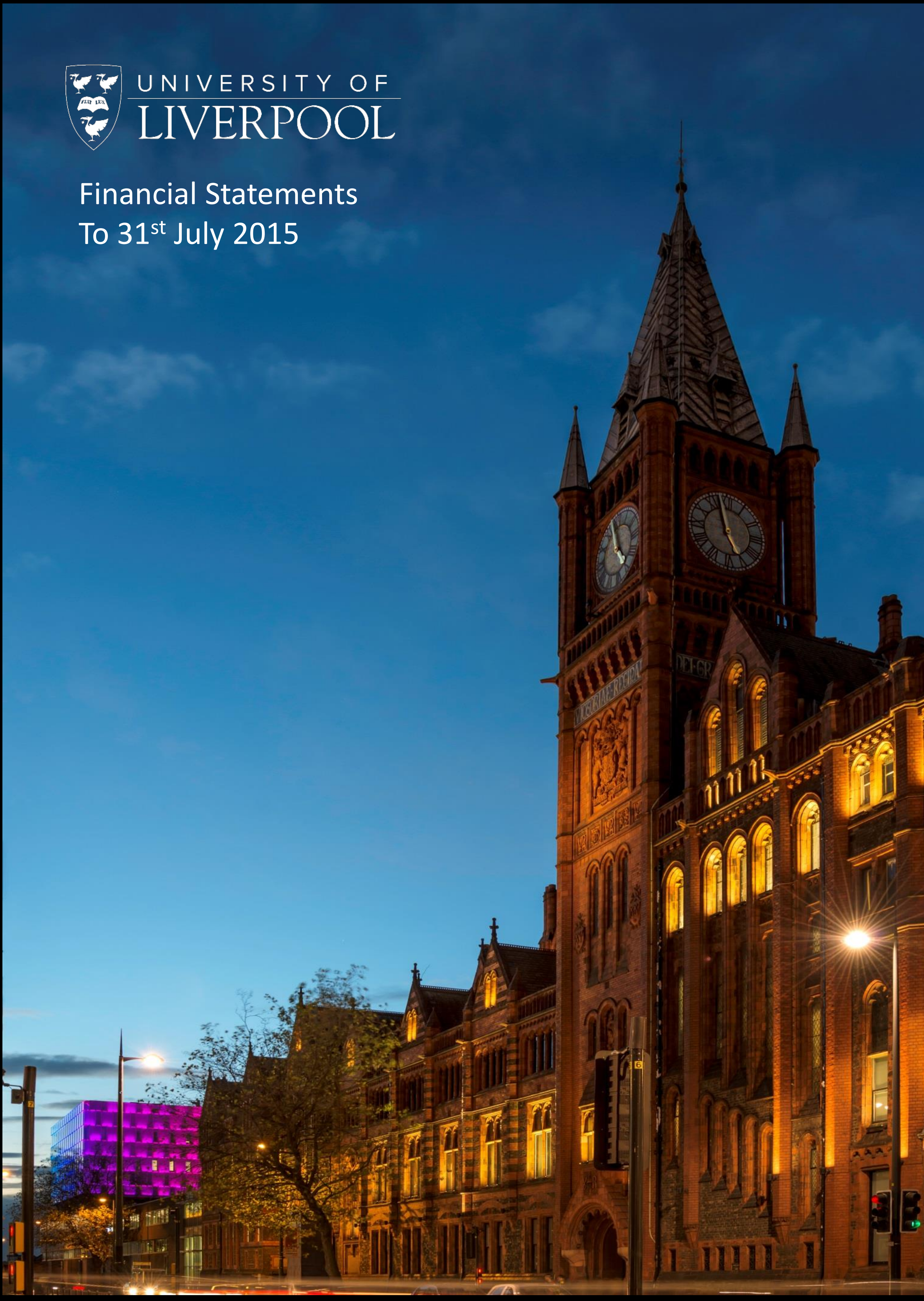
UNIVERSITY OF LIVERPOOL

Financial Statements
To 31st July 2015



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
President	
The Earl of Derby, DL (President of Council from 1 January 2015, was Vice-President of Council until 31 December 2014)	1,2,3
Ex Officio Members	
Pro-Chancellor	
Professor James Keaton, MBE, BSc, LLD, FSDC, FRSA (until 31 December 2014)	1,3
Mr David McDonnell, CBE, DL, FCA, FRSA (from 1 January 2015, was President of Council until 31 December 2014)	1,3
Vice-Chancellor	
Professor Sir Howard Newby, CBE, BA, PhD, AcSS (until 31 January 2015)	1,2,3
Professor Janet Beer, BA, MA, PhD (from 1 February 2015)	1,2,3
Three (from 1 August 2015) of the Deputy Vice-Chancellors or Pro-Vice-Chancellors	
Mr Patrick Hackett, BArch	1
Professor Stephen Holloway, BSc, PhD, FInstP, FAPS (until 31 July 2015)	1
Professor Dinah Birch, BA, MA, DPhil, FEA (from 1 August 2015)	1
Professor Gavin Brown, BSc, PhD (from 1 August 2015)	1
President of the Guild of Students	
Mr Harry Anderson, BA	2
Lay Officers	
Mr Jon Haymer, MA, FCA	1,2,3
Dr Andrew Scott, MA, DPhil	2
Lay Members appointed by the Council	
Mr Christopher Baker, MBE, BA, MA	2,4
Professor Helen Carty, DL, MB BCh BAO (NUI), MRCPI, FRCR London, FRCPI, FRCP (Lon), FRCPCH, FFRRCSI	
Dr Paul Johnson, BSc, PhD	
Sir Colin Lucas, MA, DPhil, FRHistS	
Dame Lorna Muirhead, DBE, CStJ, SRN, SCM, MTD, FRCM, FRCOG, FJMU, Hon LLD	
Dr Roger Platt, BSc, PhD, MA, PhD	4
Mrs Abila Pointing, MBE, DL, MA	4 (until 1 September 2015) 1 (from 1 September 2015)
Mrs Patricia Young, BA	3
Members of the Senate (three appointed by the Council and one elected from and by Senate's elected membership)	
Professor Fiona Beveridge, LLB, MPhil	2
Professor Susan Dawson, BVMS, PhD, MRCVS	
Dr Fabienne Marret-Davies, BSc, MSc, PhD	
Professor Ronan McGrath, BA, PhD, FInstP	
Clerk to Council	
Mr Alastair Flett, BA, MA	

Review of the Year

The University delivered a strong financial performance during the year to 31 July 2015. Further cuts in Higher Education Funding Council for England (HEFCE) funding were absorbed. These cuts were offset by the rise in tuition fees, following the increase in tuition fees for Home and EU undergraduates to £9,000, and the continuing growth in student numbers. By continuing to generate a surplus and a strong cash flow from operating activities the University remains in a position to respond positively to continuing reductions in HEFCE funding. The University continued its investment programme, required to achieve the key ambitions contained within the Strategic Plan. This involved £94million invested in buildings and equipment during the year, including the construction of new buildings to improve teaching and research facilities, as well as refurbishment of existing facilities and continued investment in student residences.

The largest income growth came from increases in academic fees and support grants. This reflects the overall student numbers increasing by 1,093 during the year, a rise of 5.3% on the previous year. The rise in student numbers were in undergraduate students, with the Home and EU undergraduate student population increasing by 365 and the Overseas undergraduate student population increasing by 798. The continued pressure on funding from HEFCE was evidenced in the total recurrent funding grants reducing further from £74m to £63.4m. Staff costs in continuing operations reduced from 53.1% of total income in the year to 31 July 2014 to 50.3% in the year to 31 July 2015 demonstrating 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, remains. The University continues to aim to achieve the objectives contained in its Strategic Plan 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 its Strategic Plan. This defines how the University aims to be successful within the challenging and changing higher education environment.

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) Professor Janet Beer appointed as Vice-Chancellor

Professor Janet Beer was appointed as the University of Liverpool's Vice-Chancellor from 1 February 2015 taking over from Sir Howard Newby who retired after six years in the role. Professor Beer joined the University after successfully leading Oxford Brookes University since 2007.

b) The University issued a £250million public bond

In June 2015 the University issued an unsecured fixed rate public bond for £250m over a 40 year term with a coupon rate of 3.375%. There are no capital repayments to be made over the term with the bond maturing in 2055. The proceeds of the bond issue were used to repay an unsecured bank revolving credit facility with the remainder being used for general corporate purposes, including capital expenditure.

The bond issue was rated by Moody's, one of the big three global rating agencies, as Aa2 i.e. at the midpoint of Aa rated obligations, those that are judged to be of high quality and subject to very low credit risk.

c) 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.

Review of the Year

Total income generated from research grants and contracts increased by 21.8% in the year to 31 July 2015, an increase of £18.2m. The increase included a non-recurring receipt for the University of £7.1m arising from a claim under the research and development expenditure credit scheme introduced under the Finance Act 2013. Research and development expenditure after 31 July 2015 will not be eligible for expenditure credit. In an increasingly competitive funding environment this evidences the success of the University in improving performance in this area.

The increasingly global nature of research activity is reflected in the diverse nature of bodies funding research conducted by the University. In addition to the UK research councils, grants have been awarded by the EU, UK government departments, international commercial organisations, and charities. These grants included further funding into the University's strength in nuclear physics, nanoencapsulation for energy storage and release, use of hydrogels in solar panels, working to support the Atlas upgrade at the large hadron collider, collaboration to accelerate the development of nanomedicine business within Europe, the development of a technology infrastructure designed to improve the benefit-risk ratio of drugs and the production of technology assessment reviews to support timely approval of new medicines.

Within Humanities and Social Sciences, research grants awarded to the University included topics such as investigations into the composition and metallurgy of Roman silver coinage, measuring political change in a power sharing environment through a comprehensive study of how the electorate voted in the general election in Northern Ireland and undertaking simulations for testing new tools for value capturing strategies around regeneration and transformation of mature European cities.

d) Teaching

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

Full time and part time students	2014/15	2013/14	2012/13
Home & EU undergraduates	13,159	12,794	13,001
Home & EU postgraduates	2,032	2,100	1,925
Overseas undergraduates	4,864	4,066	3,068
Overseas postgraduates	1,643	1,645	1,579
Total	21,698	20,605	19,573

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			Benchmark	Russell Group
	2013/14	2012/13	2011/12	2013/14	2013/14
	%	%	%	%	%
Percentage of young full time adults from state schools or colleges	87.7	87.3	87.6	85.3	77.0
Percentage of young full time adults from NS-SEC classes 4,5,6&7	23.8	24.4	22.0	27.1	20.3
Entrants from low participation neighbourhoods	9.6	9.6	8.5	8.4	5.0

e) Global Positioning

During the year the University continued to build on its global activities. The University's joint venture in China, 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 the University's online programmes, delivered in partnership with Laureate Online Education, has also increased and 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

f) 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 2014/15 over £94.3m was invested to deliver improved infrastructure and facilities to ensure that research, learning, teaching space, student facilities, accommodation and catering facilities are fit for purpose and enhance the student experience.

g) 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 Statement 2015

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.

One of the UK'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 UK.

The University also 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 (a strategic review is currently underway for launch in 2016) 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 corporate representatives, experts, volunteers and citizens.

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

- Corporate representation on bodies steering the implementation phase
- 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 North Liverpool businesses
- Widening Participation activities
- Volunteering and work placement opportunities for students
- Research and evaluation of programmes

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

Global University	• 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	• 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	• Public policy activities
Student Experience	• Cross HE / FE collaborative volunteering programmes • Student-led consultancy and research
Widening Participation	• Strategic University engagement with Academies

Review of the Year

Widening Participation / Developing Skills

The University has developed a four-stage framework for its Widening Participation activities. The stages are:

- Pre-16 Outreach – focus on awareness-raising / progression to higher education as both an option and a choice (ages 9-16)
- Post-16 Outreach Aspiration-raising – activities linked directly to choice and attainment (ages 16-17)
- Fair Admissions - Scholars, Realising Opportunities and Go Higher schemes, which are directly linked to supported admissions (16+ years and adults returning to education)
- Retention and Success - Activities to support students in achieving their potential

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 both regionally and nationally. Furthermore, prior to the 2012 introduction of increased tuition fees, the effectiveness of the overall approach within the Merseyside region was evidenced by increased levels of enrolments of students from Low Participation Neighbourhoods. The University exceeds its benchmarks for both the recruitment of students from Low Participation Neighbourhoods and the State Schools and Colleges sector.

The University's 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
- Adults returners to education

The University provides a range of aspiration raising activities to thousands of 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 of 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 two Academy Schools – the North Liverpool Academy, and University Academy, Birkenhead. It also co-sponsors two University Technical Colleges – the Liverpool Life Sciences UTC and the Birkenhead Engineering UTC.

The four-stage 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. 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 science, technology, engineering and maths (STEM) subjects. 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.

Review of the Year

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. 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.

The institution works closely with hundreds of businesses in the North West to promote knowledge transfer into the regional economy and introduce new skills and processes. 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. Housed in the University's original redbrick Victoria Building, designed by Alfred Waterhouse, recent exhibitions included 'Cunard 175: a voyage through history', and a special exhibition to mark the 200th anniversary of Waterloo.

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 Institute 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.

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 University's Science and Society lecture series explores the beneficial relationship between science and society. Speakers have included Dr Harren Jhoti, co-founder of Astex Pharmaceuticals, and Dr Trevor Wishart, composer-in-residence at the University of Durham.

Biographer, Carole Angier, is presenting the University's 2015 Lucrezia Zaina bequest lecture which promotes the exploration and enjoyment of Italian culture. The audience gathers each year to listen to an inspirational lecture on Italy's past, present and future.

'Meet the Scientist' is a series of events hosted by University scientists at the Liverpool World Museum. Aimed at parents and children, the autumn season of events begins with 'Fat Cats and Hot Dogs', exploring how germs can travel between animals and humans, including exhibits on how to keep pets and farm animals fit and healthy. The event will be followed by 'Body Works', which will show visitors how the human body works from the tiniest of cells, to the complex puzzle of the skeleton and muscles.

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 University's Policy Provocations debates take 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: 'Who needs social housing?' and 'What kind of immigration do we want?', which was also broadcast live on BBC Radio Merseyside.

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.

Review of the Year

The University has established a 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. The Institute is named in honour of Lord Heseltine in recognition of his commitment to giving cities greater powers to shape their own futures, and his role in revitalising Liverpool.

The Heseltine Institute for Public Policy and Practice seeks to deliver research and learning opportunities that have a direct impact on the way public policy responses to these challenges are understood, formulated, delivered and evaluated. It provides 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 key example is the University's work is the £20.47 million incubator for small and medium sized enterprises (SMEs) working in the area of personalised medicines.

The Liverpool Bio Innovation Hub (LBIH) includes laboratory and office space and allows commercial access to the latest biobank technologies and equipment in the study of areas such as genomics, proteomics and metabolomics.

Part funded by the European Regional Development Fund (ERDF), it will encompass more than 6,000 square metres of space in the Crown Street area of the city, situated next to the University's Institute of Infection and Global Health. It is due to open in the autumn of 2015.

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

Construction is underway for establishing a £65 million facility aimed at accelerating the discovery and application of new advanced materials. It will reduce new product development times relevant to a range of sectors including Unilever's Home Care and Personal Care Categories. It will support collaboration across the industry and is due to open in 2016.

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, 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 £2million Institute for Research into Health Inequalities, dedicated to the study of health and wellbeing issues. The institute is funded by Liverpool Primary Care Trust (LPCT) and aims to provide leadership and excellence in public health research with a particular focus on health inequalities in the Liverpool city region.
Researchers at the University in partnership with the Liverpool Clinical Commissioning group (CCG) are part of a £124 million programme to help tackle some of the nation's most pressing health problems. Universities, NHS organisations, and local authorities along the North West coast have come together and invested a further £12.5m, to support research that improves services for patients.
The investment is supported by the National Institute for Health Research (NIHR) and will help ensure patients benefit from innovative new treatments and techniques which could revolutionise future health care.
As part of the project, scientists at the University's Institute of Psychology, Health and Society, in collaboration with Lancaster University and the University of Central Lancashire, are addressing issues of health inequalities through improvements in public health and chronic disease interventions. The Liverpool team are investigating how to improve mental health care and new ways of working with NHS organisations in delivering health programmes.

The University is committed to providing students, staff and members of our local communities with excellent sports and fitness provision along with a broad range of activities. The University has established community partnerships with a number of organisations that make use of its sports facilities including Liverpool Penguin Swimming Club, Liverpool Football Club Foundation Football College, Everton Ladies Football Club and L8 Community group.

Review of the Year

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 skills. They use their knowledge learned in classes and get to apply them to real world challenges.

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.

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.

To prepare students for the job market, the Careers and Employability Service has 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. The University has also invested £2 million in a unique internship programme to give students access to local, regional and national employers.

Financial Performance

Financial performance during the year to 31 July 2015 continues to be strong. The consolidated surplus after depreciation and before tax was £34.5m, 7.2% of total income. The tax charge of £1.9m arose from the research and development expenditure claim scheme, the income from which is taxable. Net cash inflow from operating activities during the year was £13.1m. The continued investment programme of the University incurred a cash out flow of £87.1m in the year to 31 July 2015.
Total income increased to £480.4m, a rise of 10.4% on the previous year. All elements of income increased apart from the anticipated reduction in Funding Council Grants reflecting a strong response from the University to the continued challenges facing higher education institutions. Staff costs increased to £241.6m, a rise of 4.5%, though this represented a reduction expressed as a percentage of total income of 50.3% in the year to 31 July 2015 compared to 53.1% in the previous year. Other operating expenses increased to £159.6m, expressed as a percentage of total income these costs remaining at 33.2% of total income.

The balance sheet remains strong. Following the public bond issuance the creditors falling due after more than one year increased to £304m. Investments and cash balances total £171.2m, fixed assets increased to £581.7m during the year. Net assets, excluding the pension asset, increased to £560.1m. The pension fund is healthy with a surplus of £24.1m, estimated on the outcome of the triennial valuation as at 31 July 2012 and subsequent movement in financial assumptions to 31 July 2015.

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

The Future

The University is reviewing its Strategic Plan to set out the vision to 2026. The review will take account of the strengths of the University and how it will meet the challenges facing the institution over the coming years. It is anticipated that the review will result in a new Strategic Plan being published in early 2016.

Review of the Year

Demand for places to study at the University of Liverpool continues to rise, and as anticipated the University experienced continued growth in students joining the University in September 2014. Further growth was experienced in September 2015. Given the growing proportion of total income represented by academic fees and support grants this is an important factor in ensuring financial sustainability. Uncertainty faced by the University remains, and in addition to further cuts in teaching funding due to occur in the medium term, the tuition fees are capped at £9,000 placing further pressure on the University to effectively manage its activities to ensure financial sustainability.

Investment in the student experience continues following the opening of the Crown Place residences on campus in September 2014. The University continues to invest in improving its student residences both on the city centre campus and the other residences.

Further investment in research facilities is planned to continue during 2015 with construction continuing for new research facilities related to materials innovation and bio-sciences.

The strong financial position of the University enables a medium to long term view of its activities to be taken, assessing demand for student places and research activity to be balanced alongside the investment programme in order to maintain its financial sustainability. Long term external funding has been secured by the University to meet its current requirements and ensure it is able to manage its liquidity.

Key Performance Indicators

Improvements to the reporting of key performance indicators to senior management and the governance committees continue, with detailed performance reports being considered on a quarterly basis. The reports focus on the key priorities in the Strategic Plan, assessing performance towards the agreed key ambitions.

Xi'an Jiaotong-Liverpool University (XJTLU)

XJTLU is a joint venture with its own campus in Suzhou, China. It is the only internationally collaborative university in China with dual degree awarding powers, from the Chinese Ministry of Education and from the University. Upon completion of their studies, students will be awarded a University of Liverpool degree and an XJTLU degree from the Chinese Ministry of Education.

The founding departments of XJTLU were in the areas of computer science and software, electrical and electronic engineering, mathematical sciences, and business and management. Provision has expanded to include the built environment, finance, industrial design, applied chemistry and biological sciences, and language and cultural studies. Over the next three to five years XJTLU aims to expand its undergraduate provision further into the humanities and social sciences.
The campus at XJTLU has expanded rapidly over the past few years, with 12 academic departments, four teaching centres and excellent support and resource facilities all housed on the north campus. It is anticipated that the north campus will be able to accommodate over 10,000 students by 2015.

Development of the south campus is underway, the first phase due for completion in 2015/16, increasing the capacity for XJTLU to 14,000 students. The new facilities will include teaching and research space for humanities and social sciences, law, industrial design, interdisciplinary sciences, as well as an international academic exchange centre and an international research centre.

The share of the operating deficit for the year to 31 July 2015 is as a result of the accounting for the costs associated with the continued development of XJTLU exceeding fee income for the year.

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 Sub-Committee, to invest University funds only in those companies who meet the criteria for ethical investment. It is the role of the Investments Sub-Committee to maximize the potential returns on investments within such criteria as established by Council. Investment managers report regularly to the Investments Sub-Committee on actions they have taken relating to ethical investment.

Review of the Year

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 organisation and to invest in land, buildings and equipment to develop its activities.

Professor Janet Beer, BA, MA, PhD
Vice-Chancellor

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 2 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, Nominations Committee, Remuneration Committee and 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 2.

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, lay officers, Council-appointed Senate representatives on Council and Council-appointed members of University Committees and makes recommendations to the Council for the appointment of such.

Recruitment to Council is either ex officio (for example in terms of senior managers such as the Vice-Chancellor), nomination or election (for other staff members), or by external advertisement for lay members. In recruiting members to Council attention is paid to the skills set and diversity of existing members to ensure an appropriate spread of expertise and experience. Since 2014 this assessment of the composition of Council membership has also included the collection and consideration of diversity information.

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 monitors 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 a 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 Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

The Vice-Chancellor is supported in the role by the Deputy Vice-Chancellor, three Policy Pro-Vice-Chancellors and three Executive Pro-Vice-Chancellors. They lead the academic management of the University which is organised into three academic Faculties and the professional services. The academic Faculties are managed by the Executive Pro-Vice-Chancellors and the professional services are managed by the Deputy Vice-Chancellor.

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 compliance with the Committee of University Chairs (CUC) Guidance.

The Council and the University's Senior Executive group 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.

Corporate Governance Statement

The University of Liverpool is committed to conducting its affairs in accordance with the highest standards of integrity, and it has the appropriate policies and procedures in place, to enable concerns to be raised regarding malpractice, corruption, wrongdoing and any form of impropriety. The Public Interest Disclosure Policy in place at the University has been designed to enable individuals to raise concerns at an appropriate level and is in line with the legal requirements contained within the Public Interest Disclosure Act.

The University of Liverpool has adopted an approach consistent with the Higher Education Code of Governance published by the Committee of University Chairs in December 2014.

The University is committed to diversity and equality of opportunity and strives to provide an environment in which no staff member, student or partner is disadvantaged or discriminated against based on the nine protected characteristics as defined by the Equality Act 2010. The University takes its moral and legal obligations relating to discrimination very seriously and all breaches will be dealt with in accordance with the University's Disciplinary Policy. Council takes overall responsibility for this area.

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 management and administration of the whole revenue and property of the University and the conduct of the all of the affairs of the University'. The detailed powers and duties of the Council are defined in Statute 9.

The primary responsibilities of the Council are 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 Memorandum of assurance and accountability 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;
- judgements 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 Memorandum of assurance and accountability 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;

- 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;
    - comprehensive Financial Regulations 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 is satisfied that the system of internal control described above has been in place throughout the year ended 31 July 2015.

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 2015 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 in law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, in accordance with the Charter and Statutes of the institution. Our audit work has been undertaken so that we might state to the Council 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 Council 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 set out on page 14, 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 Review of the Year to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 with the 2007 Statement of Recommended Practice – accounting for Further and Higher Education; and
- meet the requirements of HEFCE's accounts direction to higher education institutions for 2014-15 financial statements.

Auditor's Report

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 managed in accordance with relevant legislation;
- Income has been applied in accordance with the university statutes;
- funds provided by HEFCE have been applied in accordance with the Memorandum of assurance and accountability and any other terms and conditions attached to them; and
- The corporate governance and internal control requirements of HEFCE's accounts direction to Higher Education institutions for 2014-15 financial statements have been met.

Trevor Rees

Trevor Rees
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

24 November 2015

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 2015

	Note	2015	2014
		£m	£m
Income			
Funding Council grants	2	**75.0**	86.5
Academic fees and support grants	3	**233.3**	189.3
Research grants and contracts	4	**101.8**	83.6
Other operating income	5	**85.1**	82.2
Endowment income and interest receivable	6	**15.5**	13.4
Less: Share of joint venture income	11	**(30.3)**	(19.7)
Total Income		**480.4**	435.3
Expenditure			
Staff costs	8,10	**241.6**	231.1
Other operating expenses	8	**159.6**	144.7
Depreciation	8	**38.3**	35.3
Interest payable	8	**6.4**	4.3
Total Expenditure		**445.9**	415.4
Surplus after depreciation of tangible fixed assets and before tax		**34.5**	19.9
Share of operating deficit of joint venture	11	**(2.2)**	(4.3)
Tax	9	**(1.9)**	-
Surplus after depreciation of tangible fixed assets and tax		**30.4**	15.6
Profit on the sale of fixed assets		**0.5**	7.0
Surplus after depreciation of tangible fixed assets and tax and profit on sale of fixed assets		**30.9**	22.6
Surplus endowment income for the year transferred to accumulated income in endowment funds		**(2.2)**	(1.8)
Surplus for the year retained within general reserves		**28.7**	20.8

The accompanying notes form and integral part of these financial statements

Consolidated and University Balance Sheets

as at 31 July 2015

		Consolidated		University	
		2015	2014	**2015**	2014
	Note	**£m**	£m	**£m**	£m
Fixed Assets					
Tangible assets	12,13	**581.7**	526.0	**555.8**	499.7
Intangible assets	14	**0.1**	0.1	**-**	-
Investments	15	**21.0**	3.4	**26.1**	8.5
Investments in joint ventures					
Share of gross assets	11	**99.9**	79.9	**-**	-
Share of gross liabilities	11	**(105.6)**	(83.4)	**-**	-
		597.1	526.0	**581.9**	508.2
Endowment assets	16	**147.9**	141.7	**147.9**	141.7
Current assets					
Stock		**1.1**	1.0	**0.9**	0.9
Debtors	18	**64.5**	52.2	**68.5**	57.8
Asset held for resale		**0.3**	-	**0.3**	-
Investments	19	**20.0**	14.0	**20.0**	14.0
Cash at bank and in hand		**130.2**	54.8	**128.3**	53.5
		216.1	122.0	**218.0**	126.2
Less: Creditors - amounts falling due within one year	20	**(97.0)**	(93.3)	**(96.9)**	(95.1)
Net current assets		**119.1**	28.7	**121.1**	31.1
Total assets less current liabilities		**864.1**	696.4	**850.9**	681.0
Less: Creditors - amounts falling due after more than one year	21	**(304.0)**	(180.9)	**(285.8)**	(162.2)
Net assets excluding pension liability		**560.1**	515.5	**565.1**	518.8
Net pension asset	29	**24.1**	28.2	**24.1**	28.2
Net assets including pension liability		**584.2**	543.7	**589.2**	547.0
Represented by:					
Deferred capital grants	22	**208.0**	194.8	**206.6**	193.2
Endowments					
Expendable	17	**22.1**	20.7	**22.1**	20.7
Permanent	17	**125.8**	121.0	**125.8**	121.0
		147.9	141.7	**147.9**	141.7
Capital and Reserves					
Income and expenditure excluding pension reserve	24	**201.0**	176.4	**207.4**	181.2
Pension reserve	29	**24.1**	28.2	**24.1**	28.2
Income and expenditure including pension reserve		**225.1**	204.6	**231.5**	209.4
Revaluation reserve	23	**3.2**	2.6	**3.2**	2.7
		228.3	207.2	**234.7**	212.1
Total funds		**584.2**	543.7	**589.2**	547.0

The accompanying notes form and integral part of these financial statements

The financial statements on pages 18 to 47 were approved by the Council on 18 November 2015 and signed on its behalf by:

The Earl of Derby
President

Professor Janet Beer
Vice-Chancellor

Robert Eastwood
Director of Finance

Consolidated Cash Flow Statement

for the year ended 31 July 2015

	Notes	**2015**	2014
		£m	£m
Net cash inflow from operating activities	26	**13.1**	22.0
Returns on investments and servicing of finance			
Income from endowments	6	**4.9**	4.6
Other interest received	6	**1.8**	1.4
Interest paid on loans	8	**(6.4)**	(4.3)
		0.3	1.7
Tax	9	**(1.9)**	-
Capital expenditure and financial investment			
Payments to acquire fixed assets		**(87.1)**	(107.9)
Purchase of endowment assets	16	**(34.2)**	(29.7)
Receipts from sale of fixed assets		**0.5**	8.7
Fixed asset investments acquired		**(0.4)**	-
Disposal of endowment assets	16	**32.1**	29.3
Deferred capital grants received	22	**29.0**	19.5
Endowments received	17	**1.5**	1.2
		(58.6)	(78.9)
Decrease in cash in the period		**(47.1)**	(55.2)

Reconciliation of net cash flow to movement in net funds/(debt)

Decrease in cash in year	27	**(47.1)**	(55.2)
Net (debt)funds at 1 August	27	**(120.2)**	(65.0)
Net (debt)/funds at 31 July	27	**(167.3)**	(120.2)

The accompanying notes form and integral part of these financial statements

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2015

	Note	2015	2014
		£m	£m
Surplus		**30.9**	22.6
Actuarial loss in respect of pension scheme	29	**(8.2)**	(22.2)
Appreciation of endowment asset investments	16	**5.2**	2.7
Net of disposal of endowments	17	**(1.2)**	(6.3)
Revaluation of assets	23	**0.6**	-
Total recognised (loss)/gain relating to the year		**27.3**	(3.2)
Reconciliation			
Opening reserves and endowments		**348.9**	352.1
Total recognised gain/(loss) for the year		**27.3**	(3.2)
Closing reserves and endowments		**376.2**	348.9

Notes to the Accounts

1. Statement of Principal Accounting Policies

a. Basis of preparation

These financial statements have been prepared on a going concern basis and 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 asset investments.

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 2015. 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. 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 remaining life of the grant. Non-research grant funded equipment is depreciated over 4 years.

l. 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 12. 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 2013 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.

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

q. Tax

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 tax 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 section 505 of ICTA 1988) or section 256 of the Tax 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.

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.

v. Intangible Assets

The intangible asset relates to goodwill on the acquisition of a business and is being amortised over five years.

w. Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses in compliance with FRS26 (IAS39).

Notes to the Accounts

	2015 £m	2014 £m
2. Funding Council grants		
HEFCE recurrent grants-Teaching	**32.6**	43.3
HEFCE recurrent grant-Research	**30.8**	30.7
HEFCE specific grants	**7.0**	7.5
Deferred capital grant released in year Buildings (see note 21)	**4.6**	5.0
Total	**75.0**	86.5

3. Academic fees and support grants		
Full time Home and EU students	**104.3**	84.2
Full time Overseas students	**84.6**	74.5
Part time students	**6.2**	5.0
Special courses	**9.7**	6.7
Research Training Support grants	**1.5**	0.7
Share of tuition fee income from joint venture	**27.0**	18.2
Total	**233.3**	189.3

4. Research grants and contracts		
Research Councils	**38.7**	33.4
Charities	**13.4**	13.2
Industry and commerce	**9.0**	8.7
Governmental (UK and EU)	**35.5**	23.9
Other	**5.2**	4.4
Total	**101.8**	83.6

Included in the above is £9.4m (£5.9m 2013/14) in respect of deferred capital grant releases relating to research funded equipment.

5. Other operating income		
Residences and catering	**22.3**	17.0
Health Authorities	**9.2**	9.0
Other services	**24.2**	22.5
Donations	**4.0**	9.8
Released from deferred capital grants	**1.6**	1.4
Other income	**22.7**	22.0
Share of other income from joint venture	**1.1**	0.5
Total	**85.1**	82.2

	2015 £m	2014 £m
6. Endowment income and interest receivable		
Income from expendable endowments	**0.6**	0.6
Income from permanent endowments	**4.3**	4.0
Income from short term deposits	**1.8**	1.4
Pension Scheme - Income	**7.3**	6.5
Share of Investment Income from joint venture	**1.5**	0.9
Total	**15.5**	13.4

7. Interest payable

	2015 £m	2014 £m
Interest on £250m bond coupon at 3.375%	**0.9**	-
Interest on revolving credit facility	**2.7**	1.4
Interest on £40m Private Placement	**2.0**	2.0
Interest on ULEC £15m external loan	**0.7**	0.7
Interest on finance lease	**0.1**	0.2
Total	**6.4**	4.3

8. Analysis of expenditure by activity

	Staff £m	Other Operating Expenses £m	Depreciation £m	Interest Payable £m	2015 £m	2014 £m
Academic departments	140.0	40.8	4.6	-	**185.4**	179.4
Research grants and contracts	38.9	27.6	10.1	-	**76.6**	69.2
Academic services	17.0	15.1	3.9	-	**36.0**	32.7
General educational expenditure	9.1	25.0	-	-	**34.1**	29.4
Maintenance of premises	11.2	19.5	19.0	6.3	**56.0**	53.6
Administration and central services	11.3	14.5	-	-	**25.8**	21.4
Students & staff facilities & amenities	3.7	5.5	-	-	**9.2**	9.2
Residences and catering	5.2	8.6	0.5	0.1	**14.4**	12.5
Other services rendered	1.9	3.0	0.2	-	**5.1**	5.7
Additional Pension Costs per FRS17	3.3	-	-	-	**3.3**	2.3
Total	241.6	159.6	38.3	6.4	**445.9**	415.4

Other Operating Expenses includes:

			2015 £000	2014 £000
KPMG LLP				
	External Audit Fee	University	66	64
		University prior year	0	5
		Subsidiaries	27	30
	Grant Audit Work	University	58	77
	Tax and consultancy services	University	65	37
		Subsidiaries	11	42
PricewaterhouseCoopers LLP KPMG LLP				
	Tax and consultancy services	University	0	7
	Internal Audit	University	174	196
		Prior Year	-4	

9. Tax

	2015 £m	2014 £m
Tax on Research Development and Expenditure Credit receipt	**1.9**	-

10. Staff Costs

	2015 £m	2014 £m
Staff costs were:		
Salaries	**194.5**	186.6
Social security costs	**15.6**	15.0
Pension costs including FRS 17 adjustments (note 29)	**31.5**	29.5
Total	**241.6**	231.1

Emoluments of the Vice-Chancellor

		2015 £000	2014 £000
Sir Howard Newby 01/08/2014-31/01/2015			
	Salary	**167**	318
	Benefits in Kind	**5**	5
	Allowances	**23**	45
		195	368
Professor J Beer 01/02/2015-31/07/2015	Salary	**125**	
	Benefits in Kind	**1**	
	Allowances	**18**	
		144	

Allowances paid represents salary taken in lieu of pension contributions.

Compensation paid for loss of office to members of staff whose annual remuneration is in excess of £100k per annum in 2015 was £302k (2014: £222k).

Staff Numbers by Major Category

	2015 Full time Equivalent	2014 Full time Equivalent
Academic	2,856	2,817
Clinical	197	164
Technical	593	579
Clerical	847	853
Other	307	301
	4,800	4,714

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

Notes to the Accounts

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.

	2015 Number	2014 Number
£100,000 - £109,999	**24**	34
£110,000 - £119,999	**23**	11
£120,000 - £129,999	**15**	12
£130,000 - £139,999	**8**	15
£140,000 - £149,999	**12**	5
£150,000 - £159,999	**7**	8
£160,000 - £169,999	**5**	6
£170,000 - £179,999	**8**	4
£180,000 - £189,999	**8**	5
£190,000 - £199,999	**4**	4
£210,000 - £219,999	**1**	3
£220,000 - £229,999	**4**	1
£230,000 - £239,999	**1**	-
£270,000 - £279,999	**-**	1
£290,000 - £299,999	**1**	-
£300,000 - £309,999	**-**	1
£350,000 - £359,999	**-**	1
	121	111

11. 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 – University of Liverpool 50% share

	2014/15 £m	2013/14 £m
Income	**30.3**	19.7
Expenditure	**32.5**	24.0
Net Expenditure	**(2.2)**	(4.3)

XJTLU Balance Sheet – University of Liverpool 50% share

	2014/15 £m	2013/14 £m
Assets	**99.9**	79.9
Liabilities	**(105.6)**	(83.4)
Total Assets less Liabilities	**(5.7)**	(3.5)
Reserves	**(7.0)**	(4.8)
University of Liverpool Investment	**1.3**	1.3
Total Reserves and Capital	**(5.7)**	(3.5)

Notes to the Accounts

12. Consolidated Tangible Assets

		Land and Buildings			Equipment	Assets Under Construction	Total
		Freehold	Leasehold	Finance Lease			
		£m	£m	£m	£m	£m	£m
Cost at 1 August 2014		500.4	39.1	5.8	129.2	72.3	746.8
Additions in the year at cost		16.1	6.5	-	16.3	55.4	94.3
Transfer from assets under construction		48.4	4.6	-	3.2	(56.2)	-
Less: Disposals during the year		(0.5)	(0.1)	-	(0.5)	-	(1.1)
Transfer between asset type		(7.9)	7.9	-	-	-	-
Cost at 31 July 2015		**556.5**	**58.0**	**5.8**	**148.2**	**71.5**	**840.0**
Accumulated Depreciation							
At 1 August 2014		115.4	14.0	4.3	87.1	-	220.8
Charge for the year		14.7	2.8	0.4	20.4	-	38.3
Eliminated on disposals		(0.3)	(0.1)	-	(0.4)	-	(0.8)
Transfer between asset type		(3.0)	3.0	-	-	-	-
Depreciation at 31 July 2015		**126.8**	**19.7**	**4.7**	**107.1**	-	**258.3**
Net Book Value	**31 July 2015**	**429.7**	**38.3**	**1.1**	**41.1**	**71.5**	**581.7**
	31 July 2014	385.0	25.1	1.5	42.1	72.3	526.0

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 £139m, and a cost of £204.3m have been funded from Treasury sources; should these buildings be sold, the University would have to use the proceeds in accordance with the Memorandum of assurance and accountability 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 £1.3 billion.

Included in the net book value of leasehold assets is a net sum of £11.9 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

13. University Tangible Fixed Assets

	Land and Buildings			Equipment	Assets Under Construction	Total
	Freehold	Leasehold	Finance Lease			
	£m	£m	£m	£m	£m	£m
Cost at 1 August 2014	500.5	39.1	5.8	101.1	69.2	715.7
Additions in the year at cost	16.1	6.5	-	16.0	54.7	93.3
Transfer from assets under construction	48.4	4.6	-	1.1	(54.1)	-
Less: Disposals during the year	(0.5)	(0.1)	-	(0.5)	-	(1.1)
Transfer between asset type	(7.9)	7.9	-	-	-	-
Cost at 31 July 2015	**556.6**	**58.0**	**5.8**	**117.7**	**69.8**	**807.9**
Accumulated Depreciation						
At 1 August 2014	115.4	14.0	4.3	82.3	-	216.0
Charge for the year	14.7	2.8	0.4	19.0	-	36.9
Eliminated on disposals	(0.3)	(0.1)	-	(0.4)	-	(0.8)
Transfer between asset type	(3.0)	3.0	-	-	-	-
Depreciation at 31 July 2015	**126.8**	**19.7**	**4.7**	**100.9**	-	**252.1**
Net Book Value **31 July 2015**	**429.8**	**38.3**	**1.1**	**16.8**	**69.8**	**555.8**
31 July 2014	385.1	25.1	1.5	18.8	69.2	499.7

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.

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.

The latest insured value of the University Fine Art collection is £115.6m. Of that, £34.8m related to two items only, pictures by Freud and Turner, valued at £14.3m and £20.5m respectively.

14. Intangible Assets

In the financial year 12/13 Liverpool University Press acquired the business of University of Exeter Press. The goodwill arising on the acquisition was £0.2m. This is being amortised over 5 years.

15. Fixed Asset Investments

	Consolidated		University	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Market value of fixed asset investments	**18.1**	0.5	**18.1**	0.5
Properties	**2.9**	2.9	**2.9**	2.9
University companies at cost				
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
Xi'an Jiaotong-Liverpool University	-	-	**1.3**	1.3
	21.0	3.4	**26.1**	8.5

The University owns 100% of the issued ordinary capital of ULEC, ULCCo, ULCCo (Special Projects), University of Liverpool Commercial Services, University of Liverpool in Singapore (ULIS) Pte Ltd, UOLM Sdn Bhd, Tandem Nano Ltd and Liverpool University Press (2004) Ltd. The University's subsidiary companies are all registered in England and Wales with the exception of University of Liverpool in Singapore (ULIS) Pte Ltd and UOLM Sdn Bhd. 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 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
CDDM Technology Limited	2.3	Theryte Limited	3.6
Sepsis Limited	50.6	Provexis IBD Limited	25.0
Trucolour Limited	23.0	Senectus Therapeutics Limited	16.7
Aimes CIC Ltd	20.0	Laureate – University of Liverpool Ventures B.V.	20.0
Sensor City Liverpool Limited	50.0		

Notes to the Accounts

16. Endowment Assets

	2015 £m	2014 £m
Balances as at 1 August	**141.7**	143.5
Purchases of investments	**34.2**	29.7
Disposal of investments	**(32.1)**	(29.3)
Net appreciation	**5.2**	2.7
Increase in cash balances	**1.6**	8.5
Transfer to fixed asset investments	**(2.7)**	(13.4)
As at 31 July	**147.9**	141.7
As at 31 July represented by:		
Quoted equities	**112.3**	103.4
Fixed interest bonds	**13.0**	15.8
Property and other investments	**14.6**	16.1
Cash in bank held for endowment funds	**8.0**	6.4
Total Endowment Assets	**147.9**	141.7

17. Endowments

	Restricted Permanent £m	Restricted Expendable £m	Total £m
Capital Value	106.9	17.1	124.0
Accumulated Income	14.1	3.6	17.7
As at 1 August 2014	**121.0**	**20.7**	**141.7**
Net Additions/(disposals)	(1.8)	0.6	(1.2)
Appreciation/(depreciation) of Investments	4.4	0.8	5.2
Transfer from restricted permanent to restricted expendable	(0.5)	0.5	-
Investment income	4.3	0.6	4.9
Expenditure	(1.6)	(1.1)	(2.7)
As at 31 July 2015	**125.8**	**22.1**	**147.9**
Represented by:			
Capital value	109.6	18.7	128.3
Accumulated income	16.2	3.4	19.6
	125.8	**22.1**	**147.9**

During the financial year the University continued the review of its endowment portfolio. As part of this review £2.7m of endowments were released to income. Following investigation the terms and conditions of these endowments were deemed sufficiently general to allow the release.

18. Debtors

		Consolidated		University	
		2015	2014	**2015**	2014
		£m	£m	£m	£m
Debtors	- Trade	**22.9**	12.2	**26.9**	17.8
	- Intergroup	-	-	**6.1**	4.4
Prepayments and accrued income		**41.6**	40.0	**35.5**	35.6
		64.5	52.2	**68.5**	57.8

There were no intergroup debtors due over one year (2014 £Nil).

19. Current Asset Investments

	Consolidated		University	
	2015	2014	**2015**	**2014**
	£m	£m	**£m**	**£m**
Represented by:				
Fixed interest stocks (listed)	-	1.1	-	1.1
Equities (listed)	-	12.3	-	12.3
UK Treasury Gilt	**20.0**	-	**20.0**	-
Cash balances	-	0.6	-	0.6
	20.0	14.0	**20.0**	14.0

At 2014 the current asset investments were held for the short-term and classified accordingly. Following the issue of the public bond in 2015 the investments are to be held in the longer-term i.e. over 12 months and have been reclassified as fixed asset investments.

20. Creditors: Amounts falling due within one year

	Consolidated		University	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Current portion of long term debt	**1.6**	1.3	-	-
Obligations under finance leases	**0.5**	0.4	**0.5**	0.4
Creditors - trade	**18.2**	16.0	**15.5**	15.2
- intergroup	-	-	**4.2**	4.0
Deferred income	**48.1**	48.5	**48.1**	48.4
Social security and other tax	**5.8**	6.1	**5.8**	6.1
Accrued charges	**22.8**	21.0	**22.8**	21.0
	97.0	93.3	**96.9**	95.1

Notes to the Accounts

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

	Consolidated		University	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Unsecured Bond repayable by 2055*****	**250.0**	-	**250.0**	-
Bond transaction costs	**(5.3)**	-	**(5.3)**	-
Bond total	**244.7**	-	**244.7**	-
Other loans				
Unsecured Loans payable by 2036*	**40.0**	40.0	**40.0**	40.0
Unsecured Loans payable by 2028**	**15.0**	15.0	**-**	-
Unsecured Loans payable by 2018***	**3.2**	3.8	**-**	-
Unsecured Revolving facility****	**-**	120.0	**-**	120.0
Total Bond and other loans	**302.9**	178.8	**284.7**	160.0
Obligations under Finance Leases				
due 2-5 years	**1.0**	1.5	**1.0**	1.5
due over 5 years	-	-	**-**	-
Other Creditors	**0.1**	0.6	**0.1**	0.7
	304.0	180.9	**285.8**	162.2

* 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 and the University has provided a parent company guarantee to Lloyds bank.

*** The Unsecured Loan payable by 2018 is from Salix Finance Ltd and is interest free. Both loans are held by ULEC Ltd.

**** The Unsecured Revolving facility has been repaid in year from the proceeds of the bond issue.

***** In June 2015 an unsecured fixed rate public bond was issued for the sum of £250 million over a 40 year term with a coupon rate of 3.375%. There are no capital payments to be made over the term, with the bond maturing in 2055. Some of the proceeds from the bond issue were used to repay an unsecured bank loan giving rise to £0.7m in break costs.

The bond transaction costs of £5.3m will be amortised over the life of the bond and charged to interest costs.

The University may, at its option, redeem some or all of the bond at the Redemption Price with interest accrued to the date of redemption. The 'Redemption Price' shall be the higher of:

(a) the principal amount of the bonds to be redeemed and
(b) the product of the principal amount of the bonds to be redeemed and the price, expressed as a percentage, at which the Gross Redemption Yield on the bond is equal to the sum of the Gross Redemption of the benchmark gilt (currently the 4.25% UK Treasury Gilt December 2055) plus 0.15%.

Borrowings (bond and loans) are repayable as follows:

	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Between two and five years	**3.2**	123.8	**-**	120.0
In five years or more	**299.7**	55.0	**284.7**	40.0
	302.9	178.8	**284.7**	160.0

22. Deferred capital grants - University and Consolidated

	Consolidated Funding Council £m	Consolidated Other Grants & Donations £m	**Total £m**	University Funding Council £m	University Other Grants & Donations £m	**Total £m**
At 1 August 2014						
Buildings	144.8	45.9	**190.7**	143.1	46.0	**189.1**
Equipment	-	4.1	**4.1**	-	4.1	**4.1**
Total	144.8	50.0	**194.8**	143.1	50.1	**193.2**
Cash received/receivable						
Buildings	6.1	11.0	**17.1**	6.1	11.0	**17.1**
Equipment	1.0	10.9	**11.9**	1.0	10.9	**11.9**
Total	7.1	21.9	**29.0**	7.1	21.9	**29.0**
Released to income and expenditure						
Buildings	(4.8)	(1.4)	**(6.2)**	(4.6)	(1.4)	**(6.0)**
Equipment	-	(9.6)	**(9.6)**	-	(9.6)	**(9.6)**
Total	(4.8)	(11.0)	**(15.8)**	(4.6)	(11.0)	**(15.6)**
As 31 July 2015						
Buildings	146.1	55.5	**201.6**	144.6	55.6	**200.2**
Equipment	1.0	5.4	**6.4**	1.0	5.4	**6.4**
Total	147.1	60.9	**208.0**	145.6	61.0	**206.6**

23. Revaluation reserve

	Consolidated **2015 £m**	Consolidated 2014 £m	University **2015 £m**	University 2014 £m
Balance 1 August	**2.6**	2.6	**2.7**	2.7
Revaluations in the period	**0.6**	-	**0.5**	-
Balance 31 July	**3.2**	2.6	**3.2**	2.7

Notes to the Accounts

24. Income and expenditure reserves

	Consolidated		University	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Balance 1 August	**204.6**	206.0	**209.4**	206.5
Surplus/(Deficit) on income & expenditure account	**28.7**	20.8	**30.3**	25.1
Actuarial gain on pension reserve	**(8.2)**	(22.2)	**(8.2)**	(22.2)
Balance 31 July	**225.1**	204.6	**231.5**	209.4
Represented by:				
University reserves	**207.4**	181.2	**207.4**	181.2
Subsidiaries	**(6.4)**	(4.8)	-	-
Income & expenditure excluding pension reserve	**201.0**	176.4	**207.4**	181.2
Pension reserve	**24.1**	28.2	**24.1**	28.2
	225.1	204.6	**231.5**	209.4

25. Access to Learning (Hardship) Funds

	2015	2014
	£000	£000
Income		
Excess of income over expenditure brought forward	**21**	31
Funding Council grants	-	240
Interest earned	-	1
	21	272
Expenditure		
Disbursed to students	**(21)**	(244)
Other	-	(7)
Excess of income over expenditure carried forward	-	21

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.

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

	2015	2014
	£m	£m
Surplus after depreciation of tangible fixed assets and before tax	**34.5**	19.9
Pension costs less contributions payable (note 29)	**(4.1)**	(4.3)
Depreciation (notes 1 and 12)	**38.3**	35.3
Deferred capital grants released to income (note 22)	**(15.7)**	(12.3)
Endowment assets released to income	**(2.7)**	(7.5)
(Increase)/Decrease in value of fixed asset investments	**(0.6)**	0.7
Interest payable	**6.4**	4.3
(Increase)/Decrease in current asset investments	**(20.0)**	0.2
(Increase)/Decrease in debtors	**(12.3)**	(1.0)
Increase/(Decrease) in creditors < 1 year	**(3.9)**	(6.5)
Increase/(Decrease) in creditors > 1 year	**(0.6)**	(0.8)
Investment Income	**(6.7)**	(6.0)
Increase in revaluation reserve	**0.5**	-
Net cash inflow from operating activities	**13.1**	22.0

27. Analysis of Changes in Net Funds

	1 August 2014	Cashflows	**31 July 2015**
	£m	£m	**£m**
Cash in hand, and at bank			
Endowment assets investments	6.4	1.6	**8.0**
Fixed asset investments	-	0.5	**0.5**
Current asset investments	0.6	(0.6)	**-**
Cash in hand, and at bank	54.8	75.4	**130.2**
	61.8	76.9	**138.7**
Finance leases			
Debt due within 1 year	(0.4)	-	**(0.4)**
Debt due after 1 year	(1.5)	0.5	**(1.0)**
Loans			
Debt due within 1 year	(1.3)	(0.3)	**(1.6)**
Debt due after 1 year	(178.8)	(124.2)	**(303.0)**
	(120.2)	(47.1)	**(167.3)**

28. Capital commitments

	Consolidated		**University**	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Authorised not yet contracted	**103.0**	51.4	**102.8**	49.6
Authorised and contracted	**77.1**	79.3	**74.7**	78.5
	180.1	130.7	**177.5**	128.1

Notes to the Accounts

29. 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:

	2015	2014
	£m	£m
Contributions to Universities Superannuation Scheme	**20.4**	19.5
Contributions to University of Liverpool Pension Fund	**9.5**	8.4
Contributions to other schemes	**1.6**	1.6
Total Pension Cost (note 9)	**31.5**	29.5

Universities Superannuation Scheme (USS)

The institution 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 institution is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the institution's employees. In 2015, the percentage was 16% (2014 16%). The institution 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.

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 institution 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 total pension cost to USS for the institution was £20.4m (2014: £19.7m). This includes £1.7m (2014: £1.6m) outstanding contributions at 31 July 2015. The disclosures below represent the position from the scheme's financial statements.

The latest triennial actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for the expected increases in future earnings.

The FRS 17 liability numbers have been produced using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

Notes to the Accounts

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables 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. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% p.a. long term rate were also adopted for the 2014 FRS 17 figures, for the March 2015 figures the long-term rate has been increased to 1.5% and the CMI projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectations on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

Existing benefits

	2015	2014
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

A contingent liability exists in relation to the pension valuation recovery plan, since the institution is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the institution is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable for the scheme in respect of the reimbursement of the company's expenditure is similarly not recognised.

University of Liverpool Pension Fund (ULPF)

The ULPF is a defined benefit scheme operated in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. The final salary section of the Fund 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. A full actuarial valuation was carried out at 31 July 2012 and updated to 31 July 2015 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 plus £0.9m per annum. In addition deficit contributions of £0.6m per annum are payable. Member contributions are payable in addition at the rate of 7.5% of earnings for Final Salary members and 6.5% of earnings for CARE members.

Notes to the Accounts

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

	2015	2014	2013	2012	2011
		%	%	%	%
Rate of increase in salaries	**3.50 plus promotional at salary scale**	3.50 plus promotional at salary scale	3.55 plus promotional at salary scale	2. 85 plus promotional at salary scale	5.25
Allowance for rate of increase in pensions of CPI or 5% p.a. if less	**2.50**	2.50	2.55	1.85	3.10
Allowance for rate of increase in pensions of CPI or 2.5% p.a. if less	**2.35**	2.35	2.35	1.75	3.00
Allowance for rate of increase in pensions of RPI or 5% p.a. if less	**N/A**	N/A	N/A	N/A	3.60
Allowance for rate of increase in pensions of RPI or 2.5% p.a. if less	**2.35**	2.35	2.40	2.40	2.50
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.60**	2.60	2.65	1.95	3.25
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	**2.50**	2.45	2.45	1.95	2.50
Discount Rate	**3.60**	4.20	4.80	4.40	5.30
Inflation assumption (based on RPI)	**3.50**	3.50	3.55	2.85	3.75
Inflation assumption (based on CPI)	**2.60**	2.60	2.65	1.95	3.25
Allowance for revaluation of CARE benefit (for service for new joiners after 1 August 2011)	**2.60**	2.60	2.65	1.95	N/A
Allowance for discretionary increases on benefits in excess if GMP accrued prior to 6 April 1997	**No**	No	No	No	Yes
Allowance for commutation of pension for cash at retirement	**80% of members commute 25% for cash at retirement**	80% of members commute 25% for cash at retirement	80% of members commute 25% for cash at retirement	None	None

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

	Long-term rate of return expected at	Fair value at	Long-term rate of return expected at	Fair value at	Long-term rate of return expected at	Fair value at	Long-term rate of return expected at	Fair value at	Long-term rate of return expected at	Fair value at
	2015	**2015**	2014	2014	2013	2013	2012	2012	2011	2011
	%	**£m**	%	£m	%	£m	%	£m	%	£m
Equities	**6.7**	**253.2**	6.8	229.9	6.0	220.2	7.4	171.8	7.70	172.7
Bonds	**4.4**	**78.8**	4.6	68.3	4.2	64.2	5.1	62.6	5.20	53.5
Cash	**0.5**	**(0.5)**	0.5	(0.7)	0.5	(0.2)	0.5	0.2	0.50	(0.8)
Property	**6.7**	**12.3**	6.8	11.0	6.0	9.8	7.4	11.4	7.70	11.8
Total market value of assets		**343.8**		308.5		294.0		246.0		237.1

Notes to the Accounts

	2015	2014 £m	2013 £m	2012 £m	2011 £m
Total market value of assets	**343.8**	308.5	294.0	246.0	237.1
Actuarial present value of scheme liabilities	**(319.7)**	(280.3)	(247.9)	(236.5)	(293.9)
Surplus/(deficit) in the scheme	**24.1**	28.2	46.1	9.5	(56.8)

Analysis of the amount charged to income and expenditure account

	2015 £m	2014 £m
Employer service costs (net of employee contributions)	**9.7**	8.6

Analysis of pension finance income

	2015 £m	2014 £m
Expected return on pension scheme assets	**19.0**	18.4
Interest on pension liabilities	**(11.8)**	(11.9)
Pension finance income	**7.2**	6.5

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

	2015 £m	2014 £m
Actuarial return less expected return on assets	**20.1**	-
Experience gains and losses on liabilities	**1.5**	1.8
Changes in assumptions underlying the present value of liabilities	**(29.8)**	(24.0)
Actuarial loss	**(8.2)**	(22.2)

Movement in illustrative balance sheet figures during the year:

	2015 £m	2014 £m
Surplus in scheme at beginning of year	**28.2**	46.1
Movement in year:		
Current service cost	**(9.7)**	(8.6)
Contributions	**6.5**	6.4
Net interest/return on assets	**7.3**	6.5
Actuarial loss	**(8.2)**	(22.2)
Surplus in scheme at end of year	**24.1**	28.2

The total pension contribution to ULPF was £6.5m (2014: £6.4m). The contribution rate payable by the University was 13.4% of pensionable salaries.

	2015	2014	2013	2012	2011
	£m	£m	£m	£m	£m
Difference between expected and actual return on scheme assets					
Amount (£m)	**20.1**	-	39.3	(3.4)	17.8
Percentage of scheme assets	**6%**	-	13%	-1%	8%
Experience gains and losses on scheme liabilities					
Amount (£m)	**1.5**	1.8	1.8	9.1	7.0
Percentage of scheme liabilities	**0%**	1%	1%	-4%	-2%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount (£m)	**(29.8)**	(24.0)	(5.1)	63.3	(14.7)
Percentage of scheme liabilities	**9%**	9%	2%	-27%	5%
Total amount which is recognised in the consolidated statement of total recognised gains and losses					
Amount (£m)	**(8.2)**	(22.2)	36.1	69.0	10.1
Percentage of scheme liabilities	**3%**	8%	-15%	-29%	-3%

30. Capitalisation of finance costs

The aggregate amount of capitalised interest included within fixed asset cost is £3.2m.

The value of finance costs capitalised in the year ending 31 July 2015 is £0.2m (2014 £0.7m)

Notes to the Accounts

31. 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 Executive group, it is inevitable that transactions will take place with organisations in which a member of Council or the Senior Executive group 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. The University has taken advantage of the exemption within FRS8 'Related Party Transactions' and has not disclosed transactions with other wholly owned group entities.

Included within the financial statements are the following transactions with related parties:

	Income	Expenditure	Balances at 31.7.15 due to/(from) the University
	£m	£m	£m
Professor Janet Beer			
Member of Board of Trustees, British Council	-	0.2	-
Director of the Board, The Russell group of Universities	-	0.1	-
Member of Board, UCAS	-	0.1	-
Mr Patrick Hackett			
Trustee, University of Liverpool Pension Fund	0.3	6.5	1.0
Director, Xi'an Jiaotong-Liverpool University	0.7	-	0.4
Ms Claire Brown			
Trustee, NCUK	-	0.1	-
Mrs Carol Costello			
Member, Board of Trustees, University of Liverpool Pension Fund	0.3	6.5	1.0
Prof Susan Dawson			
Director, SAVSNET Ltd	0.2	-	0.1
Mr Rob Eastwood			
Trustee, University of Liverpool Pension Fund	0.3	6.5	1.0
David McDonnell			
Director, USS Ltd	-	20.5	(1.7)
The Earl of Derby DL			
President, Liverpool College	0.2	-	-
Trustee of the Derby Fund, University of Oxford Craven Committee	0.4	0.3	-

32. Trustees (Council members) Expenses

Expenses of £8,795.09 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.

33. Leases

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

	2015	2014
	£m	£m
Hire of plant and machinery	**0.8**	0.8
Other	**2.2**	1.6

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	2015 £m	2014 £m
Land and buildings		
Expiring within 1 year	-	-
Expiring during years 2-5	**0.6**	0.6
Expiring thereafter	**0.1**	0.1
Other assets		
Expiring within 1 year	-	-
Expiring during years 2-5	**0.7**	0.7
Expiring thereafter	-	-

Obligations under finance leases are included in creditors (note 19 and 20).

34. Contingent Liabilities

The University is in dispute with the construction company regarding the final settlement figure relating to the Central Teaching Laboratories capital project which was completed in financial year 2012/13. The construction company is requesting £2.0m in settlement of the account. This has not been provided for.

35. Financial Instruments

Risk Management

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified by the Planning and Resource Committee approved treasury management policy. The treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the Higher Education Funding Council for England (HEFCE) and is reviewed, updated and approved every 3 years.

The University's principal financial instruments are the bond, cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the University's operations. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University.

The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2015, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade credit ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored on a daily basis. The credit exposure is limited by counterparty limits and minimum counter party credit ratings set within the treasury management policy.

The University places deposits with a number of counterparties selected using Standard and Poor's credit ratings for financial Institutions. In line with the Treasury Management Policy counterparties must have a long term credit rating of A- or higher and the maximum counterparty limit is £15m.

Student and commercial debtors are reviewed on an-ongoing basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both students and commercial customer populations.

Liquidity risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities.

Cash flow forecasts form part of the University 3 year planning process and are revised during the financial year when 2 re-forecasts are made. The University policy is to maintain a minimum of £30m in on-call cash balances. Excess funds are invested to maximise the return whilst observing the Treasury Management Policy limits.

The long-term financing of the University has been secured by the issue of a £250m public bond in June 2015. The capital amount will be paid at maturity in 2055 with the annual coupon of 3.375% paid bi-annually. The University may, at its option, redeem some or all of the bond at the Redemption Price with interest accrued to the date of redemption. The 'Redemption Price' shall be the higher of:

(a) the principal amount of the bonds to be redeemed and
(b) the product of the principal amount of the bonds to be redeemed and the price, expressed as a percentage, at which the Gross Redemption Yield on the bond is equal to the sum of the Gross Redemption of the benchmark gilt (currently the 4.25% UK Treasury Gilt December 2055) plus 0.15%.

Unless previously redeemed or purchased, the bonds will be redeemed at their principal amount on 25 June 2055.

Foreign currency risk

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The University's principal foreign currency exposure is to the euro. On an annual basis after satisfying euro denominated liabilities the University is left with a surplus of euros. The operating level of euros holding is set at €750,000 and after accounting for any forecast liabilities any surplus euros above this level are converted into sterling. Surplus euros are converted at spot rates or via forward contracts that are used to mitigate the risk of adverse exchange rate movements.

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

The University's main financing relates to 40 year £250m bonds. The interest rate attached to the bond is fixed over the term. Due to the low interest rate environment most of the University cash deposits at the 31st July 2015 are on-call as these offer a competitive rates of return whilst offering liquidity. Such deposits have limited re-investment risk.

Financial instruments – fair values

The fair values of each category of the University's financial instruments are the same as their carrying value in the balance sheet, other than as noted below:

	2015 Carrying Value net of charges £m	**2015 Fair Value £m**
3.375%, unsecured bonds due 2055	244.7	259.3

The bond is listed on the London Stock Exchange, therefore, categorised as level1 under the requirements of FRS29 (IFRS 7) and valued using a quoted ask price as at 31 July 2015 in compliance with FRS 26 (IAS 39). The fair value of the bond is its market value at the balance sheet date. Market value includes accrued interest and changes in credit risk and interest rate risk, and is therefore different to the reported carrying amounts.