



Financial Statements 2008-09

The Chancellor

The Right Honourable The Lord Owen, CH, MA, MBBChir, FRCP

The Pro-Chancellor

Mark F. W. Blundell, DL, BA

The Vice-Chancellor

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

The Deputy Vice-Chancellor

Professor Jonathan R. Saunders BSc, PhD

The President

David C. McDonnell, CBE, DL, FCA, FRSA

The Treasurer

Professor James Keaton, BSc, LLD, FSDC, FBIM, FRSA (Also Vice-President)

The Deputy Treasurer

Neil Ashbridge

Pro-Vice-Chancellors

Professor John C. Belchem, BA, DPhil, FRHistS, FRSA
Professor John Caldwell, BPharm, PhD, DSc, CBiol, FIBiol, HonMRCP
Professor Stephen Holloway, BSc, PhD, FInstP, FAPS

Chief Operating Officer

Ron Calvert, BSc, MBA (until 30 November 2008)
Patrick Hackett, RIBA (from 1 December 2008)

Director of Finance

Michael G.S. Yuille, BAcc, CA (until 31 October 2009)
Robert Eastwood, B.A., A.C.A. (from 1 November 2009)

Professional Advisers

Auditors	PricewaterhouseCoopers LLP
Bankers	Barclays Bank plc
Lawyers	Pinsent Masons

Financial Statements

Contents

The Council of the University	3
Report of the Treasurer	4
Corporate Governance Statement.....	9
Responsibilities of the Council of the University	11
Auditor's Report.....	12
Consolidated Income and Expenditure Account.....	14
Consolidated and University Balance Sheets	15
Consolidated Cash Flow Statement	16
Statement of Consolidated Total Recognised Gains and Losses	17
Notes to the Accounts	18

The Council of the University

The key committees of the Council are:-

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

Names	Membership of key committees
The Chancellor	
The Right Honourable The Lord Owen, CH, MA, MBBChir, FRCP	
The Pro-Chancellor	
Mark F. W. Blundell, DL, BA	4
The Vice-Chancellor	
Professor Sir Howard Newby, KB, CBE, BA, PhD, AcSS	1, 2, 3
The Deputy Vice-Chancellor	
Professor Jonathan Saunders, BSc, PhD	1, 2
The President of Council	
David McDonnell, CBE, DL, FCA, FRSA	1, 2, 3
The Treasurer	
Professor James Keaton, BSc, LLd, FSDC, FBIM, FRSA (Also Vice-President)	1, 2, 3
The Deputy Treasurer	
Neil Ashbridge	1
The Pro-Vice-Chancellors:	
Professor John C. Belchem, BA, DPhil, FRHists, FRSA	1
Professor John Caldwell, BPharm, PhD, DSc, CBiol, FIBiol, HonMRCP	1
Professor Stephen Holloway, BSc, PhD, FInstP, FAPS	1
Clerk to Council	
Patrick Hackett, RIBA	
Appointed by the Court:	
Patrick M. Reid, BSc, PhD, MBA, FCIM, MIOd	2,4
Christopher J. Baker, BA, MA	4
Appointed by the Council:	
Guy Lance, BSc, CEng, MICE	3,4
Nirmala Pillay, PhD	
Joseph D. Duffey, PhD	
Judith Greensmith, DL, BCom	1,2,3
Sir Colin Lucas, MA, DPhil, FRJistS (from 1 January 2009)	
Susan Woodward OBE (until 12 March 2009)	
Senate Appointed/Elected Members:	
Professor Laura J. McAllister, BSc, PhD	
Professor Michael J. Wooldridge, BSc, PhD	
Professor Anu Arora, LLB, PhD, Barrister	2
Professor Lu-Yun Lian, BSc, PhD, MBA	
Professor Charles Forsdick, BA, PhD	
Beverley Ball, BSc, MA(Ed) (from 1 November 2008)	
Elected by the Convocation	
Helena V Hurt Pinsent, BA	
The President of the Guild of Students	
Danielle Grufferty	2

Report of the Treasurer

I am pleased to present my annual report to accompany the financial statements of the University for the year ending 31 July 2009. Early in 2009, the Vice-Chancellor, Professor Sir Howard Newby, obtained approval from the Council for a new Strategic Plan covering the period 2009-2014. This plan is ambitious in its aspirations and defines how the University will become a truly global University, offering all its staff and students a distinctive international experience.

Against a backdrop of continuing global economic uncertainty, the University's balance sheet remains strong, as does the cash flow, with substantial cash balances. However, the Consolidated Income and Expenditure account showed a deficit of £13.2m, the majority of which arose from: lower than projected contribution from research activity; exceptional costs arising from the voluntary disengagement scheme and a significant provision for pension liabilities. Since the year end, stock markets have rallied to the benefit of our endowments portfolio and pension fund assets. With continuing low interest rates, returns on cash deposits have fallen dramatically. Other costs have risen well in excess of inflation. Under these circumstances it has not proved possible to achieve the budgeted surplus, though the operating deficit has been contained to £8.1m, with many actions already implemented with the objective of eliminating the deficit against an anticipated worsening fiscal backcloth in the UK for 2010 – 2012. The quality of the University results in the UK Research Assessment Exercise was reflected in a significant increase in the grant settlement for 2009 – 2010, which is being invested in enhancing the University's world leading research.

The challenge to return the University to the generation of operating surpluses, particularly in the current economic and funding climate is significant. The University is considering a range of actions, including income generation and control over its costs in order to ensure the University returns consistently to generating a surplus. This will ensure the continued development of academic and research activity, along with further investment in the University's infrastructure and estate.

The fundamentals of the University of Liverpool remain strong. Its academic and research performance, as evidenced by the outcome of the 2008 RAE, continues to improve. The University has significant cash reserves.

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

The University's Strategic Plan

In the first half of the year Council approved the Strategic Plan covering 2009 - 2014. The Plan is ambitious and defines how the University aims to be successful within the challenging and changing higher education environment. The Plan for the University is for it to be Liverpool-centric but globally connected, giving our graduates a distinctive experience.

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 is 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. Council will affirm annually that the Plan is still appropriate to the University's needs and situation. The Plan can be read at <http://www.liv.ac.uk/about/strategic-plan.htm>.

Report of the Treasurer

Key Events during the Year

a) Research

In December 2008 the results of the UK Research Assessment Exercise were published. The University was ranked highly in subjects ranging from Infection and Immunology to Architecture and Materials Science. A total of 53% of research staff were ranked in the highest categories of the world leading (4*) and internationally excellent (3*) for their research in the assessment, which also saw Liverpool ranked second in the UK for Materials Science, with 70% of their research being in the 4* and 3* categories. In addition to this success, Liverpool was ranked in the top ten nationally in Archaeology (6th), Architecture (3rd), Chemistry (7th), Computer Science (7th), Earth & Ocean Science (9th), History (4th), and Infection and Immunology (4th). Significant strengths were also demonstrated in areas as diverse as English, Irish Studies, Veterinary Science, Physics, Applied Mathematics and Health Sciences.

The quality of these results was reflected in the recurrent grant settlement for 2009 – 10 which disclosed that Liverpool, along with only three other Universities, will receive a settlement well above inflation. The extra resources will be invested in the University's research base.

b) Teaching

The University continues to deliver teaching and learning across a wide range of disciplines and achieved its student number targets, delivering its HEFCE student number obligations. The following table gives an overview of the student population.

Table 1

		2009	2008	2007
Home & EU undergraduates	FT & PT	12,499	12,721	12,805
Home and EU postgraduates	FT & PT	1,865	1,810	1,760
Overseas undergraduates	FT & PT	1,587	909	1,028
Overseas postgraduates	FT & PT	1,117	861	884

As noted above, one of the key strategic objectives of the University is extending its 'widening participation' activities. The following table shows the University's performance for the last three years for which data are available.

Table 2 of Widening Participation Indicators – 3 Years

	University of Liverpool			Benchmark	2007/08	Russell
	2005/06	2006/07	2007/08	2007/08	English	Group
	%	%	%	%	Average	Average
Percent of young full-time undergraduate entrants from state schools or colleges	86.4	84.8	85.8	82.5	87.6	74.3
Percent of young full-time undergraduate entrants from NS-SEC classes 4,5,6 & 7	23.6	24.7	23.6	24.5	31.7	19.2
entrants from low participation neighbourhoods	8.6	8.6	9.2	7.5	9.8	5.3

source: HESA Performance Indicator Table T1a

Report of the Treasurer

c) Global Positioning

I reported last year on the developing partnership with Xi'an Jiaotong University and the joint venture that has been established – Xi'an Jiaotong Liverpool University is based at Suzhou some 90km west of Shanghai. The growth of the new University continues and it has already gained a high profile across China. There are over 1,500 undergraduates and post graduate recruitment has already started. New degree programmes are being developed and over the strategic plan period further laboratory and teaching space is being constructed. In 2008-09, degree programmes in Biological Sciences, English, Finance and International Business have been introduced. XJTLU also started to recruit international students in 2008.

The growth of this joint venture has, for the first time, led to the inclusion on the University's Financial Statements of the attributable share of assets, liabilities and result of XJTLU.

In addition to China, the University is forming unique partnerships with a number of institutions, creating global opportunities for students and staff. Partnerships are being developed with universities in Chile, Mexico and Spain with an essential criterion that our partners demonstrate genuine quality in both teaching and research. Further international developments are focused on Malaysia, Turkey, India, Korea and the United States of America.

Developments in the United States are more research focused. A number of relationships with Universities and organisations in and around the Georgia region of the USA have been nurtured, with a critical mass of institutions in what we describe as the "Georgia /Atlanta Cluster". The University has developed collaborative proposals in the Arts and Humanities, to supplement the current and nascent collaborations in the bio-medical and engineering fields. This work is opening up possibilities for knowledge economy growth and inter-regional collaboration on civic and cultural links, trade and inward investment.

These developments will be fully embedded within the University's emerging International Strategy, together with other links in the South and Eastern States, where the University's Management School is developing connections; and opportunities in South and North Carolina and New England.

d) Developing the Estate

Recognising the importance of the quality of the University estate to the student experience and that of staff, continued investment has been taking place in the University campus.

The University has continued to invest in its Estate in 2008-09 (£45.6M), delivering improved infrastructure and facilities to ensure that research, learning, and teaching space, accommodation and catering facilities are fit-for purpose and enhance the student experience. Projects completed during the financial year include:

- Refurbishment and extension of Sydney Jones Library at a cost of £17.5m completed in September 2008
- Refurbishment and extension of the Mechanical Engineering Building at a cost of £37.7m completed in November 2008.

e) Driving Knowledge exchange and innovation

The University's knowledge exchange initiatives are allowing the institution to make its expertise available to a growing list of multi-national organisations, many of which have a base in the North-West of England. AstraZeneca, Akzo Nobel, Pilkinton and Unilever are among the companies that have supported the formation of the Liverpool-led knowledge Centre for Materials Chemistry and have been funded by a £7.9m grant from the North West Science fund. This will enable businesses to access the specialist expertise within the Centre.

The University has been particularly successful in securing collaborative research income and is ranked at the top of the Russell Group of Universities for the level of knowledge exchange income per full time member of academic staff.

Report of the Treasurer

Financial Performance

The year ending July 2009 has seen one of the most turbulent periods in recent economic history. The University has not been immune from the effects of these events; returns on cash deposits have fallen from around 6% to 1% or less, commodity prices have led to very large increases in utility costs, currency fluctuations have led to increased costs in library and IT services and pensions costs are rising (University of Liverpool Pension Fund scheme incurred a £3.6m charge in the year relating to FRS17). In addition, a pay award of 5% in October 2008 (based on RPI in September 2008) added to the financial pressures.

However, it is good to note that the University did increase total income from the majority of sources, except endowment income and interest receivable. However the increased income was not sufficient to cover the increases experienced in costs, resulting in the retained deficit for the year of £13.2m.

Following the deficit in 2007-08, an independent review was commissioned to investigate the effectiveness of the University's performance management reporting. The results of this report were published in March 2009 and in conjunction with the change management agenda arising from a review of Professional Services, revised budgeting, forecasting and reporting procedures are being put in place.

Despite the disappointing outturn for 2008-09, the balance sheet remains strong. There are substantial cash balances and the strong rally in stock markets has improved the value of the endowment portfolio and pension fund assets. Fixed assets are in excess of £340m while borrowing remains low and unchanged in total from the previous year.

The University has worked hard to realign the institution to meet the economic challenges that lie ahead. Staff numbers have been reduced as a result of a voluntary disengagement scheme; advantage was taken of low oil prices in March to secure fixed price contracts for electricity and gas for a two year period and diversification of profitable income sources is being vigorously pursued. A new organisation structure is being put into place with a view to achieving operational efficiencies.

There is little doubt that the next two to three years will prove to be financially challenging. Government funding for higher education is likely to reduce; pay and pension costs pressures will remain and currency fluctuations will also impact on cost levels, though also reducing the costs of study to overseas students.

The Future

Financial year 2009 - 10 might be described as a transitional year; the realignment of Professional Services under the management of the Chief Operating Officer has allowed for a review of business processes. The emphasis is on enhanced service delivery. This is supported by the Professional Services Vision:

'Building on existing best practice, and in consultation with our academic colleagues, students, and other stakeholders, we will deliver a range of support, advice and service that is integrated, responsive and of an internationally-excellent standard'

Current initiatives are already underway to support this vision including:

- Improvements to the forecasting and planning processes – a combined effort across all disciplines and a bottom up approach
- The development of key performance indicators presented to senior management team
- The creation of the three new Academic Faculties and the appointment of Faculty Managers

These will provide the building blocks from which excellent service delivery can be achieved.

Report of the Treasurer

Key Performance Indicators

During the year, improvements have been made in the reporting of key performance indicators to senior management. Each month, a Strategic Management Team Performance Measurement report is produced. This report focuses on the key ambitions within the strategic plan and assesses performance against the agreed annual targets, along with an assessment of where performance is improving or deteriorating.

The Liverpool School of Tropical Medicine (LSTM)

The University values its close working relationship with LSTM, whilst recognizing its independent legal status. However, teaching programmes are validated by the University, there are many collaborative research projects and HEFCE grant for LSTM is received by the University and passed to LSTM. The University remains accountable to HEFCE for this funding. In addition, there are long-standing shared services in place such as payroll, pension funds and computing services. Certain of LSTM's premises are held on the University's asset register. As a result, the University has continued to fully consolidate LSTM into its financial statements.

Equal Opportunities Policy

The aim of the University's policy is to ensure that no job applicant or member of staff receives less than favourable treatment on the grounds of disability, sex, marital status, religion, race, colour, nationality, or ethnic or national origins, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. Selection criteria and the 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 the Council to set out the ethical platform on which the University's endowment asset investments are managed. The Council instructs its investment managers, through the Investments Committee, to invest University funds only with those companies who meet the criteria set for ethical investment. It is the role of the Investments Committee to maximize the potential returns on investments within such restrictions as established by Council. Fund Managers report regularly to the Investments Committee on actions they have taken relating to socially responsible investing.

Reserves Policy

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



PROFESSOR JAMES KEATON BSc LLd FSDC FBIM
Treasurer

Corporate Governance Statement

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

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

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

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

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

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

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

The Vice-Chancellor is supported in his role by a Deputy Vice-Chancellor and three Pro-Vice-Chancellors. They lead the academic management of the University which is organised into faculties and academic departments. The professional services are managed by the Chief Operating Officer.

The Council of the University is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee, on behalf of the Council, has reviewed the effectiveness of the University's system of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Corporate Governance Statement

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

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

Responsibilities of the Council of the University

In accordance with the Charter and Statutes of the University of Liverpool, the Council of the University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

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

In causing the financial statements to be prepared, the Council has to ensure that:

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

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum 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 is designed to discharge the responsibilities set out above, include the following:
 - clear definitions of the responsibilities of, and the authority delegated to all heads of departments;
 - a comprehensive short and medium term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
 - regular reviews of academic performance and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
 - clearly defined and formalised requirements for approval and control of expenditure;
 - a formalised treasury management policy;
 - a comprehensive Financial Handbook detailing financial controls and procedures, approved by the Audit Committee and Council; and
 - a professional Internal Audit team whose programme of work is approved annually by the Audit Committee.

Auditor's Report

Independent auditors' report to the Council of the University of Liverpool

We have audited the financial statements' of the University of Liverpool, and its group, for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Institution's Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Council and auditors

The Council's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the institution in accordance with the Charters and Statutes of the institution. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.

We report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE).

We also report to you whether, in our opinion, the information given in the Report of the Treasurer is consistent with those financial statements. In addition we report to you if, in our opinion, the institution has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the Treasurer and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Corporate Governance Statement.

We also review the statement of internal control included as part of the Corporate Governance Statement and comment if the statement is inconsistent with our knowledge of the institution. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum 2008/19. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

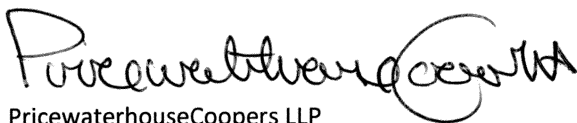
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Auditor's Report

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the Group and institution at 31 July 2009, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received; and
- iv. in all material respects, income has been applied in accordance with the institution's statutes and where appropriate in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Liverpool

30 November 2009

The maintenance and integrity of the University of Liverpool's website is the responsibility of the Council; 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 2009

		2009	2008
	Note	£000	£000
Income			
Funding Council Grants	2	113,641	106,912
Academic fees and support grants	3	76,366	60,285
Less: Share of joint venture academic fee income	3,14	(2,813)	-
Research grants and contracts	4	96,755	93,050
Other operating income	5	73,584	66,569
Less: Share of joint venture other operating income	5,14	(162)	-
Endowment income and interest receivable	6	6,388	12,870
Total income		363,759	339,686
Expenditure			
Staff costs	7,9	211,334	199,240
Other operating expenses	7	141,728	123,594
Depreciation	7	15,630	13,301
Interest payable	7	3,152	2,721
Total expenditure		371,844	338,856
(Deficit)/Surplus after depreciation of tangible fixed assets & before tax		(8,085)	830
Share of operating profit of joint venture		35	-
Taxation (charge)/credit	8	(59)	(176)
(Deficit)/Surplus after depreciation of tangible fixed assets & tax		(8,109)	654
Exceptional payroll costs	9	(3,980)	(6,768)
Profit on the sale of fixed assets		100	370
Deficit on continuing operations after depreciation of tangible fixed assets and tax		(11,989)	(5,744)
Surplus endowment income for the year transferred to accumulated income in endowment funds		(1,189)	(1,551)
Deficit for the year retained within general reserves		(13,178)	(7,295)

Consolidated and University Balance Sheets

as at 31 July 2009

	Note	Consolidated		University	
		2009	2008	2009	2008
		£000	£000	£000	£000
Fixed Assets					
Intangible assets		27	27	27	27
Tangible assets	11,12	340,036	310,115	285,852	268,443
Investments	14	6,318	6,674	23,379	26,311
Investments in joint ventures					
Share of gross assets		6,292	-	-	-
Share of gross liabilities		(6,456)	-	-	-
		346,217	316,816	309,258	294,781
Endowment assets	15	103,578	113,263	97,679	106,688
Current assets					
Stock		993	1,084	613	581
Debtors	17	54,924	55,190	48,916	50,432
Investments		2,984	3,468	-	-
Cash at bank and in hand		78,472	87,753	55,045	71,325
		137,373	147,495	104,574	122,338
Less: Creditors - amounts falling due within one year	18	(93,234)	(84,343)	(68,207)	(82,010)
Net current assets		44,139	63,152	36,367	40,328
Total assets less current liabilities		493,934	493,231	443,304	441,797
Less: Creditors - amounts falling due after more than one year	19	(61,620)	(61,016)	(45,439)	(44,760)
Net assets excluding pension liability		432,314	432,215	397,865	397,037
Net pension liability	28	(66,584)	(23,100)	(66,584)	(23,100)
Net assets including pension liability		365,730	409,115	331,281	373,937
Represented by:					
Deferred capital grants	20	198,920	177,505	173,476	153,649
Endowments					
Expendable	16	12,843	14,644	12,843	14,644
Permanent	16	90,735	98,619	84,836	92,044
		103,578	113,263	97,679	106,688
Capital and Reserves					
Share Capital Account		-	1,905	-	-
Share Premium Account	24	-	250	-	-
Income and expenditure excluding pension reserve	22	126,351	135,033	122,987	132,337
Pension reserve	28	(66,584)	(23,100)	(66,584)	(23,100)
Income and expenditure including pension reserve		59,767	111,933	56,403	109,237
Revaluation reserve	21	3,465	4,259	3,723	4,363
		63,232	116,192	60,126	113,600
Total funds		365,730	409,115	331,281	373,937

The financial statements on pages 14 to 43 were approved by the Council on 27th November 2009 and signed on its behalf by:



Professor James Keaton
Treasurer



Professor Sir Howard Newby
Vice-Chancellor



Robert Eastwood
Director of Finance

Consolidated Cash Flow Statement

for the year ended 31 July 2009

	Notes	2009 £000	2008 £000
Cash flow from operating activities	25	13,334	7,042
Returns on investments and servicing of finance			
Income from Endowments		3,786	4,353
Other interest received		2,812	5,129
Other Investment Income		151	249
Interest paid on loans		(2,761)	(2,288)
Other interest payable		(115)	(135)
Interest element of finance lease payable		(276)	(298)
		3,597	7,010
Taxation charge	8	(59)	(176)
Capital expenditure and financial investment			
Payments to acquire fixed assets		(45,591)	(54,262)
Endowment assets acquired and received		(34,501)	(25,316)
Receipts from sale of fixed assets		100	198
Receipts from sale of endowment assets		38,540	25,901
Deferred capital grants received		15,110	16,223
Exceptional payroll costs		(3,980)	(6,768)
Endowments received		3,602	2,045
		(26,720)	(41,979)
Net Cash Outflow before use of liquid resources and financing		(9,848)	(28,103)
Management of liquid resources			
Cash transferred to term deposits		-	(1,673)
Financing			
Loans drawn during the year		-	15,600
Interest and capital element of finance lease repayments		(264)	(246)
Decrease in cash in the period		(10,112)	(14,422)
Reconciliation of net cash flow to movement in net funds/(debt)			
Decrease in cash in the period		(10,112)	(14,422)
Cash inflow/(outflow) from liquid resources		-	1,673
Change in net debt resulting from cash flows		264	(15,354)
Movement in net funds in period		(9,848)	(28,103)
Net funds at 1 August		33,689	61,792
Net funds at 31 July		23,841	33,689

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2009

	Note	2009 £000	2008 £000
Deficit on continuing operations after depreciation of tangible fixed assets and tax		(11,989)	(5,744)
Other movements direct from reserves		(355)	(1,486)
Actuarial loss in respect of pension scheme	28	(39,822)	(15,099)
Movement in income and expenditure reserve (note 22)		(52,166)	(22,329)
Depreciation of endowment asset Investments		(13,355)	(19,686)
New Endowments	16	3,602	2,045
Loss on revaluation of investment properties	21	(726)	(579)
		—	—
Total recognised (losses)/gains relating to the year		(62,645)	(40,549)
		—	—
Reconciliation			
Opening reserves and endowments		229,455	270,004
Total recognised gains for the year		(62,645)	(40,549)
		—	—
Closing reserves and endowments		166,810	229,455
		—	—

Notes to the Accounts

1. Statement of Principal Accounting Policies

a. Basis of preparation

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

b. Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings (as detailed in note 14) for the financial year to 31 July 2009. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the University does not control those activities. The financial statements include full consolidation of the results of the Liverpool School of Tropical Medicine, an affiliated organisation, on the basis of dominant influence.

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 Institution 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 relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

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.

Notes to the Accounts

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 in the balance sheet.

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 cost. 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.

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.

Notes to the Accounts

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.

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

l. Acquisition with the aid of specific grants

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

m. 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 lease 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.

n. 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 the acquisition. Further information is provided in note 13. The cost of conservation and restoration of the heritage collection is reported in the Income and Expenditure Account for the year it is incurred.

o. 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.

Notes to the Accounts

p. 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 readily disposable store of value. They include term deposits, government securities and loan stock held as part of the Institution's treasury management activities. They exclude any such assets held as endowment asset investments.

q. 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 2007 by external professionally qualified valuers.

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

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

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

Investment properties are held in the balance sheet at market value. Investment properties were revalued at 31 July 2007 by externally professionally qualified valuers.

r. Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly the University, but not its subsidiary companies, is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University group receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated 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.

s. 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.

Notes to the Accounts

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]

Total return is the whole of the investment return received by the University on the permanent endowment funds regardless of how it has arisen. The total return, less any part of the return which has previously been applied for the purposes of the University, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

t. 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. The University 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.

u. 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.

Notes to the Accounts

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.

2. Funding Council Grants

	2009	2008
	£000	£000
Recurrent grants	101,159	96,756
Specific grants	9,082	7,139
Deferred capital grant released in year (see note 20)	3,400	3,017
	<hr/>	<hr/>
	113,641	106,912
	<hr/>	<hr/>

3. Academic Fees and Support Grants

	2009	2008
	£000	£000
Full time Home and EU students	45,437	38,269
Full time Overseas students	21,081	17,300
Part time students	3,400	2,196
Special courses	3,484	2,465
Research Training Support grants	151	55
Share of tuition fee income from joint venture	2,813	-
	<hr/>	<hr/>
	76,366	60,285
	<hr/>	<hr/>

4. Research Grants and Contract

	2009	2008
	£000	£000
Research Councils	29,120	26,381
Charities	18,498	16,066
Industry and Commerce	4,511	4,690
Governmental (UK & EU)	28,501	27,395
Other	16,125	18,518
	<hr/>	<hr/>
	96,755	93,050
	<hr/>	<hr/>

Notes to the Accounts

5 Other Operating Income

	2009 £000	2008 £000
Residences and catering	11,346	10,334
Health Authorities	7,975	7,934
Other Services	21,903	18,758
Donations	1,444	3,277
Released from deferred capital gains	3,155	2,485
Other income	27,599	23,781
Share of other income from joint venture	162	-
	<u>73,584</u>	<u>66,569</u>

6 Endowment Income and Interest Receivable

	2009 £000	2008 £000
Income from expendable endowments	538	688
Income from permanent endowments	3,248	3,665
Income from short term deposits	2,812	5,129
Other investment income	151	249
Net (cost)/return on Pension Scheme	(361)	3,139
	<u>6,388</u>	<u>12,870</u>

7 Analysis of Expenditure by Activity

	Staff	Other Operating Expenses	Interest	Depreciation	2009	2008
	£000	£000	£000	£000	£000	£000
Academic departments	109,078	25,362	111	4,227	138,778	127,693
Research grants and contracts	40,256	39,381	-	2,051	81,688	80,911
Academic Services	14,063	12,581	-	384	27,028	22,832
General educational expenditure	4,299	14,241	-	2	18,542	13,955
Maintenance of premises	10,904	20,271	-	8,544	39,719	33,310
Administration and central services (1)	14,876	7,514	2,015	34	24,439	22,003
Students & staff facilities & amenities	1,254	5,307	-	102	6,663	3,553
Residences and catering (2)	4,973	6,443	276	286	11,978	9,872
Severance costs and unfunded pensions	109	-	-	-	109	720
Miscellaneous expenditure	-	18	749	-	767	204
Other services rendered	8,221	10,610	1	-	18,832	19,889
Additional Pension Costs per FRS17	3,301	-	-	-	3,301	3,914
	<u>211,334</u>	<u>141,728</u>	<u>3,152</u>	<u>15,630</u>	<u>371,844</u>	<u>338,856</u>

Notes to the Accounts

Other Operating Expenses includes:

	2009	2008
	£000	£000
PricewaterhouseCoopers LLP		
External Audit Fee	54	54
University		
University prior year	19	16
Subsidiaries	14	14
Taxation and consultancy services	24	55
KPMG LLP		
Internal Audit	137	140
Taxation, consultancy and accountancy services	264	181
Grant Thornton LLP		
Audit Fee	35	37
Taxation, consultancy and accountancy services	9	-
Bentley Jennison		
Internal Audit	26	24
LSTM		
Hamilton-Burke Dufau Limited		
External Audit Fee	3	-
Liverpool University Press 2004 Limited		

8. Taxation

	2009	2008
	£000	£000
United Kingdom corporation tax (charge) credit at 28% (2008: 30%)		
Deferred Tax - origination and reversal of timing differences	(142)	(119)
Other tax charges	83	(57)
	(59)	(176)

9. Staff Costs

	2009	2008
	£000	£000
Staff costs were:		
Salaries	170,047	161,057
Social security costs	15,883	14,048
Pension costs including FRS 17 adjustments (note 28)	25,404	24,135
	211,334	199,240

Emoluments of the Vice-Chancellor, including benefits in kind and pension contribution for 2009 were £386k (2008: £320k).

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rate as for other academic staff and amounted to £43k (2008: £35k).

Compensation for loss of office paid to members of staff earning in excess of £100,000 per annum for 2009 was £324k (2008: £nil).

Notes to the Accounts

Staff Numbers by major category:

	2009 Full time Equivalent	2008 Full time Equivalent
Academic/Clinical	2,738	2,798
Technical	618	649
Clerical	845	849
Other	320	344
	<hr/>	<hr/>
	4,521	4,640
	<hr/>	<hr/>

During the year the University operated a Voluntary Disengagement scheme whereby cessation of employment would be by mutual agreement. The University has charged £3.98m of these costs in the year, which is shown as an exceptional item on the face of the income and expenditure account.

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.

	Number	Number
£100,000 - £109,999	28	13
£110,000 - £119,999	17	13
£120,000 - £129,999	7	5
£130,000 - £139,999	7	13
£140,000 - £149,999	10	7
£150,000 - £159,999	10	10
£160,000 - £169,999	7	6
£170,000 - £179,999	6	6
£180,000 - £189,999	10	8
£190,000 - £199,999	6	2
£200,000 - £249,999	2	4
£250,000 - £299,999	1	1
£300,000 - £349,999	1	-
	<hr/>	<hr/>
	112	88
	<hr/>	<hr/>

Notes to the Accounts

10. Related party transactions

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

	Income	Expenditure	Balances at 31.7.09 due to (from) the University
	£000	£000	£000
Mr P. Hackett Non Executive Director, Aintree NHS Trust	1,854	179	18
Professor J. Belchem Board of Governors, North Liverpool Academy	3	-	-
Board Member, FACT	-	1	1
Professor J. Caldwell Chairman, Scientific Committee North West Cancer Research Fund	667	-	255
Mrs S.J. Rutherford Non Executive Director, Royal Liverpool and Broadgreen Hospitals	3,821	3,668	1,195
Mr P. Reid Foundation Member, Royal Liverpool and Broadgreen Hospitals	3,821	3,668	1,195
Regional Engagement Director, AstraZeneca	174	-	68
Mrs J. Greensmith Chair, Royal Liverpool and Broadgreen University Hospitals NHS Trust	3,821	3,668	1,195
Mr D.C. McDonnell CEW, Grant Thornton International	1	44	-
Director, USS Ltd.	-	15,368	(1,276)
Mr M.G.S. Yuille Director, UM Association (Special Risks) Ltd.	12	97	-
Non Executive Director, Alder Hey Children's NHS Foundation Trust	1,213	429	106
Mr J. Flamson Board Director, Liverpool Philharmonic Hall Events Ltd.	15	62	-
Board Member, Liverpool Institute for Performing Arts	1	18	1
Mr C.J. Baker Chairman, Aintree University Hospital NHS Foundation Trust	1,854	179	18
Mr J. Duffey Senior Vice President, Laureate International Universities, Laureate Education	1,038	50	-
Miss C. Jones Director, Liverpool International College Ltd.	8	-	5
Chair, Northern Consortium UK Board Trustees	143	-	(1)
Professor J. Keaton Non Executive Chairman, National Trust N.W. Regional Board	1	-	-
Chair of Governors, Upton Hall Grammar School	2	-	-
Sir C. Lucas Chairman, British Library	2	13	3

Notes to the Accounts

11. Consolidated Tangible Assets

	Land and Buildings		Finance Lease	Equipment	Total	
	Freehold	Leasehold				
	£000	£000	£000	£000	£000	
Cost at 1 August 2008	321,807	41,808	5,757	47,066	416,438	
Additions in the year at cost	22,806	4,334	-	18,451	45,591	
Less: Disposals during the year	-	(5)	-	(2,152)	(2,157)	
Cost at 31 July 2009	344,613	46,137	5,757	63,365	459,872	
Accumulated Depreciation						
At 1 August 2008	60,245	11,282	2,279	32,517	106,323	
Charge for the year	7,165	1,138	271	7,056	15,630	
Less: Eliminated on disposals	(1)	(5)	-	(2,111)	(2,117)	
Depreciation at 31 July 2009	67,409	12,415	2,550	37,462	119,836	
Net Book Value						
	31 July 2009	277,204	33,722	3,207	25,903	340,036
	1 August 2008	261,562	30,526	3,478	14,549	310,115

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 £114.8m, and a cost of £156.5m have been funded from Treasury sources; should these buildings be sold, the University would have to use the proceeds in accordance with the Financial Memorandum with the Higher Education Funding Council for England or surrender them to HM Treasury. The University has granted a long leasehold interest in a small part of its estate to Rosemary Young Persons Charitable Housing Ltd. (a charity), on which new student accommodation has been built. It has been agreed that the University will lease back this accommodation, with an option to purchase after 25 years (in the year 2019). This is the property to which the finance lease relates.

The insured value of the buildings is £969 million.

Included in the net book value of leasehold assets is a net sum of £13.1 million representing grant-aided expenditure on the Royal Liverpool University Hospital and the Dental Hospital, the title of which is vested in the Secretary of State for Health and for which the University has been granted a long lease.

Notes to the Accounts

12. University Tangible Fixed Assets

	Land and Buildings		Finance Lease £000	Equipment £000	Total £000	
	Freehold £000	Leasehold £000				
Cost at 1 August 2008	297,074	25,428	5,757	40,872	369,131	
Additions in the year at cost	20,887	1,903	-	9,229	32,019	
Less: Disposals during the year	-	-	-	(52)	(52)	
Cost at 31 July 2009	317,961	27,331	5,757	50,049	401,098	
Accumulated Depreciation						
At 1 August 2008	59,976	8,586	2,279	29,847	100,688	
Charge for the year	6,666	797	271	6,854	14,588	
Less: Eliminated on disposals	-	-	-	(30)	(30)	
Depreciation at 31 July 2009	66,642	9,383	2,550	36,671	115,246	
Net Book Value						
	31 July 2009	251,319	17,948	3,207	13,378	285,852
	1 August 2008	237,098	16,842	3,478	11,025	268,443

13. Heritage Assets

The University holds its heritage assets in two collections:

The Fine and Decorative Art Collection consists of 7,000 items of metal ware, fine furniture, ceramics, paintings, drawings, prints and sculptures. It is held in the Victoria Gallery and Museum in the University's iconic redbrick Victoria Building, which is open to the public. An insurance valuation was provided professionally by Sotheby's in 1997 and updated in 2007 to a figure of £15.9m, but £10m of that related to two items only, pictures by Lucien Freud and Turner, each valued at £5m.

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

Notes to the Accounts

14. Fixed asset investments

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
Market value of fixed asset investments	989	804	982	664
Properties	5,329	5,870	5,329	5,119
<i>University companies at cost</i>				
Ulive plc	-	-	1,549	1,549
N8 Limited	-	-	-	750
University of Liverpool Energy Company Ltd (ULEC)	-	-	1	1
University of Liverpool Construction Company Ltd (ULCCo)	-	-	100	4,000
University of Liverpool Commercial Services Ltd (ULCS)	-	-	550	550
UL Properties Limited (ULPS)	-	-	13,678	13,678
Xi'an Jiaotong-Liverpool University	-	-	1,190	-
	<u>6,318</u>	<u>6,674</u>	<u>23,379</u>	<u>26,311</u>

The University owns 100% of the issued ordinary capital of ULEC, ULCCo, ULCS and ULPS. The University's subsidiary companies are all registered in England and Wales. The University is also the parent organisation of ULIVE plc, ULIVE Innovations Limited, ULIVE Enterprises Limited and Liverpool University Press 2004 Limited. 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. This company has been consolidated as a joint venture for the first time in 2009.

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

The University has been allocated, at no cost, a proportion of 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

Neocare Limited 13.5

Notes to the Accounts

15. Endowment Assets

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
Balances as at 1 August	113,263	132,057	106,688	124,521
Purchases of investments	34,501	25,316	33,963	25,164
Disposal of investments	(38,540)	(25,901)	(38,153)	(25,751)
Depreciation of revaluation	(5,172)	(21,198)	(4,522)	(20,056)
(Decrease)/Increase in cash balances	(474)	2,989	(297)	2,810
As at 31 July	103,578	113,263	97,679	106,688
Represented by:				
Quoted equities	73,371	80,256	68,248	74,570
Fixed interest bonds	19,011	17,877	18,682	17,567
Property & other investments	6,216	9,677	6,171	9,677
Cash in bank held for endowment funds	4,980	5,453	4,578	4,874
Total Endowment Assets	103,578	113,263	97,679	106,688

16. Endowments - Consolidated

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	Total £000
Capital Value	1,689	90,297	91,986	11,704	103,690
Accumulated Income	9	6,624	6,633	2,940	9,573
As at 1 August 2008	1,698	96,921	98,619	14,644	113,263
Net Additions/(disposals)	-	3,465	3,465	137	3,602
Appreciation/(Depreciation) of Investments	(193)	(12,334)	(12,527)	(1,917)	(14,444)
Investment Income	62	3,387	3,449	538	3,987
Expenditure	(54)	(2,217)	(2,271)	(559)	(2,830)
As at 31 July 2009	1,513	89,222	90,735	12,843	103,578
Represented by:					
Capital Value	1,496	81,016	82,512	10,200	92,712
Accumulated Income	17	8,206	8,223	2,643	10,866
	1,513	89,222	90,735	12,843	103,578

Notes to the Accounts

16. Endowments continued – University of Liverpool

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	Total £000
Restated Balances:					
Capital Value	219	85,192	85,411	11,705	97,116
Accumulated Income	9	6,624	6,633	2,939	9,572
As at 1 August 2008	228	91,816	92,044	14,644	106,688
Net Additions/(disposals)	-	3,465	3,465	137	3,602
Appreciation/(Depreciation) of Investments	(29)	(11,861)	(11,890)	(1,917)	(13,807)
Investment Income	8	3,240	3,248	538	3,786
Expenditure		(2,031)	(2,031)	(559)	(2,590)
As at 31 July 2009	207	84,629	84,836	12,843	97,679
Represented by:					
Capital Value	190	76,805	76,995	10,200	87,195
Accumulated Income	17	7,824	7,841	2,643	10,484
	207	84,629	84,836	12,843	97,679

17. Debtors

	Consolidated		University	
	2009	2008	2009	2008
	£000	£000	£000	£000
Debtors - trade	22,064	26,947	21,018	24,191
intergroup	-	-	2,848	2,171
Prepayments and accrued income	32,860	28,243	25,050	24,070
	54,924	55,190	48,916	50,432

Included within intergroup debtors is £1,376K due over one year (2008: £1,296K).

Included within prepayments and accrued income is £330K due over one year (2008: £83K).

Notes to the Accounts

18. Creditors: Amounts falling due within one year

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
Bank Overdraft	490	145	-	12
Obligations under finance leases	292	271	292	271
Creditors - trade	10,089	14,284	9,069	12,410
- intergroup	-	-	9,000	18,618
Deferred Income	62,647	46,430	37,719	33,043
Social security and other taxation	6,278	7,241	5,310	6,491
Accrued charges	13,438	15,972	6,817	11,165
	<u>93,234</u>	<u>84,343</u>	<u>68,207</u>	<u>82,010</u>

19. Creditors: Amounts falling due after one year

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
Unsecured Loans payable by 2036	40,000	40,000	40,000	40,000
Unsecured Loans payable by 2028	15,000	15,000	-	-
Unsecured Loans payable by 2014	620	600	-	-
Obligations under Finance Leases				
due 2-5 years	1,401	1,304	1,401	1,304
due over 5 years	1,808	2,197	1,808	2,197
Other Creditors	2,791	1,915	2,230	1,259
	<u>61,620</u>	<u>61,016</u>	<u>45,439</u>	<u>44,760</u>

Notes to the Accounts

20. Deferred capital grants - university and consolidated

	Funding Council	Consolidated Other Grants & Donations	Total	Funding Council	University Other Grants & Donations	Total
	£000	£000	£000	£000	£000	£000
At 1 August 2008						
Buildings	124,948	50,446	175,394	120,808	30,730	151,538
Equipment	47	2,064	2,111	326	1,785	2,111
	<u>124,995</u>	<u>52,510</u>	<u>177,505</u>	<u>121,134</u>	<u>32,515</u>	<u>153,649</u>
Cash received/receivable						
Buildings	15,781	9,543	25,324	15,781	7,428	23,209
Equipment	279	2,367	2,646	-	2,646	2,646
	<u>16,060</u>	<u>11,910</u>	<u>27,970</u>	<u>15,781</u>	<u>10,074</u>	<u>25,855</u>
Released to income and expenditure						
Buildings	(3,225)	(1,319)	(4,544)	(3,137)	(880)	(4,017)
Equipment	(175)	(1,836)	(2,011)	(175)	(1,836)	(2,011)
	<u>(3,400)</u>	<u>(3,155)</u>	<u>(6,555)</u>	<u>(3,312)</u>	<u>(2,716)</u>	<u>(6,028)</u>
As 31 July 2009						
Buildings	137,504	58,670	196,174	133,452	37,278	170,730
Equipment	151	2,595	2,746	151	2,595	2,746
	<u>137,655</u>	<u>61,265</u>	<u>198,920</u>	<u>133,603</u>	<u>39,873</u>	<u>173,476</u>

Notes to the Accounts

21 Revaluation reserve

	Consolidated		University	
	2009	2008	2009	2008
	£000	£000	£000	£000
Balance 1 August	4,259	4,885	4,363	4,345
Revaluations in the period	(726)	(579)	(640)	-
Reserve movement relating to transfer to fixed assets	-	18	-	18
Transfer to profit and loss reserve	(68)	(65)	-	-
Balance 31 July	<u>3,465</u>	<u>4,259</u>	<u>3,723</u>	<u>4,363</u>

22 Income and expenditure reserves

	Consolidated		University	
	2009	2008	2009	2008
	£000	£000	£000	£000
Balance 1 August	111,933	134,262	109,237	134,338
Balance 1 August Xi'an Jiaotong-Liverpool University	(1,389)	-	-	-
Balance 1 August ULIVE PLC	1,905	-	-	-
Balance 1 August Ulive Innovations Limited	250	-	-	-
Deficit on income and expenditure account	(13,178)	(7,295)	(13,012)	(10,002)
Transfer from Revaluation Reserve	68	65	-	-
Actuarial loss on pension reserve	(39,822)	(15,099)	(39,822)	(15,099)
Balance 31 July	<u>59,767</u>	<u>111,933</u>	<u>56,403</u>	<u>109,237</u>
Represented by:				
University Reserves	122,987	132,129	122,987	132,337
Subsidiaries	3,364	2,904	-	-
Income & Expenditure Excluding Pension Reserve	126,351	135,033	122,987	132,337
Pension Reserve	(66,584)	(23,100)	(66,584)	(23,100)
	<u>59,767</u>	<u>111,933</u>	<u>56,403</u>	<u>109,237</u>

Notes to the Accounts

23. Access to Learning (Hardship) Funds

	2009	2008
	£000	£000
Income		
Excess of Income over Expenditure brought forward	1	61
Funding Council grants	371	493
Interest earned	2	7
	<u>374</u>	<u>561</u>
Expenditure		
Disbursed to students	(358)	(559)
Audit fees	(1)	(1)
	<u>(359)</u>	<u>(560)</u>
Excess of Income over Expenditure carried forward	<u>15</u>	<u>1</u>

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.

24 Share Premium

In 2007 1,240 ordinary shares in ULIVE Innovations Limited were issued externally for cash, the nominal value being £1,240 and the consideration received was £124,000. Similarly, 1,260 preference shares in ULIVE Innovations Limited were issued for cash with a nominal value of £1260 and consideration received of £126,000.

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

	2009	2008
	£000	£000
Surplus/(Deficit) on continuing operations after depreciation of assets	(8,050)	830
Pension costs less contributions payable	3,661	775
Depreciation (notes 1 & 11)	15,630	13,301
Deferred capital grants released to income (note 20)	(6,555)	(5,502)
Finance lease interest charge	276	298
Interest on £40m private placement	1,993	1,993
Interest on £15m CHP Loan	749	290
Interest on ULIVE plc Loan	19	5
Other interest payable	115	135
Decrease/(Increase) in fixed asset investments	520	(27)
Decrease/(Increase) in stocks	91	(202)
Decrease/(Increase) in debtors	266	(961)
Increase in creditors	8,891	6,394
Increase in creditors > 1 year	604	832
Increase/(Decrease) in current asset investments	484	(407)
Purchase of new investments	-	(981)
Investment income	(6,749)	(9,731)
Non cash movement from reserves	1,389	-
	<u>13,334</u>	<u>7,042</u>
Net cash inflow from operating activities		

Notes to the Accounts

26. Analysis of Changes in Net Debt

	1 August 2008	Cashflows	31 July 2009
	£000	£000	£000
Cash in hand, and at bank			
Endowment assets investments	5,453	(473)	4,980
Cash in hand, and at bank	87,753	(9,281)	78,472
Overdrafts	(145)	(345)	(490)
	<u>93,061</u>	<u>(10,099)</u>	<u>82,962</u>
Finance leases			
Debt due within 1 year	(271)	(21)	(292)
Debt due after 1 year	(3,501)	292	(3,209)
Other debt due after 1 year	(55,600)	(20)	(55,620)
	<u>33,689</u>	<u>(9,848)</u>	<u>23,841</u>

27 Capital commitments

	Consolidated		University	
	2009	2008	2009	2008
	£000	£000	£000	£000
Authorised not yet contracted	16,406	-	8,853	-
Authorised and contracted	-	31	-	31
	<u>16,406</u>	<u>31</u>	<u>8,853</u>	<u>31</u>

Notes to the Accounts

28 Retirement benefits

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

	2009	2008
	£000	£000
Contributions to Universities Superannuation Scheme	15,368	13,967
Contributions to University of Liverpool Pension Fund	8,108	8,276
Contributions to other schemes	1,928	1,892
	<hr/>	<hr/>
Total Pension Cost (note 9)	25,404	24,135
	<hr/>	<hr/>

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme, 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. USS has over 130,000 active members and the institution has 2,391 active members participating in the scheme.

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

Because of the mutual nature of the scheme, the 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. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Notes to the Accounts

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables – no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer, using AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty within the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

Notes to the Accounts

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

Assumption	Change in Assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increase	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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

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

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation.

The total pension cost to USS for the University was £15,368k (2008: £13,967k). This includes £1,276k of outstanding contributions at 31 July 2009. The contribution rate payable by the University was 14% of pensionable salaries.

University of Liverpool Pension Fund (ULPF)

The ULPF is a defined benefit scheme operated in the UK. A full actuarial valuation is currently being carried out as at 31 July 2009. Therefore the full membership data as used for this actuarial valuation has been used to calculate the FRS17 accounting figures.

The pension cost for the year for ULPF has been assessed by reference to FRS 17. The principal assumptions made were that earnings would increase by 1.5% per annum over and above price inflation, and investment returns would be 2.25% per annum over and above price inflation.

Notes to the Accounts

The University currently pays contributions at the rate of 13.4% of pensionable pay. Members contributions are payable in addition at the rate of 6% of pensionable pay. This level of contribution will be reviewed following the results of the triennial valuation of the scheme due at 31 July 2009.

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

	2009	2008	2007	2006
	%	%	%	%
Rate of increase in salaries	5.25	5.40	5.30	5.00
Rate of increase in pensions in payment	3.60	3.75	3.30	3.00
Revaluation rate for deferred pensioners	3.75	3.75	3.30	3.00
Discount Rate	6.00	6.60	5.70	5.00
Inflation assumption	3.75	3.90	3.30	3.00

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
	2009 %	2009 £000	2008 %	2008 £000	2007 %	2007 £000	2006 %	2006 £000
Equities	8.00	127,676	8.00	135,471	8.00	148,979	8.00	136,699
Bonds	5.25	42,457	5.00	41,882	5.00	38,615	5.00	38,389
Cash	4.50	1,099	4.25	3,723	4.25	4,006	4.25	2,614
Property	8.00	10,384	8.00	15,908	8.00	20,330	8.00	18,909
Total market value of assets		181,616		196,984		211,930		196,611

	2009	2008	2007	2006
	£000	£000	£000	£000
Total market value of assets	181,616	196,984	211,930	196,611
Actuarial present value of scheme liabilities	(248,200)	(220,084)	(219,156)	(218,346)
Deficit in the scheme	(66,584)	(23,100)	(7,226)	(21,735)

Analysis of the amount charged to income and expenditure account

	2009	2008
	£000	£000
Employer service costs (net of employee contributions)	8,176	8,441
Total operating charge	8,176	8,441

Notes to the Accounts

Analysis of pension finance income

	2009	2008
	£000	£000
Expected return on pension scheme assets	14,151	15,709
Interest on pension liabilities	(14,512)	(12,570)
	<hr/>	<hr/>
Pension finance (charge)/income	(361)	<u>3,139</u>

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

	2009	2008
	£000	£000
Actuarial return less expected return on assets	(25,720)	(29,487)
Experience gains and losses on liabilities	4,081	(7,776)
Changes in assumptions underlying the present value of liabilities	(18,183)	22,164
	<hr/>	<hr/>
Actuarial loss	(39,822)	<u>(15,099)</u>

Movement in illustrative balance sheet figures during the year:

	2009	2008
	£000	£000
Deficit in scheme at beginning of year	(23,100)	(7,226)
Movement in year:		
Current service cost	(8,176)	(8,441)
Contributions	4,875	4,527
Net interest/return on assets	(361)	3,139
Actuarial gain/(loss)	(39,822)	(15,099)
	<hr/>	<hr/>
(Deficit) in scheme at end of year	(66,584)	<u>(23,100)</u>

The total pension contribution to ULPF was £4,807k (2008: £4,527k). The contribution rate payable by the University was 13.4% of pensionable salaries.

Notes to the Accounts

	2009	2008	2007	2006	2005
	£000	£000	£000	£000	£000
Cumulative					
Difference between expected and actual return on scheme assets:					
Amount (£000)	(25,720)	(29,487)	3,866	7,388	20,947
Percentage of scheme assets	-14%	-15%	2%	4%	12%
Experience gains and losses on scheme liabilities:					
Amount (£000)	4,081	(7,776)	1,074	(3,859)	2,754
Percentage of scheme liabilities	2%	-4%	0%	-2%	1%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount (£000)	(18,183)	22,164	10,428	(13,670)	(17,155)
Percentage of scheme liabilities	7%	-10%	5%	6%	9%
Total amount which is recognised in the consolidated statement of total recognised gains and losses:					
Amount (£000)	(39,822)	(15,099)	15,368	(10,141)	6,546
Percentage of scheme liabilities	-16%	-7%	7%	-5%	3%