

UNIVERSITY COUNCIL**MEMBERSHIP : 2004/2005**

The following persons served as governors during the year ended 31st July 2005. In the case of those who became or ceased to be governors during the year, the appropriate dates are shown.

The governors are generally appointed for a period of three years. Each year they sign a register of interests.

Sr. E.Kelleher SND

Chair

Mr R. Enoch

Vice-Chair

The Right Reverend Bishop David Jennings

Dr. R.Atlay

(appointed 12th October 2004)

Sr. K.E.Bishop SND

(appointed 25th February 2005)

Mr. N.A. Bromage

Rev.S.D.Brookes

Mr.W.K.Brown

Miss C. J.Chapman

Dr. J.C.Chubb

Mr. B. Coxhead

Cllr. J.Coyne

Sr.C.M.Darby SND

(resigned 20th September 2004)

Mr J.A.Marsden

Miss.C.B.McCann

Col. J.P.Moreland

Rev.M.O'Dowd

Mr J.K.Richardson

Ms A.Seddon



Mrs J.Stein

Professor G.J.Pillay

Mr S.M.Gallagher

Dr T Phillips

Dr J.A. Jobling

Mr A.N.McLaughlin Cook

Mr.A.Roberts

Mr. A. G. Grayson

Vice Chancellor and Rector

Rectorate Team

Rectorate Team

Staff Member

Staff Member

President, Students' Union

Secretary & Registrar

SENIOR SALARIES REMUNERATION PANEL 2004/2005

Chair of Governing Council, Sr. E. Kelleher SND

Mr N.A. Bromage

Mr R. Enoch

Ms.A.Seddon

Professor G.J.Pillay (except for discussion of his own salary)

FINANCE & GENERAL PURPOSES COMMITTEE 2004/2005

Mr.N. A. Bromage (in the Chair)

The Right Reverend Bishop David Jennings

Mr.J.A.Richardson

Ms.A.Seddon

Mr.P.Stirrup

Professor G.J.Pillay

Mr.G.Donelan (Secretary)

Mr.S.Gallagher (in an advisory capacity)

Mrs.L.Jones (in an advisory capacity)

Mrs.H.McGarry (in an advisory capacity)

ADVISORS

External Auditors	PricewaterhouseCoopers LLP 8 Princes Parade St. Nicholas Place Liverpool, L3 1QJ
Bankers	National Westminster Bank plc Childwall Fiveways Liverpool, L15 6YD
Solicitors	DLA India Building 4 Water Street Liverpool, L2 0NH
Internal Auditor	Mr. G. Jones Internal Auditor Liverpool Hope University Hope Park Liverpool, L16 9JD

REPORT OF THE GOVERNORS (AS DIRECTORS)

The University

Liverpool Hope has its origins in three former teacher training colleges, the Anglican S. Katharine's and the Roman Catholic Christ's and Notre Dame colleges. The founding colleges came together first in a federation, known as Liverpool Institute of Higher Education and then through full merger as a single ecumenical college with an integrated academic programme and administration. In 2002 taught degree awarding powers were secured and the title Liverpool Hope University College officially bestowed. In July 2005 the granting of full University status led to the adoption of the title Liverpool Hope University. Expansion and diversification mean that in the academic and financial year 2004/2005 there were 6,549 students and over 700 members of staff, with a range of degrees at undergraduate and postgraduate levels. Over 1,000 students are pursuing the profession of teaching which was the original focus of the three founding colleges. All the work, however, is in the spirit of the founders' determination to open up access to a well-rounded education.

The Mission Statement reflects both the University's traditions and its intention to develop and maintain a distinctive and forward-looking programme relevant to local, regional, national and international needs. In the 1990's the University was awarded both the Freedom of the City of Liverpool and a Queen's Anniversary Prize for the work of Hope One World with Tibetan refugees in Northern India. Investor in People status has been achieved and re-accreditation granted in subsequent years, including 2004/5.

Review of the Year

The outstanding achievement in 2004/5 was the award of full University status. A successful institutional audit by the Quality Assurance Agency (QAA) was also conducted although the report on this was not published until October 2005.

The University's restructuring of its curriculum saw an increase in applications in 2004/05. However, although student recruitment was encouraging, there remains a concern on retention rates. Those institutions like Hope which fully participate in the Widening Participation agenda do face particular difficulties in this regard, and claw back from the Funding Bodies is a risk constantly faced, given the draconian HEFCE definition of non-completion. Mechanisms were put in place to improve the rates in 2004/05, such as more teaching contact hours for 1st year students, the earlier commencement of teaching, fewer but longer modules to counteract fragmentation of the learning experience and a stronger academic emphasis to residence in Halls.

The University continues to follow its 5 point plan for financial stability, based on postgraduate enrolments, internationalisation, bids and grants, enterprise turnover and an endowment fund campaign. The Student Debt Policy was strengthened in readiness for 2005/06, particularly with regard to International students, and the University is determined to combat evasion of payment of outstanding fees.

REPORT OF THE GOVERNORS (AS DIRECTORS) (Continued)**Scope**

The Financial Statements comprise the consolidated results of the University and its subsidiaries, Liverpool Hope Enterprises Ltd., Urban Hope Ltd. and LIHE Ltd. The subsidiaries undertake activities, which, for legal or commercial reasons, are more appropriately channelled through a limited company. These activities include conferences and other services for a wide variety of commercial and other organisations. Liverpool Hope Enterprises Ltd., Urban Hope Ltd. and LIHE Ltd. covenant the whole of any taxable profits to the University.

Results for the Year

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

	2004/05 £000's	2003/04 £000's
Income	42,007	39,131
Expenditure	41,791	38,756
Surplus / (Deficit)	216	375

The University's total income increased by 7.3% compared with the previous year. Income from the funding councils increased by 5.49%.

The University continues to seek to generate additional income through increased vacation and conference lettings and other activities.

The Consolidated Income and Expenditure account for the year is set out on page 24.

Students

At the 31st December 2004 the University had 6,549 students.

	Full Time Students	Part Time Students
Undergraduate	4102	978
Postgraduate (taught)	114	500
Postgraduate (research)	19	29
P.G.C.E	525	179
Inst. Of Management	0	28
Further Education	0	0
English Language	60	15
	4820	1729

REPORT OF THE GOVERNORS (AS DIRECTORS) (Continued)**Funding**

The University derives its income mainly from funding council grants and tuition fees. The unit of resource has been reduced progressively as a result of Government policy although changes are afoot for 2006/07 (see Future Developments below). The University management is responding to the challenges facing higher education and focusing on the three priority areas of recruitment and retention, quality and finance. The University has been successful in bids to the funding councils and other agencies and in attracting substantial specific grants for additions and improvements to buildings.

Capital Developments

Testament to the University's belief in its future was the amount of building work undertaken during 2004/5. Refurbishment has been pursued on a significant scale, especially in the Lescher building, and the building of three new halls of residence on campus in readiness for the 2005/6 session was a particularly noteworthy initiative.

Cash Flow

The Consolidated Cash flow shows that there was a net increase in cash of £531,032 (2003/2004 increase in cash of £1,494,268). The year's building programme referred to above consumed £8,474,934 (See Note 22).

Subsidiaries

Liverpool Hope Enterprises Ltd. continued trading in the year, providing conference, catering and consultancy services. During the year the company continued to operate Hope Park Sports Centre. The taxable profit for the year was £76,292 and was paid to the University under a gift aid payment (2003/2004 profit £4,843).

LIHE Ltd. continued to provide library management services to the University. Taxable profits for the year of £428,975 (2003/2004 £260,041) were paid to the University under a gift aid payment.

Urban Hope Ltd. provided construction services to the University. Taxable profits for the year of £115,380 (2003/2004 £115,533) were paid to the University under a gift aid payment.

REPORT OF THE GOVERNORS (AS DIRECTORS) (Continued)

The Balance Sheet

All of the principal land and buildings at Hope Park are owned by The Central Board of Finance for the Church of England and the Trustees of Christ's & Notre Dame and are referred to in Accounting Policy, Note 9.

In 1980 the former colleges, S. Katharine's and Christ's & Notre Dame, entered into a Deed of Adherence with the Liverpool Institute of Higher Education under which they provided their respective properties to the Institute. In 1998 these were superseded, on similar terms, by Deeds of Agreement of Membership with Liverpool Hope which committed them to membership until at least 31st August 2023.

Those elements of Tangible Fixed Assets which are additions and/or improvements to buildings have been capitalised as shown in Note 11 to the Financial Statements. Also during the year a revaluation exercise was undertaken the outcome of which is also included in Note 11.

Employee Involvement

The University places considerable value on the involvement of its employees and on good communication with them. An electronic daily newspaper "Hope Virtually Daily" updates staff several times a day. Staff are encouraged to participate in formal and informal consultation at University, Deanery and Subject level, sometimes through membership of formal Committees. The Joint Consultative and Negotiating Committee, (JCNC) is a forum for management and Trades Unions' representatives which meets regularly. The University has a Training and Staff Development Officer who is responsible for providing technical and general training to all levels of staff.

Employment of Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing employees becoming disabled every effort is made to ensure that their employment with the University continues and that appropriate training is arranged. It is the policy of the University that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Corporate Governance

The HEFCE audit service annual risk assessment received during 2004/05 noted that there were no issues which needed to be addressed at present.

The work which has been undertaken under the Corporate Governance heading in 2004/2005 is given in the detailed statement on pages 11 to 14 and reflects, in part, a risk based approach to determining the control systems.

REPORT OF THE GOVERNORS (AS DIRECTORS) (Continued)

This in turn reflects the approach adopted by the Turnbull Committee. The University believes that in 2004/05 the risk process has been embedded and that it was possible to comply with the 'full statement'. A system of regular review and monitoring of the University's internal control has been implemented. This provides clearly documented and understood reports on the control environment within the University.

The Council is aware of latest developments in good practice in corporate governance, many of which were summarised in a new Committee of University Chairmen (CUC) guide produced during 2004/05. It intends to adopt a Governance Code of Practice, incorporating a statement of Primary Responsibilities, during 2005/06.

Governors

All the governors of the University are directors of the Company. No director had any interest in any contract made by the University during the financial year, other than a contract of employment as a member of staff and that described in note 31 to the accounts. None of the directors had any beneficial interest in any group company during the year.

Payment of Creditors

It is the University's policy to obtain the best terms for all business and, thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms.

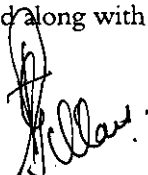
Future Developments

The Higher Education Act 2004 will have implications for all Higher Education Institutions, (HEI's) and the results are not always easy to predict. Along with most HEI's, Liverpool Hope University has set tuition fees at £3000 for home undergraduates from 2006/07. Its agreement with the Office For Fair Admissions (OFFA) details both a bursary scheme to assist those on lower incomes and a scholarship scheme to promote academic achievement. If student recruitment levels are maintained or increased, and retention rates bettered, extra income will be generated although there are many pressures for use of that income and, as the government has admitted, the higher education funding 'gap' will not be filled by higher tuition fees alone.

Liverpool Hope University is investing in its facilities in preparation for an increase in competitiveness within the sector as 2006/07 approaches. A major project is that envisaged to culminate in the opening of a new 'landmark' building which will offer a student centred 'one stop shop' facility during 2006/07.

The University looks forward to the installation of its first Chancellor during 2005/06 following a revised constitution approved along with new title.

Professor G.J. Pillay



Mr S Gallagher



Vice-Chancellor and Rector

Chief Operating Officer

CORPORATE GOVERNANCE

The following is presented in line with both HEFCE guidelines and the model statement provided in the new CUC guide referred to on page 10 while offering details specific to the University:

1. This statement is provided to enable readers of the annual report and accounts of Liverpool Hope University to obtain a better understanding of its governance and legal structure.
2. The institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to institutions of higher education from the Committee of University Chairmen in its *Guide for Members of HE Governing Bodies in the UK*.
3. Liverpool Hope University is an independent corporation, established as a higher education corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the articles of government which were approved by the Privy Council in 1996. The current version of the articles was approved by the Privy Council with effect from 20th April 2005.
4. The articles require Liverpool Hope University to have a governing body and a senate, each with clearly defined functions and responsibilities to oversee and manage its activities.

- a. The **governing body** is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction.

The governing body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and the student body. No members of the governing body will receive any reimbursement for the work they do for that body.

- b. Subject to the overall responsibility of the governing body, the **senate** has oversight of the academic affairs of Liverpool Hope University and draws its membership entirely from the staff and the students of the institution, save for 3 Network of Hope College Principals. It is particularly concerned with general issues relating to the learning and teaching and research work of Liverpool Hope University.
5. The Chief Executive Officer (Vice Chancellor and Rector) is the head of Liverpool Hope University and has a general responsibility to the governing body for the organisation, direction and management of the institution. Under the terms of the formal financial memorandum between Liverpool Hope University and the higher education funding council, the head of the institution is the accounting officer and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

CORPORATE GOVERNANCE (Continued)

6. Although the governing body meets at least 4 times each academic year much of its detailed work is initially handled by committees, in particular the finance and general purposes committee, the staffing committee, the nominations committee, the senior salaries remuneration committee and the audit committee. The decisions of these committees are formally reported to the governing body.
7. A significant proportion of the membership of these committees consists of independent and co-opted members of the governing council. A co-opted staff member is eligible to serve on nominations committee. The chairs are selected from the co-opted and independent members.
8. As chief executive, the head of the institution exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The Rectorate Team, (Deans and Senior Officers), all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the governing body.
9. Liverpool Hope University maintains a register of interests of members of the governing body and Rectorate Team members which may be consulted by arrangement with the secretary.
10. In accordance with the articles of government, a secretary to the governing body has been appointed. In that capacity, he provides independent advice on matters of governance to all members of the governing body.

As the governing body of Liverpool Hope University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the instrument and articles and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been embedded and in operation in year ended 31 July 2005, and accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. Consistent with the Risk Management Strategy approved by us, the following processes have been established:

- ❑ We meet four times a year to consider the plans and strategic direction of the institution, and in 2004/05 held a fifth meeting to consider the setting of tuition fee levels for full-time home undergraduate students from 2006/07, together with associated bursaries and scholarships.
- ❑ We receive periodic reports from the chairman of the audit committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

CORPORATE GOVERNANCE (Continued)

- ❑ We receive a report on discussions of risk at rectorate team (the University's senior management team) and have requested the audit committee to provide oversight on risk.
- ❑ The audit committee receives regular reports from the internal auditor, which include the internal auditor's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- ❑ A regular programme of facilitated workshops is held to identify and keep up to date the record of risks facing the organisation.
- ❑ A self-assessment risk management review has been conducted and risk management features as a section of the Corporate Governance Handbook.
- ❑ A system of key performance and risk indicators has been developed.
- ❑ A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis is established.
- ❑ An organisation-wide risk register database has been constructed and is operational. The log of major risks was considered by Council at its June 2005 meeting.
- ❑ Reports are received from budget holders and project managers on internal control activities.
- ❑ Policies such as the Code of Practice on Whistleblowing, Code of Conduct and Fraud Policy and Response Plan have been periodically reviewed and revised.
- ❑ Risk appetite is under active consideration.

Our review of the effectiveness of the system of internal control is informed by the internal audit unit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in January 2003. The action plan arising from that review has been completed to HEFCE's satisfaction. The internal auditor submits regular reports, which include the internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the HEFCE audit service current risk assessment letter to the University, received in May 2005.

In addition it is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The University's Council meets four times a year (five times in 2004/05) and has several committees, including a Finance & General Purposes Committee, a Staffing Committee, a Nominations Committee, a Senior Salaries Remuneration Panel and an Audit Committee. All of these Committees are formally constituted with terms of reference and comprise mainly lay members of the Council, one of whom is the Chair.

CORPORATE GOVERNANCE (Continued)

In respect of its strategic and development responsibilities, the Council is responsible for adoption of the University's Corporate Plan. A member of Council was on the project team which worked on the Corporate Plan, produced in December 2003, for the period 2004-08. Council receives recommendations and advice on this and other strategic issues from the Planning and Strategic Support Committee and Academic Board, (renamed Senate in 2004/05) the body responsible for the University's academic affairs.

The Finance & General Purposes Committee, inter alia, recommends to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Staffing Committee considers issues relating to staffing and employment in the University.

The Nominations Committee considers nominations for co-opted vacancies in the Council membership under the relevant Instrument of Government. The University's Council comprises lay and academic persons appointed under the provisions of the Education Reform Act 1988, the majority of whom are non-executive. The roles of Chair and Vice Chair of the Governing Council are separate from the role of the University's Vice Chancellor and Rector.

The Senior Salaries Remuneration Panel determines the remuneration of the most senior staff, including the Vice Chancellor and Rector.

The Audit Committee meets three times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's system of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee is empowered to meet the External Auditors on their own for independent discussions.

The Rectorate Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

The Rectorate Team and the Audit Committee also receive regular reports from internal audit and, as necessary, from the Health and Safety Committee, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control.

The Council's agenda includes consideration of risk and control via reports thereon from the Audit Committee and the Rectorate Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2004 meeting the Council carried out an annual assessment for the year ended 31st July 2004 and it will undertake a similar exercise in December 2005.

UNIVERSITY COUNCIL

Responsibilities of the University Council

In accordance with the Education Reform Act 1988 and the University's Charter of Incorporation, the University Council is responsible for the administration and management of the affairs of Liverpool Hope University and is required to present audited financial statements for each financial year. This also includes ensuring the operation of an effective system of internal control.

The University 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 revised Instrument and Articles of Government, the Audit Code of Practice issued by the Higher Education Funding Council for England, the Statement of Recommended Practice on Accounting in Higher and Further Education Institutions, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of Liverpool Hope University and in accordance with Company Law, the University Council through its designated office holder (the Vice Chancellor and Rector), 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 University Council is responsible for ensuring 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 disclosed and explained in the financial statements
- ☐ financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The University Council is responsible for taking reasonable steps to:-

- ☐ ensure that funds from the Higher Education Funding Council for England, the Teacher Training Agency and the Learning and Skills Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Councils and the Funding Agreement with the Agency and any other conditions which the Funding Council or Agency 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 Liverpool Hope University and to prevent and detect fraud
- ☐ secure the economical, efficient and effective management of the University's resources and expenditure.

UNIVERSITY COUNCIL (Continued)

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, members of the Rectorate, Deans, Directors and Heads of administrative departments;
- ❑ a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets ;
- ❑ regular reviews of academic performance and monthly reviews of financial performance involving variance reporting and updates of forecast outturns ;
- ❑ clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body;
- ❑ comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance & General Purposes Committee; and
- ❑ a professional Internal Audit function whose annual programme is approved by the Audit Committee and endorsed by the Governing Body and who provides the Governing Body with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING COUNCIL OF LIVERPOOL HOPE UNIVERSITY

We have audited the financial statements which comprise the consolidated Income and Expenditure Account, the Balance Sheet, the consolidated Cash Flow Statement and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Governing Council and auditors

The Governing Council's responsibility 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 is set out in the Statement of the Governing Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the Governing Council of the institution in accordance with the Charters and Statutes of the institution and Section 235 of the Companies Act 1985 and for no other purpose. 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 Companies Act 1985 and the Statement of Recommended Practice – Accounting for Further and Higher Education. We also 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 and with the funding agreement with the Teacher Training Agency. We also report to you if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the annual review and 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.

The maintenance and integrity of the Liverpool Hope University website is the responsibility of the Governing 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.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING COUNCIL OF LIVERPOOL HOPE UNIVERSITY (Continued)

Basis of audit opinion

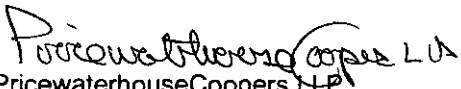
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the HEFCE Code of Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governing Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the institution and the group at 31 July 2005, and of the surplus of income over expenditure and cashflows for the year then ended, and have been properly prepared in accordance with the Companies Act and the Statement of Recommended Practice - Accounting for Further and Higher Education;
- ii. in all material respects, income from the Higher Education Funding Council for England and the Teacher Training Agency 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;
- iii. in all material respects, income has been applied in accordance with the institution's statutes and where appropriate in accordance with the financial memorandum (03/54) with the Higher Education Funding Council for England and the funding agreement with the Teacher Training Agency.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

20/12/05

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

In accordance with FRS18 these accounting policies have been reviewed by the Board of Governors and are considered to be appropriate to the University's activities.

1. Basis of preparation

These financial statements have been prepared in accordance with both the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions 2003 and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

2. Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets.

3. Basis of Consolidation

The consolidated financial statements include the University and its subsidiary undertakings, Liverpool Hope Enterprises Ltd., Urban Hope Ltd. and LIHE Ltd. Intra-group sales and profits are eliminated fully on consolidation.

Details of the University's subsidiary undertakings are provided in Note 12 to the accounts.

The consolidated financial statements do not include those of Liverpool Hope Students' Union as it is a separate organisation in which the University has no control or significant influence over policy decisions.

4. Format of the accounts

The directors have taken advantage of paragraph 3(3) of Schedule 4 of the Companies Act 1985 to adapt the format of the accounts to reflect the special nature of the Company's business.

5. Recognition of Income

The recurrent grants from the Higher Education Funding Council for England, the Training & Development Agency and the Learning and Skills Council represent the funding allocation which is attributable to the current financial year and is credited direct to the income and expenditure account.

Grants which are applied to acquire tangible fixed assets are credited to deferred capital grants and released to the income and expenditure account over the estimated useful lives of the relevant assets.

Tuition fees represent student fees received and receivable attributable to the current accounting period.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(Continued)

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

The University acts as an agent in the payment of training bursaries from the Teacher Training Agency and Access funds from the Higher Education Funding Council. Related payments received and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Notes 28 and 29.

6. Maintenance of Premises

The University has completed a ten year rolling maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred.

7. Pension Schemes

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and employees.

The two principal schemes for the University's staff are the Teacher's Pension Scheme (TPS) and the Local Government Superannuation Scheme (LGSS) for those staff not included as academic. These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are charged to the Income and Expenditure Account so as to spread the cost of pensions over employee's working lives with the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries.

The pension charge for the period was £2,024,867 (2003/2004: £1,865,923) (See Note 27).

The University has followed the transitional arrangements as set out in FRS17. The details are contained in Note 27.

8. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The calculation of the cost of early retirement provisions charged to the income and expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 2.5% in excess of price inflation.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(Continued)

An amount of £249,034 is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. (See Note 16).

Where the University closes and there is no successor establishment, the Secretary of State becomes the compensating authority.

The provision for bad debts is based on a percentage of outstanding debt and an estimate of recoverability.

9. Fixed Assets

The fixed assets represented in the Balance Sheet comprise equipment and additions and improvements to Buildings. Assets that transfer, substantially, the risk and reward of ownership to the University are capitalised.

In 1980 the two former colleges, S. Katharine's and Christ's and Notre Dame, entered into a Deed of Adherence with the Liverpool Institute of Higher Education under which they provided their respective properties to the Institute. These were superseded in 1998 by similar Deeds of Arrangement of Membership with Liverpool Hope.

S. Katharine's College (Warrington Training College Incorporated), was granted a 99 year lease in 1963 from the Central Board of Finance of the Church of England for the properties provided to the Institute under the Deed of Adherence. The lease is renewable upon request for a second and final 99 years from 2062.

Christ's and Notre Dame College property is owned by the Trustees of Christ's and Notre Dame College. Under the Deed of Adherence the property of the College was made available for the use of the Institute. These buildings have been included on the Balance Sheet in 2004-05 to reflect the fact that the University carries the majority of the benefits and liabilities of the buildings.

Under the terms of the Deed of Adherence neither College shall withdraw from Liverpool Hope without the agreement of the remaining College and the consent of the Secretary of State for Education and Employment. Subject to the appropriate agreements, written notice must be given at least five years prior to any withdrawal and, in the first instance, may only be given to expire no earlier than 31st August 2023.

Within the Trust Deed and the Deeds of Adherence between the Colleges and the Institute, those elements of the tangible fixed assets which are additions and/or improvements to buildings also become the property of the respective College Trustees.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as below. The related grants are treated as deferred capital grants and released to income over the expected useful life of the related asset on a basis consistent with the depreciation policy.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(Continued)

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value or architects' certificates and other direct costs incurred to 31st July. They are not depreciated until they are brought into use.

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Buildings	- 50 years
Motor vehicles and general equipment	- 3 years
Computer equipment over £1,000	- 3 years
Furniture & Fittings	- 5 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

10. Taxation Status

The University has charitable status within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemptions in respect of Value Added Tax. The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

11. Deferred Taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future calculated at the rates at which it is expected that tax will arise.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(Continued)

12. Cash Flows and Liquid Resources

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

13. Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

14. Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31st July 2005

	Note	Year Ended 31st July 2005 £'s	Year Ended 31st July 2004 £'s
INCOME			
Funding Council Grants	1	20,108,363	19,060,104
Tuition Fees and Education Contracts	2	11,394,941	10,679,944
Research Grants and Contracts		62,907	105,079
Other Operating Income	3	10,022,563	8,015,320
Total Income		41,588,774	37,860,447
EXPENDITURE			
Staff Costs	5	22,249,053	20,912,147
Depreciation	11	1,375,025	1,782,270
Other Operating Expenses	6	16,876,256	15,547,292
Total Expenditure	10	40,500,334	38,241,709
Operating Surplus/(Deficit) after Depreciation of Assets Before Interest and Tax		1,088,440	(381,262)
Exceptional Item			
Loss on Asset Revaluation	11	(921,143)	0
Profit on sale of property	26	247,175	1,229,567
Surplus/(Deficit) after Exceptional Item		414,472	848,305
Interest Receivable	4	171,325	40,990
Interest Payable	7	(369,281)	(513,927)
Surplus/(Deficit) after Depreciation of Assets After Interest Before Tax		216,516	375,368
Taxation	8	-	-
Surplus/(Deficit) after Depreciation of Assets, Interest and Tax	18	216,516	375,368

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2005

	Note	Year Ended 31st July 2005 £'s	Year Ended 31st July 2004 £'s
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	18	216,516	375,368
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	11	(456,343)	-
Historical cost Surplus/(Deficit)		(239,827)	375,368

There are no other recognised gains and losses other than those included in the results and therefore no separate statement of total recognised gains and losses has been presented.

The Consolidated Income and Expenditure Account of the University and its subsidiaries relates wholly to continuing operations.

BALANCE SHEETS AS AT 31ST JULY, 2005

	Note	Consolidated		University	
		At 31st July 2005 £'s	At 31st July 2004 £'s	At 31st July 2005 £'s	At 31st July 2004 £'s
FIXED ASSETS					
Tangible Assets	11	47,304,302	23,728,522	47,304,302	23,728,522
Investments	12	-	-	8,988,936	8,988,936
		<u>47,304,302</u>	<u>23,728,522</u>	<u>56,293,238</u>	<u>32,717,458</u>
CURRENT ASSETS					
Debtors	13	5,089,227	3,428,630	6,762,830	4,419,808
Cash at Bank and in Hand		1,945,157	1,414,130	1,718,470	1,334,516
		<u>7,034,384</u>	<u>4,842,760</u>	<u>8,481,300</u>	<u>5,754,324</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(7,497,142)	(6,981,863)	(10,225,630)	(8,993,292)
NET CURRENT LIABILITIES		<u>(462,758)</u>	<u>(2,139,103)</u>	<u>(1,744,330)</u>	<u>(3,238,968)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		46,841,544	21,589,419	54,548,908	29,478,490
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(9,289,986)	(3,738,549)	(16,805,809)	(11,436,081)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(249,034)	(201,027)	(249,034)	(201,027)
TOTAL ASSETS LESS LIABILITIES		<u>37,302,524</u>	<u>17,649,843</u>	<u>37,494,065</u>	<u>17,841,382</u>
TOTAL NET ASSETS		<u><u>37,302,524</u></u>	<u><u>17,649,843</u></u>	<u><u>37,494,065</u></u>	<u><u>17,841,382</u></u>
Represented by:					
DEFERRED CAPITAL GRANTS	17	10,656,331	10,860,052	10,656,331	10,860,052
RESERVES					
Income and Expenditure Account	18	7,006,307	6,789,791	7,197,846	6,981,330
Revaluation Reserve	11/19	19,639,886	-	19,639,889	-
TOTAL FUNDS		<u><u>37,302,524</u></u>	<u><u>17,649,843</u></u>	<u><u>37,494,065</u></u>	<u><u>17,841,382</u></u>

The Financial Statements on pages 24 to 40 were approved by the Governing Council on 16th December 2005,
and signed on its behalf by :

Sister Eileen Kelleher S.N.D
Chair of Governing Council

Mr. N. A Bromage
Chair of Finance & General
Purposes Committee

Professor G. Pillay
Rector & Chief Executive

..... Sister Eileen Kelleher

..... N. A Bromage

..... G. Pillay

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year Ended 31st July 2005 £'s	Year Ended 31st July 2004 £'s
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	764,838	2,035,124
 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Other Interest Received		171,325	40,990
Interest paid		(369,281)	(513,927)
Net Cash Outflow from Returns on Investments and Servicing of Finance		<u>(197,956)</u>	<u>(472,937)</u>
 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	22	(5,776,931)	2,726,152
 CASH INFLOW BEFORE FINANCING		<u>(5,210,049)</u>	<u>4,288,339</u>
 FINANCING	23	5,741,082	(2,794,071)
 INCREASE IN CASH	24	<u><u>531,032</u></u>	<u><u>1,494,268</u></u>

NOTES TO THE ACCOUNTS

1	FUNDING COUNCIL GRANTS	2004/05	2003/04
		£'s	£'s
	Recurrent Grant - HEFCE	13,097,736	11,154,304
	Recurrent Grant - TTA	6,126,235	6,147,427
	Recurrent Grant - LSC	-	11,435
	Specific Grants		
	HEFCE Research Assessment	101,326	77,988
	HEFCE Special Initiatives	180,027	1,077,111
	Inherited Liabilities - staff	57,009	56,823
	TTA Special Initiatives	174,358	66,622
	Deferred Capital Grants Released in Year		
	Buildings (Note 17)	-	249,648
	Equipment (Note 17)	371,672	218,746
		20,108,363	19,060,104
2	TUITION FEES AND EDUCATION CONTRACTS	2004/05	2003/04
		£'s	£'s
	Full-time students	4,857,512	4,659,419
	Full-time students charged overseas fees	1,635,192	1,673,542
	Part-time students	1,704,805	1,343,495
	Total fees paid by or on behalf of individual students	8,197,509	7,676,456
	Education Contracts	1,807,133	1,906,530
	Short Course Fees	1,390,299	1,096,958
	Total Education Contracts and Short Course Fees	3,197,432	3,003,488
	Total	11,394,941	10,679,944
3	OTHER OPERATING INCOME	2004/05	2003/04
		£'s	£'s
	Residences, Catering and Conferences	3,059,901	2,987,174
	Other Income	6,922,662	4,878,946
	Release of Deferred Capital Grants (Note 17)	40,000	149,200
		10,022,563	8,015,320
4	INVESTMENT INCOME AND INTEREST RECEIVABLE	2004/05	2003/04
		£'s	£'s
	Other Interest Receivable	171,325	40,990
		171,325	40,990

NOTES TO THE ACCOUNTS (Continued)

5	STAFF COSTS (including Directors' emoluments)	2004/05 £'s	2003/04 £'s
	Wages and Salaries	18,784,163	17,642,629
	Social Security costs	1,440,023	1,403,595
	Other Pension Costs (Note 27)	2,024,867	1,865,923
		<u>22,249,053</u>	<u>20,912,147</u>

Emoluments of the Rector (excl. pensions contributions)	<u>119,948</u>	<u>145,159</u>
--	----------------	----------------

The Emoluments of the Rector are shown on the same basis as for Higher Paid Staff. (excluding Employers Social Security contributions). The University's pension contributions to the Teachers Pension Scheme are paid on behalf of the Vice-Chancellor & Rector at the same rate as for other Academic staff and amounted to £14,737 (2003/2004 £12,677).

All payments to Directors are in respect of services as members of staff and relate to the period of office. Where appropriate these emoluments are also included in the bands for higher paid staff.

The number of staff, including senior post-holders and the Vice-Chancellor & Rector, who received remuneration in the following ranges was:

	2004/05 Number	2003/04 Number
£70,000 - £79,999	2	1
£100,000 - £109,999	-	1
£110,000 - £119,999	1	-
£130,000 - £139,999	1	-
£150,000 - £159,999	-	1
	<u>4</u>	<u>3</u>

Senior post-holders' emoluments are made up as follows:

	£	£
Salaries	336,801	253,666
Benefits in kind	12,249	50,309
Pension contributions	48,195	34,095
Total emoluments	<u>397,245</u>	<u>338,070</u>

Average weekly number of persons (including senior post holders) employed by the University during the period

	2004/05 Number	2003/04 Number
Academic	378	377
Administrative and Technical	420	365
Manual and Ancillary	214	154
	<u>1,012</u>	<u>896</u>

NOTES TO THE ACCOUNTS (Continued)

6	OTHER OPERATING EXPENSES	2004/05 £'s	2003/04 £'s (re-stated)
	Residences, Catering and Conference Operating Expenses	2,173,821	1,917,097
	Teaching Departments	4,378,539	3,897,698
	Books and Periodicals	271,748	215,914
	Heat, Light, Water and Power	565,527	545,630
	Repairs and General Maintenance	732,488	546,146
	Grants to Liverpool Hope Students' Union	125,000	189,789
	Auditors' Remuneration	28,723	34,113
	Auditors' Remuneration in Respect of Non-Audit Services	1,795	2,350
	Other Support Services	96,804	251,266
	Administration and Central Services	2,010,717	2,701,811
	Other Income Generating Activities	2,548,698	2,500,280
	Other Operating Expenses	3,942,396	2,745,198
		16,876,256	15,547,292

Auditors' Remuneration in Respect of Audit Services includes £12,715 in relation to year end audit for Liverpool Hope University.

Auditors' Remuneration in Respect of Non-Audit Services includes work related to VAT advice and grant claim audit work.

7	INTEREST PAYABLE	2004/05 £'s	2003/04 £'s
	Interest Payable on loans not wholly repayable within five years	369,281	513,927

8	TAXATION	2004/05 £'s	2003/04 £'s
	UK Corporation Tax at 20%, payable on the Profits of and by Subsidiaries	-	-

9 THE SURPLUS/(DEFICIT) ON CONTINUING OPERATIONS FOR THE YEAR

The surplus/(deficit) on continuing operations for the year is made up as follows:

	Year Ended 31st July 2005 £'s	Year Ended 31st July 2004 £'s
University (deficit) for the year	(404,131)	(5,049)
Surplus generated by subsidiary undertakings and transferred to the University under a gift aid	620,647	378,783
Surplus generated by subsidiary undertakings and not transferred to the University under a gift aid	-	1,634
	216,516	375,368

NOTES TO THE ACCOUNTS (Continued)**10 SUBJECTIVE ANALYSIS OF EXPENDITURE**

	Staff Costs £'s	Depreciation £'s	Other Operating Expenses £'s	Total £'s
Academic Departments	12,028,804	-	4,378,539	16,407,343
Academic Support Services	1,587,847	-	2,706,461	4,294,308
Other Support Services	1,026,819	-	221,804	1,248,623
Admin. and Central Services	2,775,821	-	2,010,717	4,786,538
General Education Expenditure	-	-	53,767	53,767
Premises	1,771,906	-	1,736,558	3,508,464
Other Income Generating Activities	2,195,201	-	3,594,589	5,789,790
Residences, Catering and Conferences	862,655	-	2,173,821	3,036,476
Depreciation	-	1,375,025	-	1,375,025
Total per Income and Expenditure Account	<u>22,249,053</u>	<u>1,375,025</u>	<u>16,876,256</u>	<u>40,500,334</u>

The depreciation charge has been funded by :

Deferred Capital Grants Released in Year (Note 17)	2,564,724
General Income	<u>(1,189,699)</u>
	<u>1,375,025</u>

11 TANGIBLE ASSETS
University & Consolidated

	Assets in Course of Construction £'s	Additions and Improvements to Buildings £'s	Equipment £'s	Total £'s
Cost				
At 1st August 2004	704,206	29,586,498	7,175,232	37,465,936
Additions at Cost	6,333,715	1,609,738	531,481	8,474,934
Disposals at Cost	-	(149,707)	-	(149,707)
Transfer to Fixed Assets	(460,149)	460,149	-	-
Assets Impaired on Revaluation	-	(4,561,745)	-	(4,561,745)
Revaluation Reserve	-	13,683,367	-	13,683,367
At 31st July 2005	<u>6,577,772</u>	<u>40,628,300</u>	<u>7,706,713</u>	<u>54,912,785</u>
Depreciation				
At 1st August 2004	-	7,503,955	6,233,458	13,737,413
Charge for Year	-	783,016	592,009	1,375,025
Eliminated on Disposals	-	(59,883)	-	(59,883)
Assets Impaired upon Revaluation	-	(1,487,550)	-	(1,487,550)
Revaluation Reserve	-	(5,956,522)	-	(5,956,522)
At 31st July 2005	<u>-</u>	<u>783,016</u>	<u>6,825,467</u>	<u>7,608,483</u>
Net Book Value				
At 31st July 2005	<u>6,577,772</u>	<u>39,845,284</u>	<u>881,246</u>	<u>47,304,302</u>
At 31st July 2004	<u>704,206</u>	<u>22,082,543</u>	<u>941,773</u>	<u>23,728,522</u>

NOTES TO THE ACCOUNTS (Continued)

During 1996/1997, LIHE Ltd, a wholly owned subsidiary of Liverpool Hope, completed the construction of the Sheppard Worlock Library and Learning Resource Centre at a cost of £4,619,000. Under the terms of the agreement between Liverpool Hope and the company, Liverpool Hope has a lease on the Library. Under an option to determine the lease can be terminated by giving one month's notice. At that point or at the end of its term, Liverpool Hope will pay the company an amount equal to the construction costs. The directors recognise that Liverpool Hope bears the principal risks and enjoys the principal rewards of the Library. Accordingly under FRS 5, Liverpool Hope recognises an interest in the asset with LIHE Ltd, becoming a long-term creditor for the consideration. The lease runs from 1st April 1995 and has been extended beyond the initial period of 6 years by mutual agreement. Liverpool Hope and the company have agreed that the lease will not be terminated during the year ending 31st July 2006.

During 1999/2000, Liverpool Hope Enterprises Ltd., a wholly owned subsidiary of Liverpool Hope, completed the construction of a Sports Centre at a cost of £2,301,000. Further costs of £90,000 were incurred in 2000/2001 and £3,292 in 2001/02. Under the terms of the agreement between Liverpool Hope and the company, Liverpool Hope has a lease on the Centre. Under an option to determine the lease can be terminated by giving one month's notice. At that point or at the end of its term, Liverpool Hope will pay an amount equal to the construction costs. The directors recognise that Liverpool Hope bears the principal risks and enjoys the principal rewards of the Centre. Accordingly under FRS 5, Liverpool Hope recognises an interest in the asset with Liverpool Hope Enterprises Ltd, becoming a long-term creditor for the consideration. The lease runs for a period of 12 years less 3 days from 14th January 1999. Liverpool Hope and the company have agreed that the lease will not be terminated during the year ending 31st July 2006.

Land & Buildings Revaluation

During 2004/05 Liverpool Hope University carried out a revaluation exercise of land & buildings. The revaluation was carried out by qualified Chartered Surveyors.

The revaluation had two effects on the tangible assets. Firstly, the revaluation valued some assets lower than their NBV and the resulting loss of £3,074,195 has been charged to the Income & Expenditure Account in the year. Capital Grants of £2,153,052 (see Note 17) relating to loss making assets have been released into the Income & Expenditure account in order to match Capital Grants with the depreciable value of the assets, producing a net loss from the revaluation of these assets of £921,143. Secondly, a Revaluation Reserve of £19,639,889 has been created for those assets introduced to the Fixed Asset Register or valued higher than their NBV's.

Depreciation

The opportunity was taken to review the depreciation policy and, in particular, the period over which assets are capitalised. Many of the assets relate to refurbishment works and have historically been depreciated over a period of 20 years, as per the depreciation policy. These refurbishment works have been allocated to specific buildings and added to historical costs to give a true NBV of the building at the time of the revaluation. This enabled a fair comparison between NBVs and the revaluation of the buildings. The revalued buildings will be depreciated over a period of 50 years from the date of the revaluation. This brings the treatment of these assets in line with the depreciation policy for land & buildings and has the effect of reducing the annual depreciation charge from £1,239,359 (based on historical cost and UELs) to £783,016 (based on revaluation and revised UELs), a reduction of £456,343.

NOTES TO THE ACCOUNTS (Continued)**12 INVESTMENTS**

	Consolidated		University	
	2004/05	2003/04	2004/05	2003/04
	£'s	£'s	£'s	£'s
Investment in Subsidiaries at Cost	-	-	8,988,936	8,988,936

The University owns 100% of the issued share capital of 4,714,430 (2003/04 4,714,430) £1 ordinary shares of LIHE Ltd., a company registered in England and operating in the UK. The principal activity of the Company is the provision of library management services to Liverpool Hope.

The University owns 100% of the issued share capital of 2,622,504 (2003/04 2,622,504) £1 ordinary shares of Liverpool Hope Enterprises Ltd., a company registered in England and operating in the UK. The principal activity of the company is the provision of functions, conferences and services for a variety of commercial and other organisations.

The University owns 100% of the issued share capital of 1,652,002 (2003/04 1,652,002) £1 ordinary shares of Urban Hope Ltd., a company registered in England and operating in the UK. The principal activity of the Company is the provision of construction services to Liverpool Hope and a variety of commercial and other organisations.

13 DEBTORS

	Consolidated		University	
	2004/05	2003/04	2004/05	2003/04
	£'s	£'s	£'s	£'s
Amounts falling due within one year :				
Trade Debtors	3,213,418	2,161,730	3,026,709	1,982,092
Sundry Debtors	243,911	292,752	243,911	292,752
Prepayments and Accrued Income	1,520,346	882,596	1,520,346	882,596
Amounts due from Subsidiary Companies	-	-	1,860,312	1,170,816
	4,977,675	3,337,078	6,651,278	4,328,256
Amounts falling due after more than one year :				
Debtors	111,552	91,552	111,552	91,552
	5,089,227	3,428,630	6,762,830	4,419,808

14 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2004/05	2003/04	2004/05	2003/04
	£'s	£'s	£'s	£'s
Bank Overdraft	-	-	-	-
Mortgages	591,074	401,430	591,074	401,430
Trade Creditors	951,162	906,136	845,109	906,136
Social Security and Other Taxation Payable	725,191	683,705	725,191	683,705
Accruals and Deferred Income	5,229,715	4,990,592	5,229,715	4,867,761
Amounts due to Subsidiary Companies	-	-	2,834,541	2,134,260
	7,497,142	6,981,863	10,225,630	8,993,292

NOTES TO THE ACCOUNTS (Continued)**15 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Consolidated		University	
	2004/05	2003/04	2004/05	2003/04
	£'s	£'s	£'s	£'s
Mortgages secured on residential and other property repayable by 2023	9,289,986	3,738,549	9,289,987	3,738,549
Amounts due to Subsidiary Companies	-	-	7,515,822	7,697,532
	9,289,986	3,738,549	16,805,809	11,436,081

Included in Amounts due to Subsidiary Companies is £683,987.78 in respect of prepaid rents. (2003/04 £865,697).

Mortgages repayable as below :	£'s	£'s
Within 1 to 2 years	553,262	403,792
Within 2 to 5 years	1,216,203	682,457
After 5 years	7,520,521	2,652,300
	9,289,986	3,738,549

The increase in mortgages repayable is due to a new £9,000,000 loan (£6,157,000 of which was drawn down during 2004/05) for student residences (see note 23).

Interest/Terms on Loans

Purpose of loan	Value	Interest Rate (%)	Basis	Number of years Remaining
Library	1,000,000	8.075	Fixed	2
Library	1,000,000	4.700	Variable	2
Telematics Centre	600,000	7.400	Fixed	18
Sports Centre	1,900,000	7.350	Fixed	18
Great Hall	1,000,000	5.000	Variable	7
Cloisters/Hermitage	420,000	4.150	Fixed	23
Student Accommodation	9,000,000	Base + 0.35	75% Fixed/ 25% Variable	25

The loans are secured on the relevant assets of the University. All loans are repaid by instalments over the period of the loan.

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Enhanced pension scheme £'s
At 1st August 2004	201,027
Expenditure in the period	(23,609)
Increase to Provision	71,616
At 31st July 2005	249,034

The Provision for Pensions costs is in respect of pension enhancements granted. The provision has been revalued during 2004/05 and increased by £71,616.25.

NOTES TO THE ACCOUNTS (Continued)**17 DEFERRED CAPITAL GRANTS**

	HEFCE 2004/05 £'s	Other 2004/05 £'s	Total 2004/05 £'s
At 1st August 2004			
Buildings	6,101,757	4,293,491	10,395,248
Equipment	384,804	80,000	464,804
Total	6,486,561	4,373,491	10,860,052
Cash Received			
Buildings	1,842,591	-	1,842,591
Equipment	518,412	-	518,412
Total	2,361,003	-	2,361,003
Release to Income and Expenditure Account			
Buildings (Note 11)	832,276	1,320,776	2,153,052
Equipment (Note 1)	371,672	40,000	411,672
Total	1,203,948	1,360,776	2,564,724
At 31st July 2005			
Buildings	7,112,072	2,972,715	10,084,787
Equipment	531,544	40,000	571,544
Total	7,643,616	3,012,715	10,656,331

Note : There has been a re-assessment of 'Other Deferred Capital Grants'. 1st August 2004 balances Brought Forward have been changed to reflect the nature of the grant, with £4,080,959 being transferred from Equipment to Buildings. This has not had any effect on the release of the grant into the Income & Expenditure account.

18 INCOME AND EXPENDITURE ACCOUNT RESERVE

	Consolidated		University	
	At 31st July 2005 £'s	At 31st July 2004 £'s	At 31st July 2005 £'s	At 31st July 2004 £'s
At 1 August 2004	6,789,791	6,414,423	6,981,330	6,607,597
Surplus/(Deficit) for the year	216,516	375,368	216,516	373,733
At 31 July 2005	7,006,307	6,789,791	7,197,846	6,981,330

As permitted by section 230 of the Companies Act 1985, the income and expenditure account of the parent company, Liverpool Hope, is not separately presented as part of these financial statements.

19 REVALUATION RESERVE

	Consolidated		University	
	At 31st July 2005 £'s	At 31st July 2004 £'s	At 31st July 2005 £'s	At 31st July 2004 £'s
At 1 August 2004	-	-	-	-
Revaluations in the period (Note 11)	19,639,886	-	19,639,889	-
At 31 July 2005	19,639,886	0	19,639,889	0

20 CAPITAL COMMITMENTS

	Consolidated		University	
	2004/05 £'s	2003/04 £'s	2004/05 £'s	2003/04 £'s
Commitments contracted for at 31st July	2,843,000	9,000,000	2,843,000	9,000,000

NOTES TO THE ACCOUNTS (Continued)**21 RECONCILIATION OF CONSOLIDATED SURPLUS/(DEFICIT)
TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2004/05 £'s	2003/04 £'s
Surplus/(deficit)	216,516	375,368
Gain on disposal of Tangible Assets	(247,175)	(1,229,567)
Tangible Assets written off in year	3,074,195	-
Depreciation (Note 10)	1,375,025	1,782,270
Deferred Capital Grants Released to Income (Note 17)	(2,564,724)	(617,594)
Investment Income (Note 4)	(171,325)	(40,990)
Interest Payable (Note 7)	369,281	513,927
Decrease in Stock	-	-
Increase in Debtors (Note 13)	(1,660,597)	(656,936)
Increase in Creditors (Note 14)	325,635	1,932,649
Increase in Provisions (Note 16)	48,007	(24,003)
Net Cash Inflow from Operating Activities	764,838	2,035,124

22 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2004/05 £'s	2003/04 £'s
Tangible Assets Acquired (Note 11)	(8,474,934)	(3,352,743)
Sale of Tangible Assets (Note 26)	337,000	5,141,488
Deferred Capital Grants Received (Note 17)	2,361,003	937,407
	(5,776,931)	2,726,152

**23 ANALYSIS OF CHANGES IN CONSOLIDATED
FINANCING DURING THE YEAR**

	Mortgages & Loans	
	2004/05 £'s	2003/04 £'s
Balance at 1st August	4,139,979	6,934,050
New Loans	6,157,000	-
Capital Repayments	(415,918)	(2,794,071)
Net increase in loans	5,741,082	(2,794,071)
Balance at 31st July	9,881,061	4,139,979

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1st August 2004 £'s	Cash Flows £'s	Other Changes £'s	At 31st July 2005 £'s
Net Available Cash	1,414,128	531,032	-	1,945,160
Debt due within 1 year	(401,430)	237,663	-	(163,767)
Debt due after 1 year	(3,738,549)	(5,978,745)	-	(9,717,294)
	(2,725,851)	(5,210,050)	-	(7,935,901)

NOTES TO THE ACCOUNTS (Continued)**25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2004/05 £'s	2003/04 £'s
Increase in cash in the Period	531,032	1,494,267
Increase in Short Term Deposits	-	-
Net Decrease/(Increase) in Debt	(5,741,082)	2,794,070
Change in Net Debt resulting from cash flows	<u>(5,210,050)</u>	<u>4,288,337</u>
Net Debt at 1st August 2004	<u>(2,725,851)</u>	<u>(7,014,189)</u>
Net Debt at 31st July 2005	<u><u>(7,935,901)</u></u>	<u><u>(2,725,852)</u></u>

26 CASH FLOW RELATING TO EXCEPTIONAL ITEM

The University disposed of part of its residential property during the year with proceeds of £337,000.
The properties were valued prior to disposal by independent valuers on an open market basis.
A profit of £247,175 arose from these disposals. (See Note 22).

27 PENSION SCHEMES

	2004/05 £'s	2003/04 £'s
Contributions to Teachers Pension Scheme	1,098,138	1,113,995
Contributions to Local Government Superannuation Scheme	926,729	751,928
Total Pension Cost (Note 5)	<u><u>2,024,867</u></u>	<u><u>1,865,923</u></u>

Retirement benefits for employees of the University are provided by defined benefit schemes which are funded by contributions from the University and employees. Payments are made to the Teachers Pension Scheme for academic staff and to the Greater Manchester Pension Fund for non-academic staff. These are both independently administered schemes. Contributions to the schemes are charged to the Income and Expenditure Account so as to spread the cost of the pensions over the employees' working lives with the University.

Teachers Pension Scheme

Under the definitions set out in Financial Reporting Standard 17 – Retirement Benefits, the Teachers Pension Scheme (TPS) is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme. The University has set out below the information available on the deficit in the scheme and the implications for the University in terms of the anticipated contribution rates.

The pension cost is assessed every five years in accordance with the advice of the Government Actuary (GA). The assumptions and other data that have the most significant effect on the determination of the contribution level are as follows:

NOTES TO THE ACCOUNTS (Continued)

Contributions are assessed in two parts. First, a normal contribution is determined. This is the contribution, expressed as a percentage of the salary of a teacher newly entering service, which would defray the cost of benefits payable in respect of that service. Currently, teachers pay 6% of salary whilst their employers pay the balance of the normal contribution. Secondly, a supplementary contribution is payable by employers if, as a result of the actuarial investigation, it is found that the accumulated liabilities of the account for benefits to past and present teachers are not fully covered by normal contributions to be paid in future and by the fund built up from past contributions. The current rate of the employer's contribution is 17.0% of the teacher's salary.

The GA's report of June 1999 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £65,670 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £61,710 millions. The GA concluded, in his supplementary report of March 2000 specifying an alternative pattern of employers' supplementary contributions, that the deficiency of £3,960 millions could be eliminated by supplementary contributions of 0.4% of pay from 1 April 2000 to 31 March 2002, and of 1.35% from 1 April 2002 to 31 March 2004. The financial assumptions in the GA report were that prices would increase by 5% and salaries by 6.5%, and the rate of return on investments would be 8.5%.

Greater Manchester Pension Fund

Under the definitions set out in Financial Reporting Standard 17 - Retirement Benefits, the Greater Manchester Pension Fund (GMPF) is a multi employer defined benefit pension scheme.

A full actuarial valuation was carried out at 31st March 2004 by a qualified actuary and then rolled forward to provide information to the 31st July 2005 using Fund details disclosed as at 30th June 2005.

The financial assumptions in the report prepared by the Actuary for FRS 17 disclosures were:

	2004/05	2003/04
Rate of increase in salaries	4.3%	4.4%
Rate of increase in pensions in payment	2.8%	2.9%
Discount Rate	5.0%	5.8%
Inflation assumption	2.8%	2.9%

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

	2004/05	2003/04	2004/05	2003/04
	Long Term Rate of Return		£000's	£000's
Equities	7.3%	7.9%	8,559	6,554
Bonds	4.7%	5.4%	2,017	1,593
Property	5.4%	6.7%	1,161	967
Cash	4.5%	4.5%	1,010	562
			<u>12,747</u>	<u>9,676</u>

NOTES TO THE ACCOUNTS (Continued)

The following amounts, in respect of the University, were measured in accordance with the requirements of FRS 17:

	2004/05 £000's	2003/04 £000's
Total market value of assets	12,747	9,676
Present value of scheme liabilities	(16,191)	(12,006)
Deficit in the scheme - Net Pension Liability	(3,444)	(2,330)

If the above amounts had been recognised in the financial statements, the University's consolidated Net Assets and Income & Expenditure Account would be as follows:

Balance Sheet Presentation	2004/05 £000's	2003/04 £000's
Net assets excluding pension liability	37,303	17,650
Pension liability	(3,444)	(2,330)
Net assets including pension liability	33,859	15,320

Reserves Note

Income & Expenditure Account excluding pension liability	7,006	6,790
Pension liability	(3,444)	(2,330)
Income & Expenditure Account	3,562	4,460

Additionally, if the pension costs had been recognised in accordance with FRS 17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31st July 2005.

Analysis of Amounts charged to income and expenditure account	At 31st July 2005 £000's	At 31st July 2004 £000's
Current Service cost	746	784
Past Service Cost	16	54
Curtailments and Settlements	0	10
Total Operating Charge	762	848

Analysis of net return on Pension Scheme

	£000's	£000's
- expected return on pension scheme assets	724	591
- interest on expected scheme liabilities	(720)	(599)
Net Return	4	(8)
Net Revenue Account Charge	758	856

Analysis of amounts recognised in statement of total recognised gains and losses

	At 31st July 2005 £000's	At 31st July 2004 £000's
Actual return less expected return on pension scheme assets	1,449	309
Experience gains and losses arising on scheme liabilities	(389)	(1)
Changes in assumptions underlying the present value of scheme liabilities	(2,226)	(16)
Total actuarial loss recognised	(1,166)	292

NOTES TO THE ACCOUNTS (Continued)

The total, the movement in the University's share of the scheme's deficit during the year is made up as follows:

Movement in Surplus during year

	£000's	£000's
Deficit on Scheme at 1st August 2004		
Movements in year	(2,330)	(2,471)
- Current Service Cost		
- Employer Contributions	(746)	(784)
- Contributions in Respect of Unfunded Benefits	807	702
- Past Service Costs	3	3
- Impact of Settlements and Curtailments	(16)	(54)
- Net Return on Assets	0	(10)
- Actuarial Gains/(Losses)	4	(8)
	(1,166)	292
Deficit at 31st July 2005	<u>(3,444)</u>	<u>(2,330)</u>

Experience Gains and Losses for year ended 31st July 2005

	£000's
Difference between expected and actual return on scheme assets	
Value of Assets	1,449
Percentage of Assets	12,747
Experience Gains/(Losses) on liabilities	11.4%
Present Value of Liabilities	(389)
Percentage of Liabilities	16,191
Actuarial Gains/(Losses) recognised in Statement of Total Gains and Losses	(2.4%)
Present Value of Liabilities	(1,166)
Percentage of the Present Value of Liabilities	16,191
	(7.2%)

28 ACCESS FUNDS

	2004/05 £'s	2003/04 £'s
Funding Council Grants		
Interest Earned	561,392	603,960
	-	-
	<u>561,392</u>	<u>603,960</u>
Disbursed to students		
	(561,392)	(603,960)
Balance unspent at 31st July 2004	<u>-</u>	<u>-</u>

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

29 TRAINING BURSARY PAYMENTS

	2004/05 £'s	2003/04 £'s
Grant paid by Teacher Training Agency (TTA)		
2% Administration fee	3,699,540	4,069,800
	(72,540)	(79,800)
	<u>3,627,000</u>	<u>3,990,000</u>
Payments to Trainees		
	(3,548,996)	(3,602,330)
Overpayment of Grant due to TTA	<u>78,004</u>	<u>387,670</u>

During the year the University administered the Training Bursary Scheme for PGCE students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account

NOTES TO THE ACCOUNTS (Continued)**30 ACCOUNTABLE BODY ROLE**

During the year the University acted as Accountable Body for a number of Objective 1 and other grant funded external projects. The grants and related expenditure are included in the Income and Expenditure Account and are included within Debtors and Creditors as appropriate. (2004/2005 Debtors £281,794.48; Creditors £300,076.75; 2003/2004 Debtors £234,808.02; Creditors £276,633.52)

31 RELATED PARTY DISCLOSURES

Due to the nature of the University's operations and the composition of the board of governors (being drawn from local public and private sector organisations), it is possible that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

The University Registrar & Secretary received an interest free loan in respect of a car lease to the value of £4,740.

Details of all transactions with the subsidiaries during the year are disclosed within the financial statements of the subsidiaries, Liverpool Hope Enterprises Ltd., Urban Hope Ltd., and LIHE Ltd.

All governors of the University are directors of the Company. No director had any interest in any contract during the financial year other than as disclosed above.

32 MEMBERS

The University is a Company limited by guarantee and therefore does not have share capital and was incorporated on 26th November 1996. The liability of members is limited to £1 each.