

Liverpool Hope University

Reports and Financial Statements for the year ending 31 July 2006



Registered Company Number: 3285547

A company limited by guarantee, without share capital, registered in England

Registered Charity Number 1060579

Contents

Members of the University Council report	1
Statement of responsibilities of the Members of the University Council	3
Report of the Governors (As Directors)	5
Statement on Corporate Governance	10
Independent auditors' report to the Governing Council of Liverpool Hope University	13
Statement of Principal Accounting Policies	15
Consolidated Income and Expenditure Account	19
Statement of Historical Cost Surplus and Deficits	20
Balance Sheet	21
Cash Flow Statement	21
Statement of Total Recognised Gains and Losses	21
Notes	21

Members of the University Council report

The Members of the University Council present their report on the affairs of the University together with the accounts and Auditors' report for the year ended 31 July 2006.

The following persons served as governors during the year ended 31st July 2006. 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	
Sr KE Bishop SND	
Mr NA Bromage	
Rev SD Brookes	
Mr WK Brown	
Dr JC Chubb	
Cllr J Coyne	(resigned 31 st July 2006)
Mr JP Devine	(appointed 1 st August 2005)
Mr JA Marsden	
Miss CB McCann	
Col JP Moreland	
Rev M O'Dowd	
Mr JK Richardson	
Ms A Seddon	
Mrs J Stein	
Professor GJ Pillay	Vice Chancellor and Rector
Mr SM Gallagher	Rectorate Team (resigned 7 th April 2006)
Bishop I Stuart	Rectorate Team (appointed 7 th April 2006)
Dr T Phillips	Rectorate Team
Dr JA Jobling	Staff Member
Dr J Speake	Staff Member (appointed 1 st August 2005)
Ms C Carrington	President, Students' Union (resigned 30 th April 2006)
Mr C Lowry	President, Students' Union (appointed 2 nd May 2006)
Mr AG Grayson	Secretary (deceased 3 rd March 2006)
Mr G Donelan	Secretary (appointed 6 th March 2006)

Senior Salaries Remuneration Panel

Chair of Governing Council, Sr E Kelleher SND
Mr NA Bromage
Mr R Enoch
Ms A Seddon

Professor GJ Pillay (except for discussion of his own salary)

Members of the University Council report *(continued)*

Finance & General Purposes Committee

Mr NA Bromage (in the Chair)
The Right Reverend Bishop David Jennings
Mr JA Richardson
Ms A Seddon
Mr P Stirrup
Professor GJ Pillay
Mr G Donelan (Secretary)
Mr S Gallagher (in an advisory capacity until 31st March 2006)
Mr M Milne-Picken (in an advisory capacity from 1st April 2006)
Mr A Catterson (in an advisory capacity)
Mrs L Jones (in an advisory capacity)
Mrs H McGarry (in an advisory capacity)

Audit Committee

Mr R Enoch
Mr M Gilbertson (co-opted)
Mr JA Marsden

Advisers

External Auditors:	KPMG LLP St James' Square Manchester M2 6DS
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

Statement of responsibilities of the Members 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 and the Training and Development Agency are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council 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.

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;

Statement of responsibilities of the Members of the University Council *(continued)*

- 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.

Report of the Governors (As Directors)

The University was incorporated as a company limited by guarantee on 29 November 1996. The Company Registration number is 3285547.

Liverpool Hope University 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 meant that in the academic and financial year 2005/2006 there were 7,586 students and over 980 members of staff, with a range of degrees at undergraduate and postgraduate levels. Over 1,600 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.

Review of the year

In 2004/05, the University achieved full University status and was granted by the Privy Council in July 2005 the title Liverpool Hope University. 2005/06 was therefore the first full year of the new University. The installation of Baroness Cox of Queensbury as the first Chancellor of the University on January 2006 was a significant moment in the history of the University.

- A. The focus of much activity in 2005/06 has been the repositioning of the University to begin the process of creating a high quality, teaching led, research-informed, Mission-focused liberal arts University.

Four areas which exemplify this repositioning most clearly:

1. Three senior posts of Assistant Vice-Chancellor (AVC) were created to lead Research & Academic Development, Student Support & Well-being and the University Administration. Following the untimely death of the Assistant Vice-Chancellor (Administration) in March 2006, a further restructuring gave responsibility for Human Resources to the AVC (Research & Academic Development) and the separate post of University Secretary was re-established.

The AVC (Research & Academic Development) is charged with raising the profile of the University's academic outputs and ensuring that its academic staffing is appropriate to a University. During 2005/06, the University adopted a Research & Scholarship Plan to provide the framework for that work.

The AVC (Student Support & Well-being) has responsibility for all those activities which influence the student experience including Registry, Student Support Services, Student Accommodation, Learning & Teaching Centre. Continuing efforts to improve student progression and retention are co-ordinated by the AVC (Student Support & Well-being).

2. There have been a series of senior academic appointments across the University at Professor, Associate Professor and Senior Lecturer level. These appointments will provide a stronger research culture and an impetus for the development of research where that is required. A number of fractional appointments in specific areas will also bring in world class researchers to raise the academic profile.
3. The University is increasing and strengthening its strategic partnerships with top quality overseas institutions and in particular those with a shared mission and values. The development of links in India with Christ College, Bangalore, St Stephen's College, Delhi and in Africa with the Baptist Seminary in Nigeria and the Catholic University of East Africa are just some examples.
4. The University applied for and achieved in 2005/06 accreditation by the University of Liverpool for the delivery of Postgraduate Research Degrees with effect from 2006/07. This will enable the expansion of the research student body at Hope with an application for Research Degree Awarding Powers the next logical step in the University's development.

Report of the Governors (As Directors) (continued)

- B. Following the retirement of the Chief Operating Officer in March 2006, the position of Director of Strategic Resource Management & Planning was created. This new role is envisaged as providing strategic leadership in the development of the Estate, effective planning and financial management including delivery of the University's financial strategy (the Five Point Plan) in order to reduce dependence on government funding through an increase in postgraduate and international student numbers, bids and grants, enterprise income and the establishment of a Development Office. During 2005/06, a focus of financial activity has been preparation for the introduction of variable tuition fees, bursaries and scholarships in September 2006 and the new finance arrangements with students and the Student Loans Company.
- C. Two staffing matters were of major significance in 2005/06 - (i) the national pay campaign led by the academic staff unions and (ii) progress towards the implementation of the National Framework Agreement. On the national pay campaign, Action Short of a Strike severely disrupted the assessment processes at the University and led to delays in publication of results and the postponement of the July graduations until October 2006. However, the sensitive management of the dispute locally by the Vice-Chancellor avoided any rancour or lasting ill-feeling. As the year ended, agreement was close on implementation of the National Framework Agreement which will take place before the end of the calendar year (but with effect from 1st August 2006).
- D. A slight improvement in completion rates for undergraduate students demonstrates perhaps the first signs of the impact in measures put in place since 2003 to improve retention. Application numbers remained buoyant with year on year figures showing an 11% increase (after the two previous years had also shown significant increases) and a 14% increase in the number of students making Hope their first choice. This is against the background of offering Hope degrees, the introduction of variable tuition fees and an increase in the entry points required.

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 2006 are summarised as below:

	2005/06 £000s	2004/05 £000s
Income	43,287	41,760
Expenditure	43,098	41,511
Operating Surplus	189	249

The University's total income increased by 3.6% compared with the previous year and income from the funding councils increased by 12.9%.

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

Results for 2005/06 include the effect of full implementation of FRS17 Retirement Benefits details of which are shown in the notes 29 and 30 to the financial statements.

The Consolidated Income and Expenditure account for the year is set out on page 19.

Report of the Governors (As Directors) *(continued)*

Students

As at 31st July 2006 the University had 7,586 students (2004/05 – 7,613).

	Full Time Students	Part Time Students
Undergraduate	3,858	910
Postgraduate (Taught)	245	653
Postgraduate (Research)	17	42
PGCE	499	235
Other	497	630
	<hr/> 5,116 <hr/>	<hr/> 2,470 <hr/>

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 2005/6. Refurbishment has been pursued on a significant scale, particularly with regard to the completion of three new halls of residence on campus and the commencement of construction of the Landmark building.

Cash Flow

The Consolidated Cash flow shows that there was a net increase in cash of £240,314 (2004/2005 increase in cash of £531,027).

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 loss for the year was £(96,125) (2004/2005 profit £76,292) which was the result of an increase in the bad debt provision as the University continues to take a more prudent and realistic view in relation to debt recovery.

LIHE Ltd. continued to provide library management services to the University. Taxable profits for the year of £497,800 (2004/2005 £428,975) 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 £114,795 (2004/2005 £115,380) were paid to the University under a gift aid payment.

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 University 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.

Report of the Governors (As Directors) (continued)

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.

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 2005/06 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 2005/2006 is given in the detailed statement on pages 10 to 12 and reflects, in part, a risk based approach to determining the control systems.

This in turn reflects the approach adopted by the Turnbull Committee. The University believes that in 2005/06 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 adopted 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 34 to the accounts. None of the directors had any beneficial interest in any group company during the year.

Payment of Creditors

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires universities, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The University incurred no interest charges in respect of late payment for this period.

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.

Report of the Governors (As Directors) *(continued)*

Future Developments

The University maintained its student applications in 2005/06 and will aim to ensure that it does so for the 2006/07 entry through continued building of its relationship with church schools and dioceses across the United Kingdom as a key feature of the University's repositioning. It will be important to analyse the impact of the University's bursary and scholarship schemes and refine them in light of experience.

In April 2007, the University's "landmark building" is due for completion and will house all those services aimed at enhancing the student experience. It will be important for the University to make best use of this investment and to reallocate the space released elsewhere to continue enhancement of teaching facilities.

During 2006/07, a bid will be made to HEFCE's Strategic Development Fund for investment to support the University's repositioning. Related discussions also continue with the North West Development Agency and Mersey Partnership.

It is anticipated that the University will make an application for Research Degree Awarding Powers in 2006/07.

Underpinning the development of the new University will be the production of a new Corporate Plan during the year.



Professor G.J. Pillay
Vice-Chancellor and Rector

Statement on Corporate Governance

The following statement is based on both HEFCE guidelines and the model statement provided by the new CUC guide referred to previously, 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.
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 body. A co-opted staff member is eligible to serve on the 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.

Statement on Corporate Governance *(continued)*

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 was in operation during the year ended 31 July 2006, 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.
- 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.
- 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 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.
- 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. 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 informed by the HEFCE audit service current risk assessment letter to the University, received in May 2006.

Statement on Corporate Governance *(continued)*

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 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.

In respect of its strategic and development responsibilities, the Council is responsible for adoption of the University's Corporate Plan and the Vice-Chair of Council has responsibility to liaise with officers on such matters. Council receives recommendations and advice on this and other strategic issues from the Planning and Strategic Support Committee and Senate, 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 2005 meeting the Council carried out an annual risk assessment for the year ended 31st July 2006.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

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 accounting policies set out therein.

This report is made solely to the directors in accordance with the Charters and Statutes of the institution and Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the directors those matters we are, required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 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 Training Development Agency. We also report to you if, in our opinion, the governors report is not consistent with the financial statements, 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 Governor's Report (including the Corporate Governance statement) and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Auditing Standards (UK and Ireland) issued by the Auditing Practices Board and the Audit 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.

Independent auditors' report to the Governing Council of Liverpool Hope University (*continued*)

Basis of audit opinion (*continued*)

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

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the institution and the group at 31 July 2006, and of the surplus of income over expenditure and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act and the Statement of Recommended Practice - Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools, 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;
- in all material respects, income during the year ended 31 July 2006 has been applied in accordance with the institution's statutes and where appropriate in accordance with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

21 December 2006

Statement of Principal Accounting Policies

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

The University has adopted FRS17 Retirement Benefits in the financial statements. The full adoption of the standard represents a change in accounting policy and the comparatives have been restated accordingly.

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 and the Training & Development Agency 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.

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 Training and Development 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 31 and 32.

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.

Statement of Principal Accounting Policies *(continued)*

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 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.

Following full implementation of FRS 17 the pension charge for the year was £2,149,816 (2004/2005: £1,953,867) (See Note 29).

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.

An amount of £224,947 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 17).

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 University 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.

Statement of Principal Accounting Policies *(continued)*

9. Fixed Assets *(continued)*

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.

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
Building Refurbishments	- 20 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.

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.

Statement of Principal Accounting Policies *(continued)*

13. Leases

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

Consolidated Income and Expenditure Account

For the year ended 31st July 2006

	Note	2006 £	2005 As Restated £
Income			
Funding council grants	1	22,647,211	20,048,878
Tuition fees and support grants	2	10,499,751	11,394,941
Research grants and contracts		161,552	62,907
Other operating income	3	9,785,280	10,082,048
Endowment and Investment Income	4	192,778	171,325
Total income		43,286,572	41,760,099
Expenditure			
Staff costs	5	22,653,706	22,178,053
Depreciation	11	1,654,820	1,375,025
Other operating Expenses	6	18,159,179	16,876,256
Interest Payable	7	629,934	407,281
Total expenditure	10	43,097,639	40,836,615
Operating Surplus after Depreciation of Assets Before Interest and Tax		188,933	923,484
Exceptional Item			
Loss on Asset Revaluation	11	-	(921,143)
Profit on sale of property		-	247,175
Operating Surplus after Exceptional Item	9	188,933	249,516
Taxation	8	-	-
Surplus after Depreciation of Assets, Interest and Tax	21	188,933	249,516

The results for the year ended 31 July 2005 have been restated to reflect the full implementation of FRS17. Details of the restatement of comparatives are set out in Note 30.

The consolidated income and expenditure account of the University and its subsidiaries relates wholly to continuing operations.

Statement of Historical Cost Surplus and Deficits

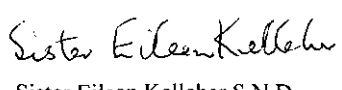
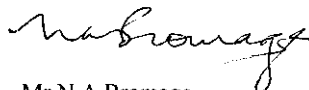
For the year ended 31st July 2006

	Note	2006 £	2005 As restated £
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	21	188,933	249,516
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculation on the revalued amount	22	272,697	(456,353)
Historical Cost surplus/(deficit)		461,630	(206,837)

Balance Sheet As at 31st July 2006

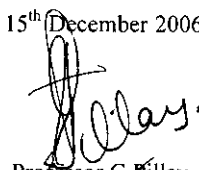
	Note	Consolidated 2006 £	University £	Consolidated 2005 As restated £	University £
Fixed assets					
Tangible assets	11	52,346,138	52,346,138	47,304,302	47,304,302
Investments	12	-	8,988,936	-	8,988,936
		<u>52,346,138</u>	<u>61,335,074</u>	<u>47,304,302</u>	<u>56,293,238</u>
Endowment Assets	13	179,760	179,760	-	-
Current assets					
Debtors	14	6,212,857	8,160,465	5,089,227	6,762,830
Cash at bank and in hand		2,005,712	1,790,936	1,945,157	1,718,470
		<u>8,218,569</u>	<u>9,951,401</u>	<u>7,034,384</u>	<u>8,481,300</u>
Creditors: amounts falling due within one year	15	(8,333,685)	(11,433,676)	(7,437,143)	(10,165,630)
Net current liabilities		<u>(115,116)</u>	<u>(1,482,275)</u>	<u>(402,759)</u>	<u>(1,684,330)</u>
Total assets less current liabilities		<u>52,410,782</u>	<u>60,032,559</u>	<u>46,901,543</u>	<u>54,608,908</u>
Creditors: amounts falling due after more than one year	16	(11,651,886)	(18,985,999)	(9,349,986)	(16,865,809)
Provisions for liabilities and charges	17	(224,947)	(224,947)	(249,034)	(249,034)
Net assets including pension liability		<u>40,533,949</u>	<u>40,821,613</u>	<u>37,302,523</u>	<u>37,494,065</u>
Pension liability	18	(4,976,000)	(4,976,000)	(4,656,000)	(4,656,000)
Total net assets		<u>35,557,949</u>	<u>35,845,613</u>	<u>32,646,523</u>	<u>32,838,065</u>
Deferred capital grants	19	12,707,611	12,707,611	10,656,331	10,656,331
Endowments	20	179,760	179,760	-	-
Reserves					
Income and Expenditure Account Excluding:					
Pension Reserve	21	7,623,937	7,911,601	7,006,307	7,197,846
Pension Reserve		(4,976,000)	(4,976,000)	(4,656,000)	(4,656,000)
Income and Expenditure Account Including					
Pension Reserve		2,647,937	2,935,601	2,350,307	2,541,846
Revaluation Reserve	11/22	20,022,641	20,022,641	19,639,885	19,639,888
Total funds		<u>35,557,949</u>	<u>35,845,613</u>	<u>32,646,523</u>	<u>32,838,065</u>

The Financial Statements on pages 19 to 43 were approved by the Governing Council on 15th December 2006 and signed on its behalf by:

Sister Eileen Kelleher S.N.D.
Chair of the University

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



Professor G. Pillay
Rector & Vice Chancellor

Cash Flow Statement

For the year ended 31st July 2006

	Note	2006 £	2005 Restated £
Net cash inflow from operating activities	24	2,355,694	742,833
Returns on investments and servicing of finance			
Other Interest Received		192,778	171,325
Interest paid		(629,934)	(407,281)
Net cash outflow from returns on investments and servicing of finance		(437,156)	(235,956)
Capital expenditure and financial investment	25	(3,241,287)	(5,776,931)
Cash outflow before financing		(1,322,749)	(5,270,054)
Financing	26	1,563,063	5,801,082
Increase in cash	27	240,314	531,028

Statement of Total Recognised Gains and Losses

For the year ended 31st July 2006

	Note	2006 £	2005 Restated £
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		188,933	249,516
Unrealised surplus on revaluation of fixed assets	11	655,449	-
Actuarial (loss) in respect of pension scheme	29	(164,000)	(1,175,000)
New endowments	20	199,994	-
Total recognised gains/(losses) relating to the period		880,376	(925,484)
Prior year adjustments*		-	(3,514,000)
Total recognised gains/(losses) since last report		880,376	(4,439,484)
Reconciliation			
Opening reserves and endowments		21,990,195	26,429,679
Prior year adjustments	30	-	(3,514,000)
Total recognised (losses)/gains for the year		880,376	(925,484)
Endowment Expenditure	20	(20,234)	-
Closing reserves and endowments		22,850,337	21,990,195

*Net pension asset at 1 August 2004

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.

Notes

(forming part of the financial statements)

1 Funding Council Grants

	2006 £	2005 As restated £
Recurrent Grant – HEFCE	14,842,501	13,097,736
Recurrent Grant – TTA	5,603,295	6,126,235
Specific Grants		
HEFCE Research Assessment	153,208	101,326
HEFCE Special Initiatives	1,224,303	180,027
Inherited Liabilities – staff	47,342	57,009
TTA Special Initiatives	127,406	174,358
Deferred Capital Grants Released in Year		
Buildings (Note 19)	183,583	-
Equipment (Note 19)	465,573	312,187
	<u>22,647,211</u>	<u>20,048,878</u>

Funding Council grants have been restated in 2005 to more accurately reflect the nature of the University's activities. Total amounts remain unchanged.

2 Tuition fees and education contracts

	2006 £	2005 As restated £
Full-time students	5,898,019	5,617,448
Full-time students charged overseas fees	1,108,849	1,635,192
Part-time students	839,432	944,869
Total fees paid by or on behalf of individual students	<u>7,846,300</u>	<u>8,197,509</u>
Education Contracts	1,446,768	1,905,096
Short Course Fees	1,206,683	1,292,336
Total Education Contracts and Short Course Fees	<u>2,653,451</u>	<u>3,197,432</u>
Total	<u>10,499,751</u>	<u>11,394,941</u>

Notes (continued)

3 Other operating income

	2006	2005
	£	As restated £
Residents, Catering and Conferences	3,552,244	3,059,901
Other Income	6,133,551	6,922,662
Release of Deferred Capital Grants (Note 19)	99,485	99,485
	<u>9,785,280</u>	<u>10,082,048</u>
Other operating income has been restated to more accurately reflect the nature of the University's activities		

4 Investment income and interest receivable

	2006	2005
	£	As restated £
Other Interest Receivable	192,778	171,325

5 Staff costs (including Directors' emoluments)

	2006	2005
	£	As restated £
Wages and Salaries	19,019,404	18,784,163
Social Security costs	1,484,486	1,440,023
Other Pension Costs (Note 29)	2,149,816	1,953,867
	<u>22,653,706</u>	<u>22,178,053</u>
Staff costs have been restated in respect of the full implementation of FRS 17 (see note 29)		
Emoluments of the Rector (excl. pensions contributions)	<u>134,948</u>	<u>119,948</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 £17,325 (2004/05: £14,737).

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.

Notes (continued)

5 Staff costs (including Directors' emoluments) (continued)

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

	2006 Number	2005 Number
£70,000 - £79,999	1	2
£80,000 - £89,999	-	-
£90,000 - £99,000	-	-
£100,000 - £109,999	1	-
£110,000 - £119,999	-	1
£130,000 - £139,999	-	1
£150,000 - £159,999	1	-
	<hr/> 3	<hr/> 4

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

	£	£
Salaries	270,710	336,801
Benefits in kind	6,198	12,249
Pension contributions	46,660	48,195
	<hr/> 323,568	<hr/> 397,245

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

	2006 Number	2005 Number
The number of senior post holders entitled to superannuation benefits and serving during the year	3	4

	2006 Number	2005 Number
Academic	379	378
Administrative and Technical	430	420
Manual and Ancillary	174	214
	<hr/> 983	<hr/> 1,012

Notes (continued)

6 Other operating expenses

	2006 £	2005 £
Residents, Catering and Conference Operating Expenses	2,333,752	2,173,821
Teaching Departments	5,232,314	4,378,539
Books and Periodicals	306,255	271,748
Heat, Light, Water and Power	850,450	565,527
Repairs and General Maintenance	646,039	732,488
Grants to Liverpool Hope Students' Union	125,000	125,000
External Auditors' Remuneration	42,887	28,723
External Auditors' Remuneration in Respect of Non-Audit Services	-	1,795
Other Support Services	88,335	96,804
Administration and Central Services	2,128,012	2,010,717
Other Income Generating Activities	4,659,654	2,548,698
Other Operating Expenses	1,746,481	3,942,396
	<u>18,159,179</u>	<u>16,876,256</u>

7 Interest payable

	2006 £	2005 £
Interest Payable on bank loans not wholly repayable within five years	628,934	369,281
FRS 17 Pension Fund Interest payable	1,000	38,000
	<u>629,934</u>	<u>407,281</u>

8 Taxation

	2006 £	2005 £
UK Corporation Tax payable on the Profits of and by Subsidiaries	-	-
	<u>-</u>	<u>-</u>

9 The surplus/(deficit) on continuing operations for the year

	2006 £	2005 £
University (deficit) for the year	(327,537)	(371,131)
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	612,595	620,647
Loss generated by subsidiary undertakings and not transferred to the University	(96,125)	-
	<u>188,933</u>	<u>249,516</u>

Notes (continued)

10 Analysis of expenditure

	Staff costs	Depreciation	Interest Payable	Other operating expenses	Total
	£	£	£	£	£
Academic Departments	12,150,191	-	-	5,232,314	17,382,505
Academic Support Services	1,692,299	-	-	1,774,818	3,467,117
Other Support Services	794,928	-	-	213,335	1,008,263
Admin and Central Services	3,103,119	-	-	2,170,899	5,274,018
General Education Expenditure	-	-	-	75,268	75,268
Premises	1,759,363	-	-	1,699,139	3,458,502
Other Income Generating Activities	2,310,934	-	-	4,659,654	6,970,588
Residences, Catering and Conferences	842,872	-	-	2,333,752	3,176,624
Depreciation	-	1,654,820	-	-	1,654,820
Interest Payable	-	-	629,934	-	629,934
Total per Income and Expenditure Account	22,653,706	1,654,820	629,934	18,159,179	43,097,639
Deferred Capital Grants Released in Year (Note 19)		748,640			
General Income		906,180			
		1,654,820			

11 Tangible fixed assets

Consolidated & University

	Assets in Course of Construction	Additions and Improvements to Buildings	Equipment	Total
	£	£	£	£
Cost				
At 1 August 2005	6,577,772	40,628,300	7,706,713	54,912,785
Additions at Cost	2,245,628	3,731,314	64,265	6,041,207
Transfers	(6,492,353)	6,261,208	231,145	-
Revaluation Reserve	-	655,449	-	655,449
At 31 July 2006	2,331,047	51,276,271	8,002,123	61,609,441
Depreciation				
At 1 August 2005	-	783,016	6,825,467	7,608,483
Charge for Year	-	1,062,915	591,905	1,654,820
At 31 July 2006	-	1,845,931	7,417,372	9,263,303
Net book value				
At 31 July 2006	2,331,047	49,430,340	584,751	52,346,138
At 31 July 2005	6,577,772	39,845,284	881,246	47,304,302

Notes (continued)

11 Tangible fixed assets (continued)

During 1996/97, LIHE Ltd, a wholly owned subsidiary of Liverpool Hope University, 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 University and the company, Liverpool Hope University 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 University will pay the company an amount equal to the construction costs. The directors recognise that Liverpool Hope University bears the principal risks and enjoys the principal rewards of the Library. Accordingly under FRS 5, Liverpool Hope University 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 University and the company have agreed that the lease will not be terminated during the year ending 31st July 2007.

During 1999/00, Liverpool Hope Enterprises Ltd, a wholly owned subsidiary of Liverpool Hope University, completed the construction of a Sports Centre at a cost of £2,301,000. Further costs of £90,000 were incurred in 2000/01 and £3,292 in 2001/02. Under the terms of the agreement between Liverpool Hope University and the company, Liverpool Hope University 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 University will pay an amount equal to the construction costs. The directors recognise that Liverpool Hope University bears the principal risks and enjoys the principal rewards of the Centre. Accordingly under FRS 5, Liverpool Hope University 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 University and the company have agreed that the lease will not be terminated during the year ending 31st July 2007.

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, some assets were valued at lower than their NBV and the resulting loss of £3,074,195 was charged to the Income & Expenditure Account 2004/05. Capital Grants of £2,153,052 (see Note 19) relating to loss making assets were 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 was created for those assets introduced to the Fixed Asset Register or those valued higher than their NBV's.

During 2005/06 the new Student Accommodation was included within the additions at the revalued amount of £8,875,000 which created an increase in the revaluation reserve of £655,449.

Depreciation

In 2004/05 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 were historically depreciated over a period of 20 years, as per the depreciation policy. These works were allocated to specific buildings and added to the historical costs to give a true NBV of the building at the time of the revaluation. This enabled a fair comparison between NBV's and the revaluation of the buildings. The revalued buildings will be depreciated over a period of 50 years from the date of the revaluation. The treatment of these assets is now consistent with the depreciation policy for land & buildings and has had the effect of increasing the annual depreciation charge by £272,697 in 2005/06.

Notes (continued)

12 Investments

	Consolidated 2006	University	Consolidated 2005	University
	£	£	£	£
Investment in Subsidiaries at Cost	-	8,988,936	-	8,988,936

The University owns 100% of the issued share capital of 4,714,430 (2004/05: 4,714,430) £1 ordinary shares of LIHE Ltd, a company registered 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 (2004/05: 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 (2004/05: 1,652,002) £1 ordinary shares of Urban Hope Ltd, a company registered England and operating in the UK. The principal activity of the Company is the provision of construction services to Liverpool Hope University and a variety of commercial and other organisations.

13 Endowment Assets

	Consolidated 2006	University	Consolidated 2005	University
	£	£	£	£
Cash Deposits held in respect of the Anthony Burgess Foundation (see note 20)	179,760	179,760	-	-

14 Debtors

	Consolidated 2006	University	Consolidated 2005	University
	£	£	£	£
Amounts falling due within one year				
Trade Debtors	1,723,360	1,588,236	3,213,418	3,026,709
Sundry Debtors	310,374	310,372	243,911	243,911
Prepayments and Accrued Income	4,073,544	4,073,543	1,520,346	1,520,346
Amounts due from Subsidiary Companies	-	2,082,735	-	1,860,312
	<u>6,107,278</u>	<u>8,054,886</u>	<u>4,977,675</u>	<u>6,651,278</u>
Amounts falling due after more than one year				
Debtors	105,579	105,579	111,522	111,552
	<u>6,212,857</u>	<u>8,160,465</u>	<u>5,089,227</u>	<u>6,762,830</u>

Notes (continued)

15 Creditors: Amounts falling due within one year

	Consolidated 2006 £	University £	Consolidated 2005 £	University £
Bank Overdraft	-	-	-	-
Mortgages	541,694	541,694	591,074	591,074
Trade Creditors	1,857,778	1,738,244	951,163	845,109
Social Security and Other Taxation Payable	756,420	756,419	725,191	725,191
Accruals and Deferred Income	5,177,793	5,177,793	5,169,715	5,169,715
Amounts due to Subsidiary Companies	-	3,219,526	-	2,834,541
	<u>8,333,685</u>	<u>11,433,676</u>	<u>7,437,143</u>	<u>10,165,630</u>

16 Creditors: Amounts falling due after more than one year

	Consolidated 2006 £	University £	Consolidated 2005 £	University £
Mortgages secured on residential and other property repayable by 2030	10,962,430	10,962,430	9,349,986	9,349,987
Amounts due to Funding Council	689,456	689,456	-	-
Amounts due to Subsidiary Companies	-	7,334,113	-	7,515,822
	<u>11,651,430</u>	<u>18,985,999</u>	<u>9,349,986</u>	<u>16,865,809</u>

Included in Amounts due to Subsidiary Companies is £502,279 in respect of prepaid rents (2004/05: £683,987).

Mortgages repayable as below	2006 £	2005 £
Within 1 to 2 years	383,002	553,262
Within 2 to 5 years	1,346,036	1,276,203
After 5 years	9,233,392	7,520,521
	<u>10,962,430</u>	<u>9,349,986</u>

The increase in mortgages repayable is due to the final drawdown on the £9,000,000 loan used to finance the University's new student accommodation units, which were completed at the start of 2005/06.

Notes (continued)

16 Creditors: Amounts falling due after more than one year (continued)

Interest/Terms on Loans	Value	Interest Rate	Basis	Number of years remaining
	£	%		No
Library	1,000,000	8.075	Fixed	1
Library	1,000,000	4.700	Variable	1
Telematics Centre	600,000	7.400	Fixed	17
Sports Centre	1,900,000	7.340	Fixed	17
Great Hall	1,000,000	5.000	Variable	6
Cloisters/Hermitage	420,000	4.150	Fixed	22
Student Accommodation	9,000,000	Base +0.35	75% Fixed 25% Variable	24

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

17 Provisions for liabilities and charges

	Enhanced pension scheme £
At 1 st August 2005	249,034
Decrease in Provision	(24,087)
	<hr/>
At 31 st July 2006	224,947
	<hr/>

The Provision for Pensions costs is in respect of pension enhancements granted.

18 Pension Liability

University & Consolidated	2006 £	2005 £
As at 1 August 2005	4,656,000	3,514,000
Increase in Liability	320,000	1,142,000
	<hr/>	<hr/>
	4,976,000	4,656,000
	<hr/>	<hr/>
See note 29 for further details		
The University's pension liability is analysed as follows		
	£	£
Greater Manchester Pension Fund	3,806,000	4,656,000
Merseyside Pension Fund	1,170,000	1,212,000
	<hr/>	<hr/>
	4,976,000	4,656,000
	<hr/>	<hr/>

Notes (continued)

19 Deferred Capital Grants

	HEFCE 2006 £	Other 2006 £	Total 2006 £
At 1st August 2005			
Buildings	7,112,072	2,972,715	10,084,787
Equipment	531,544	40,000	571,544
	<hr/>	<hr/>	<hr/>
Total	7,643,616	3,012,715	10,656,331
	<hr/>	<hr/>	<hr/>
Cash Received			
Buildings	2,486,256	-	2,486,256
Equipment	313,664	-	313,664
	<hr/>	<hr/>	<hr/>
Total	2,799,920	-	2,799,920
	<hr/>	<hr/>	<hr/>
Release to Income and Expenditure Account			
Buildings (note 1 & 3)	183,583	59,485	243,068
Equipment (note 1 & 3)	465,573	40,000	505,573
	<hr/>	<hr/>	<hr/>
Total	649,156	99,485	748,640
	<hr/>	<hr/>	<hr/>
At 31st July 2006			
Buildings	9,414,745	2,873,230	12,287,975
Equipment	379,635	40,000	419,635
	<hr/>	<hr/>	<hr/>
Total	9,794,380	2,913,230	12,707,611
	<hr/>	<hr/>	<hr/>

20 Specific Endowments

	Consolidated 2006 £	University £	Consolidated 2005 £	University £
Received during the year	199,994	199,994	-	-
Released to Income & Expenditure Account	(20,234)	(20,234)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2006	179,760	179,760	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

During the year the University received an endowment from the Anthony Burgess Foundation for the advancement of study and research into the author's work.

Notes (continued)

21 Income and Expenditure Account Reserve

	Consolidated 2006 £	University £	Consolidated 2005 £	University £
At 1 st August 2005 as previously stated	2,350,307	2,451,846	6,789,791	6,981,330
Prior year adjustment in respect of FRS 17	-	-	(3,514,000)	(3,514,000)
Actuarial Loss	(164,000)	(164,000)	(1,175,000)	(1,175,000)
Transfer from Revaluation Reserve	272,697	272,697	-	-
Surplus for the year	188,933	285,058	249,516	249,516
	<u>2,647,937</u>	<u>2,935,601</u>	<u>2,350,307</u>	<u>2,541,846</u>
Balance represented by:				
Pension reserve	(4,976,000)	(4,976,000)	(4,656,000)	(4,656,000)
Income and expenditure reserve excluding pension reserve	<u>7,623,937</u>	<u>7,911,601</u>	<u>7,006,307</u>	<u>7,197,846</u>
At 31 July 2006	<u>2,647,937</u>	<u>2,935,601</u>	<u>2,350,307</u>	<u>2,541,846</u>

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.

22 Revaluation Reserve

	Consolidated 2006 £	University £	Consolidated 2005 £	University £
At 1 August 2005	19,639,889	19,639,889	-	-
Revaluations in the period (Note 11)	655,449	655,449	19,639,889	19,639,889
Released to Income and Expenditure	(272,697)	(272,697)	-	-
At 31 July 2006	<u>20,022,641</u>	<u>20,022,641</u>	<u>19,639,889</u>	<u>19,639,889</u>

23 Capital Commitments

	Consolidated 2006 £	University £	Consolidated 2005 £	University £
Commitments contracted for at 31 st July 2006	<u>3,303,584</u>	<u>3,303,584</u>	<u>2,843,000</u>	<u>2,843,000</u>

Notes (continued)

24 Reconciliation of consolidated surplus/(deficit) to net cash inflow from other operating activities

	2006 £	2005 £
Surplus	188,933	249,516
Actuarial Loss	(164,000)	(1,175,000)
Gain on disposal of Tangible Assets	-	(247,175)
Tangible Assets written off in year	-	3,074,193
Depreciation (Note 11)	1,654,820	1,375,025
Deferred Capital Grants Released to Income (Note 19)	(748,640)	(2,564,726)
Investment Income (Note 4)	(192,778)	(171,325)
Interest Payable (Note 7)	629,934	407,281
Increase in Debtors (Note 14)	(1,123,630)	(1,660,597)
Increase in Creditors (Note 15)	1,815,142	265,635
Increase in Provisions (Note 17)	295,913	1,190,007
Net cash inflow from operating activities	2,355,694	742,833

25 Capital Expenditure and Financial Investment

	2006 £	2005 £
Tangible Assets Acquired (Note 11)	(6,041,207)	(8,474,934)
Sale of Tangible Assets	-	337,000
Deferred Capital Grants Received (Note 19)	2,799,920	2,361,003
	(3,241,287)	(5,776,931)

26 Analysis of changes in consolidated financing during the year

Mortgages & Loans	2006 £	2005 £
As at 1 August 2005	9,941,061	4,139,979
New Loans	2,072,777	6,217,000
Capital Repayments	(509,714)	(415,918)
Net increase in loans	1,563,063	5,801,082
Balance at 31st July 2006	11,504,124	9,941,061

Notes (continued)

27 Analysis of changes in net debt

	At 1 August 2005	Cash flows	Other changes	At 31 July 2006
	£	£	£	£
Net Available Cash	1,945,160	60,552	-	2,005,712
Endowment Asset (note 13)	-	179,760	-	179,760
Debt due within 1 year	(163,767)	(377,927)	-	(541,694)
Debt due after 1 year	(9,777,294)	(1,185,137)	-	(10,962,431)
	<u>(7,995,901)</u>	<u>(1,322,752)</u>	<u>-</u>	<u>(9,318,653)</u>

28 Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
Increase in cash in the period	240,312	531,032
Net Decrease/(Increase) in Debt	(1,563,064)	(5,741,050)
Change in Net Debt resulting from cash flows	(1,322,752)	(5,210,050)
Net Debt at 1 August 2005	(7,995,901)	(2,725,851)
Net Debt at 31 July 2006	(9,318,653)	(7,935,901)

29 Pension and similar obligations

The University's employees belong to three principal pension schemes, the Teachers' Pension Scheme (TPS), the Greater Manchester Pension Fund (GMPF) and the Merseyside Pension Fund (MPF). The total pension cost for the period was £2,149,716 (2005: £1,953,867).

Teachers Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial variations	31 March 01
Actuarial method	Prospective Benefits
Investment returns per annum	7.0%
Salary scale increases per annum	5.0%
Market value of assets at date of last valuation	£102,010m
Proportion of members' accrued benefits covered by the actuarial value of the assets	100%

Notes (continued)

Teachers Pension Scheme (continued)

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employers' contributions. For the period from 1 April 2005 to 30 March 2006 the employer contribution rate was 13.5%. The rate increased to 14.1% from 1 April 2006.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. 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.

Greater Manchester Pension Fund (GMPF)

The GMPF is a funded defined benefit scheme, with the assets held in separate trustee administered fund. The total contribution made for the year ended 31 July 2006 was £1,159,000 of which employers contributions totalled £832,000 and employees contributions totalled £327,000. The agreed contribution rates for future years are 15% for employers and 6% for employees.

FRS 17

The following information is based upon a full actuarial valuation of the fund as 31 March 2004 updated to 31 July 2006 by a qualified independent actuary.

	2006	2005	2004
Inflation	3.1%	2.8%	2.9%
Rate of increase in inflation	4.6%	4.3%	4.4%
Rate of increase in pensions	3.1%	2.8%	2.9%
Discount rate for liabilities	5.1%	5.0%	5.8%

The University's share of assets in the scheme (which is estimated at 0.2% of total scheme assets) and the expected rates of return were:

	Long term rate of return Expected 31 Jul 06	Value at 31 July 06	Long term rate of return Expected 31 Jul 05	Value at 31 July 05	Long term rate of return Expected 31 Jul 04	Value at 31 July 04
		£000		£000		£000
Equities	7.70%	10,043	7.30%	8,559	7.90%	6,554
Bonds	4.70%	2,564	4.70%	2,017	5.40%	1,593
Property	5.70%	1,446	5.40%	1,161	6.70%	967
Cash	4.80%	1,124	4.50%	1,010	4.50%	562
Share of total market value of assets		15,177		12,747		9,676

Notes (continued)

Greater Manchester Pension Fund (continued)

	2006 £000	2005 £000	2004 £000
University's estimated asset share	15,177	12,747	9,676
Present value of scheme liabilities	(18,983)	(16,191)	(12,006)
	<hr/>	<hr/>	<hr/>
Surplus/(deficit) in the scheme	(3,806)	(3,444)	(2,330)
	<hr/>	<hr/>	<hr/>

Analysis of the amount charged to the Income and Expenditure account

	2006 £000	2005 £000
Employer service cost (net of employee contributions)	1,009	746
Past service cost	65	16
	<hr/>	<hr/>
Total operating charge	1,074	762
	<hr/>	<hr/>

Analysis of pension finance income

	2006 £000	2005 £000
Expected return on pension scheme assets	857	724
Interest on pension scheme liabilities	(838)	(720)
	<hr/>	<hr/>
Pension finance income	19	4
	<hr/>	<hr/>

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

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	671	1,499
Experience gains and losses arising on the scheme liabilities	3	(389)
Change in financial and demographic assumptions underlying the scheme liabilities	(813)	(2,226)
	<hr/>	<hr/>
Actual gains/(loss) recognised in STRGL	(139)	(1,166)
	<hr/>	<hr/>

Notes (continued)

Movement in surplus during year

	2006 £000	2005 £000
Surplus/(deficit) in scheme at beginning of year	(3,444)	(2,330)
Movement in year:		
Current service charge	832	810
Contributions	(65)	(16)
Past service costs	(17)	-
Settlements and Curtailments	19	4
Net interest/return on assets	(139)	(1,166)
Surplus/(deficit) in the scheme at end of year	(3,806)	(3,444)

History of experience gains or losses

	2006 £	2005 £	2004 £	2003 £	2002 £
Difference between the expected and actual return on assets	671	1,449	309	23	(1,213)
Value of Assets	15,177	12,747	9,676	7,896	6,688
% of scheme assets	4.4%	11.4%	3.2%	0.3%	-18.2%
Experience gains and losses on scheme liabilities	3	(389)	1	(101)	354
Total present value of liabilities	18,983	16,191	12,005	10,367	7,623
% of Total present value of scheme liabilities	0.0%	-2.4%	0.0%	-1.0%	4.6%
Actuarial Gain/(Loss) recognised in statement of total recognised gains and losses	(139)	(1,166)	292	(1,561)	(118)
% of the present value of liabilities	-0.7%	-7.2%	2.4%	-15.1%	-1.5%

Merseyside Pension Fund (MPF)

The MPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2006 was £140,536 of which employers contributions totalled £116,520 and employees contributions totalled £24,016. The agreed contribution rates for future years are 37.4% for employers and 6% for employees.

FRS 17

The following information is based upon a full actuarial valuation of the fund as at 31 March 2004 updated to 31 July 2006 by a qualified independent actuary.

	2006 £000	2005 £000
Inflation	3.0%	2.7%
Rate of increase in salaries	3.0%	2.7%
Rate of increase in pensions	3.0%	2.7%
Discount rate for liabilities	5.1%	5.0%

Notes (continued)

The University's share of assets in the scheme (which is estimated at 0.1% of total scheme assets) and the expected rates of return were:

	Long term rate of return Expected 31 Jul 06	Value at 31 July 06	Long term rate of return Expected 31 Jul 05	Value at 31 July 05	Long term rate of return Expected 31 Jul 04	Value at 31 July 04
		£000		£000		£000
Equities	7.00%	1,772	7.50%	1,633	7.00%	1,337
Bonds – Government	4.40%	566	4.40%	502	4.40%	389
Bonds – Other	5.10%	165	5.00%	143	5.10%	99
Property	6.00%	285	6.50%	118	6.00%	228
Cash & Other	4.50%	272	4.80%	345	4.50%	251
Total market value of assets		<u>3,060</u>		<u>2,741</u>		<u>2,304</u>

	2006 £000	2005 £000
University's estimated asset share	3,060	2,741
Present value of scheme liabilities	(4,230)	(3,953)
Surplus/(deficit) in the scheme	<u>(1,170)</u>	<u>(1,212)</u>

Analysis of the amount charged to the income and expenditure account

	2006 £000	2005 £000
Employer service cost (net of employee contributions)	78	73
Past service cost	(47)	-
Total operating charge	<u>31</u>	<u>73</u>

Analysis of pension finance income/(costs)

	2006 £000	2005 £000
Expected return on pension scheme assets	176	156
Interest on pension scheme liabilities	(196)	(198)
Pension finance income/(costs)	<u>(20)</u>	<u>(42)</u>

Notes (continued)

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

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	162	299
Experience gains and losses arising on the scheme liabilities	(74)	-
Change in financial and demographic assumptions underlying the scheme liabilities	(113)	(308)
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in STRGL	(25)	(9)
	<hr/>	<hr/>

Movement in surplus during year

	2006 £000	2005 £000
Surplus/(deficit) in scheme at beginning of year	(1,212)	(1,184)
Movement in year:		
Current service charge	(78)	(73)
Contributions	118	96
Past service costs:		
Settlements and Curtailments	47	-
Net interest/return on assets	(20)	(42)
Actuarial gain or loss	(25)	(9)
	<hr/>	<hr/>
Surplus/(deficit) in scheme at end of year	(1,170)	(1,212)
	<hr/>	<hr/>

History of experience gains or losses

	2006 £	2005 £	2004 £	2003 £	2002 £
Difference between the expected and actual return on assets					
Amount	1,143	6,856	645	445	(10,934)
% of scheme assets	1.59%	9.5%	1.1%	0.8%	22.7%
Change in assumptions					
Amount	(4,532)	(13,714)	(1,449)	(6,258)	-
% of scheme liabilities	3.9%	13.5%	1.8%	8.6%	-
Total amount recognised in STRGL					
Amount	(3,389)	(6,858)	*804	(6,703)	(10,934)
% of scheme liabilities	2.9%	6.8%	1.0%	9.2%	17.9%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

30 Prior year adjustment

The prior year adjustment relates to the full implementation of FRS 17 'Retirement Benefits'.

FRS 17 requires the assets of defined benefit pension schemes, such as the local government scheme, to be measured at market value at each balance sheet date, and the liabilities to be measured using a specific valuation method and to be discounted using a corporate bond rate. Any resulting share of the pension scheme surplus or deficit is recognised on the University balance sheet. Any resulting gains and losses are recognised in the statement of recognised gains and losses rather than being recognised gradually in the income and expenditure account.

The adoption of FRS 17 has resulted in the following impact on the income and expenditure account and settlement of total recognised gains and losses.

	Group £	University £
Income and expenditure account reserve as previously stated (note 20)	7,006,307	7,197,846
Pension asset/(liability) at 1 August 2004	(3,514,000)	(3,514,000)
Movement during 2004/05:		
Employer service cost	(819,000)	(819,000)
Employer contributions	906,000	906,000
Past service cost	(16,000)	(16,000)
Net interest/return on assets	(38,000)	(38,000)
Actuarial gain or loss	(1,175,000)	(1,175,000)
Income and expenditure account reserve as restated at 31 July 2005	(4,656,000)	(4,656,000)
Analysis of prior year adjustment		
Adjustment to opening Income and Expenditure Account Reserve at 1 August 2004	(3,514,000)	(3,514,000)
Adjustment to Income and Expenditure Account for year ended 31 July 2005	33,000	33,000
Adjustment to Statement of Total Recognised Gains and Losses for the year ended 31 July 2005	(1,175,000)	(1,175,000)
Total	(4,656,000)	(4,656,000)

31 Access funds

	2006 £	2005 £
Funding Council Grants	676,836	561,392
Interest Earned	-	-
	676,836	561,392
Disbursed to students	(676,836)	(561,392)
Balance unspent at 31 July 2006	-	-

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.

Notes (continued)

32 Training Bursary Payments

	2006 £	2005 £
Grant paid by Training Development Agency (TDA)	4,140,180	3,699,540
2% Administration fee	(81,180)	(72,540)
	<hr/> 4,059,000	<hr/> 3,627,000
Payments to Trainees	(3,710,439)	(3,548,996)
	<hr/>	<hr/>
Overpayment of Grant due to TDA	348,561	78,004
	<hr/>	<hr/>

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.

33 Accountable Body Role

During the year the University acted as Accountable Body for a number of grant funded external projects. The grants and related expenditure are included in the Income and Expenditure Account and are included Debtors and Creditors as appropriate. (2005/06 Debtors £2,333,012; Creditors £658,896; 2004/05 Debtors £281,794; Creditors £300,076).

34 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.

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.

35 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.

36 Contingent Liability

The University operates its learning resources/library service through LIHE Ltd. In September 2006 Her Majesty's Revenue and Customs successfully challenged the University of Ulster on its arrangements for the delivery of similar services resulting in additional VAT charges. Liverpool Hope University is currently reviewing the impact of this tribunal on its own arrangements. At the date of these financial statements it is not possible to quantify the financial impact, if any, of this recent case.