

Financial Statements

Liverpool Life Science Accelerator Limited

For the Period Ended 31 July 2023

Liverpool Life Science Accelerator Limited
Financial Statements for the period ended 31 July 2023

Company Registration Number:	14342845
Registered Charity Number:	1200750
Registered Office:	c/o Liverpool School of Tropical Medicine Pembroke Place Liverpool L3 5QA
Trustees:	Prof D G Laloo (appointed 7 September 2022) R E Holland (appointed 7 September 2022) D R Preston (appointed 7 September 2022)
Secretary:	R E Holland
Bankers:	Royal Bank of Scotland Plc 1, Dale Street Liverpool L2 2PP
Solicitors:	Brabners LLP Horton House Exchange Flags Liverpool L2 3YL
External Auditors:	Grant Thornton UK LLP Statutory Auditor Chartered Accountants Royal Liver Building Liverpool L3 1PS
Internal Auditors:	RSM Risk Assurance Services LLP Internal Auditor Chartered Accountants 3 Hardman Street Manchester M3 3HF

Liverpool Life Science Accelerator Limited
Financial Statements for the period ended 31 July 2023

Index to the Financial Statements

Report of the Trustees	1 – 6
Independent Auditor’s Report	7 – 11
Principal Accounting Policies	12 - 14
Statement of Financial Activities	15
Balance Sheet	16
Cash Flow Statement	17
Notes to the Financial Statements	18 - 21

Liverpool Life Science Accelerator Limited
Financial Statements for the period ended 31 July 2023

Report of the Trustees

The trustees, who are also the directors of the charitable company for the purposes of the Companies Act 2006, present their report together with the financial statements for the year ended 31 July 2023.

Directors and Trustees

The charitable company was incorporated on 7 September 2022 and the directors were appointed on that date. The directors of the charitable company (the charity) and its trustees, for the purpose of charity law and throughout this report are collectively referred to as the trustees.

The trustees serving during the year and since the year end were as follows:

Prof DG Laloo (appointed 7 September 2022)
R E Holland (appointed 7 September 2022)
D R Preston (appointed 7 September 2022)

Structure, Governance and Management

Liverpool Life Science Accelerator Limited (LLSA) is a not-for-profit company limited by guarantee with charitable status in the UK. The Liverpool School of Tropical Medicine (LSTM) is the parent company of LLSA by virtue of it being the sole member of the company limited by guarantee.

The organisation is overseen by a Board of Trustees with fiduciary responsibilities and financial and audit oversight. LLSA has no staff and LSTM staff on the LSTM Executive team and across other departments are responsible for strategic and day to day management of the company.

Statement by the Trustees on performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Board of Trustees of LLSA consider, both individually and collectively, that they have acted in ways that they believe in good faith to be most likely to promote the success of the company for the benefits of its sole member, LSTM (having regard to the stakeholders and other matters set out in s172(1) of the act) in the decisions they made during the period ended 31 July 2023.

The LLSA Board of Trustees comprises 3 executive members. There are a minimum of 3 board meetings each year.

Trustees are not remunerated, and they join the LLSA Board to contribute their skill and expertise to help LLSA to achieve its vision and mission, as detailed elsewhere in this report. The Board of Trustees has a terms of reference that is reviewed annually and Board members receive regular external training on the duties of trustees of a charity. There is also a code of conduct and members are required to declare any conflicts of interest at every meeting.

The Board's key stakeholders have been identified as the following:

- Funding partners
- Financial investors
- Building occupiers
- Local and central government
- Research partners

Liverpool Life Science Accelerator Limited
Financial Statements for the period ended 31 July 2023

The Board and other LSTM staff responsible for day to day management engage with each of these groups throughout the year.

Key decisions made by the Board this year include:

- Purchase of the Liverpool Life Science Accelerator building and raising the related external and intercompany loans
- Approval of the 2023/24 annual budget
- Approval of the capital development of the ground floor of the building as a Human Challenge Facility

Employee engagement statement

LLSA does not have any employees. LSTM Executive and other LSTM staff are responsible for the day to day management of the company.

Statement on business relationships

The LLSA Board of Trustees and the LSTM staff responsible for the day to day running of the company comprise people with a variety of skills and backgrounds. Through their networks, they are able to foster relationships by direct contact with relevant stakeholders and others, particularly in relation to key decisions made by the Board. This is particularly relevant in applications for capital and other funding for development of the building as a specialised research hub.

Sustainability and Carbon reporting

The key asset of LLSA is the Liverpool Life Science Accelerator building. Day to day management of the building lies with the LSTM Estates department. LLSA sustainability and carbon reporting is included in the LSTM Group Trustees' Report.

Audit Committee

LLSA benefits from shared accounting and audit arrangements with its parent institution the Liverpool School of Tropical Medicine. External audit work is carried out by Grant Thornton UK LLP. All internal audit work is performed by RSM Risk Assurance Services LLP, whose remit is to provide independent and objective assurance to add value and improve the organisation's operations. This is carried out through the evaluation and improvement of risk management, governance and control processes.

LSTM Audit Committee acts as the review body for both internal and external audit oversight on all recommendations made.

Governing Document and Objectives of the Charitable Company

The organisation is governed by the Memorandum and Articles of Association which were laid down at the incorporation of the company on 7 September 2022.

The objectives of the charity are:

The advancement of health for the public benefit by (but without prejudice to the generality of the foregoing) the provision of facilities for research, study and instruction in connection with the origin, character, alleviation, prevention and cure of every or any type of tropical or other disease;

Liverpool Life Science Accelerator Limited
Financial Statements for the period ended 31 July 2023

To advance the education of the public on the matters aforesaid and to promote research for the public benefit in all aspects of that subject and to publish the useful results;

Such other exclusively charitable purposes according to the law of England and Wales that the Trustees may in their absolute discretion decide from time to time.

Appointment of Trustees

Any new appointments to the Board are a matter for consideration of the Board as a whole. Trustees are appointed by the sole member, LSTM, for a term of three years or co-opted by the Trustees.

Trustee Induction and Training

The inaugural trustees are executive staff in LSTM and as such are well versed in the requirements of their legal obligations under charity and company law, the Charity Commission guidance on public benefit, the content of the Memorandum and Articles of Association, the committee and decision-making processes and the business plan of this company. Any new trustees would undergo relevant orientation training as required.

Strategic Report

As a registered charity, the strategic report is contained in the following sections:

- Risk management
- Financial risk management objectives and policies
- Objectives and activities for public benefit
- Achievements and performance
- Goals, future plans and developments
- Financial review

Risk Management

LLSA's risk management falls under LSTM's overall risk management strategy which identifies the major first level risks to which the charitable company is exposed. The trustees regularly review the systems established to mitigate those risks.

The Board has delegated certain monitoring and control responsibilities to the parent organisation, LSTM. LSTM is responsible for implementing LLSA's Risk Management framework, which includes the Corporate Strategic Risk Register, the Risk Management Policy, and Risk Level KPIs.

Risk assessments are carried out by LSTM management. The outcomes of the assessments are included in the risk assessment register. The core administrative team identifies new risks and monitors existing risks.

The risk assessment register is summarised and reviewed by the LSTM Executive, Audit Committee and Board of Trustees at least annually.

Financial Risk Management Objectives and Policies

In order to purchase the building, LLSA took out a £6m loan with HSBC Commercial Bank. This loan is secured on the building and LLSA is required to report under the covenants quarterly. Interest rate risk is

Liverpool Life Science Accelerator Limited
Financial Statements for the period ended 31 July 2023

offset via an interest rate swap. LLSA also has a £9m intercompany loan with its parent company, LSTM. Under the intercompany loan agreement intercompany interest is payable.

In this the first year of this company, LLSA has invested in the purchase of the building, and going forward, particularly with the development of the human challenge facility, the company expects to be able to fully fill the building with tenants within the LSTM Group and external tenants, improving cash flow, and facilitating the quarterly capital repayments and interest payments on the external loan and interest on the intercompany loan.

The Finance and Investment Committee of LSTM acts as a review body for all finance and investment related activities. Two existing members of the LLSA Board sit on this committee.

Objectives and Activities for Public Benefit

LLSA promotes research and experimental development and advances education, through the provision of a world class research facility for the advancement of public health. The Board confirms it has referred to the guidance contained in the Charity Commission's general guidance and The Advancement of Education for the Public Benefit when reviewing the Charity's aims and objectives in planning future activities for the year.

Achievements and Performance

LLSA was established in September 2022 to promotes research and experimental development and advance education, through provision of a world class research facility. In this first year of operation, focus has been on ensuring governance, audit and tax processes are put in place, banking loan covenants could be satisfied and on increasing the number of tenants in the building who share the same charitable aims as the organisation. All of these objectives have been satisfied and the company now has a solid foundation on which to build going forward.

Goals, Future Plans and Developments

LLSA's key asset is the Liverpool Life Science Accelerator building, a modern building in the heart of Liverpool's knowledge quarter providing state of the art laboratory and related office facilities.

A key part of the development of the building is the conversion of the ground floor into a human challenge facility, a growth research area following the Covid-19 pandemic. The business plan is for the facility to be leased to both tenants within the LSTM group and also to some external parties who share the same charitable objectives. The human challenge facility would be a bespoke area where external companies could pay for use of this fully serviced 24/7 space for the relevant periods of a human clinical trial.

Work is due to be completed during the next financial year, with the facility fully operational shortly after.

Financial Review

Income for this first period to 31 July 2023 was £746k. This was all rental income from charitable activities. Outgoings consisted primarily of group and external interest on loans (£545k) and depreciation (£183k).

The balance sheet reflects the purchase of the Liverpool Life Science Accelerator building in November 2022 and the loans taken out to make that purchase of £15.0m. The building is valued at cost less accumulated depreciation and had a value of £15.2m at 31 July 2023.

The recording of a £167k unrealised gain on the interest rate swap taken out in relation to the external £6m loan with HSBC is the main driver behind the closing net assets of £168k.

Liverpool Life Science Accelerator Limited
Financial Statements for the period ended 31 July 2023

Reserves Policy

LSTM Group policy is that unrestricted reserves represent a minimum of 6 months' pay expenditure. LLSA does not have any staff, its key expense is interest due on both internal and external loans. Resources are therefore managed and committed within a framework of financial planning that ensures that there are sufficient reserves and liquid resources to fulfil loan covenant contractual commitments. The covenants on the loan assist in ensuring that the company is managed in such a way as to meet the capital and interest commitments. All covenants are currently being met.

Going Concern

LLSA's balance sheet reflects its key asset, the Liverpool Life Science Accelerator building largely offset by the loan commitments taken out to purchase the building.

The budget for 2023/24 shows a small surplus and cash outflows in the form of interest payments are less than budgeted income, which will result in a reduction in the current bank overdraft position over time.

The organisation benefits hugely from the synergistic relationship with LSTM in terms of LSTM and IVCC renting a large proportion of the space in the building and in providing management and administrative services, as well as LSTM staff already having considerable involvement in the research field which is the primary market for the building.

Liverpool School of Tropical Medicine, the immediate and ultimate parent company of LLSA, has provided the entity a Letter of Support to ensure that sufficient funds are available in order for the company meet all of its liabilities and obligations as they fall due until at least the end of November 2024. The ongoing support for the company will take the form of LLSA's overdraft facility continuing as part of the LSTM UK Group cash pooling facility that it has in place with its RBS sterling bank accounts, or a formal loan agreement issued at an arm's length basis.

Trustees' Responsibilities Statement

The trustees (who are also directors of LLSA for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law, the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 'FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS102);
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the

Liverpool Life Science Accelerator Limited
Financial Statements for the period ended 31 July 2023

financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The trustees confirm that:

- so far as each trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information related to LLSA included on LSTM's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006, subject to the results of a tender process to be undertaken.

The trustee's sign off relates to the strategic report as well as the responsibilities per the regulations.

ON BEHALF OF THE BOARD



Prof D G Lalloo
Chairman
30/11/2023

Independent Auditor's Report to the Members of Liverpool Life Science Accelerator Limited

Opinion

We have audited the financial statements of Liverpool Life Sciences Accelerator Limited (the 'charitable company') for the period ended 31 July 2023, which comprise Statement of Financial Activities (incorporating an Income and Expenditure account), the Balance sheet, the Cash Flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2023 and of its incoming resources and application of resources including its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements section' of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the charitable company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis and increasing interest rates we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period.

We have checked that the entity has met their banking covenants during the year, at the year end and for 12 months from the anticipated date of approval of the financial statements based on base case forecasts presented to us in our audit work. We have also confirmed via inquiry with management that there have been no known breaches during the period which would otherwise contradict our review.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Trustees' Annual Report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report, prepared for the purposes of company law, included in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report included in the Report of the Trustees have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report included in the Report of the Trustees.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement set out on pages 1-6, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the charitable company, and the industry in which it operates and determined which may influence the financial statements. Given the nature of its operating activities, the charitable company is subject to several laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

We determined that the following laws and regulations are the most significant which are directly relevant to specific assertions in the financial statements:

- Those that relate to reporting frameworks being FRS102 and the Statement of Recommended Practice ("Charities SORP (FRS102)") and the Charities Act 2011 and the Companies Act 2006 and the relevant tax compliance regulations.

- Those that relate to the operational activities of the charitable company as a research organisation working to facilitate research development through provision of world class facilities.
- We assessed the susceptibility of the charitable company's financial statements to material misstatements, including how fraud might occur. We performed the following audit procedures to address the risks related to irregularities and fraud:
 - evaluation of the processes and controls in place to address the risks related to irregularities and fraud;
 - challenge of the assumptions and judgements made by management in its significant accounting estimates;
 - review of performance targets and conditions to research funding received and their propensity to influence efforts made by management to manage earnings;
 - review and testing of journal entries, in particular manual journal entries, relating to management estimates and journal entries impacting the reported result for the year;
 - consideration of the potential for fraud in revenue recognition through the manipulation of revenue from research grant funding;
 - identifying related parties and through our data interrogation tools performed a review for any related party transactions during the year.
- We have checked that the entity has met their banking covenants during the year, at the year end and for 12 months from the anticipated date of approval of the financial statements based on base case forecasts presented to us in our audit work. We have also confirmed via inquiry with management that there have been no known breaches during the period which would otherwise contradict our review.
- We enquired of management, the Director, the Audit Committee and the internal auditors whether there was any awareness of instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews.
- In assessing the potential risks of material misstatement, we obtained an understanding of the charitable company's operations, the applicable statutory provisions and business risks that may result in risk of material misstatement, and the charitable company's control environment, including the adequacy of procedures for authorisation of transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement team's experience with similar engagements, their understanding and knowledge of the charitable company's industry and their understanding of the industry and regulatory requirements were considered in assessing the appropriateness of the collective competence and capabilities of the engagement team.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Other matters

Note this is a new company in the year therefore there are no prior year comparatives.



Gareth Hitchmough BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool

30 November 2023

Principal Accounting Policies

Legal Status of the Charitable Company

LLSA is a registered charity and a company limited by guarantee incorporated in England and Wales and has no share capital. In the event of LLSA being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

The registered office of LLSA is Liverpool School of Tropical Medicine, Pembroke Place, Liverpool, Merseyside, L3 5QA.

Basis of Preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. LLSA is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of derivative financial instruments and investments).

The financial statements are presented in Sterling (£).

Going Concern

LLSA's balance sheet reflects its key asset, the Liverpool Life Science Accelerator building largely offset by the loan commitments taken out to purchase the building.

The budget for 2023/24 shows a small surplus and cash outflows in the form of interest payments are less than budgeted income, which will result in a reduction in the current bank overdraft position over time.

The organisation benefits hugely from the synergistic relationship with LSTM in terms of LSTM and IVCC renting a large proportion of the space in the building and in providing management and administrative services, as well as LSTM staff already having considerable involvement in the research field which is the primary market for the building.

The directors consider that it is appropriate to prepare the financial statements on a going concern basis due to the continued support which the company will receive from its ultimate parent company, Liverpool School of Tropical Medicine (LSTM).

Liverpool School of Tropical Medicine, the immediate and ultimate parent company of LLSA, has a letter of support for the company to meet all of its liabilities and obligations as they fall due until at least the end of November 2024. The ongoing support for the company will take the form of LLSA's overdraft facility continuing as part of the LSTM UK Group cash pooling facility that it has in place with its RBS sterling bank accounts or a formal loan agreement issued at an arms length basis.

Significant Judgements and Estimates

Preparation of the Financial Statements requires management to make significant judgements and estimates. The items in the Financial Statements where these judgements and estimates have been made include :

Estimates

Financial Instruments : all derivatives are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market based data.

LLSA Limited

Financial Statements for the Period Ended 31 July 2023

Valuation of land : The Liverpool Life Science Building was purchased for £15m which included the land and the building. Management worked with a surveyor to estimate the land element of the purchase, which was valued at £1.65m, and which is not being depreciated. The estimate is based on a review of similar property and land values in the area local to the building.

There were no significant judgements made in the preparation of these financial statements.

Statement of Principal Accounting Policies

Revenue Recognition

Income from rental contracts and related services rendered is credited to the Statement of Financial Activities when the services are supplied to the external or group customers or the terms of the contract. This is generally the charging of rents and any related service charges on a monthly basis based on occupation of the space.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by LLSA; this is normally upon notification of the interest paid or payable by the Bank.

Expenditure and Irrecoverable VAT

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of resources.

Any Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Allocation of Support Costs

Support costs are those functions that assist the work of LLSA but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and government costs which support LLSA's charitable activities. These costs have been allocated to expenditure on charitable activities.

Governance Costs

Governance costs comprise of all costs involving the public accountability of a charity and its compliance with regulation and good practice. These costs include statutory audit, legal costs and board of trustee meeting costs. Included within this category are costs associated with the strategic as opposed to day-to-day management of the charity's activities.

Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to LLSA. Any unused benefits are accrued and measured as the additional amount LLSA expects to pay as a result of the unused entitlement.

Fixed assets

Land and buildings

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to LLSA.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over a period of 50 years.

Fixtures and Equipment

Fixtures and equipment, including computers and software, costing less than the de minimus per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment (including computer and other equipment) is stated at cost and depreciated over 4 years.

LLSA Limited

Financial Statements for the Period Ended 31 July 2023

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Cash and Cash Equivalents

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. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered, less any impairment. Prepayments are valued at the amount prepaid net of any trade discounts due.

Creditors

Creditors are recognised where LLSA has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial Instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Derivative instruments are considered to be non-basic financial instruments and are initially measured at transaction price, then subsequently measured to fair value each reporting date. Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in the Statement of comprehensive income. Outstanding derivatives at the reporting date are included under the appropriate category depending on the nature of the derivative.

LLSA holds derivative financial instruments in the form of an interest rate swap. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at the balance sheet date. Changes in the fair value of derivatives are recognised in the surplus or deficit as appropriate.

Taxation

VAT : Any Irrecoverable VAT is charged as a cost to the Statement of Financial Activities.

Taxation status : LLSA has charitable status and is exempt from corporation tax under the provision of s466 of the Income & Corporation Taxes Act 2010.

Operating Leases

Rentals under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Statement of Financial Activities

		Unrestricted	Restricted	Total
		funds	funds	2023
Income	Note	£	£	£
Incoming Resources				
Income from charitable activities	1	746,180	-	746,180
Total Incoming Resources		<u>746,180</u>	<u>-</u>	<u>746,180</u>
Resources Expended				
Expenditure on charitable activities :				
Depreciation	2	182,935	-	182,935
Interest	2	544,641	-	544,641
Other	2	17,431	-	17,431
Total Resources Expended		<u>745,007</u>	<u>-</u>	<u>745,007</u>
Net gains on investments		<u>-</u>	<u>-</u>	<u>-</u>
Net Incoming Resources for the Year		1,173	-	1,173
Other Recognised Gains / Losses				
Change in fair value of financial instrument	9	<u>166,523</u>	<u>-</u>	<u>166,523</u>
Net Movement in Funds		167,696	-	167,696
Total Funds Carried Forward at 31 July 2023	10	<u>167,696</u>	<u>-</u>	<u>167,696</u>

The results relate wholly to continuing activities.

The Statement of Financial Activities incorporates the Income and expenditure account.

Balance Sheet as at 31 July

	Note	2023 £
Fixed Assets		
Tangible assets	5	15,246,763
		<u>15,246,763</u>
Current Assets		
Debtors	6	357,558
Cash at bank and in hand		1,922
		<u>359,480</u>
Creditors: Amounts Falling Due within One Year	7	<u>(738,547)</u>
Net Current Assets		<u>(379,067)</u>
Total assets less current liabilities		<u>14,867,696</u>
Creditors: Amounts Falling Due after One Year	8	<u>(14,700,000)</u>
Net Assets		<u>167,696</u>
Income Funds		
Restricted funds		-
<i>Unrestricted funds:</i>		
Income and expenditure reserve - unrestricted	10	167,696
		<u>167,696</u>

Company Registered Number: 06719882

The Financial statements were approved by the Board of Trustees on 30/11/2023 and signed on its behalf by:

David Laloo

Prof D G Laloo
 Director

Cash Flow Statement**2023**

£

Net income for the reporting period	167,696
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Adjustment for Non-Cash Items

Depreciation	182,935
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Increase in debtors	(357,558)
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Interest payable	544,641
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Increase in creditors	538,547
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Net Cash Flow from Operating Activities	1,076,261
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Taxation paid	-
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Cash Flows from Investing Activities

Purchase of tangible fixed assets	(15,429,698)
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Net Cash generated / (used by) from Investing Activities	(15,429,698)
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Cash Flows from Financing Activities

Receipt of external loans	6,000,000
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Repayment of external loans	(100,000)
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Receipt of Intercompany loans	9,000,000
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Interest paid on loans	(544,641)
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Net Cash generated from Financing Activities	14,355,359
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Change in Cash in the Year	1,922
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Cash at the beginning of the year	-
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Cash at the end of the year	1,922
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Analysis of Cash and Cash Equivalents

Cash in hand	1,922
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Notes to the Financial Statements

1 Analysis of Income

	Unrestricted funds	Restricted income funds	Endowment funds	2023 Total
	£	£	£	£
Income from Charitable Activities				
Rental and Leasing Income	746,180	-	-	746,180
	<u>746,180</u>	<u>-</u>	<u>-</u>	<u>746,180</u>

2 Analysis of Expenditure

	Unrestricted funds	Restricted income funds	Endowment funds	2023 Total
	£	£	£	£
Depreciation	182,935	-	-	182,935
Interest payable	544,641	-	-	544,641
Other	17,431	-	-	17,431
	<u>745,007</u>	<u>-</u>	<u>-</u>	<u>745,007</u>

Analysis of Expenditure on Charitable Activities

	Activities undertaken directly	Support costs	Governance	2023 Total
	£	£	£	£
Property Rental	727,576	1,411	16,020	745,007
	<u>727,576</u>	<u>1,411</u>	<u>16,020</u>	<u>745,007</u>

The total support and governance costs (note 3) attributable to charitable activities have been applied to the Property Rental used for charitable purposes.

Expenditure on charitable activities was £745,007 of which £745,007 was unrestricted and £nil was restricted.

3 Support Cost Allocation

	General support costs	Governance function	2023 Total
	£	£	£
Core administration	1,411	-	1,411
Direct governance costs	-	16,020	16,020
	<u>1,411</u>	<u>16,020</u>	<u>17,431</u>

Basis of support costs allocation

General support costs have been fully allocated to Property Rental used for charitable purposes.

4 Analysis of Governance Costs

	2023 £
Financial statement auditor's remuneration	
Financial statements audit	16
	<u>16</u>

5 Tangible fixed assets

LLSA	Freehold land and buildings £	TOTAL £
Cost or valuation		
Additions	15,429,698	15,429,698
At 31 July 2023	<u>15,429,698</u>	<u>15,429,698</u>
Depreciation		
Charge for the year	182,935	182,935
At 31 July 2023	<u>182,935</u>	<u>182,935</u>
Net book value at 31 July 2023	<u>15,246,763</u>	<u>15,246,763</u>
Financed by RE capital grant	-	-
Financed by other capital grant	-	-
Financed by other	15,246,763	15,246,763
	<u>15,246,763</u>	<u>15,246,763</u>

Land with a net book value of £1,650,000 is held within Freehold land and buildings and is not depreciated

6 Debtors

	2023
	£
Trade debtors	5,174
Prepayments and accrued income	166,523
Amounts owed by group undertakings	<u>185,861</u>
	<u>357,558</u>

Prepayments and accruals includes an amount of £166,523 in relation to an interest rate swap on the long term secured loan, held at fair value at the balance sheet date.

7 Creditors : Amounts Falling Due Within One Year

	2023
	£
Bank Loans and Overdrafts	660,010
Accruals and deferred income	76,165
Taxation and social security	<u>2,372</u>
	<u>738,547</u>

8 Creditors : amounts falling due after 1 year

	2023
	£
Bank Loans and Overdrafts	5,700,000
Amounts owed to group undertakings	9,000,000
	<u>14,700,000</u>

Analysis of loans

	2023
	£
Total loans are comprised as follows :	
Secured loans	
Due within 1 year or on demand	200,000
Due between one and two years	200,000
Due between two and five years	600,000
Due in five years or more	<u>4,900,000</u>
Total due after more than one year	5,900,000
Intercompany loan due between two and five years	9,000,000
Total loans	<u>14,900,000</u>

The external secured loan facilities comprise :

Secured loan with HSBC	5,900,000
	<u>5,900,000</u>

The £9,000,000 intercompany loan is with the ultimate holding company, Liverpool School of Tropical Medicine. The loan is an unsecured 5 year loan and interest is charged on a daily basis. The interest rate is 1% above the Bank of England base rate.

The £5,900,000 secured loan is with HSBC. The loan is a 5 year loan secured on the Liverpool Life Science Accelerator building purchased by the company for £15,000,000 in November 2022. Capital is repayable at a fixed rate of £50,000 per quarter with the remaining balance due at the end of the 5 year term in November 2027. Variable Interest is payable quarterly and is calculated daily as the aggregate of the margin and compounded HSBC reference rate. The loan is secured against the Liverpool Life Science Accelerator building.

9 Financial Instruments

The carrying value of LLSA's financial assets and liabilities are summarised by category below

	2023
	£
Financial assets	
Financial assets that are measured at amortised cost	<u>192,957</u>
Financial asset measured at fair value through surplus or deficit	<u>166,523</u>
Financial liabilities	
Financial liabilities measured at amortised cost	<u>6,436,175</u>
Financial liabilities measured at fair value through surplus or deficit	<u>-</u>

Financial assets measured at amortised cost comprise cash and cash equivalents, cash held on deposit and amounts owed to group undertakings.

Financial assets measured at fair value through surplus or deficit comprises an interest rate swap.

Financial liabilities measured at amortised cost comprise trade creditors amounts owed to group undertakings and accruals.

LLSA's income, expense, gains and losses in respect of financial instruments are summarised below :

	2023
	£
Fair value gains and (losses)	
On derivative financial assets and liabilities measured at fair value through income and expenditure	<u>166,523</u>

10 Income funds

Income funds are analysed as follows:

	Balance	Income	Expenditure	Other recognised gains and losses	Balance
	31 July 2022				31 July 2023
	£	£	£	£	£
Unrestricted					
Income and expenditure reserve	-	912,703	(745,007)	167,696	167,696
	<u>-</u>	<u>912,703</u>	<u>(745,007)</u>	<u>167,696</u>	<u>167,696</u>

The unrestricted funds of £1,173 reflects surpluses generated by LLSA through its Property rental activities.

Notes to the Financial Statements

11 Analysis of Net Assets Between Funds

	Restricted funds £	Unrestricted funds £	Total £
Fixed Assets	-	15,246,763	15,246,763
Current assets	-	359,480	359,480
Current liabilities	-	(738,547)	(738,547)
Long Term liabilities	-	(14,700,000)	(14,700,000)
Total net assets	-	167,696	167,696

12 Operating lease receivables

	2023 £
Amounts due in less than one year	1,025,926
Amounts due between one and five years	3,142,624
Amounts due after 5 years	6,977,735
	11,146,285

LLSA is lessor to LSTM and IVCC within the LSTM group and to 2 external tenants. The amounts above reflect the non cancellable future lease payments due to LLSA.

13 Related Party Transactions

During 2023, rents totalling £691k were received from LLSA's parent company Liverpool School of Tropical Medicine (LSTM); As at 31 July 2023 there was an outstanding inter-company balance of £388k creditor owed by LSTM relating rents owed

During 2023, rents totalling £24k were received from LLSA's sister company IVCC; As at 31 July 2023 there was an outstanding inter-company balance of £24k debtor owed by IVCC to LLSA relating rents owed

During 2023, loans totalling £9,000k were made by LLSA's parent company Liverpool School of Tropical Medicine (LSTM) and interest of £334k was paid; As at 31 July 2023 there was an outstanding inter-company balance of £55k creditor owed by LLSA in relation to loan interest

There were no related party transactions involving the Trustees of LLSA as declared in the disclosure of interests.

14 Ultimate Controlling Party

The Trustees consider that the ultimate controlling party is Liverpool School of Tropical Medicine, a company registered in England and Wales (company no. 00083405), which is also a registered UK charity (charity no. 222655). LSTM is the parent company of LLSA by virtue of it being the sole member of the company limited by guarantee. LSTM's mission is improving health outcomes in disadvantaged populations globally through partnership in research and education.

The group accounts are publicly available from Companies House.

15 Capital Commitments

The charity had no capital commitments as at 31 July 2023.

16 Contingent Liabilities

A composite cross guarantee structure exists between Liverpool School of Tropical Medicine, IVCC, Well Travelled Clinics Limited, Liverpool International Health Ventures Limited, Liverpool International Health I.P. Limited, LSTM Consulting Limited, Liverpool Life Science Accelerator Limited and iiDiagnostics Limited in respect of bank overdrafts. The aggregate amount outstanding under this agreement at the balance sheet date was £1,308,547 (2022: £712,358).

17 Reconciliation of net funds

	2023 £
Movement in cash and cash equivalents	1,922
Other non-cash changes	166,523
Net funds 31 July 2023	168,445
Change in net funds	168,445
Analysis of net funds:	2023 £
Cash and cash equivalents	1,922
Financial assets held at fair value	166,523
Net funds	168,445