

Financial Statements

IVCC

For the year ended 31 July 2017

Registered Charity Number: 1128437

Company No. 06719882

Company registration number :	06719882
Registered charity number :	1128437
Registered office :	c/o Liverpool School of Tropical Medicine Pembroke Place Liverpool L3 5QA
Trustees:	F Binka D Brandling-Bennett M Moody-Stuart M J P Cooke Q Liu K Bennett R Steketee P Housset S O'Brien J J E Lefroy (appointed 1 December 2016)
Secretary:	T D McLean
Bankers :	Royal Bank of Scotland Plc 100 Old Hall Street Liverpool L3 9QJ
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 3HS

Index to the financial statements

Report of the trustees	3 – 11
Report of the independent auditor	12 – 14
Principal accounting policies	15 – 17
Statement of financial activities	18
Balance sheet	19
Cash flow statement	20
Notes to the financial statements	21 – 26

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 2017.

Directors and trustees

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:

F Binka
D Brandling-Bennett
V Nantulya (resigned 17 May 2017)
M Moody-Stuart
M J P Cooke
Q Liu
K Bennett
R Steketee
P Housset
S O'Brien
J J E Lefroy (appointed 1 December 2016)

Structure, governance and management

IVCC is a not for profit company limited by guarantee with charitable status in both the UK and US.

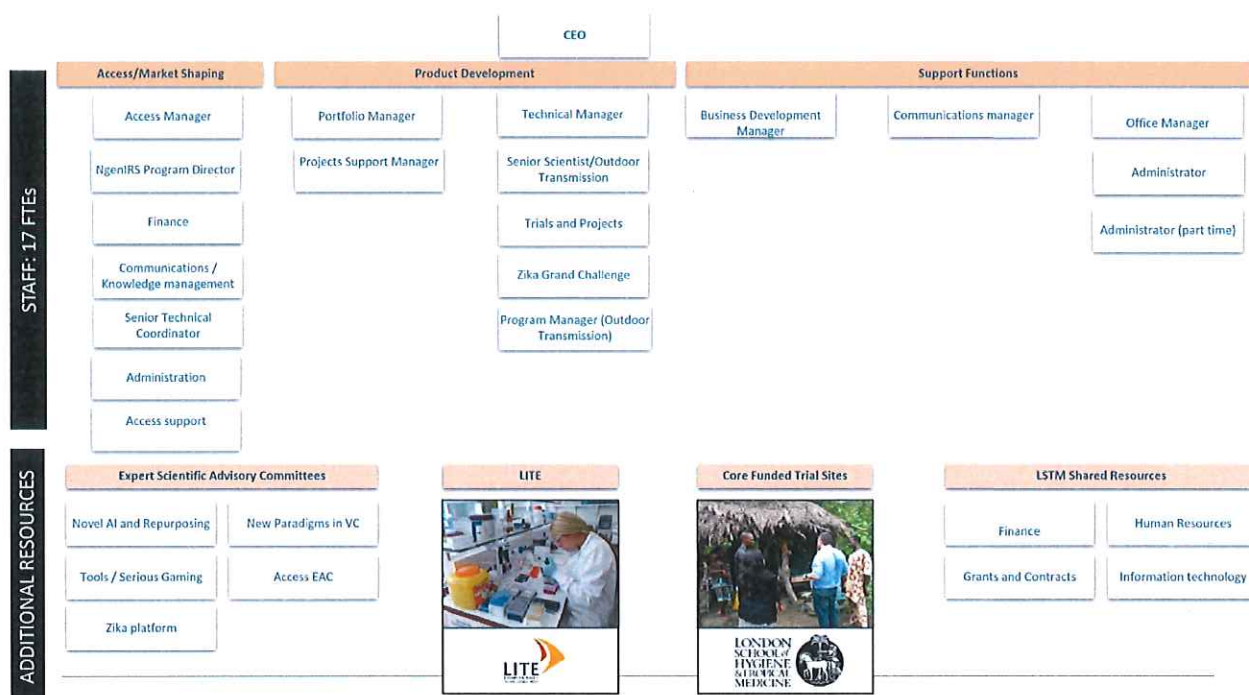
The organisation is overseen by a board of trustees with fiduciary responsibilities and financial and audit oversight. External Advisory committees (ESACs) advise the IVCC Executive Committee on project inception, progression and termination. The IVCC staff, who make up the Leadership Team, are responsible for strategic and day to day management of the programme, high level project monitoring and stakeholder liaison. The CEO, Nick Hamon, joined the organisation in 2013 and has a PhD in insect ecology and population dynamics, and a bachelor's degree in applied zoology. He has worked for several Fortune 500 companies involved in new product and business development in agriculture, public health and environmental science. He has delegated day-to-day management responsibility of the charitable company on behalf of the trustees.

Group structure

Liverpool School of Tropical Medicine (LSTM) is the parent company of IVCC by virtue of it being the sole member of the company limited by guarantee.

Organogram & organisation of IVCC

In addition to the ESAC groups, the personnel, IT, finance and grants management functions are embedded in the parent organisation, LSTM and are accessed via detailed service level agreements. This provides IVCC with open access to these support services in a cost-effective manner.



Pay policy for senior staff

The pay of senior staff consists of a basic pay element and a performance related pay (variable pay) element. IVCC recruit professionals with specialist private-sector expertise (Pharmaceutical, Agrochemical etc.) and therefore its remuneration framework needs to be competitive with the private sector to attract, incentivise and retain high quality employees.

Base salaries are benchmarked against the private sector on a regular basis to ensure competitiveness. The framework for calculation of variable pay is based on organisational performance and a blend of individual performance and key competencies. The process for goal-setting ensures that the total organisational pay-out is maintained within an acceptable range that is pre-defined by the IVCC Board of Trustees. While Management strives to define the most appropriate goals and metrics, unforeseen issues or opportunities may arise that change the feasibility or value of the proposed metrics. Management's ability to capitalise on unforeseen opportunities and address unforeseen issues is also considered as a part of the Board's assessment of the organisation's performance. Should the performance of the individual, or the organisation be deemed insufficient by IVCC's management or the Board, there will be no obligation to pay the variable component.

The CEO's salary and performance related pay will be agreed by the Remuneration Committee following a proposal from the relevant Board Members and the annual review undertaken by The Chairman of Trustees.

Audit committee

IVCC benefits from shared accounting and audit arrangements with its host 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 to risk management, governance and control processes.

An audit committee acts as the review body for both internal and external audit oversight on all recommendations made. A member of the IVCC board sits on the audit committee and reports between both organisations on any matters that should be brought to the board's attention for further discussion.

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 9 October 2008 and amended by special resolution on 6 February 2009.

The objects of the charity are to:

Advance health and relieve sickness by alleviating and preventing the spread of any type of tropical disease which is now or may hereafter become known in any part of the world where such disease either manifests itself or has effects by any means, and in particular but without prejudice to the generality of the foregoing by:

- Stimulating industry and academia to discover, develop and deliver new tools to better manage insect vectors of disease to monitor and better direct the use of these tools.
- Promoting and encouraging the dissemination of new scientific information.
- Ensuring products and systems developed and accessible to those in need of them in the developing countries of the world.
- Promoting and conducting research into issues concerning public health.

Appointment of trustees

Any new appointments to the board are a matter for consideration of the board as a whole. The IVCC board of trustees has a Nominations Committee comprising three members that is responsible for the selection and nomination of any new member for the board's consideration. The board of trustees, when complete, consists of at least seven and not more than fifteen individuals.

Members of the board of trustees are appointed for a term of office of three years. One third of the board must retire at each AGM based on time in office. Retiring trustees shall be eligible for re-election subject to paragraph 3.7.1 of the Articles.

Trustee induction and training

New trustees undergo orientation training to brief them on: their legal obligations under charity and company law, the Charity Commission guidance on public benefit, and inform them of the content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and recent financial performance of the charity. During the induction they meet key employees and other trustees. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

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

The trustees have a risk management strategy in place which identifies the major risks to which the charitable company is exposed. The trustees regularly review the systems established to mitigate those risks.

The board has delegated monitoring and control responsibilities to the parent organisation, LSTM.

Risk assessments are carried out by 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 Leadership Team, Audit Committee and Board of Trustees at least annually.

There were no serious untoward incidents in the year ended 31 July 2017.

Financial risk management objectives and policies

It is the charity's policy to minimise the risk relating to foreign currency received from overseas donors by employing the use of forward contracts where possible.

Surplus cash held is invested in high interest bearing accounts as part of an overall cash pooling arrangement with the parent company to maximise potential returns and minimise risk.

The finance and investment committee of LSTM acts as a review body for all finance and investment related activities. A member of the IVCC board sits on the committee and reports between both organisations on any matters that should be brought to the board's attention for further discussion.

On June 23 2016 the UK voted to leave the European Union. The implications for organisations are in most cases not yet clear, but following the referendum result, IVCC will continue to review what the key implications and impacts are likely to be. Factors likely to be specifically relevant to IVCC include the following:

- Currency volatility
- Ability to apply for EU research funding
- Restriction in the movement of labour across borders
- The general macro-economic position across Europe

Objectives and activities for public benefit

The mission of IVCC is to eliminate transmission of mosquito-borne pathogens through improved insect vector control with innovative products. IVCC facilitates the development of improved public health pesticides and formulations, provides information tools to enable the more effective use of existing and new disease control measures and works with the disease endemic country stakeholders and industry to establish target product profiles for new vector control products and paradigms. The Board confirm they have 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.

The IVCC Product Development Partnership has an essential role within the malaria eradication agenda and more broadly, in the control of many vector-borne diseases. IVCC will:

- Engage industry to stimulate the development of new public health pesticides, replacing those lost to resistance, withdrawal of regulatory approval and commercial prioritization.
- Improve the cost-effectiveness and efficiency of the interventions through better formulation of public health pesticides.
- Work with the end users in disease endemic countries and the chemical industry to define and validate new insecticide-based paradigms, and their associated target product profiles, increasingly harnessing the consumer market, for improved mosquito vector control.
- Maximise the impact of initial IVCC investments by ensuring the delivery of the monitoring and evaluation tools developed by IVCC grantees since 2005.

Achievements and performance

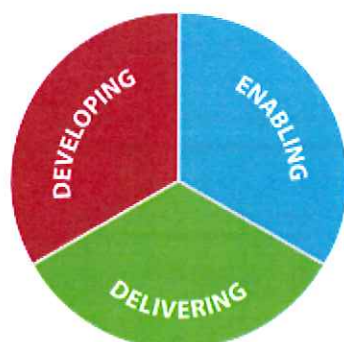
IVCC was established in November 2005 to facilitate the development of improved public health pesticides and formulations and provide information tools and diagnostics to enable the more effective use of malaria and dengue control measures.

Since then, through a mechanism of open calls, IVCC has been remarkably successful at engaging industry and delivering products: K-Othrine Polyzone (LLIRS), Actellic® 300CS (LLIRS), Interceptor® G2 (dual AI LLIN).

Public health insecticides with new modes of action to secure a long term platform for insecticide resistance management

Long lasting IRS formulations and dual active ingredient LLINs to improved field performance and preserve existing tools against the threat of resistance

Effective solutions to protect against outdoor disease transmission by insect vectors



Stakeholder partnerships that create a path to market and the rapid development of transformative vector control interventions, encourage innovation and reducing time to impact
Improvements in the **reliability and consistency** of vector control laboratory and field trials data
Spray application devices to deliver targeted, more **effective IRS**

Build evidence to support recommendations for **IVM, IRM and Integrated Tools Management**

Market shaping initiatives to accelerate uptake, availability and affordability of novel vector control interventions, providing evidence of cost effectiveness and impact

IVCC is collaborating with industry and academic leaders to develop a complete toolbox of solutions for vector control. This toolbox is designed to provide malaria control programs with the products to implement sustainable insecticide resistance management strategies. The ultimate goal is nothing less than malaria eradication.

- Novel active ingredients: IVCC is advancing its projects with Bayer, Mitsui, Sumitomo and Syngenta. At this stage, 6 distinct modes of actions are in optimization and pre-development.
- Repurposing insecticides from agriculture: IVCC and its partners are working on interim solutions by repurposing insecticides already used in agriculture. Interceptor® G2 (dual AI LLIN) was granted a WHOPES interim approval in 2017. Sumishield (LLIRS) was submitted to WHO and is under review. Olysetduo (dual AI LLIN) and Fludora Fusion (dual AI LLIRS) are finishing their final field data collection before submission.

Preventing outdoor transmission: Three proof of concepts are well underway (ATSB, Push-Pull, Targeted Swarms). The preliminary results of ATSB are very encouraging with extended testing planned during 2018 ahead of a possible full development program.

IVCC is very conscious that this ambitious product development program will only be successful if barriers to innovation can be overcome.

- In January 2017, WHO has officialised its transition from WHOPES to Pre-Qualification with the help and expert support from I2I.
- KCMUCo (Moshi, Tanzania) was the first African trial site to be GLP certified in 2017. This opens the door for manufacturers to submit field test data they own to WHO. IVCC is advancing the GLP certification program in 6 other sites throughout Africa while WHO is doing the same in sites in Asia and Latin America. The goal is to ensure enough testing capacity to support the development pipeline of IVCC and other product development partners.

- IVCC is partnering with world leading research universities to create models that can anticipate the outcome of overlaying interventions or the implementation of various IRM strategies. This work is helping IVCC and its partners to drive development strategies and to start mapping pathways to malaria eradication.

IVCC is also strengthening its support for essential development work. For example, with LSTM, IVCC is working to establish a rapid diagnostic mechanism for cytP450. We are also creating a pool of formulation technology experts to help our industrial partners optimising their vector control products.

Supporting the introduction of innovative products in challenging markets is essential. NgenIRS' first year has demonstrated the impact of market shaping intervention for 3rd generation IRS. In 2016, \$5.8M in co-payments was released to support the USAID/AIRS program, protecting an estimated additional 2 million people in Ethiopia, Mali, Rwanda and Zambia. In 2017, 8 additional countries were added. This program is supported by a robust methodology to improve country forecasting, measure impact and stimulate product price decreases.

All this work is only possible because IVCC is very well supported by its funders. During this financial year IVCC has signed the following grant and cooperative agreements:

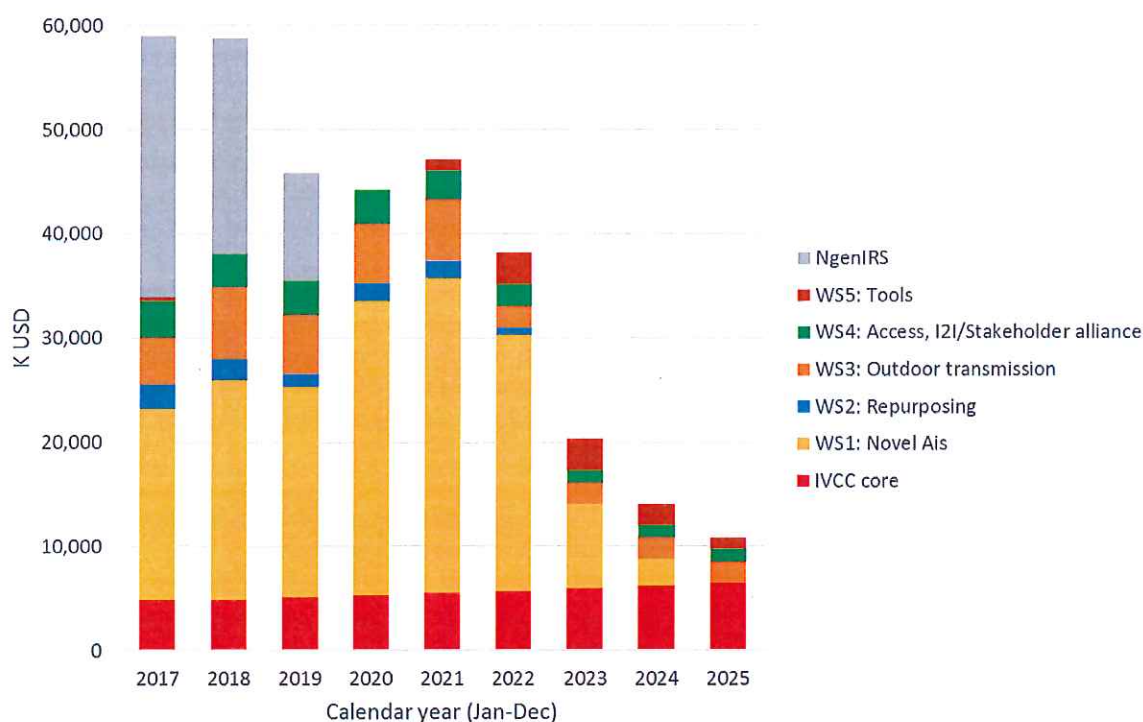
- \$5M from the Bill & Melinda Gates Foundation to support the I2I platform
- \$1M innovation fund from the Bill & Melinda Gates Foundation
- \$8.1M from USAID to create a platform to support their Zika Grand Challenge, trial site core funding, access and application technologies
- £25M from DFID, core funding IVCC's work

Goals, future plans and developments

IVCC's core objectives for the period 2017-2025 are:

- Advance the portfolio of New Active Ingredient (AI) Discovery and Development programs and their formulation in LLIRS and LLINs.
- Complete the development of the existing Formulation and Repurposing portfolio to deliver products that will enable rational and effective resistance management programs.
- Review and assess new proposals for product development.
- Capitalise on the outcome of the Zika platform to identify potential candidates for product development.
- Strengthen relationship with WHO to anticipate impact of policies and recommendations on product development pipeline.
- Complete GLP accreditation of 6 additional sites.
- Complete projects to establish new paradigms for the prevention of outdoor transmission.
- Fast track ATSB product development dependent upon a successful proof of concept outcome.
- Introduce new products in NgenIRS to increase competition and enable IRM strategies. Increase number of partner countries.
- Capitalise on the learning from NgenIRS to develop a similar platform for ITNs.
- Use the outcome of the modelling work in our product development strategy and IVM platform.
- Develop an organisation that is capable of delivering the ongoing Mission Statement of IVCC, with an evidence-based roadmap of future needs and a strategy for their resolution.
- Broaden IVCC scope to extend the value of our products to other NTDs and new geographical areas.
- Support and leverage our expert platform (ESACs and EAC) for optimal project support.
- Secure commitment from industrial partners through a range of initiatives (e.g. CEO roundtable, VERV, market shaping interventions, return on investment on CSR...).

The total funding required to enable IVCC to meet all of its objectives up to 2025 is highlighted in the following chart with funding of new active ingredients dominating the activity. Note that data are displayed in K USD and in calendar year.



Financial review

Income for the year of £20.4m was some £1.8m up from last year with resources expended of £19.2m up by £0.9m giving a surplus of £1.2m before other recognised gains. During 2016/17 IVCC started hedge accounting under FRS102 in relation to forward contracts. The statement of financial activities reflects an amount of £0.4m of foreign exchange gain which has been taken to the hedging reserve.

A total of £14.4m was spent on direct charitable project activities with a further £0.7m paid out on project activities undertaken in-house. Core administration support costs of £3.9m were also incurred in the year.

The Bill and Melinda Gates Foundation (BMGF) provided 42% of the charity's income in the year, down from 44% in 2015/16 and down from 73% in 2014/15. The remaining income was split 37% UNITAID, 13% DFID and 7% USAID. IVCC has continued to diversify its funding base and reduce its reliance on one main donor. A small amount of deposit interest (£17,000) was also received on funding received in advance.

It is forecast in 2017/18 that income will increase by £11.2m to £30.3m with the surplus remaining at £2.8m. This is in part the result of increased expenditure totalling £5.3m on the NGenIRS programme due to changes in the phasing of planned expenditure. An additional £3.2m of expenditure planned for the AI portfolio and £1.8m planned for the Repurposing portfolio is factored into the forecast numbers. This includes expenditure originally allocated in the 2016/17 forecast which was not spent as a result of informed project management decisions taken as the projects progressed, phasing adjustments due to changes in the timetable and delays in project start dates.

Two new grant applications were successful during the year. An award from USAID for \$8.1m was secured which is supplementary to the USAID grant due to conclude at the end of September 2018 and includes a Project Management evaluation engagement for a range of Zika research projects. An award from BMGF for \$1m has been granted as a separate Innovation Fund.

Grant making policy

IVCC has established its grant making policy to achieve its objects for the public benefit. The charity invites proposals from both the public and private sectors following the establishment of target product

profiles for different types of intervention and new insecticide active ingredients as well as the furtherance of information systems and tools. All outline proposals are reviewed by an External Scientific and Advisory Committee (ESAC) in terms of portfolio fit and likely success. Following a successful initial review, a more detailed application is submitted to the ESAC for a full scientific and budgetary review before proceeding to full implementation.

Reserves policy and going concern

Unrestricted reserves of £2.4m are used to finance activities currently out of scope with existing funders, but within the overall mission and objectives of the organisation. While the charity does not have a policy of maintaining reserves at a specific level, or within a specific range, resources are managed and committed within a framework of financial planning that ensures it has both sufficient reserves and liquid resources to fulfil commitments that it enters into.

No contract is entered into unless it can be fully resourced from beginning to end; this includes staffing contracts, partner contracts and all contracts in the supply chain.

IVCC has a healthy bank balance of £31m and no loans outstanding. External grant funding of \$75m has been secured from BMGF for the next 5 years to cover all core running costs and a significant number of projects.

Being part of the LSTM group gives security for IVCC in case of any future cash flow issues, or financial difficulty that may arise. The organisation benefits hugely from this synergistic relationship in terms of high quality shared services and scientific resources and knowledge.

Trustees' responsibilities statement

The trustees (who are also directors of IVCC 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 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 included on the charitable company'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, offer themselves for reappointment in accordance with section 485 of the Companies Act 2006.

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

ON BEHALF OF THE BOARD



Sir Mark Moody-Stuart
Chairman

30th October, 2017

Independent auditor's report to the members of IVCC

Opinion

We have audited the financial statements of IVCC (the 'charitable company') for the year ended 31 July 2017 which comprise the Principal Accounting Policies, the Statement of financial activities (incorporating an Income and Expenditure account), the Balance sheet, the Cash flow statement and notes to the financial statements. 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 2017 and of its incoming resources and application of resources including, its income and expenditure for the year 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.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Report of the Trustees, set out on pages 3 to 11 other than the financial statements and our auditor's report thereon. 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. In connection with our audit of the financial statements, 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 or a material misstatement of the other information. 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 Report of the Trustees which includes the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Report of the Trustees which includes the Strategic Report has 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 Report of the Trustees which includes the Strategic Report.

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 for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on pages 10 to 11 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.

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.

Carl Williams

Carl Williams
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
Date:

9 November 2017

Principal Accounting Policies

Overview

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

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) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

IVCC meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements are presented in Sterling (£).

A summary of the principal accounting policies is set out below:

Income

Income is recognised when IVCC has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Grants receivable

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when IVCC has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income received in advance of research activity, or provision of other specified service is deferred until the conditions for income recognition are met.

Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by IVCC; 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.

Grants are charged to the statement of financial activities when a constructive obligation exists, notwithstanding that they may be paid in future accounting periods.

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 IVCC but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support IVCC's research activities. These costs have been allocated to expenditure on charitable activities.

Fund accounting

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund, together with an allocation of overheads as defined by the donor. The funds are not therefore available for the work performed by IVCC other than that specified by the donor.

Unrestricted grant funding is recognised immediately in the month of receipt and can be expended without condition on activities in furtherance of IVCC's mission.

Debtors

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

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition, or opening of the deposit, or similar account.

Creditors and provisions

Creditors and provisions are recognised where IVCC 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 and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

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.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Financial instruments

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

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in the Statement of Financial Activities. Outstanding derivatives at the reporting date are included under the appropriate category depending on the nature of the derivative.

The charity holds derivative financial instruments in the form of foreign currency sterling forward currency contracts. 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. Changes in the fair value of derivatives are recognised in the surplus or deficit as appropriate, unless they are included in a hedging arrangement. The charity applies hedge accounting for transactions entered into to manage the cash flow exposures of foreign currency research income. Forward currency contracts are held to manage the cash flow exposure to fluctuations in exchange rates and are designed as cash flow hedges.

Changes in the fair value of derivatives designated as cash flow hedges, and which are effective, are recognised directly in the charity's income funds. Any ineffectiveness in the hedging relationship (being excess of cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in surplus or deficit.

The gain or loss recognised in other comprehensive income is reclassified to the income and expenditure account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

Taxation status

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

VAT

Irrecoverable VAT is charged as a cost to the statement of financial activities.

Pensions

The two pension schemes for IVCC's staff are the Universities Superannuation Scheme (USS) and the University of Liverpool Pension Fund (ULPF). ULPF is a defined benefit scheme and USS changed from a defined benefit scheme to a hybrid scheme on 1 October 2016. Both however are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

Both the USS and ULPF are multi-employer schemes for which it is not possible to identify the assets and liabilities related to IVCC's members due to the mutual nature of the scheme and therefore these schemes are accounted for as defined contribution retirement benefit scheme.

A liability is recorded within the sponsoring employer LSTM, for the contractual commitment to fund past deficits within the USS.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the charity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions in defined contribution pension plans are recognised as an expense in the Statement of Financial Activities in the periods during which services are rendered by employees.

Significant estimates and judgements

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:

Deferral of balances - due to the nature of research grants, whereby in the majority of cases projects span over several years, judgement is exercised in the decision over deferral of balances to ensure income and expenditure are accounted for in the appropriate and matching time period and also at the point performance conditions have been met.

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. The charity has applied hedge accounting in the year. 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.

Statement of financial activities

Income	Note	Restricted funds £000	Unrestricted funds £000	Total 2017 £000	Total 2016 £000
Incoming resources					
Income from charitable activities	2	19,144	653	19,797	18,555
Investment income - bank interest receivable		17	-	17	23
Other – change in fair value of financial instrument	7	-	555	555	-
Total incoming resources		<u>19,161</u>	<u>1,208</u>	<u>20,369</u>	<u>18,578</u>
Resources expended					
Expenditure on charitable activities	3	19,161	-	19,161	18,283
Total resources expended		<u>19,161</u>	<u>-</u>	<u>19,161</u>	<u>18,283</u>
Net incoming resources for the year		-	1,208	1,208	295
Other recognised gains/(losses)					
Change in fair value of hedging financial instrument	7	-	445	445	-
Net movement in funds		-	1,653	1,653	295
Total funds brought forward at 1 August 2016		-	1,145	1,145	850
Total funds carried forward at 31 July 2017	12	<u>-</u>	<u>2,798</u>	<u>2,798</u>	<u>1,145</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	2017 £'000	2016 £'000
Current assets			
Debtors	8	2,281	1,059
Cash at bank and in hand		<u>30,612</u>	<u>41,585</u>
		32,893	42,644
Creditors: amounts falling due within one year	9	<u>(30,095)</u>	<u>(41,499)</u>
Net current assets		2,798	1,145
		<u>2,798</u>	<u>1,145</u>
Income funds			
Restricted funds		-	-
Unrestricted funds:			
Income and expenditure reserve - unrestricted		2,353	1,145
Income and expenditure reserve – hedge reserve		<u>445</u>	<u>-</u>
Net assets	12	<u>2,798</u>	<u>1,145</u>

Company registered number: 06719882

The financial statements were approved by the Board of Trustees on
signed on its behalf by:

30th October, 2017 and



Sir Mark Moody-Stuart
Chairman

Cash flow statement

	2017 £000	2016 £000
Net income/(expenditure) for the reporting period	1,653	295
Adjustment for non-cash items		
Interest received	(17)	(23)
Increase in debtors	(1,222)	(955)
(Decrease)/increase in creditors	(11,404)	24,933
Net cash flow from operating activities	(10,990)	24,250
Taxation paid	-	-
Cash flows from investing activities		
Interest received	17	23
Net cash provided by investing activities	17	23
Change in cash in the year	(10,973)	24,273
Cash at the beginning of the year	41,585	17,312
Cash at the end of the year	30,612	41,585
Analysis of cash and cash equivalents		
Cash in hand	30,612	41,585

Notes to the financial statements

1 Legal status of the charitable company

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

The registered office of IVCC is Pembroke Place, Liverpool, Merseyside, L3 5QA.

2 Income

	2017 Total £000	2016 Total £000
Restricted		
Grant income - BMGF	8,286	8,219
Grant income - European Union	-	1
Grant income - DFID	2,549	3,635
Grant income - ABT Associates	(10)	56
Grant income - USAID	1,253	1,095
Grant income - Wellcome Trust	47	87
Grant income - UNITAID	7,019	4,944
Contract income - Marathon Oil	-	37
Contract income - Other	-	6
	19,144	18,080
	2017 Total £000	2016 Total £000
Unrestricted		
Grant income – SDC	653	475
Other – change in fair value of financial instrument	555	-
	1,208	475

3 Analysis of expenditure on charitable activities

	Activities undertaken directly £000	Grants to institutions £000	Support costs £000	Governance £000	2017 Total £000	2016 Total £000
New & Repurposed AIs	25	5,054	1,630	50	6,759	8,678
Outdoor Transmission	85	914	447	10	1,456	1,021
I2I, Access & Regulatory	76	1,845	628	19	2,568	2,103
Diagnostic Tools	6	76	32	1	115	991
NGenIRS	555	6,466	1,174	68	8,263	5,490
	747	14,355	3,911	148	19,161	18,283

The total support and governance costs (note 4) attributable to charitable activities have been apportioned pro rata based on the overall value of each activity or directly attributed where possible.

Expenditure on charitable activities was £19,161,000 (2016: £18,283,000) of which £nil was unrestricted (2016: £181,000) and £19,161,000 was restricted (2016: £18,102,000).

Notes to the financial statements

4 Support cost allocation

	General support costs £000	Governance function £000	2017 Total £000	2016 Total £000
Core administration	2,080	42	2,122	1,120
Project related costs	1,120	23	1,143	1,242
ESAC meeting costs	210	4	214	172
Conferences & Events	48	1	49	152
Communications & Advocacy	396	9	405	311
Regulatory Affairs	57	1	58	115
Direct governance costs	-	68	68	53
	<u>3,911</u>	<u>148</u>	<u>4,059</u>	<u>3,165</u>

Basis of support costs allocation

Central support costs have been allocated between Governance and Charitable Activities based on an estimated 2% of total support costs where appropriate.

5 Analysis of governance costs

	2017 £000	2016 £000
Auditor's remuneration	9	9
Meeting costs	35	17
Trustee travel costs	24	27
Support costs allocation (note 4)	80	62
	<u>148</u>	<u>115</u>

6 Staff costs

Staff costs recharged during the year were as follows:

	2017 £000	2016 £000
Salaries	1,467	1,082
Social security costs	194	141
Pension costs	214	162
	<u>1,875</u>	<u>1,385</u>

All staff are employed by fellow group undertakings and a charge equal to their employment cost is made for their services provided to the charity on a monthly basis.

Notes to the financial statements

6 Staff costs (continued)

	2017 Number	2016 Number
Number of FTE's employed as at 31 July	14	15

The numbers of staff who received emoluments in the following ranges was:

	2017 Number	2016 Number
£250,001 to £260,000	1	-
£200,001 to £210,000	-	1
£140,001 to £150,000	1	2
£130,001 to £140,000	1	-
£100,001 to £110,000	1	-
£ 90,001 to £100,000	1	1
£ 80,001 to £ 90,000	1	1
£ 70,001 to £ 80,000	2	2
£ 60,001 to £ 70,000	1	-
	9	7

The pension contributions for these employees were £133,302 (2016: £120,458).

The CEO received remuneration in the year from the charity of £254,530 (2016: £206,458), excluding pension contributions of £31,870 (2016: £29,073). No trustees received remuneration during the year.

The total employee remuneration including benefits, of key management personnel of IVCC were £320,784 (2016: £262,128).

Expenses reimbursed to the trustees during the year amounted to £Nil (2016: £Nil).

7 Other

Other expenses relate to fair value movements on foreign currency contracts arising out of the requirement under FRS 102 to fair value forward foreign currency contracts at the balance sheet date. £555,000 of this amount is an unrealised exchange gain. The remaining unrealised gain of £445,000 has been carried forward in the hedging reserve and will be released to the Statement of Financial Activities over time as forward contracts are realised.

Notes to the financial statements

8 Debtors

	2017 £000	2016 £000
Trade debtors	2	2
Balances due on research grants	1,256	1,041
Prepayments and accrued income	23	16
Forward currency contracts	1,000	-
	<u>2,281</u>	<u>1,059</u>

9 Creditors : amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	20	52
Unexpended balances on research grants	24,444	32,172
Amounts owed to group undertakings	729	696
Accruals	4,902	8,579
	<u>30,095</u>	<u>41,499</u>

10 Deferred income

Deferred income represents research funds received in advance in USD from BMGF and UNITAID for future work that has yet to be expended.

	2017 £000
Balance as at 1 August 2016	32,172
Amount released to income earned from charitable activities	(28,494)
Amount deferred in the year	<u>20,766</u>
Balance as at 31 July 2017	<u>24,444</u>

11 Financial Instruments

	2017 £000	2016 £000
Financial assets		
Financial assets that are measured at amortised cost	<u>31,870</u>	<u>42,628</u>
Financial asset measured at fair value through surplus or deficit	<u>1,000</u>	<u>-</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>5,651</u>	<u>9,327</u>

Notes to the financial statements

Financial assets are measured at amortised cost comprise cash and cash equivalents, trade debtors, balances due on research grants and amounts owed by group undertakings.

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

The charity applies hedge accounting for transactions entered into to manage the cash flow exposures of US dollar income received for research contracts. Foreign currency forward contracts are held to manage the exposure to fluctuations in US dollar rates and are designated as cash flow hedges.

Cash flows on the US dollar research income and the foreign currency forward contracts are at regular intervals, based on predicted project related cash flows. The forward contracts had a mark to market valuation as at 31 July 2017 amounting to an asset of £1,000,000 (2016: £Nil). During 2016/17 a gain of £445,000 (2016: £nil) was recognised in the cash flow hedge reserve for changes in the fair value of the forward contracts from the date at which the charity was able to apply hedge accounting. Prior to this a fair value gain of £555,000 (2016: £Nil) for the year has been recognised within unrestricted funds and income for the year. No amounts of ineffectiveness were recognised in the year (2016: £Nil).

The foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates corresponding to the maturity of the contracts.

12 Income funds

Income funds are analysed as follows:

	Balance 1 August 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Other recognised gains and losses £'000	Balance 31 July 2017 £'000
Restricted						
Grant funded projects	-	19,161	(19,161)	-	-	-
Unrestricted						
Income and expenditure reserve	1,145	1,208	-	-	-	2,353
Hedge reserve	-	-	-	-	445	445
	<u>1,145</u>	<u>20,369</u>	<u>(19,161)</u>	<u>-</u>	<u>445</u>	<u>2,798</u>

The unrestricted funds of £2,353,000 includes £1,798,000 of amounts received from the Swiss Agency for Development and Cooperation, an agency of the Federal Administration of Switzerland. The donation is in line with its objectives to alleviate hardship and poverty in the world, respect human rights and the promotion of democracy and the peaceful coexistence of nations. The remaining £555,000 is an unrealised gain on forward contracts.

The unrestricted hedge reserve comprises the fair value of derivatives designed as cash flow hedges, which are effective.

Notes to the financial statements

13 Analysis of net assets between funds

	Restricted funds £000	Unrestricted funds £000	Total £000
Current assets	30,095	2,798	32,893
Current liabilities	(30,095)	-	(30,095)
Total net assets	-	2,798	2,798

14 Related party transactions

During 2017, charitable research grants totalling £968,514 (2016: £994,000) were passed to IVCC's parent company Liverpool School of Tropical Medicine (LSTM); all had performance conditions attached.

During 2017, charitable grants totalling £20,976 (2016: £64,795) were received by IVCC from LSTM; all had performance conditions attached.

As at 31 July 2017 there was an outstanding inter-company balance of £729,000 (2016: £696,000) owed to LSTM relating to salary related costs, general supplies and service level agreements.

As at 31 July 2017 there was an outstanding inter-company balance of £136 (2016: £330) owed to Well Travelled Clinics Limited relating to travel vaccinations.

There were no related party transactions involving the trustees of IVCC as declared in the disclosure of interests.

15 Ultimate controlling party

The trustees consider that the ultimate controlling party is Liverpool School of Tropical Medicine, a company registered in England and Wales, which is also a registered charity.

The group accounts are publicly available from Companies House.

16 Capital commitments

The company had no capital commitments as at 31 July 2017 or 31 July 2016.

17 Contingent liabilities

A composite cross guarantee structure exists between Liverpool School of Tropical Medicine, Well Travelled Clinics Limited, Liverpool International Health Ventures Limited, Liverpool International Health I.P. Limited, IVCC and LSTM Consulting Limited. The aggregate amount outstanding under this agreement at the balance sheet date was £222,731 (2016: £216,753).