

statement of accounts

for the year ended 31 July 2005

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financial highlights

for the year ended 31 July 2005

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT	2004/05 £ million	2003/04 £ million	Change
Funding Council Grants	65.95	61.28	7.6%
Academic Fees and Support Grants	70.03	64.36	8.8%
Research Grants and Contracts	58.62	40.09	46.2%
Other Operating Income	87.22	77.65	12.3%
Endowment Income and Interest Receivable	1.77	1.02	73.5%
Total Income	283.59	244.40	16.0%
Surplus for the Financial Year	7.86	4.19	87.6%

CONSOLIDATED BALANCE SHEET	2005 £ million	2004 £ million	
Fixed Assets	236.45	228.59	
Endowment Asset Investments	2.39	2.12	
Net Current Assets	4.62	1.73	
	243.46	232.44	
Long Term Creditors and Provisions	(53.43)	(56.00)	
Total Net Assets	190.03	176.44	7.7%
CAPITAL EXPENDITURE IN THE YEAR	18.17	48.11	(62.2%)

NET CASH INFLOW FROM OPERATING ACTIVITIES	2004/05 £ million	2003/04 £ million	
	19.45	4.61	321.9%

OTHER KEY STATISTICS		2004/05 Number	2003/04 Number	
Full Time Students:-	Home / EU Undergraduates	8,912	8,680	2.7%
	Home / EU Postgraduates	1,798	1,623	10.8%
	Overseas Undergraduates	1,540	1,402	9.8%
	Overseas Postgraduates	1,542	1,491	3.4%
Total number of students (full time equivalent)		16,168	15,483	4.4%
Total staff numbers (full time equivalent)		4,316	3,964	8.9%

treasurer's report

The year under review has been one more of significant growth for the University. Compared with last year income showed growth of 16% to more than £283m with the increase spread over all categories, but most notably Research Grants and Contracts which rose by 46% to £58.6m. These results reflect the first full year of contribution from the successful integration of Horticulture Research International.

The University's growth has required a continuing investment in its physical infrastructure, with capital expenditure of £18m. The most significant investment in the year was the acquisition of Millburn House, which is planned to be developed in the next financial year. These investments were financed out of cash reserves without increase in the level of the University's borrowings. External borrowing at the end of the year stands at £55m, some £2m less than 2003/4. The quality of physical infrastructure is a recognised feature of the Warwick experience and will remain a focus of future expansion and campus development. The most distinctive feature of the University is its outstanding staff, for whom expenditure rose by 17% over last year.

The surplus for the year was £7.9m, 2.8% of income. This compares with 1.7% of income and £4.2m in 2003/4. The result represents a thoroughly satisfactory achievement for Warwick in a challenging year. The University experienced some difficulties in recruitment in certain postgraduate taught course markets and, in its commercial enterprise, tough competition in the now mature conference market. Strong contributions to the University's results, which overall exceeded budget for the year, were in particular made by Warwick Business School, Warwick Manufacturing Group and the University's commercial operations. The surplus for the year was struck after a lump sum extra payment of £0.75m into the University of Warwick Pension Scheme, which continues to show a shortfall of assets against liabilities on an actuarial basis, in the context of which the University also increased its contribution rate.

The University holds an interest in the Science Park and following a change agreed with the auditors last year, this year's Income and Expenditure Account shows separately for the first time consolidation of the University's share of the Science Park's results.

2005 marks the University's 40th anniversary of its first undergraduate student intake, in 1965. The celebrations of '40 Years of Innovation' highlighted the character of the institution and many of the University's significant achievements over its first generations including its valued links with local and regional communities and partners at national and international levels. Initiatives in all these sectors are anticipated in the University's plans. Consideration of the prospect of the singular opportunity for Warwick in Asia through dialogue with Singapore has been an important activity during this year and remains to be completed.

There are other developments in view that will affect the University's finances and capabilities as we begin the next forty years. As a research led institution full economic costing for the University's research grants is a crucial element in future financial planning. Developments in remuneration systems for staff will follow careful preparation over recent years and bring significant change in their train. Variable fees are to be introduced from 2006/7 and extensive bursary support for students will be launched in parallel.

Procuring the long term financial security of a leading university such as Warwick will continue to call for the integration of bold vision with considerable financial competency. In this regard Warwick is well placed and the executive group enjoys a strong contribution from the finance team. I would like to express my gratitude on behalf of the University to James Hunt, former Finance Director, for the important contribution he made to Warwick over the last fifteen years, and to Rosie Drinkwater in her acting capacity following his departure.

C Foy, Treasurer

14 December 2005

corporate governance

- 1 The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its *Guide for Members of Governing Bodies of Universities and Colleges in England and Northern Ireland*.
- 2 The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in March 1965. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes.
- 3 The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:
 - **The Council** – is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution.

It has a majority of members from outside the University, (described as lay members), from whom its Chair and Honorary University Treasurer are drawn. Also included in its membership are representatives of the staff of the University and the student body. None of the lay members receive any payment, apart from the reimbursement of expenses, for the work that they do for the University.
 - **The Senate** – is the academic authority of the University and draws its membership entirely from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.
 - **The Court** – is a large, mainly formal body. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court normally meets once a year to receive the Annual Report and Accounts of the University.

A majority of the members of the Court are from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body.

The University is seeking approval from the Privy Council for the revision of its existing Charter of Statutes which will provide for the abolition of the University Court, to be replaced by a non statutory body to provide advice and counsel to the University.
- 4 The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
- 5 Although the Council meets at least five times each academic year, much of its detailed work is initially handled by committees, in particular the Finance and General Purposes Committee, the Building Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee. The decisions of these Committees are formally reported to the Council.

corporate governance

(continued)

- 6 These Committees are formally constituted as Committees of the Council with written terms of reference and specified membership, including a significant proportion of lay members (from whom the Chair will be selected).
- 7 As chief executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice-Chancellor, Pro-Vice Chancellors, the Chairs of the Faculty Boards and the Board of Graduate Studies, and the senior administrative officers all contribute in various ways to this aspect of the work, but ultimate responsibility for what is done rests with the Vice-Chancellor.
- 8 The University Secretary is Secretary to the Council and to all University bodies and committees and plays a key role in the operation and conduct of Council business. The Secretary provides advice to the Chair of Council on all matters of procedure and in respect to any matters where conflict, potential or real, may occur.
- 9 The University maintains a Register of Interests of members of the Council which may be consulted by arrangement with the University Secretary.
- 10 Any enquiries about the constitution and governance of the University should be addressed to the University Secretary.
- 11 The University Council has approved a Code of Practice on Corporate Governance which provides a summary of decisions taken by the University Council in relation to corporate governance and related procedural matters. A copy of the Code of Practice can be obtained from the University Secretary.

statement of internal control

The Council has responsibility for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives. In accordance with the requirements of the Charter and Statutes and the Financial Memorandum with the HEFCE, the Council is also responsible for safeguarding the public and other funds and assets under the University's control.

The internal controls operated by the University are designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; they can therefore only provide reasonable and not absolute assurance of effectiveness.

The University operates a system of risk management, which is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them effectively. This system has been in place for the year ended 31 July 2005 and up to the date of approval of the financial statements, and accords with relevant HEFCE guidance. The system covers all risks, but concentrates upon the most important ones and produces a balanced risk portfolio. The system is derived from an approach to risk management approved by the University Council and Steering Committee and is reviewed every year by those bodies.

The Council has overall responsibility for reviewing the effectiveness of the system of internal control. The following risk management measures have been established, being integrated with existing University processes wherever possible :

- The University now requires most departments and commercial activities to undertake a consideration of risks as part of the annual planning process.
- This year the Risk Management Group, the Senior Officers' Group and the University's Steering Committee all participated in the risk identification and updating processes.
- The University has established a Risk Management Group, chaired by the Deputy Vice-Chancellor, to co-ordinate the risk management processes.
- The Audit Committee receives regular reports from the Head of Internal Audit on internal control matters.
- The Audit Committee also receives a termly report from the Risk Management Group on the management of the University's significant risks and has begun to receive a series of presentations from holders of specific risks.
- The Council meets five times a year to consider the plans and strategic direction of the University.
- The Council receives termly reports from the Audit Committee including consideration of the work of internal and external audit and of risk management and requires regular reports from managers on the management of their areas of responsibility, including progress reports on key projects.
- At its meeting in September 2005 the Council approved the register of significant risks.

The Council's review of the effectiveness of internal controls is informed by the reports of the Audit Committee. Internal Audit have a methodology for providing the Audit Committee with an opinion on all of the University's significant risks as required by the HEFCE Audit Code of Practice. The University's internal audit arrangements were last reviewed for effectiveness by the HEFCE Audit Service in February 2002.

The Council's review of the effectiveness of internal control is also informed by the work of managers within the University, who have responsibility for the development and maintenance of controls and by comments made by the external auditors, principally in their management letter.

Council's consideration of these various reports, together with its deliberations on risk management at its September meeting enabled it to carry out an assessment of internal control within the University.

responsibilities of the council

of the University of Warwick

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

The Council is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the University. It therefore ensures that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- the most appropriate accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Teacher Training Agency are used only for the purpose for which they have been given in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council or the Agency may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University of Warwick and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and General Purposes Committee of the Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

report of the independent auditors

to the Council of the University of Warwick

We have audited the financial statements on pages 13 to 40, which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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

respective responsibilities of the University's Council and the auditors

The University's Council is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the funding agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Treasurer's Report (including the corporate governance statement), and consider the implications for our report if we become aware of any apparent misstatements within it.

basis of opinion

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

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

report of the independent auditors

to the Council of the University of Warwick

opinion

In our opinion:

1. the financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2005 and of the group's surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions;
2. in all material respects, income from the Higher Education Funding Council for England, and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2005 have been applied for the purposes for which they were received;
3. in all material respects, income during the year ended 31 July 2005 has been applied in accordance with the University's statutes and, where appropriate, with the financial memoranda (00/25 and 03/54) with the Higher Education Funding Council for England and the funding agreement with the Teacher Training Agency.

KPMG LLP

14 December 2005

Chartered Accountants

Registered Auditor

statement of principal accounting policies

1 Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions and applicable Accounting Standards.

2 Acquisitions

Acquisitions have been accounted for using the acquisition method of accounting.

3 Basis of Consolidation

The consolidated financial statements include the financial statements of the University, its subsidiary undertakings, its share of associated undertaking, and the University of Warwick Foundation and its subsidiary. The consolidated financial statements do not include those of the University of Warwick Students' Union and subsidiaries of the Union, as these are separate organisations in which the University has no control or significant influence over policy decisions.

4 Recognition of Income

Income from specific endowments and donations, government grants and other specific grants and research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to specific endowments. Income from other services rendered is included to the extent of completion of the contract or services concerned and is measured at the fair value of the consideration receivable. All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account on a receivable basis.

5 Pension Schemes

The University participates in the Universities Superannuation Scheme (USS), a pension scheme which provides benefits based on final pensionable salary for the academic and academic-related employees of all UK universities and some other employers. The assets of the Scheme are held in a separate trustee-administered fund. Other staff are offered membership of the University's own pension scheme. A small number of staff remain in other pension schemes. The University's own scheme is an exempt approved pension scheme for the benefit of its non-academic staff. The scheme provides retirement benefits (based on final pensionable salary) and lump sum and spouse's death-in-service benefits. The scheme is set-up under trust and the assets are held in a separate trustee-administered fund.

statement of principal accounting policies

(continued)

6 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the average rate of exchange ruling for each month. Monetary assets and liabilities denominated in foreign currencies are recorded at the closing rate of exchange ruling at the year end. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

7 Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

8 Negative Goodwill

Negative goodwill arising on the acquisition of Horticulture Research International has been capitalised and is being released to reserves over eight years and four months. This period matches the term of acquired significant Horticulture Research International research contracts and the release of the negative goodwill arising on acquisition will therefore partially offset any future deficits made on these acquired contracts.

9 Fixed Assets

Land and buildings

Land and buildings are stated at cost. Land is not depreciated as it is considered to have an indefinite useful life. Buildings under construction are not depreciated until they are completed. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of these assets. Buildings are depreciated in equal instalments over their expected useful lives of 50 years and laboratory and other major refurbishments over 10 - 20 years. Where buildings are acquired with the aid of government and other specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings. The University has no inherited assets.

Equipment

In the accounts of the University, equipment, including micro-computers and software, costing less than £15,000 per individual item or group of related items and vehicles costing less than £5,000 are written off in the year of acquisition. Software licences are not capitalised. All other equipment is capitalised. Capitalised equipment other than computer networks and certain information technology equipment is stated at cost and depreciated over five years. Computer networks are depreciated over ten years and certain items of information technology equipment are depreciated over three years. Equipment bought for a specific research or other project is depreciated over five years. Any related grants are treated as deferred capital and released to income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

statement of principal accounting policies

(continued)

10 Investments

Endowment asset investments are included in the Balance Sheet at market value. Other investments are included at the lower of cost, less any provision for impairment in their value.

11 Stocks

Stocks of raw materials and consumables include departmental stocks in science departments, supplies for the Estates Office, farm and laboratory stocks for Horticulture Research International and goods for resale in catering, bars and retail outlets and are valued at the lower of cost and net realisable value. Stocks of other consumable materials are written-off to revenue as incurred.

Horticulture Research International growing crops are costed at the cost of direct materials and labour, plus attributable overheads.

12 Provisions

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

13 Liquid Resources

Liquid resources comprise money on short-term deposit with a maturity date less than six months as at the balance sheet date.

14 Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. The University receives no similar exemption in respect of Value Added Tax. The University's subsidiary companies and associated undertakings are subject to corporation tax.

consolidated income and expenditure account

for the year ended 31 July 2005

	Note	2004/05 £000	2003/04 £000
INCOME			
Funding Council Grants	1	65,953	61,280
Academic Fees and Support Grants	2	70,030	64,357
Research Grants and Contracts	3	58,620	40,086
Other Operating Income	4	87,216	77,650
Endowment Income, Investment Income and Interest Receivable	5	1,768	1,023
Total Income		283,587	244,396
EXPENDITURE			
Staff Costs	6	145,850	124,243
Depreciation	10	14,280	11,309
Other Operating Expenses	8	112,400	102,542
Interest Payable and Similar Charges	7	3,460	2,439
Total Expenditure	8	275,990	240,533
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST AND BEFORE TAX		7,597	3,863
Transfer from Accumulated Income within Specific Endowments		213	337
		7,810	4,200
Taxation		0	0
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST AND TAX		7,810	4,200
Share of profit after tax of Associate		98	0
Equity Minority Interests		(53)	(6)
SURPLUS FOR THE FINANCIAL YEAR		7,855	4,194

statement of consolidated total recognised gains and losses

for the year ended 31 July 2005

	Note	2004/05 £000	2003/04 £000
Surplus after Depreciation of Assets at Valuation and after Taxation		7,855	4,194
Transfer from Accumulated Income within Specific Endowments		(213)	(337)
Surplus on Continuing Operations excluding transfer from Accumulated Income within Specific Endowments		7,642	3,857
Appreciation of Endowment Asset Investments	19	80	26
Transfers out of Endowments	19	0	(96)
New Endowments	19	402	392
Consolidation of Associate Investment	11	0	1,384
TOTAL RECOGNISED GAINS SINCE LAST ACCOUNTS		8,124	5,563

There are no differences between the consolidated income and expenditure account and the result on an historical cost basis. The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations. The consolidated surplus includes £6,442k (2004: £2,294k) that has been dealt with in the accounts of the University.

statement of reconciliation of reserves and endowments

for the year ended 31 July 2005

	Note	2004/05 £000	2003/04 £000
Opening Reserves and Endowments as at 1 August	19 & 20	98,882	93,319
Total Recognised Gains for the Year		8,124	5,563
CLOSING RESERVES AND ENDOWMENTS AS AT 31 JULY		107,006	98,882

balance sheets

as at 31 July 2005

		Consolidated		University	
	Note	2005 £000	2004 £000	2005 £000	2004 £000
FIXED ASSETS					
Intangible Assets	9	(3,177)	(3,631)	0	0
Tangible Assets	10	237,890	230,587	225,724	185,183
Investments	11	1,733	1,635	529	529
		236,446	228,591	226,253	185,712
ENDOWMENT ASSET INVESTMENTS					
	12	2,392	2,123	0	0
CURRENT ASSETS					
Stocks		1,217	1,100	1,172	939
Debtors	13	38,217	33,828	58,834	47,251
Short Term Deposits		18,030	12,000	18,030	12,000
Cash at Bank and in Hand		11,849	8,883	12,795	8,444
		69,313	55,811	90,831	68,634
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	14	(64,697)	(54,085)	(78,561)	(54,626)
NET CURRENT ASSETS					
		4,616	1,726	12,270	14,008
TOTAL ASSETS LESS CURRENT LIABILITIES					
		243,454	232,440	238,523	199,720
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	15	(52,990)	(55,024)	(75,242)	(77,341)
PROVISIONS FOR LIABILITIES AND CHARGES					
	17	(431)	(972)	(245)	(695)
TOTAL NET ASSETS					
		190,033	176,444	163,036	121,684
DEFERRED CAPITAL GRANTS					
	18	82,939	77,527	77,410	42,500
ENDOWMENTS: Specific					
	19	2,392	2,123	0	0
RESERVES: Income and Expenditure Account					
	20	104,614	96,759	85,626	79,184
MINORITY INTEREST					
		88	35	0	0
TOTAL FUNDS					
		190,033	176,444	163,036	121,684

The financial statements on pages 13 to 40 were approved by the Council on 14 December 2005, and signed on its behalf by:

Professor V D VandeLinde, Vice-Chancellor

C Foy, Treasurer

consolidated cash flow statement

for the year ended 31 July 2005

	Note	2004/05 £000	2003/04 £000
Net Cash Inflow from Operating Activities	24	19,452	4,611
Returns on Investments and Servicing of Finance	25	(1,692)	(1,378)
Taxation		0	0
Capital Expenditure and Financial Investment	26	(6,451)	(38,468)
Cash acquired with HRI Acquisition	9	0	2,898
Cash Inflow / (Outflow) before Use of Liquid Resources and Financing		11,309	(32,337)
Management of Liquid Resources (net contributions to) short term investments	27	(6,464)	(3,202)
Financing	28	(1,879)	30,601
Increase / (Decrease) in Cash		2,966	(4,938)

reconciliation of net cash flow to movement in net funds / (debt)

for the year ended 31 July 2005

	Note	2004/05 £000	2003/04 £000
Increase / (Decrease) in Cash in the Period		2,966	(4,938)
Increase in Liquid Resources	27	6,464	3,202
New Loans and Finance Leases	28	0	(32,000)
Repayment of Debt	28	1,879	1,399
Change in Net Debt		11,309	(32,337)
Net (Debt) at 1 August		(34,764)	(2,427)
Net (Debt) at 31 July	27	(23,455)	(34,764)

notes to the accounts

1. HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND & TEACHER TRAINING AGENCY GRANTS	2004/05	2003/04
	£000	£000
Recurrent Grants:		
Higher Education Funding Council for England:		
Teaching	32,823	30,422
Research	22,628	21,787
Teacher Training Agency	2,948	2,692
Specific Grants:		
Human Resources Strategy	1,690	1,716
HE Innovations Fund	440	1,006
Development of Teaching and Learning	357	406
Disability Access Grant	61	388
Science Research Investment Fund	496	353
Teacher Training Agency Specific Grants	941	107
HEROBAC	45	170
HE Community Active Fund	110	108
Learning and Teaching Strategy	221	92
Library Research Support	74	86
Joint Information Systems Committee	94	59
Foundation Degrees	45	36
Clinical Pay Award	150	16
Centres for Excellence in Teaching and Learning	62	0
Others	288	157
Deferred Capital Grants Released in Year:		
Buildings (Note 18)	1,035	770
Equipment (Note 18)	1,445	909
	65,953	61,280
2. ACADEMIC FEES AND SUPPORT GRANTS	2004/05	2003/04
	£000	£000
Fees From Full Time Home/EU Students	26,842	25,111
Fees From Full Time Overseas Students	34,559	31,268
Part Time Fees (Home/EU and Overseas Students)	959	946
Short Course Fees	4,030	3,995
CASE Awards and Research Training Support Grants	3,178	2,575
Other Fees	462	462
	70,030	64,357

notes to the accounts

(continued)

3. RESEARCH GRANTS AND CONTRACTS	2004/05	2003/04
	£000	£000
Income		
Research Councils	18,595	13,158
Central Government, Local Authorities and Public Corporations	28,086	16,883
Charitable Bodies	5,178	5,008
European Union	3,558	2,680
Industry and Commerce	2,292	1,402
Overseas	729	693
Others	182	262
	58,620	40,086
Direct Expenditure		
Research Councils	12,890	10,057
Central Government, Local Authorities and Public Corporations	17,931	11,650
Charitable Bodies	5,066	4,937
European Union	2,936	2,299
Industry and Commerce	1,795	1,185
Overseas	648	609
Others	170	247
	41,436	30,984

Income from Research Grants and Contracts includes £1,238k in respect of Deferred Capital Grants released in the year (2004: £1,213k) - see also Note 18. Costs include spend within the University group of companies.

4. OTHER OPERATING INCOME	2004/05	2003/04
	£000	£000
Residences, Catering and Conferences	24,034	22,308
Other Services Rendered	8,674	7,025
Released from Deferred Capital Grants	1,851	1,023
Retail Operations	22,934	21,560
Post-Experience Centres	11,352	10,230
Other Income	18,371	15,504
	87,216	77,650

Included within Other Income above is £454k (2004: £151k for four months) relating to the release of negative goodwill arising on the acquisition of Horticulture Research International (see note 9).

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	2004/05	2003/04
	£000	£000
Income from Specific Endowment Asset Investments	93	34
Other Interest Receivable	1,675	989
	1,768	1,023

notes to the accounts

(continued)

6. STAFF	2004/05 £000	2003/04 £000
Staff Costs:		
Wages and Salaries	120,964	104,009
Social Security Costs	10,152	8,632
Other Pension Costs	14,734	11,602
	145,850	124,243
	2004/05 £	2003/04 £
Emoluments of the Vice-Chancellor (excluding pension contributions but including benefits-in-kind)	200,360	192,153
Pension contributions to private pension schemes in respect of the Vice-Chancellor	41,220	36,444
	241,580	228,597

The Vice-Chancellor made a gift to the University of £5,000 during the year, by waiving part of his remuneration. This amount is included within the totals disclosed above. The University has decided to apply the amount of £5,000 towards scholarships or other similar purposes.

Emoluments of other Higher Paid Staff (excluding the employer's pension contributions but including benefits-in-kind) and payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment:

	2004/05 Number	2003/04 Number
£210,000 - £219,999	1	0
£200,000 - £209,999	0	0
£190,000 - £199,999	1	0
£180,000 - £189,999	0	0
£170,000 - £179,999	1	1
£160,000 - £169,999	0	0
£150,000 - £159,999	1	2
£140,000 - £149,999	3	1
£130,000 - £139,999	4	0
£120,000 - £129,999	1	0
£110,000 - £119,999	9	5
£100,000 - £109,999	5	6
£90,000 - £99,999	15	10
£80,000 - £89,999	21	25
£70,000 - £79,999	53	37

Included within the accounts of the University are amounts relating to the retirement of a higher paid employee who worked in one of the commercial businesses. The amounts, which were approved by members of the University's Remuneration Committee, were a £43,962 payment to USS for enhanced pension benefits and £38,881 in other payments for compensation for loss of office and related legal advice costs.

notes to the accounts

(continued)

7. INTEREST PAYABLE	2004/05 £000	2003/04 £000
Loans not wholly repayable within five years	3,460	2,439
Finance Leases	0	0
	3,460	2,439

8. ANALYSIS OF 2004/05 EXPENDITURE BY ACTIVITY

	Total £000	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable and Similar Charges £000
Academic Departments	102,824	67,653	3,825	31,346	0
Research Grants and Contracts	41,436	25,959	1,238	14,239	0
Total Teaching and Research	144,260	93,612	5,063	45,585	0
Academic Services	23,474	10,242	1,394	11,838	0
Central Administration and Services	15,509	8,305	537	6,667	0
General Educational Expenditure	7,512	2,454	0	5,058	0
Staff and Student Facilities	4,288	2,073	79	2,136	0
Premises	23,600	7,270	4,776	11,554	0
Residences, Catering and Conferences	21,762	9,188	1,851	8,241	2,482
Other Services Rendered	7,105	3,216	0	3,889	0
Retail Operations	20,531	5,729	228	14,288	286
Post-Experience Centres	6,540	3,595	352	2,593	0
Other Expenses	1,409	166	0	551	692
Total per Income and Expenditure Account	275,990	145,850	14,280	112,400	3,460

The depreciation charge has been funded by:

	2004/05 £000
Deferred Capital Grants Released (Note 18)	5,569
General Income	8,711
	14,280

Other operating expenses include:	2004/05 £000	2003/04 £000
Auditors' Remuneration (An amount of £26k relates to the Auditors' remuneration for the University in 2004/2005)	56	47
Auditors' Remuneration in respect of Non-Audit Services	134	109
Grants to University of Warwick Students' Union	1,164	997

notes to the accounts

(continued)

9. INTANGIBLE FIXED ASSETS

	Consolidated		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Negative goodwill arising on acquisition of Horticulture Research International	(3,782)	(3,782)	(5,269)	0
Goodwill credited to Income and Expenditure Account				
- in previous years	151	0	0	0
- in this year	454	151	5,269	0
Carried forward as at 31 July	(3,177)	(3,631)	0	0

CONSOLIDATED

On 31 March 2004 the Group acquired control of Horticulture Research International, a company limited by guarantee, for a consideration of £1.

The shortfall in consideration paid, below the fair value of assets acquired, is shown in the Group's balance sheet as a negative goodwill figure of £3,782k. The negative goodwill on acquisition of Horticulture Research International is being released to the Income and Expenditure Account over the period of 100 months (8 years 4 months), which matches the term of acquired significant research contracts.

UNIVERSITY

On 31 July 2005 the business and assets of Horticulture Research International were transferred to the University for a consideration of £1.

The assets and liabilities of Horticulture Research International at the date of transfer are summarised as follows:

	Book Value 31 July 2005 £000
Tangible Fixed Assets	31,248
Deferred Capital Grants	(28,617)
Stocks	133
Debtors	4,573
Cash	109
Creditors	(2,177)
Net Assets	5,269

There were no differences between the book value and the fair value of the assets of Horticulture Research International as at 31 July 2005.

The shortfall in consideration paid, below the fair value of the net assets acquired (the negative goodwill on acquisition of the assets and liabilities of Horticulture Research International) has been credited to the Income and Expenditure Account of the University in the year ended 31 July 2005. This is fully matched by the loss on the transaction shown in the accounts of Horticulture Research International for the same period. There is no net effect on the consolidated Income and Expenditure Account, or Balance Sheet, as a result of the transfer of the business, assets and liabilities between the two group entities.

notes to the accounts

(continued)

10. TANGIBLE FIXED ASSETS

CONSOLIDATED

	Total £000	Freehold Land & Buildings £000	Plant Machinery & Equipment £000	Leased Equipment £000
Cost				
At 1 August 2004	321,224	263,157	54,358	3,709
Additions at cost	21,624	13,049	8,575	0
Asset Transfers	0	(1,828)	1,828	0
Disposals at cost	(94)	(66)	(28)	0
At 31 July 2005	342,754	274,312	64,733	3,709
Depreciation				
At 1 August 2004	90,637	53,500	33,428	3,709
Asset Transfers	0	(241)	241	0
Charge for the year	14,280	6,141	8,139	0
Eliminated on Disposals	(53)	(25)	(28)	0
At 31 July 2005	104,864	59,375	41,780	3,709
Net Book Value at 31 July 2005	237,890	214,937	22,953	0
Net Book Value at 31 July 2004	230,587	209,657	20,930	0

The balance for 'Freehold Land and Buildings' includes the land comprising the site of Scarman House, a post-experience centre. Legal title to the Scarman House building currently rests with Barclays Mercantile. The building has been leased to Warwick University Training Limited (the Company which operates Scarman House).

The Company is responsible for lease payments totalling £9.7 million (2004: £11.1 million) over the remaining term of the lease, which expires in 2011. The University has entered into a contract with Barclays Mercantile to guarantee these payments for the remainder of the lease term. At the termination of the lease, title to the building will pass to the University and it will be included in the accounts at fair value.

The consolidated expenditure on buildings in the year ended 31 July 2005 was :-

	£000
New build / construction completed:	
Mathematics and Statistics Building (VAT debtor transfer)	2,223
New support building for Rootes Residences	337
Warwick Business School Phase 1 (VAT debtor transfer)	148
Computer Science (VAT debtor transfer)	528
Medical School (VAT debtor transfer)	559
Biotechnology Building Phase 4	264
HRI Glass Houses	272
Purchases:	
Millburn House	2,996
Sub total carried forward to next page	7,327

notes to the accounts

(continued)

10. TANGIBLE FIXED ASSETS - continued

	£000
Sub total brought forward from previous page	7,327
Under construction:	
Warwick Business School Phase 3a	901
Westwood - New Teaching Building	236
Refurbishment:	
Refurbishment of University House	207
Refurbishment of Old Maths Buildings	1,059
Refurbishment of International Automotive Research Centre	667
Refurbishment of Social Studies Building	705
Refurbishment of Biological Sciences Lab	1,475
Refurbishment of Running Track	283
Other	189
	13,049

UNIVERSITY

	Total £000	Freehold Land and Buildings £000	Plant, Machinery & Equipment £000
Cost			
At 1 August 2004	253,631	207,555	46,076
Acquisition (Note 9)	45,428	39,718	5,710
Additions at Cost	21,313	13,341	7,972
Asset Transfers	0	(1,162)	1,162
Disposals at Cost	(68)	(40)	(28)
At 31 July 2005	320,304	259,412	60,892
Depreciation			
At 1 August 2004	68,448	41,572	26,876
Acquisition (Note 9)	14,180	9,331	4,849
Asset Transfers	0	(92)	92
Charge for the Year	12,001	4,992	7,009
Eliminated on Disposals	(49)	(21)	(28)
At 31 July 2005	94,580	55,782	38,798
Net Book Value at 31 July 2005	225,724	203,630	22,094
Net Book Value at 31 July 2004	185,183	165,983	19,200

notes to the accounts

(continued)

11. INVESTMENTS

	Consolidated		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Group Undertakings	0	0	278	278
Associated Undertakings	1,482	1,384	0	0
Other Equity Investments	382	369	382	369
	1,864	1,753	660	647
Provision for Diminution in Value	(131)	(118)	(131)	(118)
	1,733	1,635	529	529

The University holds 9,831 shares of £1 each (representing 35% of the total shares issued) in the University of Warwick Science Park Limited. This University investment and the results of this company were consolidated into the accounts of the University using the equity basis of accounting for the first time in 2003/04. The University also holds a 1% debenture loan of £820,710 in the company. This investment is considered to be a contingent asset and is therefore included in the University accounts at nil value. This will be reviewed on an annual basis.

Other Equity investments includes:

CVCP Properties plc	50,766 ordinary shares of £1 each
Protherics plc	9,198 6% unsecured convertible loan notes
New Opportunities Investment Trust plc	3,199 redeemable ordinary shares of 5p each

The University also holds investments in:

The Mercia Fund

This is a limited partnership between the Universities of Birmingham and Warwick and the General Partner, Mercia Fund Management Limited. The investment comprises of a capital contribution of £100 and a grant of £199,900. The Universities each hold one Class 'B' share of £1 (there are 2 Class 'B' shares in issue) in Mercia Fund Management Limited. All the Class 'A' shares are held by West Midlands Enterprise Limited.

MNW Limited

33 ordinary shares of £1 each being 33.33% of issued ordinary shares.

AdvanceSis Limited

500 ordinary shares of 1p each being 1.99% of issued ordinary shares.

BioAthene Limited

30 ordinary shares of £1 each being 22.22% of issued ordinary shares.

Biotek Limited & Biotek Developments Limited

1,650 ordinary shares of £1 each in Biotek Limited being 11.00% of issued ordinary shares. Biotek Limited holds 9,000 ordinary shares of 10p each in Biotek Developments Limited being 90% of the issued ordinary shares. The University holds the remaining 1,000, or 10%, of Biotek Developments Limited's ordinary shares directly.

notes to the accounts

(continued)

11. INVESTMENTS - continued

Concurrent Thinking Limited (previously Streamline Computing Limited)

12,500 ordinary shares of 10p each being 18.85% of issued ordinary shares.

Decision Technology Limited

160 ordinary shares of 10p each being 16.00% of issued ordinary shares.

Dig-e-Print Limited

25,000 ordinary shares being 5.94% of issued shares. 133,220 ordinary shares of £1 each, 91,668 Class 'A' ordinary shares of £1 each and 196,141 Class 'B' ordinary shares of 50p each have been issued.

Gadametric Limited

150 ordinary shares of £1 each being 23.08% of issued ordinary shares.

Incentec Limited

11,250 ordinary shares of 10p each being 32.93% of issued ordinary shares.

Insight Solutions Limited

15 ordinary shares of £1 each being 15.00% of issued ordinary shares.

Multimetaphase Limited

50,000 ordinary shares being 29.73% of voting shares issued. 125,000 ordinary shares of 1p each, 43,182 Class 'A' ordinary shares of 1p each and 60,000 non voting redeemable preference shares of £1 each have been issued.

Neurosolutions Limited

19,600 ordinary shares of 1p each being 22.50% of issued ordinary shares.

Novolytics Limited

800 ordinary shares of 10p each being 17.87% of issued ordinary shares. 4,680 non-voting redeemable preference shares have also been issued.

Opscape Limited

6,500 ordinary shares of 1p each being 24.62% of issued ordinary shares.

Sarissa Biomedical Limited

29,500 ordinary shares of 1p each being 20.96% of total issued shares of which there are 80,000 ordinary shares of 1p each and 60,715 preference shares of 1p each.

Septegeen Limited

300 ordinary shares of 10p each being 23.08% of issued ordinary shares.

Shibden Technologies Limited

3,000 ordinary shares of 10p each being 11.18% of issued ordinary shares.

Therapo Systems Limited

5,000 ordinary shares of £1 each being 25.00% of issued ordinary shares.

notes to the accounts

(continued)

11. INVESTMENTS - continued

Warwick Audio Technologies Limited

1,060 ordinary shares of 10p each being 19.62% of issued ordinary shares.

Warwick Control Technologies Limited

16,200 Class 'A' ordinary shares of 1p each being 14.70% of issued share capital. 68,596 Class 'A' ordinary shares of 1p each and 41,600 Class 'B' ordinary shares of 1p each have been issued.

Warwick Dynamics Limited

15 ordinary shares of £1 each being 15.00% of issued ordinary shares.

Warwick Effect Polymers Limited

3,125 ordinary shares of £1 each being 17.81% of total issued shares, of which there are 13,550 ordinary and 4,000 preferred ordinary shares of £1 each issued.

Warwick Moulding Technology Limited

18,000 ordinary shares of 1p each being 22.50% of issued ordinary shares.

Warwick Plant Genomic Libraries Limited

150 ordinary shares of 10p each being 23.08% of issued ordinary shares.

Warwick Sensor Technologies Limited

18,000 ordinary shares of 1p each being 23.08% of issued ordinary shares.

All the companies listed above are incorporated in Great Britain and registered in England. The results of these companies have not been consolidated into the accounts on the basis of materiality. This will be reviewed on an annual basis.

12. ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Balance at 1 August 2004	2,123	2,138	0	0
Additions	226	167	0	0
Disposals	(471)	(410)	0	0
Appreciation of endowment asset investments	80	26	0	0
Increase in Short Term Assets	434	298	0	0
Transfer out of endowments	0	(96)	0	0
Balance at 31 July 2005	2,392	2,123	0	0
Composed of :-				
Fixed Interest Stocks	277	291	0	0
Equities	570	721	0	0
Short Term Assets	1,545	1,111	0	0
Total Endowment Asset Investments	2,392	2,123	0	0

notes to the accounts

(continued)

13. DEBTORS

	Consolidated		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts falling due within one year:				
Trade Debtors	16,002	13,179	13,186	9,930
VAT and Other Taxes	63	4,093	0	0
Amounts owed by group undertakings	0	0	6,583	3,944
Amounts owed by associated undertakings	90	107	90	107
Prepayments and accrued income	20,940	15,180	20,650	13,579
Short Term Loans	157	146	157	146
Amounts falling due after one year:				
Debtors and prepayments	965	1,123	965	1,123
Amounts owed by group undertakings	0	0	17,203	18,422
	38,217	33,828	58,834	47,251

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Mortgages and Unsecured Loans	2,068	1,987	2,068	1,987
Payments Received in Advance	35,047	26,630	34,937	25,062
Trade Creditors	9,669	9,642	8,483	7,898
Social Security and Other Taxation Payable	5,631	4,547	5,118	2,998
Accruals	11,098	9,157	8,641	6,795
Amounts owed to group undertakings	0	0	19,313	9,886
Amounts owed to associated undertaking	1	5	1	0
Other Creditors	1,183	2,117	0	0
	64,697	54,085	78,561	54,626

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Mortgages secured on residential and other property	51,225	53,034	51,225	53,034
Unsecured loans	1,586	1,737	1,586	1,737
Other Creditors	179	253	0	0
Amounts owed to group undertakings	0	0	22,431	22,570
	52,990	55,024	75,242	77,341

notes to the accounts

(continued)

16. FINANCIAL INSTRUMENTS AND BORROWINGS

At 31 July 2005 the consolidated borrowings are analysed as follows:

(a) Borrowings analysed by maturity date

	Totally Repayable			
	Total	Between one and two years	Between two and five years	After five years
	£000	£000	£000	£000
Amounts falling due within one year (note 14):				
Mortgages and Unsecured Loans	2,068	0	0	2,068
Amounts falling due after more than one year (note 15):				
Mortgages secured on residential and other property	51,225	0	0	51,225
Unsecured Loans	1,586	0	0	1,586
	54,879	0	0	54,879

This note shows the expected dates of final capital repayments.

The University's borrowings are in respect of University House and certain student and staff residences. The University takes professional advice on the hedging of interest rates on its borrowings, with a view to reducing the risk of unexpected increases in finance costs. It therefore makes decisions to fix or hedge through the use of interest rate swaps, or caps the rates on certain borrowings from time to time.

This approach resulted in borrowings as at 31 July 2005 of £35 million on fixed rates, £13 million on capped rates and £7 million on floating rates.

(b) Borrowings analysed by interest rate after taking account of various financial instruments

	Total	Capped and Floating	Fixed Borrowings		
			Principal	Weighted Average Interest	Weighted Average Period
	£000	£000	£000		Years
Secured Loans	53,142	17,860	35,282	6.18%	20.00
Unsecured Loans	1,737	1,737	0		
	54,879	19,597			

Secured loans are secured on the residential property to which the borrowing relates. Capped and floating rate borrowings bear interest based on LIBOR.

notes to the accounts

(continued)

17. PROVISIONS FOR LIABILITIES AND CHARGES	Consolidated	University
	£000	£000
Early retirements provision		
At 1 August 2004	972	695
Utilised in Year	(421)	(373)
Transferred from Income & Expenditure Account	(120)	(77)
	431	245

Included within the accounts of the trading subsidiary Warwick University Services Ltd, and the above consolidated figures, are amounts relating to the early retirement of a higher paid employee who worked in one of the commercial businesses operated by that company. £185,960 of this provision is contingent on the profits of the business for the years ending 31 July 2006 to 31 July 2009. All amounts were approved by members of the University's Remuneration Committee.

18. DEFERRED CAPITAL GRANTS

	Consolidated			University		
	Total	Funding	Other Grants	Total	Funding	Other Grants
	£000	Council	& Benefactions	£000	Council	& Benefactions
	£000	£000	£000	£000	£000	£000
At 1 August 2004:						
Buildings	69,089	25,146	43,943	34,950	25,146	9,804
Equipment	8,438	4,005	4,433	7,550	4,005	3,545
Total	77,527	29,151	48,376	42,500	29,151	13,349
On Acquisition (Note 9):						
Buildings	0	0	0	28,171	0	28,171
Equipment	0	0	0	446	0	446
Total	0	0	0	28,617	0	28,617
Cash Received:						
Buildings	5,654	5,258	396	5,404	5,220	184
Equipment	5,327	4,226	1,101	5,138	4,226	912
Total	10,981	9,484	1,497	10,542	9,446	1,096
Released to Income & Expenditure:						
Buildings (Notes 1, 3 & 4)	2,489	1,035	1,454	1,558	997	561
Equipment (Notes 1, 3 & 4)	3,080	1,445	1,635	2,691	1,445	1,246
Total (Note 8)	5,569	2,480	3,089	4,249	2,442	1,807
At 31 July 2005:						
Buildings	72,254	29,369	42,885	66,967	29,369	37,598
Equipment	10,685	6,786	3,899	10,443	6,786	3,657
Total	82,939	36,155	46,784	77,410	36,155	41,255

The University could be required to repay deferred capital grants in respect of exchequer funded assets should these be disposed of and any proceeds arising from such disposals are not re-invested in other University assets.

notes to the accounts

(continued)

19. ENDOWMENTS	Consolidated
	£000
At 1 August 2004	2,123
Additions	402
Appreciation of Endowment Asset Investments	80
Income for Year	93
Expenditure for Year	(306)
Transfers out of Endowments	0
At 31 July 2005	2,392
Representing:	
Fellowship and Scholarship Funds	245
Prize Funds	20
Chair and Lectureship Funds	578
Other Funds	1,549
Total	2,392

20. RESERVES	Income and Expenditure Consolidated	University
	£000	£000
Balance at 1 August 2004	96,759	79,184
Surplus after Depreciation of Assets at Cost and after Taxation	7,855	6,442
Balance at 31 July 2005	104,614	85,626

21. INCOME AND EXPENDITURE ACCOUNT RESERVES	2005 £000	2004 £000
General Reserves - Associate Investment	1,482	1,384
Other Reserves	103,132	95,375
	104,614	96,759

22. LEASE OBLIGATIONS	Consolidated		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Operating lease commitments in respect of buildings on leases expiring:				
Within one year	0	0	0	0
Between one and five years	156	149	133	126
Over five years	2,274	2,101	851	743
	2,430	2,250	984	869

notes to the accounts

(continued)

23. CAPITAL COMMITMENTS

	Consolidated		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Commitments contracted at 31 July	19,281	6,899	19,281	6,699
Authorised but not contracted at 31 July	27,583	18,330	27,583	18,330
	46,864	25,229	46,864	25,029

24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004/05 £000	2003/04 £000
Surplus Before Tax	7,597	3,863
Profit on Disposal of Investments	(100)	0
Depreciation (Note 10)	14,280	11,309
Credit of Goodwill (Note 9)	(454)	(151)
Loss / (Gain) on Disposal of Tangible Fixed Assets	41	(523)
Deferred Capital Grants Released to Income (Note 18)	(5,569)	(3,915)
Other Interest Receivable (Note 5)	(1,768)	(1,061)
Interest Payable (Note 7)	3,460	2,439
(Increase) in Fixed Assets from VAT Debtor Transfer (Notes 10 & 32)	(3,458)	0
(Increase) / Decrease in Stocks	(117)	112
(Increase) in Debtors	(4,389)	(3,532)
Increase / (Decrease) in Creditors	10,457	(4,511)
(Decrease) / Increase in Provisions (Note 17)	(541)	555
Increase in Investments Provisions	13	26
	19,452	4,611

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004/05 £000	2003/04 £000
Income from Endowments (Note 19)	93	72
Other Interest Receivable (Note 5)	1,675	989
Interest Payable (Note 7)	(3,460)	(2,439)
	(1,692)	(1,378)

notes to the accounts

(continued)

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2004/05 £000	2003/04 £000
Tangible Assets Acquired (Note 10)	(18,166)	(48,105)
Investments Acquired	(13)	(15)
Endowment Asset Investments Acquired (Note 12)	(226)	(167)
Disposal of Tangible Assets	0	695
Disposal of Investment Assets	100	0
Receipts from Sales of Endowment Assets (Note 12)	471	410
Deferred Capital Grants Received (Note 18)	10,981	8,322
Endowments Received (Note 19)	402	392
	(6,451)	(38,468)

27. ANALYSIS OF CHANGES IN NET FUNDS / (DEBT)

	At 1 August 2004 £000	Other Changes £000	Cash Flows £000	At 31 July 2005 £000
Cash at Bank and in Hand	8,883	0	2,966	11,849
Short-Term Deposits	12,000	0	6,030	18,030
Endowment Assets (Note 12)	1,111	0	434	1,545
Debt due within one year (Note 14)	(1,987)	(1,960)	1,879	(2,068)
Debt due after one year (Note 15)	(54,771)	1,960	0	(52,811)
Net Debt	(34,764)	0	11,309	(23,455)

28. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING

	Mortgages & Loans £000
Balances at 1 August 2003	26,157
New Leases / Loans	32,000
Capital Repayments	(1,399)
Net Amount Acquired in Year	30,601
Balances at 31 July 2004	56,758
New Leases / Loans	0
Capital Repayments	(1,879)
Net Amount Acquired in Year	(1,879)
Balances at 31 July 2005 (Note 16)	54,879

notes to the accounts

(continued)

29. PENSION SCHEMES

Universities Superannuation Scheme (USS)

The University participates in the USS, which is a funded defined benefit pension scheme where contributions are held in trust separately from the University. The main results and assumptions of the most recent valuation of the USS are as follows:

	USS
Latest actuarial valuation date	31 March 2002
Valuation method	Projected Unit
Value of notional assets	£19,938m
Funding level from accrued benefits	101.0%
Investment return per annum (past service and future service respectively)	5.0% 6.0%
Salary scale increases per annum	3.70%
Pension increases per annum	2.70%

The contributions payable by the University during the accounting period were equal to 14% of total pensionable salaries. The pensions charge recorded by the University during the accounting period was equal to the contributions payable.

FRS 17

The USS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University will therefore account for its pension costs on the defined contribution basis as permitted by FRS17.

University of Warwick Pension Scheme (UWPS)

The University operates a defined benefit scheme in the UK. University contributions are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The main results and assumptions of the most recent valuation of the UWPS are as follows:

	UWPS
Latest actuarial valuation date	5 April 2004
Valuation method	Projected Unit
Value of notional assets	£59.239m
Funding level from accrued benefits	*98.0%
Investment return per annum (pre-retirement and post-retirement respectively)	6.5% 6.5%
Salary scale increases per annum	**4.25%
Pension increases per annum (subject to limited price indexation)	2.75%
* excluding the impact of any further life expectancy improvement, valued at £6.2 million	
** plus a one off increase of 4%	

Company contributions were increased from 16% to 19% of pensionable salaries with effect from 1 February 2005. An additional contribution of £279,981 was paid in April 2005 and a further £750,000 was paid in July 2005 towards funding the deficit disclosed in the April 2004 updated assessment.

The pension cost for the Scheme was £4.3 million (2004: £2.8 million). There was a provision of £nil (2004: £nil) in the Balance Sheet, representing the difference between the amount charged in the Income and Expenditure Account and the amount paid into the scheme.

notes to the accounts

(continued)

29. PENSION SCHEMES - continued

FRS 17

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

	2005 update	2004 update	2003 update
Rate of increase in salaries	4.20%	4.80%	4.70%
Rate of increase of pensions in payment	*2.70%	*2.80%	*2.70%
* some pensions have guaranteed 3% increases			
Discount rate	5.30%	5.70%	5.50%
Inflation assumption	2.70%	2.80%	2.70%

If the Pension Scheme had been recognised on the basis of FRS17 and these assumptions disclosed in these financial statements the following assets and liabilities would have appeared in the Balance Sheet:

	2005 £000	2004 £000	2003 £000
Value of assets			
- Equities	58,711	43,968	40,028
- Bonds and cash	16,425	14,858	12,110
Total market value of assets	75,136	58,826	52,138
Value of liabilities	(86,396)	(70,502)	(67,180)
Deficit in scheme	(11,260)	(11,676)	(15,042)
Related deferred tax liability	0	0	0
Net pension deficit	(11,260)	(11,676)	(15,042)

The University's net assets and revenue reserves would have been as follows:

	2005 £000	2004 £000	2003 £000
Net assets excluding pension liability	190,033	176,444	136,840
Pension liability	(11,260)	(11,676)	(15,042)
Net assets including pension liability	178,773	164,768	121,798

	2005 £000	2004 £000	2003 £000
Income and expenditure reserve excluding pension liability	104,614	96,759	91,181
Pension reserve	(11,260)	(11,676)	(15,042)
Income and expenditure reserve including pension liability	93,354	85,083	76,139

notes to the accounts

(continued)

29. PENSION SCHEMES - continued

Analysis of the amount charged to the Income and Expenditure Account

	2005 £000	2004 £000
Service cost	3,533	3,253
Past service cost	0	0
Total operating charge	3,533	3,253

Analysis of net return on pension scheme

	2005 £000	2004 £000
Expected return on pension scheme assets	4,379	3,892
Interest on pension liabilities	(4,117)	(3,767)
Net return	262	125

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses

	2004/05 £000	2003/04 £000
Actual return less expected return on assets	7,892	1,205
Experience gains and losses on liabilities	(5,747)	68
Changes in assumptions	(2,790)	2,410
Actuarial (loss) / gain	(645)	3,683
Adjustment due to surplus cap	0	0
Net (loss) / gain recognised	(645)	3,683

Movement in liability during the year

	2004/05 £000	2003/04 £000
Deficit in scheme at 1 August	(11,676)	(15,042)
Movement in year:		
Current service cost	(3,533)	(3,253)
Contributions	4,332	2,811
Past service costs	0	0
Net return on assets	262	125
Actuarial (loss) / gain	(645)	3,683
Deficit in scheme at 31 July	(11,260)	(11,676)

notes to the accounts

(continued)

29. PENSION SCHEMES - continued

History of experience of gains and losses	2004/05 £000	2003/04 £000
Actual return less expected return on scheme assets	7,892	1,205
% of scheme assets:	10.5%	2.0%
Experience gains and losses on liabilities	(5,747)	68
% of scheme liabilities:	(6.7%)	0.1%
Changes in assumptions	(2,790)	2,410
Total amount recognised in Statement of Total Recognised Gains and Losses	(645)	3,683
% of scheme liabilities:	(0.7%)	5.2%
The University's contribution to the various schemes in the years 2004/05 and 2003/04 were:		
	2004/05 £000	2003/04 £000
Universities Superannuation Scheme (USS)	10,133	8,652
University of Warwick Pension Scheme (UWPS)	4,274	2,777
National Health Service Pensions Agency (NHSPA)	248	114
Local Government Superannuation Scheme (LGSS)	14	11
Others	65	48
	14,734	11,602

Due to the low value of contributions and small number of participants in LGSS, NHSPA and other schemes no disclosures have been made under FRS17 on the grounds of materiality.

30. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES

The University owns 100% of the issued share capital of the following companies which are registered in England and operating in the UK, unless dormant as stated:

	<u>No. of £1 Ordinary Shares</u>
Warwick University Training Limited	4
Warwick University Services Limited	125,000
Warwick Retail Limited	1
Research-TV Limited (Dormant)	3
Warwick Conferences Limited (Dormant)	2
The University of Warwick Press Limited (Dormant)	2
Warwick Learning Limited (Dormant)	200
Jobs for the Academic Community Limited (Dormant)	1

notes to the accounts

(continued)

30. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES - continued

The University is the sole member of Horticulture Research International, a private company limited by guarantee and an exempt charity. This company has a 100% owned dormant subsidiary HRI Limited. The consolidated accounts include the results of Horticulture Research International.

In addition, the consolidated accounts include the accounts of The University of Warwick Foundation, an exempt Charity, and its wholly owned subsidiary UW Construction Limited.

At 31 July 2005 the University held 51.0% of voting shares and 50.5% of non-voting shares in AdsFab Limited, being 153,000 £1 ordinary 'C' shares (non-voting) and 51 £1 ordinary 'A' shares (voting). The consolidated accounts include the accounts of AdsFab Limited.

University of Warwick Science Park (Note 11)

During the year, the University group of companies made purchases from the Science Park of £359k (2004: £201k). The University recharged costs to the Science Park of £1.3m (2004: £1.3m), mainly in relation to salaries. In May 2003, the University entered into a land swap agreement relating to the letting and development of land to the University of Warwick Science Park Limited and the letting of an adjacent plot back to the University. The future rent payable by the University under this agreement is disclosed within the figures in note 22.

Other Associated Bodies

The University is a co-guarantor of West Midlands Manufacturing Consortium Limited, a private company limited by guarantee and Midlands Technology Network Limited. In the event of these companies being wound up, the University would be required to contribute £1 for each company. The results of the companies have not been consolidated into the accounts of the University on the basis of materiality.

31. RELATED PARTIES

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

The University's Chair of Council, Mr John Leighfield, is a director and shareholder of RM plc, a company supplying software services and systems to the UK education sector. He holds 148,000 class 'A' ordinary shares being 0.16% of shares issued.

The Southern Universities Purchasing Consortium tendered for and entered into a 3 year supply contract with RM plc on 1 February 2005. The contract is due for re-tender during 2007. In the financial year 2004/2005 the University spent £1.2m on goods and services supplied by RM plc.

Ms R Thorne, an appointed lay member of Council, during the year also held the position of Group Finance Director of Bradford and Bingley plc, with which the University holds cash deposits on short term investment. The maximum investment held with Bradford and Bingley during the last financial year was £5m and as at 31 July 2005 the University had £4m on deposit with the Building Society.

notes to the accounts

(continued)

32. CONTINGENT LIABILITIES

VAT:-

The University has entered into four funding arrangements which have subsequently been challenged by HM Revenue & Customs. During the year the University capitalised an amount of £3,458k, which was previously included in debtors and which has not yet been reimbursed by HM Revenue & Customs. The University is still pursuing the recoverability of these amounts.

Clawback on HRI site freehold land:-

On 31 March 2004 the University acquired the freehold land and buildings at Wellesbourne and Kirton, on which HRI is based, from The Secretary of State for Environment, Food and Rural Affairs (DEFRA). Under the terms of the agreement with the Department for Environment, Food and Rural Affairs (DEFRA), if any part of the acquired land and buildings are disposed of by the University within an agreed clawback period then the University will be liable to pay 50% of the increase in value of the property over to the Department for Environment, Food and Rural Affairs (DEFRA).

The terms of the clawback can be summarised as follows:

	Consideration	Clawback period expires
Wellesbourne land and property	£2,509,000	2019
Kirton land and property	£52,500	2024

Pension Scheme Benefits for Part Time Employees:-

As a result of a ruling by the European Court of Justice (ECJ) in the Preston case relating to indirect sex discrimination, the employer has an obligation to provide pension scheme benefits for part-time employees. There is therefore a potential liability to provide additional benefits for service before the pension scheme rules were changed to allow access for part-time employees.

The extent of the liability will depend on the service completed by those part-time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. Therefore no provision has been made, but the financial statements include this disclosure as a prudent approach to the potential liability.

33. ACCESS FUNDS

	2004/05 £000	2003/04 £000
Opening fund balance	35	34
Funding Council grants received in year	425	402
Interest Earned	1	4
	<hr/>	<hr/>
	461	440
Disbursed to Students	(410)	(405)
Audit Fees	0	0
	<hr/>	<hr/>
Balance Unspent at 31 July	51	35

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

notes to the accounts

(continued)

34. TEACHER TRAINING AGENCY (TTA)

(a) Student Bursaries

	2004/05 £000	2003/04 £000
Opening fund balance	195	120
Net Teacher Training Agency grants received in year	2,559	2,093
	<hr/> 2,754	<hr/> 2,213
Disbursed to students	(2,513)	(1,979)
Administration fee	(50)	(39)
	<hr/> 191	<hr/> 195

(b) Ethnic Minority Recruitment

	2004/05 £000	2003/04 £000
Opening fund balance	11	0
Net Teacher Training Agency grants received in year	4	19
	<hr/> 15	<hr/> 19
Disbursed to students	0	0
Support Payments to Schools	0	(1)
Development	0	(1)
Administration	(11)	(6)
	<hr/> 4	<hr/> 11

(c) Student Associate Scheme

	2004/05 £000	2003/04 £000
Opening fund balance	3	0
Net Teacher Training Agency grants received in year	187	157
	<hr/> 190	<hr/> 157
Disbursed to students	(102)	(77)
Support Payments to Schools	(35)	(31)
Administration	(42)	(46)
	<hr/> 11	<hr/> 3

Teacher Training Agency grants are available solely for students or school for student support and the University acts only as paying agent in administering these TTA grants. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

notes to the accounts

(continued)

35. CONSOLIDATED FIVE YEAR RESULTS

	2004/05	2003/04	2002/03	2001/02	2000/01
	£000	£000	reanalysed £000	reanalysed £000	£000
Income					
Funding Council Grants	65,953	61,280	55,545	50,591	46,513
Academic Fees & Support Grants	70,030	64,357	57,706	49,353	42,262
Research Grants & Contracts	58,620	40,086	30,357	28,057	26,316
Other Operating Income	87,216	77,650	67,531	62,337	58,130
Endowment Income & Interest Receivable	1,768	1,023	857	1,141	1,230
Total Income	283,587	244,396	211,996	191,479	174,451
Expenditure					
Staff Costs	145,850	124,243	109,463	99,539	92,881
Depreciation	14,280	11,309	8,973	7,423	6,748
Other Operating Expenses	112,400	102,542	87,887	77,408	68,470
Interest Payable	3,460	2,439	1,728	1,908	2,410
Total Expenditure	275,990	240,533	208,051	186,278	170,509
Surplus on Continuing Operations	7,597	3,863	3,945	5,201	3,942
Transfer from Accumulated Income within Specific Endowments	213	337	786	0	0
Share of profit after tax of Associate	98	0	0	0	0
Equity Minority Interest	(53)	(6)	(12)	135	0
Surplus for the Financial Year	7,855	4,194	4,719	5,336	3,942
Assets					
Fixed Assets	236,446	228,591	161,592	136,469	128,676
Endowment Asset Investments	2,392	2,123	2,138	2,691	2,981
Current Assets	69,313	55,811	51,664	49,110	47,711
Liabilities					
Current Liabilities	64,697	54,085	53,042	37,110	34,689
Long Term Liabilities	52,990	55,024	25,095	26,590	28,079
Provisions	431	972	417	838	797
Net Assets	190,033	176,444	136,840	123,732	115,803
Capital Expenditure					
Land and Buildings	13,049	36,351	26,329	8,945	13,990
Plant, Machinery & Equipment	8,575	11,754	8,624	6,469	3,920
Total Capital Expenditure	21,624	48,105	34,953	15,414	17,910

indicators of financial health

	2004/05	2003/04	2002/03 reanalysed	2001/02 reanalysed	2000/01
INDICATORS RELATING TO SOURCES OF INCOME					
(a) % Ratio of Total HEFCE & TTA Grants to Total Income	23.26%	25.07%	26.20%	26.42%	26.66%
(b) % Ratio of Total fees from full time Home & EU Students to Total Income	9.47%	10.27%	11.43%	11.91%	10.93%
(c) % Ratio of Total fees from full time Overseas Students to Total Income	12.19%	12.79%	12.59%	11.38%	10.18%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	20.67%	16.40%	14.32%	14.65%	15.09%
(e) % Ratio of Total Other Services Rendered Income to Total Income	3.06%	2.87%	2.96%	3.87%	3.99%
(f) % Ratio of Total Residences and Catering Income to Total Income	8.48%	9.13%	9.67%	10.79%	10.74%
(g) % Ratio of Total all Other Income to Total Income	22.87%	23.47%	22.83%	20.98%	22.41%
(h) % Ratio of Surplus to Total Income	2.77%	1.72%	2.23%	2.79%	2.26%
INDICATORS RELATING TO FINANCIAL STRENGTH					
(i) Days Ratio of General Funds to Total Expenditure	138.35	146.83	159.97	169.42	173.95
(j) % Ratio of Long Term Liabilities to Total General Funds	51.06%	57.87%	27.98%	31.72%	35.53%
INDICATORS RELATING TO SHORT TERM LIQUIDITY AND SOLVENCY					
(k) Ratio of Liquid Assets to Current Liabilities	0.46	0.39	0.43	0.58	0.55
(l) Days Ratio of Net Liquid Assets to Total Expenditure	39.52	31.69	40.04	41.94	40.52
(m) Ratio of Current Assets to Current Liabilities	1.07	1.03	0.97	1.32	1.38
(n) Days Ratio of Increase / (Decrease) in Cash & Liquid Resources to Total Expenditure	11.90	(2.94)	2.49	4.85	4.63
(o) Days of Total Income represented by Debtors	49.19	50.52	47.80	50.68	58.55
(p) Days of Total Expenditure represented by Creditors	85.56	82.07	93.06	72.71	74.26

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