

statement of accounts

for the year ended 31 July 2006

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financial highlights

for the year ended 31 July 2006

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT		2005/06	2004/05	Change
		£ million	(restated) £ million	
Funding Council Grants		77.14	65.95	17.0%
Academic Fees and Support Grants		76.79	70.03	9.7%
Research Grants and Contracts		60.62	58.62	3.4%
Other Operating Income		93.27	87.22	6.9%
Endowment Income and Interest Receivable		2.78	2.03	36.9%
Total Income		310.60	283.85	9.4%
Surplus for the Financial Year		11.91	8.92	33.5%
CONSOLIDATED BALANCE SHEET		2006	2005	
		£ million	(restated) £ million	
Fixed Assets		241.83	236.45	
Endowment Asset Investments		4.09	2.39	
Net Current Assets		7.36	4.62	
		253.28	243.46	
Long Term Creditors and Provisions		(51.13)	(53.43)	
Total Net Assets, excluding Pension Liability		202.15	190.03	6.4%
Pension Liability		(11.64)	(11.26)	
Total Net Assets, including Pension Liability		190.51	178.77	6.6%
CAPITAL EXPENDITURE IN THE YEAR		2005/06	2004/05	
		£ million	£ million	
		24.26	18.17	33.5%
NET CASH INFLOW FROM OPERATING ACTIVITIES		2005/06	2004/05	
		£ million	£ million	
		25.27	19.45	29.9%
OTHER KEY STATISTICS		2005/06	2004/05	
		Number	Number	
Full Time Students:-	Home / EU Undergraduates	8,982	8,912	0.8%
	Home / EU Postgraduates	1,831	1,798	1.8%
	Overseas Undergraduates	1,622	1,540	5.3%
	Overseas Postgraduates	1,657	1,542	7.5%
Total number of students (full time equivalent)		16,701	16,168	3.3%
Total staff numbers (full time equivalent)		4,295	4,252	1.0%

treasurer's report

I am pleased to introduce the University of Warwick's annual accounts for the year ended 31 July 2006. The results for the year are very satisfactory and should be seen in the context of the University's long term objectives.

Strategy

The University's ambition remains unchanged since its foundation in 1965. We are committed to being one of the UK's leading international universities characterised by:

- The quality and depth of our research;
- An international community of scholars working both within their own specialisms and innovatively across boundaries and disciplines;
- The provision of an outstanding learning experience for all our students; and
- A campus which helps all members of the University to develop all aspects of their lives.

To achieve this ambition, the University must continue to deliver outstanding financial performance so that we can invest in people, technology, teaching, research and social facilities which support the whole of our community to achieve their personal and collective academic and wider objectives.

Results

The surplus for the year was £11.9 million (3.8% of turnover) compared to the surplus for the previous year of £8.9 million (3.1% of turnover). The results benefited from continued growth in our research income (a £2 million increase, to £60.6 million) and from strong performances by the Warwick Manufacturing Group, Warwick Business School and the University's major commercial activities.

Cash flow from operations in the year was £25.3 million (2005 - £19.5 million). Together with capital grants of £13.3 million, this cash inflow allowed the University to increase its capital expenditure by 34% to £24.3 million. Amongst the major capital schemes were enhanced resources for Social Studies and science laboratories, together with new facilities for Warwick Business School and teaching facilities at Westwood.

Warwick Medical School

The Warwick Medical School was initially established as a partnership with Leicester Medical School in 2000. The School has grown significantly in its six years and we were pleased that during the year the General Medical Council's quality assurance team has recommended that Warwick should be empowered to award medical degrees in its own right.

Pensions

In common with many organisations, the University's strategy for rewarding our staff through pension provision has been an increasing focus of attention. Most academic staff are members of the national universities pension scheme (USS). Warwick has over 2,000 staff who are members of USS but, additionally, a significant number of the University's staff (approximately 1,300) are members of our own defined benefit scheme.

The accounts show the impact of adopting FRS 17 for the first time. FRS 17 requires the deficit of the University's own scheme, which was £11.6 million at the year end, to be included in the balance sheet. The 2006 valuation includes additional forecast liabilities relating to increased longevity of Scheme members, a changing social factor that has affected the valuation of pension schemes nationally. As well as the regular employer contributions due, the University has made an additional contribution of £2 million in the year, although the FRS 17 adjustment has the effect of negating the impact on the Income and Expenditure Account of the additional contribution.

treasurer's report

(continued)

Top up fees

The introduction of variable fees marks a major change in the financing arrangements for the University. We welcome the new regime, even though the initial level of allowable fees does not represent the full cost of providing undergraduate education. We have devoted a substantial part of the enhanced resources to bursaries, access awards and we are determined that education at Warwick will continue to be available to all those who can most benefit from and contribute to this outstanding University.

People

Our previous Vice-Chancellor, Professor David VandeLinde, retired in July. He made a distinguished contribution to the University during his period of office and Warwick is grateful to him for his stewardship.

We welcome as the University's fifth Vice-Chancellor Professor Nigel Thrift. He joins us from the University of Oxford at an exciting time in Warwick's development and we look forward to his leadership of the University.

Chris Foy was the University's Treasurer until 5 October 2006. His advice and guidance has helped Warwick to continue its policy of having a strong financial position and I would like to thank him for his contribution to the University.

Warwick's success is due to the commitment and abilities of all members of the University's community – academic, management and support staff and our students. The University provides the framework but it is our people who make the difference.

Prospects

During the year the University has introduced the Framework Agreement covering new pay and grading arrangements and has undertaken detailed planning and preparation for the introduction of variable fees, new academic investment and for the 2008 Research Assessment Exercise.

The University's plans are designed to take advantage of the opportunities which changes and challenges present to us, so that we can continue to sustain our position as one of the UK's leading Universities.

Brian Woods-Scawen, Treasurer

24 November 2006

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.

The University is seeking approval from the Privy Council for the revision of its existing Charter and 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 Council has overall responsibility for reviewing the effectiveness of the University's system of internal control. The following internal control measures were in place for the year ended 31 July 2006 and continue to be embedded within existing University processes:

- The University operated a system of risk management 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. The system is derived from an approach to risk management approved by the University Council and Steering Committee and is reviewed annually by those bodies. The University required departments and commercial activities to undertake a consideration of risks as part of the annual planning process.
- The Risk Management Group, the University Risk Holders, the Senior Officers' Group and the University's Steering Committee all participated in the risk identification, description and evaluation processes.
- The University's Risk Management Group co-ordinated the monitoring of significant risks of the University and, alongside contributions from lay members of the Council, worked to embed further risk management within the current decision-making structures of the University.
- The Audit Committee received regular reports from the Head of Internal Audit which provided an overview of internal control matters.
- The Audit Committee also received reports from the Risk Management Group on the management of the University's significant risks and received a number of presentations from holders of specific risks.
- The Council met seven times in the 2005/06 financial year, considering the plans and strategic direction of the University.
- The Council received termly reports from the Audit Committee including consideration of the work of internal and external audit and of risk management.
- At its meeting in October 2006 the Council approved the most significant risks of the University and the current status of those risks. These risks will be monitored by the Council on a termly basis throughout the 2006/07 academic year.

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 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.

The Council's consideration of these various reports, together with its deliberations on risk management at its October 2006 meeting, enabled it to carry out an assessment of internal control within the University.

statement of primary responsibilities of the council

of the University of Warwick

This Statement is based on the Model Statement contained in the Governance Code of Practice published by the Committee of University Chairmen, adapted to reflect the powers and responsibilities that the Council of the University of Warwick derives from the University Statutes.

The Council is the governing body of the University. Subject to the powers of the Senate as provided for in the University Statutes, it has ultimate responsibility for the affairs of the University. It is responsible for reviewing the work of the University and taking such steps as it thinks proper for the purpose of advancing the interests of the University, maintaining its efficiency, encouraging teaching, the pursuit of learning and the prosecution of research and providing for the recreation and well being of students.

Consistent with the University's constitution, the primary responsibilities of the University Council are as follows:

1. To enable the University to achieve and develop its mission and primary objectives of learning, teaching and research. The Council is responsible for approving and for keeping under review the University's long-term and strategic plans, including key performance indicators, and for ensuring that these meet the interests of the University's stakeholders.
2. To appoint the Vice-Chancellor as Chief Academic and Administrative Officer of the University and the HEFCE Accountable Officer and to put in place suitable arrangements for monitoring his/her performance.
3. To delegate authority to the Vice-Chancellor for the effective academic, corporate, financial, estate and human resource management of the University.
4. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and clear procedures for handling internal grievances and for managing conflicts of interest.
6. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against its plans and approved key performance indicators. Where possible and appropriate, these shall be benchmarked against other comparable institutions.
7. To establish processes to monitor and evaluate the performance and effectiveness of the Council and the University's systems of governance and decision making.
8. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
9. To safeguard the good name and values of the University and to be responsible for the ethical governance of the University.
10. To appoint the Secretary to the Council.
11. To be the employing authority for all staff in the University and to establish a human resources strategy for the University.

statement of primary responsibilities of the council

of the University of Warwick (continued)

12. Subject to the powers of the Senate, to be the principal financial and business authority of the University, to ensure that proper books of account are kept and, to approve the University's annual budget and financial statements and to have overall responsibility for the University's assets, property and physical estate.
13. To be the University's legal authority and to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name. The Council is responsible for determining regulations for the custody and use of the common seal of the University.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
15. To be responsible for effective planning, ongoing control, monitoring and review of the University's health and safety management procedures.
16. To approve changes to University Statutes and to ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

report of the independent auditors

to the Council of the University of Warwick

We have audited the Group and University financial statements (the “financial statements”) of the University of Warwick for the year ended 31 July 2006, on pages 16 to 48, 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 accounting policies set out in the statement of accounting policies, on pages 12 to 15.

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 responsibilities for preparing the Treasurer’s Report and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Primary Responsibilities of the Council on pages 8 and 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. 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 in accordance 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, the Training and Development Agency for Schools and the Learning and Skills Council.

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 Treasurer’s Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Group and University’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, in accordance with UK Generally Accepted Accounting Practices, of the state of affairs of the University and the Group as at 31 July 2006 and of the Group's surplus of income over expenditure for the year then ended;
2. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
3. in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2006 have been applied for the purposes for which they were received; and
4. in all material respects, income during the year ended 31 July 2006 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

KPMG LLP

24 November 2006

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, the University of Warwick Foundation and its subsidiary, and its share of the University of Warwick Science Park Limited, as an associated undertaking. 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

Universities Superannuation Scheme (USS)

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 Scheme is externally funded and contracted out of the State Second Pension (S2P). The liabilities of the Scheme are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the Scheme. The assets of the Scheme are held in a separate trustee-administered fund. The University is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the Scheme in respect of the accounting period.

statement of principal accounting policies

(continued)

5 Pension Schemes (continued)

University of Warwick Pension Scheme

Other staff are offered membership of the University's own pension scheme, an exempt approved pension scheme for the benefit of its non-academic staff. The University's own 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. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the Statement of Total Recognised Gains and Losses, actuarial gains and losses.

The University has applied the requirements of FRS 17 for the first time this year. This has resulted in the scheme deficit being recognised and the expense being the estimated cost of providing the benefits and related finance costs being recognised in the year, whereas previously the expense had been the contributions payable. The prior year comparative results of the University have been restated accordingly and the impact of this change in this accounting policy is shown in note 34.

A small number of staff remain in other pension schemes.

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.

statement of principal accounting policies

(continued)

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 have been capitalised for the first time in this financial year, to better reflect the useful life of new licences. No prior year adjustment has been made in respect of software licences previously written off, on the grounds of materiality. 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, software licences 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.

10 Investments

Listed investments held as fixed assets or endowment assets are included in the Balance Sheet at market value, after any provision for impairment in their value. Current asset investments are stated at the lower of their cost and net realisable value.

Surpluses or deficits arising on the revaluation of the University's fixed asset investments are taken to the Revaluation Reserve (except that deficits which reduce the value of an investment to less than cost are charged to the Income and Expenditure Account). On the realisation of fixed asset investments any accumulated surplus is transferred from the Revaluation Reserve to the Income and Expenditure Account. Surpluses or deficits arising on the revaluation of endowment asset investments are added to or subtracted from the funds concerned.

statement of principal accounting policies

(continued)

11 Stocks

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

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 2006

	Note	2005/06 £000	2004/05 (restated) £000
INCOME			
Funding Council Grants	1	77,136	65,953
Academic Fees and Support Grants	2	76,793	70,030
Research Grants and Contracts	3	60,620	58,620
Other Operating Income	4	93,270	87,216
Endowment Income, Investment Income and Interest Receivable	5	2,782	2,030
Total Income		310,601	283,849
EXPENDITURE			
Staff Costs	6	157,915	145,051
Depreciation	10	14,829	14,280
Other Operating Expenses	8	122,864	112,400
Interest Payable and Similar Charges	7	3,181	3,460
Total Expenditure	8	298,789	275,191
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST AND BEFORE TAX		11,812	8,658
Transfer from Accumulated Income within Specific Endowments		123	213
		11,935	8,871
Taxation		0	0
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST AND TAX		11,935	8,871
Share of profit after tax of Associate		46	98
Equity Minority Interests		(68)	(53)
SURPLUS FOR THE FINANCIAL YEAR		11,913	8,916

statement of consolidated total recognised gains and losses

for the year ended 31 July 2006

	Note	2005/06 £000	2004/05 (restated) £000
Surplus after Depreciation of Assets at Valuation and after Taxation		11,913	8,916
Transfer from Accumulated Income within Specific Endowments		(123)	(213)
Surplus on Continuing Operations excluding transfer from Accumulated Income within Specific Endowments		11,790	8,703
Appreciation of Endowment Asset Investments	19	23	80
Appreciation of Other Equity Investments	20	13	0
Transfers out of Endowments	19	0	0
New Endowments	19	1,800	402
Actuarial loss in respect of pension scheme	30	(2,451)	(645)
Total Recognised Gain relating to the Year		11,175	8,540
Prior Year Adjustment	34	(11,260)	
TOTAL RECOGNISED LOSSES SINCE LAST ACCOUNTS		(85)	

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 £6,939k (2005 restated: £7,503k) that has been dealt with in the accounts of the University.

statement of reconciliation of reserves and endowments

for the year ended 31 July 2006

	Note	2005/06 £000	2004/05 (restated) £000
Opening Reserves and Endowments as at 1 August, as previously stated	19, 20 & 21	107,006	98,882
Prior Year Adjustment	34	(11,260)	(11,676)
Opening Reserves and Endowments as at 1 August, as restated		95,746	87,206
Total Recognised Gains for the Year		11,175	8,540
CLOSING RESERVES AND ENDOWMENTS AS AT 31 JULY		106,921	95,746

balance sheets

as at 31 July 2006

		Consolidated		University	
	Note	2006	2005	2006	2005
		£000	(restated) £000	£000	(restated) £000
FIXED ASSETS					
Intangible Assets	9	(2,722)	(3,177)	0	0
Tangible Assets	10	240,960	237,890	229,173	225,724
Investments	11	3,592	1,733	2,342	529
		241,830	236,446	231,515	226,253
ENDOWMENT ASSET INVESTMENTS					
	12	4,092	2,392	0	0
CURRENT ASSETS					
Stocks		1,146	1,217	1,091	1,172
Debtors	13	35,837	38,217	60,534	58,834
Short Term Deposits		30,200	18,030	30,200	18,030
Cash at Bank and in Hand		9,017	11,849	11,775	12,795
		76,200	69,313	103,600	90,831
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	14	(68,843)	(64,697)	(93,806)	(78,561)
NET CURRENT ASSETS					
		7,357	4,616	9,794	12,270
TOTAL ASSETS LESS CURRENT LIABILITIES					
		253,279	243,454	241,309	238,523
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	15	(50,818)	(52,990)	(72,469)	(75,242)
PROVISIONS FOR LIABILITIES AND CHARGES					
	18	(307)	(431)	(170)	(245)
TOTAL NET ASSETS, excluding Pension Liability					
		202,154	190,033	168,670	163,036
PENSION LIABILITY					
	30	(11,639)	(11,260)	(11,639)	(11,260)
TOTAL NET ASSETS, including Pension Liability					
		190,515	178,773	157,031	151,776
DEFERRED CAPITAL GRANTS					
	17	83,462	82,939	78,164	77,410
ENDOWMENTS: Specific					
	19	4,092	2,392	0	0
REVALUATION RESERVE					
	20	13	0	13	0
GENERAL RESERVES					
	21	102,816	93,354	78,854	74,366
MINORITY INTEREST					
		132	88	0	0
TOTAL FUNDS					
		190,515	178,773	157,031	151,776

The financial statements on pages 16 to 48 were approved by the Council on 24 November 2006, and signed on its behalf by:

Professor Nigel Thrift, Vice-Chancellor

Brian Woods-Scawen, Treasurer

consolidated cash flow statement

for the year ended 31 July 2006

	Note	2005/06 £000	2004/05 £000
Net Cash Inflow from Operating Activities	25	25,265	19,452
Returns on Investments and Servicing of Finance	26	(842)	(1,692)
Taxation		0	0
Capital Expenditure and Financial Investment	27	(11,314)	(6,451)
Cash Inflow before Use of Liquid Resources and Financing		13,109	11,309
Management of Liquid Resources (net contributions to) short term investments	28	(13,874)	(6,464)
Financing	29	(2,067)	(1,879)
(Decrease) / Increase in Cash		(2,832)	2,966

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

for the year ended 31 July 2006

	Note	2005/06 £000	2004/05 £000
(Decrease) / Increase in Cash in the Period		(2,832)	2,966
Increase in Liquid Resources	28	13,874	6,464
New Loans and Finance Leases	29	0	0
Repayment of Debt	29	2,067	1,879
Change in Net Debt		13,109	11,309
Net Debt at 1 August		(23,455)	(34,764)
Net Debt at 31 July	28	(10,346)	(23,455)

notes to the accounts

1. HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND & TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS GRANTS	2005/06	2004/05
	£000	£000
Recurrent Grants:		
Higher Education Funding Council for England:		
Teaching	33,890	32,823
Research	27,702	22,628
Training and Development Agency for Schools	2,397	2,948
Specific Grants:		
Human Resources Strategy	1,673	1,690
HE Innovations Fund	2,123	440
Development of Teaching and Learning	469	357
Disability Access Grant	947	61
Science Research Investment Fund	792	496
Training and Development Agency for Schools Specific Grants	975	941
HEROBAC	39	45
HE Community Active Fund	100	110
Learning and Teaching Strategy	356	221
Library Research Support	6	74
Joint Information Systems Committee	74	94
Foundation Degrees	32	45
Clinical Pay Award	324	150
HE Gateway Aim Higher Programme	452	61
Centres for Excellence in Teaching and Learning	778	62
Others	520	227
Deferred Capital Grants Released in Year:		
Buildings (Note 17)	1,283	1,035
Equipment (Note 17)	2,204	1,445
	77,136	65,953
2. ACADEMIC FEES AND SUPPORT GRANTS	2005/06	2004/05
	£000	£000
Fees From Full Time Home/EU Students	28,343	26,842
Fees From Full Time Overseas Students	36,187	32,603
Part Time Fees (Home/EU and Overseas Students)	1,015	959
Higher Education Foundation Programme Fees	1,424	1,956
Short Course Fees	5,019	4,030
CASE Awards and Research Training Support Grants	4,298	3,178
Other Fees	507	462
	76,793	70,030

notes to the accounts

(continued)

3. RESEARCH GRANTS AND CONTRACTS	2005/06	2004/05
	£000	£000
Income		
Research Councils	20,689	18,595
Central Government, Local Authorities and Public Corporations	27,734	28,086
Charitable Bodies	4,484	5,178
European Union	4,197	3,558
Industry and Commerce	2,257	2,292
Overseas	812	729
Others	447	182
	60,620	58,620
Direct Expenditure		
Research Councils	14,316	12,890
Central Government, Local Authorities and Public Corporations	17,859	17,931
Charitable Bodies	4,393	5,066
European Union	3,596	2,936
Industry and Commerce	1,717	1,795
Overseas	706	648
Others	443	170
	43,030	41,436

Income from Research Grants and Contracts includes £1,388k in respect of Deferred Capital Grants released in the year (2005: £1,238k) - see also Note 17. Costs include spend within the University group of companies.

4. OTHER OPERATING INCOME	2005/06	2004/05
	£000	£000
Residences, Catering and Conferences	25,375	24,034
Other Services Rendered	7,394	8,674
Released from Deferred Capital Grants	1,526	1,851
Retail Operations	25,115	22,934
Post-Experience Centres	11,327	11,352
Other Income	22,533	18,371
	93,270	87,216

Included within Other Income above is £455k (2005: £454k) relating to the release of negative goodwill arising on the acquisition of Horticulture Research International (see note 9).

notes to the accounts

(continued)

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	2005/06	2004/05 (restated)
	£000	£000
Net return on University of Warwick Pension Scheme assets	419	262
Income from Specific Endowment Asset Investments	115	93
Other Interest Receivable	2,248	1,675
	2,782	2,030

6. STAFF	2005/06	2004/05 (restated)
	£000	£000
Staff Costs:		
Wages and Salaries	131,466	120,964
Social Security Costs	11,039	10,152
Other Pension Costs	15,410	13,935
	157,915	145,051

The above emoluments include amounts payable to the Vice-Chancellor, who is the senior post-holder at the University. During the year a new Vice-Chancellor was appointed to the role, upon the retirement of the previous Vice-Chancellor of the University. Emoluments paid in the year to the holder of this title were:

	2005/06 To 14th July	2004/05 Full Year
	£	£
Emoluments of the outgoing Vice-Chancellor (excluding pension contributions but including benefits-in-kind)	204,342	200,360
Pension contributions in respect of the outgoing Vice-Chancellor	40,480	41,220
	244,822	241,580
	2005/06 From 15th July	2004/05 Full Year
	£	£
Emoluments of the incoming Vice-Chancellor (excluding pension contributions but including benefits-in-kind)	6,042	0
Pension contributions in respect of the incoming Vice-Chancellor	846	0
	6,888	0

The outgoing 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.

notes to the accounts

(continued)

6. STAFF - continued

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:

	2005/06 Number	2004/05 Number
£230,000 - £239,999	1	0
£220,000 - £229,999	0	0
£210,000 - £219,999	0	1
£200,000 - £209,999	1	0
£190,000 - £199,999	0	1
£180,000 - £189,999	1	0
£170,000 - £179,999	1	1
£160,000 - £169,999	1	0
£150,000 - £159,999	0	1
£140,000 - £149,999	2	3
£130,000 - £139,999	3	4
£120,000 - £129,999	6	1
£110,000 - £119,999	7	9
£100,000 - £109,999	11	5
£90,000 - £99,999	20	15
£80,000 - £89,999	32	21
£70,000 - £79,999	63	53

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 £5,586 payment to USS for enhanced pension benefits and £67,739 in other payments for compensation for loss of office.

7. INTEREST PAYABLE

	2005/06 £000	2004/05 £000
Loans not wholly repayable within five years	3,181	3,460

notes to the accounts

(continued)

8. ANALYSIS OF 2005/06 EXPENDITURE BY ACTIVITY

	Total £000	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable and Similar Charges £000
Academic Departments	114,126	74,894	3,310	35,922	0
Research Grants and Contracts	43,030	26,302	1,388	15,340	0
Total Teaching and Research	157,156	101,196	4,698	51,262	0
Academic Services	27,860	11,298	1,838	14,724	0
Central Administration and Services	14,044	8,022	499	5,523	0
General Educational Expenditure	7,844	2,589	27	5,228	0
Staff and Student Facilities	5,164	2,535	79	2,550	0
Premises	26,657	8,172	5,248	13,237	0
Residences, Catering and Conferences	22,428	9,907	1,853	8,299	2,369
Other Services Rendered	7,238	2,787	0	4,451	0
Retail Operations	21,748	7,338	219	13,928	263
Post-Experience Centres	7,129	3,916	368	2,845	0
Other Expenses	1,521	155	0	817	549
Total per Income and Expenditure Account	298,789	157,915	14,829	122,864	3,181

The depreciation charge has been funded by:

	2005/06 £000
Deferred Capital Grants Released (Note 17)	6,401
General Income	8,428
	<u>14,829</u>

Other operating expenses include:

	2005/06 £000	2004/05 £000
Auditors' Remuneration for the University of Warwick Group (An amount of £35k (2004/05: £26k) relates to the Auditors' remuneration for the University)	58	56
Auditors' Remuneration in respect of Non-Audit Services	148	134
Grants to University of Warwick Students' Union	1,395	1,164

notes to the accounts

(continued)

9. INTANGIBLE FIXED ASSETS	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Negative goodwill arising on acquisition of Horticulture Research International	(3,782)	(3,782)	(5,269)	(5,269)
Goodwill credited to Income and Expenditure Account				
- in previous years	605	151	5,269	0
- in this year	455	454	0	5,269
Carried forward as at 31 July	(2,722)	(3,177)	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.

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) was fully credited to the Income and Expenditure Account of the University in the year ended 31 July 2005 and this fully matched the loss on the transaction shown in the accounts of Horticulture Research International for the same period.

notes to the accounts

(continued)

10. TANGIBLE FIXED ASSETS

CONSOLIDATED

	Total £000	Land & Buildings		Plant	Leased
		Freehold £000	Long Leasehold £000	Machinery & Equipment £000	Equipment £000
Cost					
At 1 August 2005	342,754	271,316	2,996	64,733	3,709
Additions at cost	24,259	15,946	423	7,890	0
Asset Transfers	0	(8)	0	8	0
Write off of assets	(6,210)	(2,342)	0	(3,868)	0
Disposals at cost	(74)	0	0	(74)	0
At 31 July 2006	360,729	284,912	3,419	68,689	3,709
Depreciation					
At 1 August 2005	104,864	59,315	60	41,780	3,709
Asset Transfers	0	(2)	0	2	0
Charge for the year	14,829	6,533	81	8,215	0
Revision of useful life and write off of assets	140	3,808	0	(3,668)	0
Eliminated on Disposals	(64)	0	0	(64)	0
At 31 July 2006	119,769	69,654	141	46,265	3,709
Net Book Value at 31 July 2006	240,960	215,258	3,278	22,424	0
Net Book Value at 31 July 2005	237,890	212,001	2,936	22,953	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 £8.3 million (2005: £9.7 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.

Revision of useful life of WHRI assets and write off of assets

The above adjustments in respect of the revision of useful life of assets and write off of assets relates to the revision of the anticipated useful remaining life of glasshouse facilities at Warwick Horticulture Research International ("WHRI"), from 50 years to 20 years, and a write off of assets in respect of obsolete items, also primarily at WHRI, following a full review of facilities.

The majority of assets are fully depreciated and with matching deferred capital grants, the corresponding write off of which is shown in note 17.

The net loss on the write down of assets as a result of the above is £22k, as shown at note 25.

notes to the accounts

(continued)

10. TANGIBLE FIXED ASSETS - continued

The consolidated expenditure on buildings in the year ended 31 July 2006 was :-

	£000
New build / construction completed:	
Mathematics and Statistics Building (irrecoverable VAT on retention)	44
Biotechnology Building Phase 4	85
Heronbank Student Residences	159
Warwick Business School Phase 1	66
WHRI Social Building	345
Under construction / development:	
Warwick Business School Phase 3a	6,254
Westwood - New Teaching Building	2,164
New Estates Office	70
Tennis Centre	88
Warwick Digital Lab	256
Refurbishment of existing premises for:	
Engineering Labs	781
Neuroscience Lab	202
Old Maths Buildings	66
International Automotive Research Centre	42
Social Studies Building	1,424
Biological Sciences Lab	2,599
Systems Biology Building	306
Physics Lab	52
The Capital Centre	238
The Reinvention Centre	70
WHRI labs and glasshouses	180
Millburn House	185
Costcutter	171
Islamic Prayer Room	309
Post Office	61
Cash Office	120
Other	32
	<hr/> 16,369 <hr/> <hr/>

notes to the accounts

(continued)

10. TANGIBLE FIXED ASSETS - continued

UNIVERSITY

	Total £000	Land & Buildings		Plant, Machinery & Equipment £000
		Freehold £000	Long Leasehold £000	
Cost				
At 1 August 2005	320,304	256,416	2,996	60,892
Additions at Cost	23,837	15,945	423	7,469
Asset Transfers	0	(8)	0	8
Write off of assets	(6,210)	(2,342)	0	(3,868)
Disposals at Cost	(28)	0	0	(28)
At 31 July 2006	337,903	270,011	3,419	64,473
Depreciation				
At 1 August 2005	94,580	55,722	60	38,798
Asset Transfers	0	(2)	0	2
Charge for the Year	14,030	6,185	81	7,764
Revision of useful life and write off of assets	140	3,808	0	(3,668)
Eliminated on Disposals	(20)	0	0	(20)
At 31 July 2006	108,730	65,713	141	42,876
Net Book Value at 31 July 2006	229,173	204,298	3,278	21,597
Net Book Value at 31 July 2005	225,724	200,694	2,936	22,094

11. INVESTMENTS

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Balance at 1 August 2005	1,733	1,635	529	0
Net Additions in the year	2,141	13	2,141	660
Share of Associated Surplus for the year	46	98	0	0
Increase in Market Value of Investments (note 20)	13	0	13	0
Increase in Provision for Diminution in Value	(341)	(13)	(341)	(131)
Balance at 31 July 2006	3,592	1,733	2,342	529
Represented by:				
Group Undertakings	0	0	278	278
Associated Undertaking	1,528	1,482	0	0
Other Equity Investments and Managed Funds	2,536	382	2,536	382
	4,064	1,864	2,814	660
Provision for Diminution in Value	(472)	(131)	(472)	(131)
	3,592	1,733	2,342	529

notes to the accounts

(continued)

11. INVESTMENTS - continued

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

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](#)

25,832 ordinary shares of 1p each being 16.44% of total issued shares of which there are 50,400 ordinary shares of 1p each and 106,756 preferred ordinary shares of 1p each.

[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.

[Concurrent Thinking Limited \(previously Streamline Computing Limited\)](#)

12,500 ordinary shares of 10p each being 18.69% of issued ordinary shares. The University has also made convertible loans totalling £62,500 to the company.

[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.

notes to the accounts

(continued)

11. INVESTMENTS - continued

G-Tronix Limited

600 ordinary shares of 1p 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 of 1p each 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.

Neurodiscovery Limited

3,122,270 ordinary shares of AUD 0.20 each being 8.56% of issued ordinary shares. Shares are listed on the Australian stock exchange.

Novolytics Limited

47,800 ordinary shares of 10p each being 49.90% of issued ordinary shares.

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 18.60% of total issued shares of which there are 80,000 ordinary shares of 1p each and 78,571 preference shares of 1p each.

Septegen Limited

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

Shibden Technologies Limited

247 ordinary shares of 1p each being 24.72% of issued ordinary shares.

Sonemat Limited

274 ordinary shares of 1p each being 24.86% of issued ordinary shares.

Therapo Systems Limited

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

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.

notes to the accounts

(continued)

11. INVESTMENTS - continued

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 Insect Technologies Limited

2,470 ordinary shares of 1p each being 24.70% of issued ordinary shares.

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.

Warwick Warp Limited

460 ordinary shares of 10p each being 21.80% of issued ordinary shares.

With the exception of Neurodiscovery Ltd, whose registered offices are in Australia, 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	
	2006	2005	2006	2005
	£000	£000	£000	£000
Balance at 1 August 2005	2,392	2,123	0	0
Additions	1,181	226	0	0
Disposals	(1,208)	(471)	0	0
Appreciation of endowment asset investments	23	80	0	0
Increase in Short Term Assets	1,704	434	0	0
Transfer out of endowments	0	0	0	0
Balance at 31 July 2006	4,092	2,392	0	0
Composed of :-				
Fixed Interest Stocks	0	277	0	0
Equities	843	570	0	0
Short Term Assets	3,249	1,545	0	0
Total Endowment Asset Investments	4,092	2,392	0	0

notes to the accounts

(continued)

13. DEBTORS

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Amounts falling due within one year:				
Trade Debtors	15,516	16,002	12,836	13,186
VAT and Other Taxes	388	63	0	0
Amounts owed by group undertakings	0	0	11,698	6,583
Amounts owed by associated undertaking	113	90	113	90
Prepayments and accrued income	18,834	20,940	18,577	20,650
Short Term Loans	170	157	170	157
Amounts falling due after one year:				
Debtors and prepayments	816	965	816	965
Amounts owed by group undertakings	0	0	16,324	17,203
	35,837	38,217	60,534	58,834

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Mortgages and Unsecured Loans	2,106	2,068	2,106	2,068
Payments Received in Advance	35,446	35,047	35,352	34,937
Trade Creditors	9,144	9,669	7,760	8,483
Social Security and Other Taxation Payable	6,552	5,631	6,085	5,118
Accruals	14,334	11,098	11,982	8,641
Amounts owed to group undertakings	0	0	30,521	19,313
Amounts owed to associated undertaking	10	1	0	1
Other Creditors	1,251	1,183	0	0
	68,843	64,697	93,806	78,561

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

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Mortgages secured on residential and other property	49,271	51,225	49,271	51,225
Unsecured Loans	1,435	1,586	1,435	1,586
Other Creditors	112	179	0	0
Amounts owed to group undertakings	0	0	21,763	22,431
	50,818	52,990	72,469	75,242

notes to the accounts

(continued)

16. FINANCIAL INSTRUMENTS AND BORROWINGS

At 31 July 2006 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	2,106	0	0	2,106
Amounts falling due after more than one year (note 15):				
Mortgages secured on residential and other property	49,271	0	0	49,271
Unsecured Loans	1,435	0	0	1,435
	52,812	0	0	52,812

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 2006 of £35 million on fixed rates, £12 million on capped rates and £6 million on floating rates.

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

	Total	Fixed Borrowings			
		Capped and Floating	Principal	Weighted Average Interest	Weighted Average Period Years
	£000	£000	£000		
Secured Loans	51,226	16,422	34,804	6.25%	20.00
Unsecured Loans	1,586	1,586	0		
	52,812	18,008	34,804		

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

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17. DEFERRED CAPITAL GRANTS

	Consolidated			University		
	Total £000	Funding Council £000	Other Grants & Benefactions £000	Total £000	Funding Council £000	Other Grants & Benefactions £000
At 1 August 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
Less: Revision of useful lives of assets and write off of assets:						
Buildings	6,202	0	6,202	6,202	0	6,202
Equipment	126	0	126	126	0	126
Total	6,328	0	6,328	6,328	0	6,328
Add: Cash Received:						
Buildings	8,717	8,694	23	8,716	8,694	22
Equipment	4,535	2,841	1,694	4,535	2,841	1,694
Total	13,252	11,535	1,717	13,251	11,535	1,716
Less: Released to Income & Expenditure:						
Buildings (Notes 1, 3 & 4)	2,491	1,283	1,208	2,364	1,283	1,081
Equipment (Notes 1, 3 & 4)	3,910	2,204	1,706	3,805	2,204	1,601
Total (Note 8)	6,401	3,487	2,914	6,169	3,487	2,682
At 31 July 2006:						
Buildings	72,278	36,780	35,498	67,117	36,780	30,337
Equipment	11,184	7,423	3,761	11,047	7,423	3,624
Total	83,462	44,203	39,259	78,164	44,203	33,961

The adjustments in respect of the revision of useful lives of assets and write off of assets, as shown above, are explained at note 10.

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)

18. PROVISIONS FOR LIABILITIES AND CHARGES	Consolidated	University
	£000	£000
Early retirements provision		
At 1 August 2005	431	245
Utilised in Year	(151)	(102)
Transferred to Income & Expenditure Account	(63)	(63)
New Provisions in Year	90	90
	307	170

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. £137,961 of this provision is contingent on the profits of the business for the years ending 31 July 2007 to 31 July 2009. All amounts were approved by members of the University's Remuneration Committee.

19. ENDOWMENTS	Consolidated
	£000
At 1 August 2005	2,392
Additions	1,800
Appreciation of Endowment Asset Investments	23
Income for Year	115
Expenditure for Year	(238)
Transfers out of Endowments	0
At 31 July 2006	4,092
Representing:	
Fellowship and Scholarship Funds	316
Prize Funds	20
Chair and Lectureship Funds	1,968
Other Funds	1,788
Total	4,092

20. REVALUATION RESERVES	Consolidated	University
	£000	£000
Balance at 1 August 2005	0	0
Appreciation of equity investments in the year (note 11)	13	13
Balance at 31 July 2006	13	13

notes to the accounts

(continued)

21. GENERAL RESERVES	Consolidated		University	
	£000		£000	
Balance at 1 August 2005, as previously stated	104,614		85,626	
Prior Year Adjustment (note 34)	(11,260)		(11,260)	
Balance at 1 August 2005, as restated	93,354		74,366	
Surplus for the Financial Year	11,913		6,939	
Actuarial Loss on Pension Liability	(2,451)		(2,451)	
Balance at 31 July 2006	102,816		78,854	
General Reserves excluding Pension Liability	114,455		90,493	
Pension Reserve (note 30)	(11,639)		(11,639)	
General Reserves including Pension Liability	102,816		78,854	

22. CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT RESERVES	2006		2005	
	£000		£000	
General Reserves - Associate Investment	1,528		1,482	
Other Reserves	112,927		103,132	
	114,455		104,614	

23. LEASE OBLIGATIONS	Consolidated		University	
	2006	2005	2006	2005
	£000		£000	
Operating lease commitments in respect of buildings on leases expiring:				
Within one year	69	0	69	0
Between one and five years	187	156	160	133
Over five years	2,184	2,274	815	851
	2,440	2,430	1,044	984

notes to the accounts

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24. CAPITAL COMMITMENTS

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Commitments contracted at 31 July	2,894	19,281	2,894	19,281
Authorised but not contracted at 31 July	78,781	27,583	78,381	27,583
	81,675	46,864	81,275	46,864

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

	2005/06 £000	2004/05 (restated) £000
Surplus Before Tax	11,812	8,658
Profit on Disposal of Investments	0	(100)
Depreciation (Note 10)	14,829	14,280
Excess of Contributions to Pension Scheme Over Service Costs (Note 30)	(1,653)	(799)
Credit of Goodwill (Note 9)	(455)	(454)
Loss on Disposal of Tangible Fixed Assets	3	41
Net write off adjustments arising from cleansing of register (Notes 10 and 17)	22	0
Deferred Capital Grants Released to Income (Note 17)	(6,401)	(5,569)
Endowment Income and Interest Receivable (Note 5)	(2,782)	(2,030)
Interest Payable (Note 7)	3,181	3,460
(Increase) in Fixed Assets from VAT Debtor Transfer	0	(3,458)
Decrease / (Increase) in Stocks	71	(117)
Decrease / (Increase) in Debtors	2,380	(4,389)
Increase in Creditors	4,041	10,457
(Decrease) in Provisions (Note 18)	(124)	(541)
Increase in Investments Provisions (Note 11)	341	13
	25,265	19,452

26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2005/06 £000	2004/05 £000
Income from Endowments (Note 19)	115	93
Other Interest Receivable (Note 5)	2,248	1,675
Interest Payable (Note 7)	(3,181)	(3,460)
Deed of Covenant payment to Minority Interests	(24)	0
	(842)	(1,692)

notes to the accounts

(continued)

27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2005/06 £000	2004/05 £000
Tangible Assets Acquired (Note 10)	(24,259)	(18,166)
Investments Acquired	(2,141)	(13)
Endowment Asset Investments Acquired (Note 12)	(1,181)	(226)
Disposal of Tangible Assets	7	0
Disposal of Investment Assets	0	100
Receipts from Sales of Endowment Assets (Note 12)	1,208	471
Deferred Capital Grants Received (Note 17)	13,252	10,981
Endowments Received (Note 19)	1,800	402
	(11,314)	(6,451)

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

	At 1 August 2005 £000	Other Changes £000	Cash Flows £000	At 31 July 2006 £000
Cash at Bank and in Hand	11,849	0	(2,832)	9,017
Short-Term Deposits	18,030	0	12,170	30,200
Endowment Assets (Note 12)	1,545	0	1,704	3,249
Debt due within one year (Note 14)	(2,068)	(2,105)	2,067	(2,106)
Debt due after one year (Note 15)	(52,811)	2,105	0	(50,706)
Net Debt	(23,455)	0	13,109	(10,346)

29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING

	Mortgages & Loans £000
Balances at 1 August 2004	56,758
New Leases / Loans	0
Capital Repayments	(1,879)
Net Amount Acquired in Year	(1,879)
Balances at 31 July 2005	54,879
New Leases / Loans	0
Capital Repayments	(2,067)
Net Amount Acquired in Year	(2,067)
Balances at 31 July 2006 (Note 16)	52,812

notes to the accounts

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30. PENSION SCHEMES

Universities Superannuation Scheme (USS)

The University participates in the USS, a defined benefit scheme which is externally funded and contracted out of the State Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The main results and assumptions of the most recent valuation of the USS are as follows:

	USS
Latest actuarial valuation date	31 March 2005
Valuation method	Projected Unit
Value of notional assets	£21,740m
Funding level from accrued benefits	76.8%
Investment return per annum (past service and future service respectively)	4.5%, 6.2%
Salary scale increases per annum	3.9%
Pension increases per annum	2.9%

The actuary also valued the scheme on a number of other bases as at the date of valuation. Using the Minimum Funding Requirement subscribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at the valuation date and, under the Pension Protection Fund regulations introduced by the Pensions Act 2004, it was 110% funded. On a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company. Using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

The institution contribution rate required for future service benefits alone at the date of valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses and deficits which arise at future valuations may impact on the institution's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

FRS 17

The USS is a multi-employer scheme where the institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contribution payable to the scheme in respect of the accounting period.

notes to the accounts

(continued)

30. PENSION SCHEMES - continued

University of Warwick Pension Scheme (UWPS)

The University operates a defined benefit scheme in the UK. Under FRS 17, the current service costs arising from employee service for the current period (less contributions paid into the scheme), expected interest costs on the scheme liabilities and the expected rate of return on scheme assets are charged and credited to the Income and Expenditure Account of the University. Other changes in the forecast scheme liability recorded on the Balance Sheet, as a result of changes in assumptions, are recorded in the Statement of Total Recognised Gains and Losses. 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%	

Employer contributions to the scheme were 19% of pensionable salaries for the duration of the year and a further £2 million was paid in July 2006 towards funding the deficit disclosed in the April 2004 updated assessment.

The pension cost for the Scheme was £5.8 million (2005: £4.3 million). There was a provision of £nil (2005: £nil) in the Balance Sheet, representing the difference between the amount charged to the Income and Expenditure Account and the amount paid into the scheme.

FRS 17

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

	2006 update	2005 update	2004 valuation	2003 update	2002 update
Rate of increase in salaries	4.20%	4.20%	4.80%	4.70%	4.50%
Rate of increase of pensions in payment	*2.70%	*2.70%	*2.80%	*2.70%	*2.50%
* some pensions have guaranteed 3% increases					
Discount rate	5.40%	5.30%	5.70%	5.50%	6.00%
Inflation assumption	2.70%	2.70%	2.80%	2.70%	2.50%

In addition to the above assumptions, following recent evidence of improving mortality identified by the pensions industry, the 2006 update includes an allowance for improved mortality of Scheme members over those assumptions used in the 2005 valuation. Assuming improvements in life expectancy increases the FRS 17 deficit recognised on the Scheme at the year end and increases the actuarial loss recognised in the Statement of Total Recognised Gains and Losses for the year. Consistent with recent thinking, the assumption on mortality allows for a lengthening in current life expectancy, equivalent to between three and four years for each deferred and active member, adding approximately 11% to the value of the liabilities.

notes to the accounts

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30. PENSION SCHEMES - continued

Analysis of the amount charged to the Income and Expenditure Account

	2006 £000	2005 £000
Service cost	4,117	3,533
Past service cost	0	0
Total operating charge	4,117	3,533

Analysis of net return on pension scheme

	2006 £000	2005 £000
Expected return on pension scheme assets	5,077	4,379
Interest on pension liabilities	(4,658)	(4,117)
Net return	419	262

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

	2005/06 £000	2004/05 £000
Actual return less expected return on assets	5,373	7,892
Experienced gains and losses on liabilities	0	(5,747)
Changes in assumptions	(7,824)	(2,790)
Actuarial loss	(2,451)	(645)
Adjustment due to surplus cap	0	0
Net loss recognised	(2,451)	(645)

Movement in liability during the year

	2005/06 £000	2004/05 £000
Deficit in scheme at 1 August	(11,260)	(11,676)
Movement in year:		
Current service cost	(4,117)	(3,533)
Contributions	5,770	4,332
Past service costs	0	0
Net return on assets	419	262
Actuarial loss	(2,451)	(645)
Deficit in scheme at 31 July	(11,639)	(11,260)

notes to the accounts

(continued)

30. PENSION SCHEMES - continued

History of experience of gains and losses	2005/06 £000	2004/05 £000	2003/04 £000	2002/03 £000	2001/02 £000
Actual return less expected return on scheme assets	5,373	7,892	1,205	99	(12,775)
% of scheme assets:	6.0%	10.5%	2.0%	0.2%	(27.9%)
Experience gains and losses on liabilities	0	(5,747)	68	45	(57)
% of scheme liabilities:	0.0%	(6.7%)	0.1%	0.1%	(0.1%)
Changes in assumptions	(7,824)	(2,790)	2,410	(7,847)	0
Total amount recognised in Statement of Total Recognised Gains and Losses	(2,451)	(645)	3,683	(7,703)	(12,832)
% of scheme liabilities:	(2.4%)	(0.7%)	5.2%	(11.5%)	(23.7%)

The University's contribution to the various schemes in respect of its own staff, in the years 2005/06 and 2004/05, were:

	2005/06 £000	2004/05 £000
Universities Superannuation Scheme (USS)	10,899	10,133
University of Warwick Pension Scheme (UWPS)	5,728	4,274
National Health Service Pensions Agency (NHSPA)	342	248
Local Government Superannuation Scheme (LGSS)	18	14
Others	76	65
	17,063	14,734
FRS 17 adjustment to pension charge for year (note 30)	(1,653)	(799)
Pension cost for year (note 6)	15,410	13,935

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.

31. 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

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31. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES - continued

The University is the sole member of Horticulture Research International (HRI), a private company limited by guarantee and an exempt charity. This company, and its 100% owned subsidiary, HRI Limited, have been dormant throughout the year ended 31 July 2006. The consolidated accounts include the results of Warwick Horticulture Research International (WHRI) operations, as part of the University of Warwick.

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 2006 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 £415k (2005: £359k). The University recharged costs to the Science Park of £1.2m (2005: £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 23.

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.

32. 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 the University spent £0.9m (2004/05: £1.2m) on goods and services supplied by RM plc.

Sir George Cox, an appointed lay member of Council, is also a 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 plc during the last financial year was £4m (2004/05: £5m) and as at 31 July 2006 the University had £4m (2005: £4m) on deposit with the Building Society.

Mr Paul Varney, an appointed lay member of Council, is also a director of Mercia Fund Management Ltd. Throughout the last financial year the University held an investment of £200k (2004/05 £200k) in the Mercia Fund.

notes to the accounts

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33. CONTINGENT LIABILITIES

Clawback on WHRI site freehold land:-

On 31 March 2004 the University acquired the freehold land and buildings at Wellesbourne and Kirton, on which WHRI is based, from The Secretary of State for Environment, Food and Rural Affairs. 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 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

34. PRIOR YEAR ADJUSTMENT

Adoption of Financial Reporting Standard 17, "Retirement Benefits"

During the year the University adopted the requirements of Financial Reporting Standard 17, "Retirement Benefits", in respect of the University of Warwick Pension Scheme, a defined benefit scheme. Under FRS 17 a valuation of the assets and liabilities of the Scheme is now recognised on the balance sheet of the University and movements on this balance are recognised through the Income and Expenditure Account and Statement of Total Recognised Gains and Losses of the University. As at 31 July 2005 the FRS 17 forecast deficit on the Scheme was £11.26m (2004: £11.676m)

Under FRS 3, the adoption of the requirements of FRS 17 constitutes a change in accounting policy and the initial recognition of the net liabilities of the Scheme has been recognised in these accounts as a Prior Year Adjustment, with the brought forward reserves being adjusted accordingly to recognise this additional liability within the University's accounts. The effect of the prior year adjustment on the previous Income and Expenditure position previously reported at 31 July 2005 is set out below:

	2004/05 (as previously reported) £000	Prior Year Adjustment £000	2004/05 (as restated) £000
Total Income	283,587	262	283,849
Total Expenditure	275,990	(799)	275,191
Surplus on Continuing Operations After Depreciation of Assets at Cost and before Tax	7,597	1,061	8,658

notes to the accounts

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35. ACCESS FUNDS	2005/06 £000	2004/05 £000
Opening fund balance	51	35
Funding Council grants received in year	452	425
Interest Earned	5	1
	<hr/> 508	<hr/> 461
Disbursed to Students	(351)	(410)
Audit Fees	0	0
	<hr/> 157	<hr/> 51
Balance Unspent at 31 July	157	51

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.

36. TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS (TDA)

(a) Student Bursaries	2005/06 £000	2004/05 £000
Opening fund balance	191	195
Net Training and Development Agency for Schools grants received in year	2,277	2,559
	<hr/> 2,468	<hr/> 2,754
Disbursed to students	(2,201)	(2,513)
Administration fee	(48)	(50)
	<hr/> 219	<hr/> 191
Balance Unspent at 31 July owing to the Training and Development Agency	219	191

(b) Ethnic Minority Recruitment	2005/06 £000	2004/05 £000
Opening fund balance	4	11
Net Training and Development Agency for Schools grants received in year	11	4
	<hr/> 15	<hr/> 15
Disbursed to students	0	0
Support Payments to Schools	0	0
Development	(3)	0
Administration	(3)	(11)
	<hr/> 9	<hr/> 4
Balance Unspent at 31 July owing to the Training and Development Agency	9	4

notes to the accounts

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36. TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS (TDA) - continued

(c) Student Associate Scheme

	2005/06 £000	2004/05 £000
Opening fund balance	11	3
Net Training and Development Agency for Schools grants received in year	260	187
	<hr/>	<hr/>
	271	190
Disbursed to students	(140)	(102)
Support Payments to Schools	(51)	(35)
Administration	(74)	(42)
	<hr/>	<hr/>
Balance Unspent at 31 July owing to the Training and Development Agency	6	11

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

notes to the accounts

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37. CONSOLIDATED FIVE YEAR RESULTS

	2005/06	2004/05	2003/04	2002/03	2001/02
	£000	restated £000	restated £000	restated £000	restated £000
Income					
Funding Council Grants	77,136	65,953	61,280	55,545	50,591
Academic Fees & Support Grants	76,793	70,030	64,357	57,706	49,353
Research Grants & Contracts	60,620	58,620	40,086	30,357	28,057
Other Operating Income	93,270	87,216	77,650	67,531	62,337
Endowment Income & Interest Receivable	2,782	2,030	1,148	1,080	2,096
Total Income	310,601	283,849	244,521	212,219	192,434
Expenditure					
Staff Costs	157,915	145,051	124,685	108,698	99,589
Depreciation	14,829	14,280	11,309	8,973	7,423
Other Operating Expenses	122,864	112,400	102,542	87,887	77,408
Interest Payable	3,181	3,460	2,439	1,728	1,908
Total Expenditure	298,789	275,191	240,975	207,286	186,328
Surplus on Continuing Operations	11,812	8,658	3,546	4,933	6,106
Transfer from Accumulated Income within Specific Endowments	123	213	337	786	0
Share of profit after tax of Associate	46	98	0	0	0
Equity Minority Interest	(68)	(53)	(6)	(12)	135
Surplus for the Financial Year	11,913	8,916	3,877	5,707	6,241
Surplus excluding FRS 17 adjustments	9,841	7,855	4,194	4,719	5,336
Assets					
Fixed Assets	241,830	236,446	228,591	161,592	136,469
Endowment Asset Investments	4,092	2,392	2,123	2,138	2,691
Current Assets	76,200	69,313	55,811	51,664	49,110
Liabilities					
Current Liabilities	68,843	64,697	54,085	53,042	37,110
Long Term Liabilities	50,818	52,990	55,024	25,095	26,590
Provisions	307	431	972	417	838
Net Assets, excluding Pension Liability	202,154	190,033	176,444	136,840	123,732
Pension Liability	(11,639)	(11,260)	(11,676)	(15,042)	(8,327)
Net Assets, including Pension Liability	190,515	178,773	164,768	121,798	115,405
Capital Expenditure					
Land and Buildings	16,369	13,049	36,351	26,329	8,945
Plant, Machinery & Equipment	7,890	8,575	11,754	8,624	6,469
	24,259	21,624	48,105	34,953	15,414

indicators of financial health

	2005/06	2004/05 restated	2003/04 restated	2002/03 restated	2001/02 restated
INDICATORS RELATING TO SOURCES OF INCOME					
(a) % Ratio of Total HEFCE & TDA Grants to Total Income	24.83%	23.24%	25.06%	26.17%	26.29%
(b) % Ratio of Total fees from full time Home & EU Students to Total Income	9.13%	9.46%	10.27%	11.46%	11.85%
(c) % Ratio of Total fees from full time Overseas Students to Total Income	11.65%	11.49%	12.79%	11.67%	10.39%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	19.52%	20.65%	16.39%	14.30%	14.58%
(e) % Ratio of Total Other Services Rendered Income to Total Income	2.38%	3.06%	2.87%	2.96%	3.85%
(f) % Ratio of Total Residences and Catering Income to Total Income	8.17%	8.47%	9.12%	9.66%	10.73%
(g) % Ratio of Total all Other Income to Total Income	24.32%	23.63%	23.49%	23.77%	22.30%
(h) % Ratio of Surplus to Total Income	3.84%	3.14%	1.59%	2.23%	2.79%
INDICATORS RELATING TO FINANCIAL STRENGTH					
(i) Days Ratio of General Funds* to Total Expenditure	125.60	123.82	146.56	160.56	169.37
(j) % Ratio of Long Term Liabilities* to Total General Funds*	49.72%	57.22%	57.87%	27.98%	31.72%
* excluding Pension Liability/Reserve					
INDICATORS RELATING TO SHORT TERM LIQUIDITY AND SOLVENCY					
(k) Ratio of Liquid Assets to Current Liabilities	0.57	0.46	0.39	0.43	0.58
(l) Days Ratio of Net Liquid Assets to Total Expenditure	47.91	39.63	31.63	40.18	41.93
(m) Ratio of Current Assets to Current Liabilities	1.11	1.07	1.03	0.97	1.32
(n) Days Ratio of Increase / (Decrease) in Cash & Liquid Resources to Total Expenditure	11.41	11.93	(2.94)	2.50	4.85
(o) Days of Total Income represented by Debtors	42.11	49.14	50.50	47.75	50.43
(p) Days of Total Expenditure represented by Creditors due within one year	84.10	85.81	81.92	93.40	72.70

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