

# statement of accounts

for the year ended 31 July 2007

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# financial highlights

for the year ended 31 July 2007

<b>CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT</b>		2006/07	2005/06	Change
		£ million	£ million	
Funding Council Grants		84.73	77.14	9.8%
Academic Fees and Support Grants		87.85	76.79	14.4%
Research Grants and Contracts		57.02	60.62	(5.9%)
Other Operating Income		97.63	93.27	4.7%
Endowment Income and Interest Receivable		3.44	2.78	23.7%
<b>Total Income</b>		<b>330.67</b>	<b>310.60</b>	6.5%
<b>Surplus for the Financial Year</b>		<b>4.78</b>	<b>11.91</b>	(59.9%)
<b>CONSOLIDATED BALANCE SHEET</b>		2007	2006	
		£ million	£ million	
Fixed Assets		251.60	241.83	
Endowment Asset Investments		4.54	4.09	
Net Current (Liabilities) / Assets		(1.41)	7.36	
		<b>254.73</b>	<b>253.28</b>	
Long Term Creditors and Provisions		(39.36)	(51.13)	
<b>Total Net Assets, excluding Pension Liability</b>		<b>215.37</b>	<b>202.15</b>	6.5%
Pension Liability		(9.72)	(11.64)	
<b>Total Net Assets, including Pension Liability</b>		<b>205.65</b>	<b>190.51</b>	7.9%
<b>CAPITAL EXPENDITURE IN THE YEAR</b>		2006/07	2005/06	
		£ million	£ million	
		<b>24.53</b>	<b>24.26</b>	1.1%
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		2006/07	2005/06	
		£ million	£ million	
		<b>17.74</b>	<b>25.27</b>	(29.8%)
<b>OTHER KEY STATISTICS</b>		2006/07	2005/06	
		Number	Number	
Full Time Students:-	Home / EU Undergraduates	8,987	8,982	0.1%
	Home / EU Postgraduates	1,888	1,831	3.1%
	Overseas Undergraduates	1,648	1,622	1.6%
	Overseas Postgraduates	1,646	1,657	(0.7%)
Total number of students (full time equivalent)		16,530	16,682	(0.9%)
Total staff numbers (full time equivalent)		4,351	4,297	1.3%

## treasurer's report

I am pleased to introduce the University of Warwick's annual accounts for the year ended 31 July 2007. The results for the year are satisfactory and supportive of the University's long term objectives.

### Strategy

During the year, following extensive consultation with all members of the University – staff, students, alumni and lay members of Council - a new strategy for the period to 2015 was agreed. This strategy is ambitious – to become one of the world's top 50 universities.

To achieve this ambition, the University must continue to deliver outstanding financial performance so that we can continue a sustained programme of investment in people, technology, research, teaching and social facilities which supports the whole of our community in achieving their academic and personal objectives.

### Results

The surplus for the year was £4.8 million (1.4% of turnover). This compares with a corresponding surplus for the previous year of £11.9 million (3.8% of turnover). The reduced surplus was mainly due to a planned strategic investment in academic staff and research facilities and to increases in staff costs following revised national agreements. The University also saw a transitional small net reduction in research income following the expected run down of some major research programmes, offset by strong research growth in other areas.

The University's financial performance for the year continued to be underpinned by a strong performance from the Warwick Manufacturing Group, Warwick Business School and the University's commercial activities.

The University's net assets have increased by 7.9%, from £190.5 million to £205.6 million.

Cash inflow in the year was £33.3 million (2006 - £38.6 million), representing £17.7 million (2006 - £25.3 million) from operations and capital grants of £15.6m (2006 - £13.3 million). This cash inflow allowed the University to maintain its high level of capital expenditure at £24.5 million, in line with the previous financial year. Amongst the major capital schemes were enhanced resources for Social Studies, science laboratories, completion of new facilities for Warwick Business School and teaching facilities at Westwood. The University has also undertaken major refurbishment works at Millburn House as part of developing significant additional academic teaching and research facilities.

The construction of the Warwick Digital Laboratory, supported by Advantage West Midlands, and indoor tennis facilities, supported by the Lawn Tennis Association, are progressing well and are due for completion during 2008, as part of a programme of capital investment over the next few years which we expect to be in excess of £150 million.

There is also investment in a major project in rebuilding the Students' Union. Our students learn not just from their academic studies but from developing their talents and their friendships in student societies and social life on campus. The Students' Union plays a major role in this important aspect of the University's life and, following completion of the project, Warwick will have amongst the best Students' Union facilities in the country.

### Borrowing arrangements

During the year the University arranged new long term bank borrowings. Part of these arrangements refinanced existing borrowings on improved terms and part is available by way of committed facilities to support strategic investment plans. The overall impact of these arrangements is to materially lower interest costs and, because they are largely at fixed rates, to give greater protection against adverse movements in market rates. The facilities are committed for an extended term so the University has been largely unaffected by current turbulence in capital markets and continues to have access to external funding to support current plans.

## treasurer's report

(continued)

### Student fees

The introduction of variable fees for the first time during the year marks a major change in the financing arrangements for the University. The University is committed to devoting an important part of the enhanced resources to bursaries and access awards. We are determined that education at Warwick will continue to be available to all those who can most benefit from and contribute to the University.

The University continues to recognise the value and contribution that the international students make to Warwick, from both a cultural and financial perspective. Warwick has a strong international student support network in place, which we will continue to develop, and we are proud of the excellent reputation that Warwick continues to hold overseas, a reputation that is responsible for attracting such a large number of international students to Warwick.

### Framework Agreement

The new single pay structure was introduced at the start of the financial year as part of a Framework Agreement that aims to best develop staff and reward individuals for their valuable contributions across Warwick's diverse range of operations. We aim to continue to develop our reward and development structures over the coming years to recognise the contribution that all the staff at Warwick make to our success. We will continue to attract the finest staff across all areas of the University, both nationally and internationally.

### Academic investment

Throughout the year, the University has continued to invest heavily in our academic departments, attracting and recruiting a large number of high quality academic staff and developing additional facilities of the highest standards to complement Warwick's already highly rated teaching and research activities.

Academic staff and management have worked together in developing further the University's research activities and in planning for the Research Assessment Exercise (RAE). We are confident that Warwick's excellence in research will put us in good standing to benefit from the RAE.

### Prospects

I referred earlier to the University's highly ambitious strategy. Our ambitions will be realised primarily through our people and our reputation. The University's strong financial position and resources will underpin our ability to support our people through sustained capital and revenue investment. In the shorter term, we remain confident that the financial outcome for the current year will be satisfactory. In the longer term, we are committed to realising our ambition of becoming one of the top 50 Universities in the world and to be a key driver of success in our economy and our society, locally, regionally, nationally and internationally.

Brian Woods-Scawen, Treasurer

23 November 2007

## 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** – 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.
- 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 approves annually 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 University endeavours to conduct its business in accordance 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*.

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 2007 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 six times in the 2006/07 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.
- The Council considered termly reports of the status of the most significant key risks of the University and the current status of those risks. These risks will continue to be monitored by the Council on a termly basis throughout the 2007/08 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 reporting on key risks, and by comments made by the external auditors, principally in their management letter.

The Council's consideration of these various reports, 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 2007, on pages 16 to 46, 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 Council’s responsibilities for preparing the Treasurer’s Report and the Group financial statements in accordance with the 2003 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 2003 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, and funding agreements with 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 2007 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 2003 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 2007 have been applied for the purposes for which they were received; and
4. in all material respects, income during the year ended 31 July 2007 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

23 November 2007

*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 2003 Statement of Recommended Practice (SORP): Accounting for 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 tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors, e.g. National Health Service. The cost of any fees waived by the University are included as expenditure in note 8. 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 many 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. 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 as a defined benefit scheme in accordance with FRS 17, 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.

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. 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. All assets are depreciated on a straight line basis, with a full year's depreciation in the year of acquisition. Any related grants are treated as deferred capital grants 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 in less than one year 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 2007

	Note	2006/07 £000	2005/06 £000
<b>INCOME</b>			
Funding Council Grants	1	84,730	77,136
Academic Fees and Support Grants	2	87,845	76,793
Research Grants and Contracts	3	57,021	60,620
Other Operating Income	4	97,635	93,270
Endowment Income, Investment Income and Interest Receivable	5	3,436	2,782
<b>Total Income</b>		<b>330,667</b>	<b>310,601</b>
<b>EXPENDITURE</b>			
Staff Costs	6	172,302	157,915
Depreciation	10	16,254	14,829
Other Operating Expenses	8	134,439	122,864
Interest Payable and Similar Charges	7	3,036	3,181
<b>Total Expenditure</b>	8	<b>326,031</b>	<b>298,789</b>
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST AND BEFORE TAX</b>			
		<b>4,636</b>	<b>11,812</b>
Taxation		0	0
Share of profit after tax of Associate		145	46
Equity Minority Interest		(154)	(68)
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, TAX AND MINORITY INTEREST</b>			
		<b>4,627</b>	<b>11,790</b>
Transfer from Accumulated Income within Specific Endowments		154	123
<b>SURPLUS FOR THE FINANCIAL YEAR RETAINED WITHIN GENERAL RESERVES</b>			
		<b>4,781</b>	<b>11,913</b>



## statement of consolidated total recognised gains and losses

for the year ended 31 July 2007

	Note	2006/07 £000	2005/06 £000
Surplus on Continuing Operations after depreciation of assets at cost, disposal of assets, tax and minority interest		4,627	11,790
Appreciation of Endowment Asset Investments	19	103	23
Unrealised Gains on Other Equity Investments	20	171	13
Transfers out of Endowments	19	0	0
New Endowments	19	502	1,800
Actuarial Gain / (Loss) in respect of pension scheme	30	2,029	(2,451)
<b>TOTAL RECOGNISED GAINS FOR THE YEAR</b>		<b>7,432</b>	<b>11,175</b>

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 a loss of £1,343k (2005/06: surplus of £6,939k) that has been dealt with in the accounts of the University (note 21).

## statement of reconciliation of reserves and endowments

for the year ended 31 July 2007

	Note	2006/07 £000	2005/06 £000
Opening Reserves and Endowments as at 1 August	19, 20 & 21	106,921	95,746
Total Recognised Gains for the Year		7,432	11,175
<b>CLOSING RESERVES AND ENDOWMENTS AS AT 31 JULY</b>		<b>114,353</b>	<b>106,921</b>

# balance sheets

as at 31 July 2007

		Consolidated		University	
	Note	2007 £000	2006 £000	2007 £000	2006 £000
<b>FIXED ASSETS</b>					
Intangible Assets	9	(2,268)	(2,722)	0	0
Tangible Assets	10	249,157	240,960	246,179	229,173
Investments	11	4,708	3,592	3,313	2,342
		<b>251,597</b>	<b>241,830</b>	<b>249,492</b>	<b>231,515</b>
<b>ENDOWMENT ASSET INVESTMENTS</b>					
	12	4,543	4,092	0	0
<b>CURRENT ASSETS</b>					
Stocks		1,192	1,146	1,139	1,091
Debtors	13	39,533	35,837	41,153	60,534
Short Term Deposits		7,800	30,200	7,800	30,200
Cash at Bank and in Hand		25,636	9,017	27,155	11,775
		<b>74,161</b>	<b>76,200</b>	<b>77,247</b>	<b>103,600</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	14	(75,570)	(68,843)	(106,708)	(93,806)
<b>NET CURRENT (LIABILITIES) / ASSETS</b>					
		<b>(1,409)</b>	<b>7,357</b>	<b>(29,461)</b>	<b>9,794</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>254,731</b>	<b>253,279</b>	<b>220,031</b>	<b>241,309</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
	15	(38,386)	(50,818)	(38,448)	(72,469)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	18	(976)	(307)	(884)	(170)
<b>TOTAL NET ASSETS, excluding Pension Liability</b>					
		<b>215,369</b>	<b>202,154</b>	<b>180,699</b>	<b>168,670</b>
<b>PENSION LIABILITY</b>					
	30	(9,721)	(11,639)	(9,721)	(11,639)
<b>TOTAL NET ASSETS, including Pension Liability</b>					
		<b>205,648</b>	<b>190,515</b>	<b>170,978</b>	<b>157,031</b>
<b>DEFERRED CAPITAL GRANTS</b>					
	17	91,163	83,462	91,254	78,164
<b>ENDOWMENTS: Specific</b>					
	19	4,543	4,092	0	0
<b>REVALUATION RESERVE</b>					
	20	184	13	184	13
<b>GENERAL RESERVES, including Pension Reserve</b>					
	21	109,626	102,816	79,540	78,854
<b>MINORITY INTEREST</b>					
		132	132	0	0
<b>TOTAL FUNDS</b>					
		<b>205,648</b>	<b>190,515</b>	<b>170,978</b>	<b>157,031</b>

The financial statements on pages 16 to 46 were approved by the Council on 23 November 2007, 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 2007

	Note	2006/07 £000	2005/06 £000
Net Cash Inflow from Operating Activities	25	17,735	25,265
Returns on Investments and Servicing of Finance	26	(399)	(842)
Taxation		0	0
Capital Expenditure and Financial Investment	27	(10,824)	(11,314)
Cash Inflow before Use of Liquid Resources and Financing		6,512	13,109
Management of Liquid Resources net contributions from / (to) short term investments	28	23,253	(13,874)
Financing	29	(13,146)	(2,067)
<b>Increase / (Decrease) in Cash</b>		<b>16,619</b>	<b>(2,832)</b>

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

for the year ended 31 July 2007

	Note	2006/07 £000	2005/06 £000
Increase / (Decrease) in Cash in the Period		16,619	(2,832)
(Decrease) / Increase in Liquid Resources	28	(23,253)	13,874
New Loans and Finance Leases	29	(40,000)	0
Repayment of Debt	29	53,146	2,067
Change in Net Debt		6,512	13,109
Net Debt at 1 August		(10,346)	(23,455)
<b>Net Debt at 31 July</b>	28	<b>(3,834)</b>	<b>(10,346)</b>

## notes to the accounts

<b>1. HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND &amp; TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS GRANTS</b>	<b>2006/07</b>	<b>2005/06</b>
	<b>£000</b>	<b>£000</b>
<b>Recurrent Grants:</b>		
Higher Education Funding Council for England:		
Teaching	38,714	33,890
Research	29,771	27,702
Training and Development Agency for Schools	2,495	2,397
<b>Specific Grants:</b>		
Human Resources Strategy	3,176	1,673
HE Innovations Fund	1,703	2,123
Development of Teaching and Learning	136	469
Disability Access Grant	0	947
Science Research Investment Fund	526	792
Project Capital	550	3
Training and Development Agency for Schools Specific Grants	1,180	975
Learning and Teaching Strategy	550	356
E-learning Strategy	179	107
Clinical Staff Awards	55	324
HE Gateway Aim Higher Programme	105	452
Centres for Excellence in Teaching and Learning	1,126	778
Others	216	661
<b>Deferred Capital Grants Released in Year:</b>		
Buildings (Note 17)	1,665	1,283
Equipment (Note 17)	2,583	2,204
	<b>84,730</b>	<b>77,136</b>
<hr/>		
<b>2. ACADEMIC FEES AND SUPPORT GRANTS</b>		
	<b>2006/07</b>	<b>2005/06</b>
	<b>£000</b>	<b>£000</b>
Accredited Course Fees From Home/EU Students	36,658	29,203
Accredited Course Fees From Overseas Students	38,086	36,342
Higher Education Foundation Programme Fees	1,909	1,424
Non-Accredited Short Course Fees	5,719	5,019
CASE Awards and Research Training Support Grants	4,907	4,298
Other Fees	566	507
	<b>87,845</b>	<b>76,793</b>
<hr/>		

## notes to the accounts

(continued)

<b>3. RESEARCH GRANTS AND CONTRACTS</b>	2006/07	2005/06
	£000	£000
<b>Income</b>		
Research Councils	21,818	20,689
Central Government, Local Authorities and Public Corporations	23,757	27,734
Charitable Bodies	4,042	4,484
European Union	4,276	4,197
Industry and Commerce	2,031	2,257
Overseas	952	812
Others	145	447
	<b>57,021</b>	<b>60,620</b>
<b>Direct Expenditure</b>		
Research Councils	16,490	14,316
Central Government, Local Authorities and Public Corporations	15,963	17,859
Charitable Bodies	3,987	4,393
European Union	3,683	3,596
Industry and Commerce	1,717	1,717
Overseas	744	706
Others	90	443
	<b>42,674</b>	<b>43,030</b>

Income from Research Grants and Contracts includes £1,407k in respect of Deferred Capital Grants released in the year (2006: £1,388k). Costs include spend within the University group of companies.

<b>4. OTHER OPERATING INCOME</b>	2006/07	2005/06
	£000	£000
Residences, Catering and Conferences	26,126	25,375
Other Services Rendered	6,494	7,394
Released from Deferred Capital Grants	2,243	1,526
Retail Operations	26,726	25,115
Post-Experience Centres	12,137	11,327
Other Income	23,909	22,533
	<b>97,635</b>	<b>93,270</b>

Included within Other Income above is £454k (2006: £455k) relating to the release of negative goodwill arising on the acquisition of Horticulture Research International (see note 9).

## notes to the accounts

(continued)

<b>5. ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>	2006/07	2005/06
	£000	£000
Net return on University of Warwick Pension Scheme assets (note 30)	645	419
Interest received from Specific Endowment Asset Investments	162	115
Other Interest Receivable	2,629	2,248
	<b>3,436</b>	<b>2,782</b>

<b>6. STAFF</b>	2006/07	2005/06
	£000	£000
<b>Staff Costs:</b>		
Wages and Salaries	143,036	131,466
Social Security Costs	12,035	11,039
Other Pension Costs	17,231	15,410
	<b>172,302</b>	<b>157,915</b>

The above emoluments include amounts payable to the Vice-Chancellor, who is the senior post-holder at the University. During July 2006 a new Vice-Chancellor was appointed to the role, upon the retirement of the previous Vice-Chancellor of the University. The total emoluments paid in the year to the holder of this title were:

	2006/07	2005/06
	£	£
Emoluments of the Vice-Chancellor (excluding pension contributions but including benefits-in-kind)	198,926	210,384
Pension contributions in respect of the Vice-Chancellor	25,823	41,326
	<b>224,749</b>	<b>251,710</b>

## 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:

	2006/07 Number	2005/06 Number
£250,000 - £259,999	1	0
£240,000 - £249,999	0	0
£230,000 - £239,999	0	1
£220,000 - £229,999	0	0
£210,000 - £219,999	0	0
£200,000 - £209,999	0	1
£190,000 - £199,999	1	0
£180,000 - £189,999	1	1
£170,000 - £179,999	1	1
£160,000 - £169,999	2	1
£150,000 - £159,999	0	0
£140,000 - £149,999	4	2
£130,000 - £139,999	4	3
£120,000 - £129,999	6	6
£110,000 - £119,999	11	7
£100,000 - £109,999	15	11
£90,000 - £99,999	30	20
£80,000 - £89,999	40	32
£70,000 - £79,999	74	63

Included within the accounts of the University are amounts relating to the agreed early retirement of two higher paid employees, included in the list above. £80,361 was paid in the year as an augmentation to USS pension contributions for one of these employees and there is a £70,000 provision in respect of the costs of early retirement included for the second higher paid employee within the early retirement provision shown at note 18. All such amounts are approved by the University's Remuneration Committee before final settlement.

### 7. INTEREST PAYABLE

	2006/07 £000	2005/06 £000
Loans not wholly repayable within five years	<b>3,036</b>	<b>3,181</b>

## notes to the accounts

(continued)

### 8. ANALYSIS OF 2006/07 EXPENDITURE BY ACTIVITY

	Total £000	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable and Similar Charges £000
Academic Departments	128,379	83,636	3,449	41,294	0
Research Grants and Contracts	42,674	25,479	1,372	15,823	0
<b>Total Teaching and Research</b>	<b>171,053</b>	<b>109,115</b>	<b>4,821</b>	<b>57,117</b>	<b>0</b>
Academic Services	29,773	11,708	1,656	16,409	0
Central Administration and Services	16,874	11,362	1,053	4,459	0
General Educational Expenditure	10,787	3,295	30	7,462	0
Staff and Student Facilities	6,025	2,949	91	2,985	0
Premises	29,298	8,556	6,039	14,703	0
Residences, Catering and Conferences	24,517	9,586	1,870	10,840	2,221
Other Services Rendered	5,778	2,547	0	3,231	0
Retail Operations	22,639	8,909	238	13,228	264
Post-Experience Centres	7,643	4,117	456	3,070	0
Other Expenses	1,644	158	0	935	551
<b>Total per Income and Expenditure Account</b>	<b>326,031</b>	<b>172,302</b>	<b>16,254</b>	<b>134,439</b>	<b>3,036</b>

The depreciation charge has been funded by:

	2006/07 £000
Deferred Capital Grants Released (Note 17)	7,898
General Income	8,356
	<u>16,254</u>

Other operating expenses include:

	2006/07 £000	2005/06 £000
Auditors' Remuneration for the University of Warwick Group (An amount of £35k (2005/06: £35k) relates to the Auditors' remuneration for the University)	61	58
Auditors' Remuneration in respect of Non-Audit Services	345	148
Grants to University of Warwick Students' Union	1,525	1,395



## notes to the accounts

(continued)

### 9. INTANGIBLE FIXED ASSETS

	Consolidated		University	
	2007 £000	2006 £000	2007 £000	2006 £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	1,060	605	5,269	5,269
- in this year	454	455	0	0
Carried forward as at 31 July	<b>(2,268)</b>	<b>(2,722)</b>	<b>0</b>	<b>0</b>

### 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, was initially 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 £000	Fixtures, Fittings & Equipment £000	Assets under the Course of Construction £000
<b>Cost</b>				
At 1 August 2006	360,729	278,258	72,398	10,073
Additions at Cost	24,527	8,803	8,083	7,641
Asset Transfers	0	10,997	0	(10,997)
Write Offs and Disposals at Cost	(5,532)	(777)	(4,755)	0
At 31 July 2007	379,724	297,281	75,726	6,717
<b>Depreciation</b>				
At 1 August 2006	119,769	69,794	49,975	0
Charge for the year	16,254	7,878	8,376	0
Eliminated on Write Offs and Disposals	(5,456)	(777)	(4,679)	0
At 31 July 2007	130,567	76,895	53,672	0
<b>Net Book Value at 31 July 2007</b>	<b>249,157</b>	220,386	22,054	6,717
Net Book Value at 31 July 2006	<b>240,960</b>	208,464	22,423	10,073

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 £6.9 million (2006: £8.3 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.

Included within fixtures, fittings and equipment are assets costed at £3,709k that remain held under a peppercorn lease agreement with Barclays Mercantile. These assets were fully written down by the start of the financial year and are, therefore, valued at £nil net book value in the figures above.

## notes to the accounts

(continued)

### 10. TANGIBLE FIXED ASSETS - continued

#### UNIVERSITY

	Total £000	Land & Buildings £000	Fixtures, Fittings & Equipment £000	Assets under the Course of Construction £000
<b>Cost</b>				
At 1 August 2006	337,903	263,357	64,473	10,073
Additions at Cost	32,033	16,487	7,905	7,641
Asset Transfers	0	10,997	0	(10,997)
Write Offs and Disposals at Cost	(4,567)	0	(4,567)	0
At 31 July 2007	365,369	290,841	67,811	6,717
<b>Depreciation</b>				
At 1 August 2006	108,730	65,854	42,876	0
Charge for the Year	14,954	6,942	8,012	0
Eliminated on Write Offs and Disposals	(4,494)	0	(4,494)	0
At 31 July 2007	119,190	72,796	46,394	0
<b>Net Book Value at 31 July 2007</b>	<b>246,179</b>	218,045	21,417	6,717
Net Book Value at 31 July 2006	229,173	197,503	21,597	10,073

### 11. INVESTMENTS

	Consolidated		University	
	2007 £000	2006 £000	2007 £000	2006 £000
<b>Balance at 1 August</b>	<b>3,592</b>	1,733	<b>2,342</b>	529
Net Additions in the year	1,198	2,141	1,198	2,141
Share of Associate's Surplus for the year	145	46	0	0
Increase in Market Value of Investments (note 20)	171	13	171	13
Increase in Provision for Diminution in Value	(398)	(341)	(398)	(341)
<b>Balance at 31 July</b>	<b>4,708</b>	<b>3,592</b>	<b>3,313</b>	<b>2,342</b>
Represented by:				
Group Undertakings	0	0	278	278
Associated Undertaking	1,673	1,528	0	0
Other Equity Investments	921	523	921	523
Cash held within Managed Funds	399	1,807	399	1,807
Bonds held within Managed Funds	86	0	86	0
Equity Investments held within Managed Funds	1,800	206	1,800	206
Alternative Investments held within Managed Funds	699	0	699	0
	5,578	4,064	4,183	2,814
Provision for Diminution in Value	(870)	(472)	(870)	(472)
	<b>4,708</b>	<b>3,592</b>	<b>3,313</b>	<b>2,342</b>

## 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 and the University's share of the Science Park is included in these consolidated financial statements, as an associated undertaking. The Science Park has a financial year end of September for their own reporting purposes. The latest quarterly management accounts available from the Science Park are used for consolidation within the University group and a financial year to the end of June (one month prior to the University's year end) is therefore used for consolidation purposes. 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:

<a href="#">CVCP Properties plc</a>	50,766 ordinary shares of £1 each
<a href="#">Protherics plc</a>	9,198 6% unsecured convertible loan notes

The University also holds investments in:

#### [The Mercia Fund 1](#)

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.

#### [The Mercia Fund 2](#)

This is a limited partnership between a number of partner institutions, including several universities, and the General Partner, Mercia Fund 2 Managers Limited. Warwick's investment comprises of a capital contribution of £40, being 6.4% of total capital contributions, and a total loan commitment of £399,960, payable in instalments over 3 years from 19 March 2007. The Limited Partners, including Warwick, have invested a combined capital contribution of £500, with the Founder Partner, Mercia Fund 2 (CIV) LP, holding a further £125 (20%) capital investment.

#### [MNW Limited](#)

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

#### [AdvanceSis Limited](#)

37,392 ordinary shares of 1p each being 13.15% of total issued shares of which there are 61,960 ordinary shares of 1p each and 222,358 preferred ordinary shares of 1p each.

#### [Apnee Sehat CIC](#)

19 ordinary shares of £1 each being 19.00% of issued ordinary shares.

#### [A2SP Limited](#)

1,000 ordinary shares of £1 each being 20.00% of issued ordinary shares.

#### [BioAthene Limited](#)

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

## notes to the accounts

(continued)

### 11. INVESTMENTS - continued

#### 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)

13,957 ordinary shares of 10p each being 13.59% of issued ordinary shares.

#### Decision Technology Limited

160 ordinary shares of £1 each being 16.00% of issued ordinary shares.

#### Dig-e-Print Limited

25,000 ordinary shares being 1.67% of total issued shares. 672,930 ordinary shares of £1 each and 825,529 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.

#### 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 15.40% of issued ordinary shares.

#### Neurodiscovery Limited

3,469,187 ordinary shares of AUD 0.20 each being 6.12% of issued ordinary shares. Shares are listed on the Australian stock exchange.

#### Novolytics Limited

56,200 ordinary shares of 10p each being 48.12% of issued ordinary shares.

#### Opscape Limited

6,500 ordinary shares of 1p each being 24.53% of issued ordinary shares. The University has also made a £12,500 convertible loan to the company.

#### Optical Antenna Solutions Limited

130 ordinary shares of £1 each being 14.61% of issued ordinary shares.

#### Prospero Therapeutics Limited

333 ordinary shares of 1p each being 24.89% 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.

#### Septegeen Limited

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

# notes to the accounts

(continued)

## 11. INVESTMENTS - continued

### 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.

### Virabiotech Limited

200 ordinary shares of 10p each being 24.39% of issued ordinary shares. The University has also made a £50,000 convertible loan to the company.

### Warwick Audio Technologies Limited

1,572 ordinary shares of 10p each being 15.28% of issued ordinary share capital. 6,581 ordinary shares of 10p each and 3,708 Class 'A' ordinary shares of 10p each have been issued.

### 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

As at the balance sheet date the University held 3,125 ordinary shares of £1 each, but had a commitment to purchase 1,538 'A' ordinary shares for £50,000. This commitment has been provided for in 2006/7 and the purchase finally completed on 4 September 2007. This brings the University's shareholding to 12.71% of total issued shares, of which there are now 18,739 ordinary and 17,940 Class 'A' ordinary shares of £1 each in issue.

### Warwick Laser Systems Limited

150 ordinary shares of £1 each being 15.63% of issued ordinary shares.

### 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.

## notes to the accounts

(continued)

### 12. ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2007 £000	2006 £000	2007 £000	2006 £000
Balance at 1 August 2006	4,092	2,392	0	0
Additions	1,203	1,181	0	0
Disposals	(2)	(1,208)	0	0
Appreciation of endowment asset investments	103	23	0	0
(Decrease) / Increase in Short Term Assets	(853)	1,704	0	0
Transfer out of endowments	0	0	0	0
<b>Balance at 31 July 2007</b>	<b>4,543</b>	<b>4,092</b>	<b>0</b>	<b>0</b>
Composed of :-				
Fixed Interest Stocks	0	0	0	0
Equities	2,147	843	0	0
Short Term Assets	2,396	3,249	0	0
<b>Total Endowment Asset Investments</b>	<b>4,543</b>	<b>4,092</b>	<b>0</b>	<b>0</b>

### 13. DEBTORS

	Consolidated		University	
	2007 £000	2006 £000	2007 £000	2006 £000
<b>Amounts falling due within one year:</b>				
Trade Debtors	15,384	15,516	12,505	12,836
VAT and Other Taxes	267	388	0	0
Amounts owed by group undertakings	0	0	4,759	11,698
Amounts owed by associated undertaking	91	113	91	113
Prepayments and accrued income	22,954	18,834	22,961	18,577
Short Term Loans	185	170	185	170
<b>Amounts falling due after one year:</b>				
Debtors and prepayments	652	816	652	816
Amounts owed by group undertakings	0	0	0	16,324
<b>Total Debtors</b>	<b>39,533</b>	<b>35,837</b>	<b>41,153</b>	<b>60,534</b>

## notes to the accounts

(continued)

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
Mortgages and Unsecured Loans (note 16)	1,333	2,106	1,333	2,106
Payments Received in Advance	40,107	35,446	39,991	35,352
Trade Creditors	10,755	9,144	9,621	7,760
Social Security and Other Taxation Payable	7,498	6,552	7,019	6,085
Accruals	14,227	14,334	11,870	11,982
Amounts owed to group undertakings	0	0	36,862	30,521
Amounts owed to associated undertaking	12	10	12	0
Other Creditors	1,638	1,251	0	0
	<b>75,570</b>	<b>68,843</b>	<b>106,708</b>	<b>93,806</b>

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

	Consolidated		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
Mortgages and Unsecured Loans (note 16)	38,333	50,706	38,333	50,706
Other Creditors	53	112	0	0
Amounts owed to group undertakings	0	0	115	21,763
	<b>38,386</b>	<b>50,818</b>	<b>38,448</b>	<b>72,469</b>



## notes to the accounts

(continued)

### 16. FINANCIAL INSTRUMENTS AND BORROWINGS

At 31 July 2007 the consolidated borrowings are analysed as follows, by expected date of final capital repayments:

	Totally Repayable		
	Total	In less than five years	After five years
	£000	£000	£000
Amounts falling due within one year (note 14):	1,333	0	1,333
Amounts falling due after more than one year (note 15):	38,333	0	38,333
	<b>39,666</b>	<b>0</b>	<b>39,666</b>

During the year the University entered into the following new borrowing arrangements:

1. A £40m variable rate amortising loan over 30 years from July 2007. The University has a negative pledge arrangement in respect of this loan. The University takes professional advice on the hedging of interest rates on its borrowings, with a view to reducing the risk of unexpected finance costs, and has, consequently, entered into a 30 year interest swap agreement, resulting in an overall effective 5.38% fixed rate of borrowing over the life of the loan.
2. Two forward dated bullet swaps. These swaps are for £20m commencing July 2009 and £10m commencing July 2010. Both of these swap terms expire in July 2037 and are at overall effective rates of 4.93% and 4.85%, respectively. The University has agreed a loan facility covering these swaps, however no formal draw down commitment is currently in place with respect to these secured facilities.

## notes to the accounts

(continued)

### 17. DEFERRED CAPITAL GRANTS

	Consolidated			University		
	Total £000	Funding Council £000	Other Grants & Benefactions £000	Total £000	Funding Council £000	Other Grants & Benefactions £000
<b>At 1 August 2006:</b>						
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
<b>Total</b>	<b>83,462</b>	<b>44,203</b>	<b>39,259</b>	<b>78,164</b>	<b>44,203</b>	<b>33,961</b>
<b>Add: Cash Received:</b>						
Buildings	11,271	11,031	240	15,839	11,031	4,808
Equipment	4,328	2,669	1,659	4,328	2,669	1,659
<b>Total</b>	<b>15,599</b>	<b>13,700</b>	<b>1,899</b>	<b>20,167</b>	<b>13,700</b>	<b>6,467</b>
<b>Less: Released to Income &amp; Expenditure:</b>						
Buildings (Notes 1, 3 & 4)	3,700	1,665	2,035	2,984	1,665	1,319
Equipment (Notes 1, 3 & 4)	4,198	2,583	1,615	4,093	2,583	1,510
<b>Total (Note 8)</b>	<b>7,898</b>	<b>4,248</b>	<b>3,650</b>	<b>7,077</b>	<b>4,248</b>	<b>2,829</b>
<b>At 31 July 2007:</b>						
Buildings	79,849	46,146	33,703	79,972	46,146	33,826
Equipment	11,314	7,509	3,805	11,282	7,509	3,773
<b>Total</b>	<b>91,163</b>	<b>53,655</b>	<b>37,508</b>	<b>91,254</b>	<b>53,655</b>	<b>37,599</b>

### 18. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated	University
	£000	£000
<b>Early retirements provision</b>		
<b>At 1 August 2006</b>	<b>307</b>	<b>170</b>
Utilised in Year	(156)	(111)
New Provisions in Year	825	825
<b>At 31 July 2007</b>	<b>976</b>	<b>884</b>

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. £91,974 of this provision is contingent on the profits of the business for the years ending 31 July 2008 and 31 July 2009. All the amounts were approved by the University's Remuneration Committee.

## notes to the accounts

(continued)

<b>19. ENDOWMENTS</b>	Consolidated
	£000
<b>At 1 August 2006</b>	<b>4,092</b>
Additions	502
Appreciation of Endowment Asset Investments	103
Interest Received in Year	162
Other Income for Year	62
Expenditure for Year	(378)
Transfers out of Endowments	0
	<b>4,543</b>
<b>At 31 July 2007</b>	<b>4,543</b>
<b>Representing:</b>	
Fellowship and Scholarship Funds	552
Prize Funds	26
Chair and Lectureship Funds	2,306
Other Funds	1,659
<b>Total</b>	<b>4,543</b>

<b>20. REVALUATION RESERVES</b>	Consolidated	University
	£000	£000
<b>Balance at 1 August 2006</b>	<b>13</b>	<b>13</b>
Appreciation of equity investments in the year (note 11)	171	171
<b>Balance at 31 July 2007</b>	<b>184</b>	<b>184</b>

<b>21. GENERAL RESERVES</b>	Consolidated	University
	£000	£000
<b>Balance at 1 August 2006</b>	<b>102,816</b>	<b>78,854</b>
Surplus / (Deficit) for the Financial Year	4,781	(1,343)
Actuarial Gain on Pension Liability (note 30)	2,029	2,029
<b>Balance at 31 July 2007</b>	<b>109,626</b>	<b>79,540</b>
General Reserves excluding Pension Liability (note 22)	119,347	89,261
Pension Reserve (note 30)	(9,721)	(9,721)
General Reserves including Pension Liability	<b>109,626</b>	<b>79,540</b>

## notes to the accounts

(continued)

<b>22. CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT RESERVES</b>	2007	2006
	£000	£000
General Reserves - Associate Investment	1,673	1,528
Other Reserves	117,674	112,927
	<b>119,347</b>	<b>114,455</b>

<b>23. LEASE OBLIGATIONS</b>	Consolidated		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
<b>Operating lease commitments in respect of buildings and equipment on leases expiring:</b>				
Within one year	15	69	15	69
Between one and five years	1,750	187	362	160
Over five years	1,138	2,184	1,053	815
	<b>2,903</b>	<b>2,440</b>	<b>1,430</b>	<b>1,044</b>

<b>24. CAPITAL COMMITMENTS</b>	Consolidated		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
Commitments contracted at 31 July	16,714	2,894	16,714	2,894
Authorised but not contracted at 31 July	93,211	78,781	82,710	78,381
	<b>109,925</b>	<b>81,675</b>	<b>99,424</b>	<b>81,275</b>

<b>25. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	2006/07	2005/06
	£000	£000
Surplus Before Tax	4,636	11,812
Depreciation (Note 10)	16,254	14,829
Shortfall / (Excess) of Contributions to Pension Scheme Against Service Costs (Note 30)	756	(1,653)
Credit of Goodwill (Note 9)	(454)	(455)
Loss on Write Off and Disposal of Tangible Fixed Assets	75	25
Deferred Capital Grants Released to Income (Note 17)	(7,898)	(6,401)
Endowment Income and Interest Receivable (Note 5)	(3,436)	(2,782)
Interest Payable (Note 7)	3,036	3,181
(Increase) / Decrease in Stocks	(46)	71
(Increase) / Decrease in Debtors	(3,696)	2,380
Increase in Creditors	7,441	4,041
Increase / (Decrease) in Provisions (Note 18)	669	(124)
Increase in Investments Provisions (Note 11)	398	341
	<b>17,735</b>	<b>25,265</b>

## notes to the accounts

(continued)

### 26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2006/07 £000	2005/06 £000
Income from Endowments (Note 5)	162	115
Other Interest Receivable (Note 5)	2,629	2,248
Interest Payable (Note 7)	(3,036)	(3,181)
Deed of Covenant payment to Minority Interests	(154)	(24)
	<b>(399)</b>	<b>(842)</b>

### 27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2006/07 £000	2005/06 £000
Tangible Assets Acquired (Note 10)	(24,527)	(24,259)
Investments Acquired (Note 11)	(1,198)	(2,141)
Endowment Asset Investments Acquired (Note 12)	(1,203)	(1,181)
Disposal of Tangible Assets	1	7
Receipts from Sales of Endowment Assets (Note 12)	2	1,208
Deferred Capital Grants Received (Note 17)	15,599	13,252
Endowments Received (Note 19)	502	1,800
	<b>(10,824)</b>	<b>(11,314)</b>

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

	At 1 August 2006 £000	Other Changes £000	Cash Flows £000	At 31 July 2007 £000
Cash at Bank and in Hand	9,017	0	16,619	25,636
Short Term Deposits	30,200	0	(22,400)	7,800
Endowment Assets (Note 12)	3,249	0	(853)	2,396
Debt due within one year (Note 14)	(2,106)	(52,373)	53,146	(1,333)
Debt due after one year (Note 15)	(50,706)	52,373	(40,000)	(38,333)
Net Debt	<b>(10,346)</b>	<b>0</b>	<b>6,512</b>	<b>(3,834)</b>

## notes to the accounts

(continued)

### 29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING

	Mortgages & Loans £000
Balances at 1 August 2005	54,879
New Leases / Loans	0
Capital Repayments	(2,067)
Net Amount Acquired in Year	(2,067)
Balances at 31 July 2006	52,812
New Loans	40,000
Capital Repayments	(53,146)
Net Amount Acquired in Year	(13,146)
Balances at 31 July 2007 (Note 16)	39,666

### 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.

## notes to the accounts

(continued)

### 30. PENSION SCHEMES - continued

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 contributions payable to the scheme in respect of the accounting period.

#### 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%

The University contributed 19% of members' pensionable salaries to the Scheme in the year to 31 July 2007 and is continuing to contribute at this rate until the outcome of the 5 April 2007 actuarial valuation is determined.

## notes to the accounts

(continued)

### 30. PENSION SCHEMES - continued

FRS 17

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

	2007 update	2006 update	2005 valuation	2004 update	2003 update
Rate of increase in salaries	4.50%	4.20%	4.20%	4.80%	4.70%
Rate of increase of pensions in payment	3.00%	*2.70%	*2.70%	*2.80%	*2.70%
* some pensions have guaranteed 3% increases.					
Discount rate	5.60%	5.40%	5.30%	5.70%	5.50%
Inflation assumption	3.00%	2.70%	2.70%	2.80%	2.70%
Return on equity investments **	8.00%	7.50%	7.30%	8.00%	8.00%
Return on bond investments **	5.00%	4.50%	4.30%	5.00%	5.00%

\*\* rates of return quoted above are the expected net rates of return after allowances for expenses.

The assets in the Scheme were:

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Value of assets					
- Equities	75,010	69,383	58,711	43,968	40,028
- Bonds and cash	25,875	20,435	16,425	14,858	12,110
Total market value of assets	100,885	89,818	75,136	58,826	52,138
Value of liabilities	(110,606)	(101,457)	(86,396)	(70,502)	(67,180)
Deficit in scheme	(9,721)	(11,639)	(11,260)	(11,676)	(15,042)
Related deferred tax liability	0	0	0	0	0
<b>Net pension deficit</b>	<b>(9,721)</b>	<b>(11,639)</b>	<b>(11,260)</b>	<b>(11,676)</b>	<b>(15,042)</b>

The 2007 valuation of assets quoted above recognises the bid market value of assets (early adoption of ASB Practice Note 295). A bid market valuation of assets reduces the asset value by 0.4% compared to a mid market value.

Including FRS 17 valuations, the University Group's net assets and revenue reserves can be shown as follows:

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Net assets excluding pension liability	215,369	202,154	190,033	176,444	136,840
Pension liability	(9,721)	(11,639)	(11,260)	(11,676)	(15,042)
<b>Net assets including pension liability</b>	<b>205,648</b>	<b>190,515</b>	<b>178,773</b>	<b>164,768</b>	<b>121,798</b>
Income and expenditure reserve excluding pension liability	119,347	114,455	104,614	96,759	91,181
Pension reserve	(9,721)	(11,639)	(11,260)	(11,676)	(15,042)
<b>Income and expenditure reserve including pension liability</b>	<b>109,626</b>	<b>102,816</b>	<b>93,354</b>	<b>85,083</b>	<b>76,139</b>



## notes to the accounts

(continued)

### 30. PENSION SCHEMES - continued

#### Analysis of the amount charged to the Income and Expenditure Account

	2007 £000	2006 £000
Service cost	4,586	4,117
Past service cost	0	0
<b>Total operating charge</b>	<b>4,586</b>	<b>4,117</b>

#### Analysis of net return on pension scheme

	2007 £000	2006 £000
Expected return on pension scheme assets	6,218	5,077
Interest on pension liabilities	(5,573)	(4,658)
<b>Net return</b>	<b>645</b>	<b>419</b>

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

	2006/07 £000	2005/06 £000
Actual return less expected return on assets	2,356	5,373
Experienced gains and losses on liabilities	0	0
Changes in assumptions	(327)	(7,824)
<b>Actuarial gain / (loss) recognised in the Statement of Total Recognised Gains and Losses</b>	<b>2,029</b>	<b>(2,451)</b>
Adjustment due to surplus cap	0	0
<b>Net gain / (loss) recognised</b>	<b>2,029</b>	<b>(2,451)</b>

#### Movement in liability during the year

	2006/07 £000	2005/06 £000
<b>Deficit in scheme at 1 August</b>	<b>(11,639)</b>	<b>(11,260)</b>
Movement in year:		
Current service cost	(4,586)	(4,117)
Contributions	3,830	5,770
Past service costs	0	0
Net return on assets	645	419
Actuarial gain / (loss)	2,029	(2,451)
<b>Deficit in scheme at 31 July</b>	<b>(9,721)</b>	<b>(11,639)</b>

## notes to the accounts

(continued)

### 30. PENSION SCHEMES - continued

History of experience of gains and losses	2006/07 £000	2005/06 £000	2004/05 £000	2003/04 £000	2002/03 £000
Actual return less expected return on scheme assets	2,356	5,373	7,892	1,205	99
% of scheme assets:	2.3%	6.0%	10.5%	2.0%	0.2%
Experience of gains and losses on liabilities	0	0	(5,747)	68	45
% of scheme liabilities:	0.0%	0.0%	(6.7%)	0.1%	0.1%
Changes in assumptions	(327)	(7,824)	(2,790)	2,410	(7,847)
Total amount recognised in Statement of Total Recognised Gains and Losses	2,029	(2,451)	(645)	3,683	(7,703)
% of scheme liabilities:	1.8%	(2.4%)	(0.7%)	5.2%	(11.5%)

The University's contribution to the various schemes in respect of its own staff, in the years 2006/07 and 2005/06, were:

	2006/07 £000	2005/06 £000
Universities Superannuation Scheme (USS)	12,217	10,899
University of Warwick Pension Scheme (UWPS)	3,795	5,728
National Health Service Pensions Agency (NHSPA)	422	342
Local Government Superannuation Scheme (LGSS)	26	18
Others	15	76
	16,475	17,063
FRS 17 adjustment to pension charge for year	756	(1,653)
Pension cost for year (note 6)	17,231	15,410

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:

	No. of £1 Ordinary Shares
Warwick University Training Limited	4
Warwick University Services Limited	125,000
Warwick University Enterprises 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)

### 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 2007. 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 2007 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 (2005/06: £415k). The University recharged costs to the Science Park of £1.1m (2005/06: £1.2m), 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.

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 (2005/06: £4m) and as at 31 July 2007 the University had £nil (2006: £4m) on deposit with the Bank.

Professor Stuart Palmer, an ex officio member of Council, and Mr Paul Varney, an appointed lay member of Council, were also members of the Investment Committee of the Mercia Fund and directors of Mercia Fund Management Ltd. Throughout the last financial year the University held an investment of £200k (2005/06: £200k) in the Mercia Fund 1 and at the year end held an additional investment of £160k (2005/06: £nil) in the Mercia Fund 2.

Mr Martin Angle, who was an appointed lay member of Council during the last financial year, was also the Chairman of Celerant Consulting, a management consulting business, to which the University provided facility services to a value of £34k during the year.

Ms Rosemary Thorne, an appointed lay member of Council, is also a non-executive director of Abbey National plc, to which the University provided staff training and conference facility services to the value of £147k during the financial year.

## notes to the accounts

(continued)

### 32. RELATED PARTIES - continued

Professor Yvonne Carter, an appointed academic member of Council, is also Academic General Practitioner and Honorary NHS Consultant in Primary Care at Coventry Primary Care Trust from which the University has received payments to the value of £351k, primarily in respect of rechargeable medical staff salary costs. Professor Carter is also a non-executive director of University Hospitals Coventry and Warwickshire NHS Trust to which the University made payments to the value of £1.3m in respect of rental agreements and other collaboration agreement service charges and recharged salary costs and other research project costs to the value of £1.1m.

Professor Alma Harris, an appointed academic member of Council, is also an associate director of the Specialist Schools and Academies Trust, to which the University supplied conference facility services totalling £123k during the last financial year.

Mr Alan Rivett, the non-academic member of staff appointed to Council by Senate, is also chair of the Dance Touring Partnerships, as well a director of the Shared Experience Theatre Ltd and a director of the Audiences Central. During the last financial year, the University acquired performance services from these three organisations for a combined total cost of £35k.

### 33. CONTINGENT LIABILITIES

#### Clawback on freehold land:-

On 31 March 2004 the University acquired the freehold land and buildings at Wellesbourne and Kirton, on which Warwick Horticulture Research International 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. ACCESS FUNDS

	2006/07 £000	2005/06 £000
Opening fund balance	157	51
Funding Council grants received in year	237	452
Interest Earned	0	5
	<hr/>	<hr/>
	394	508
Disbursed to Students	(285)	(351)
Audit Fees	0	0
	<hr/>	<hr/>
Balance Unspent at 31 July	109	157

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)

### 35. TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS (TDA)

<b>(a) Student Bursaries</b>	2006/07 £000	2005/06 £000
Opening fund balance	219	191
Net Training and Development Agency for Schools grants received in year	3,058	2,277
	<hr/> 3,277	<hr/> 2,468
Disbursed to students	(2,972)	(2,201)
Administration fee	(59)	(48)
	<hr/> 246	<hr/> 219
<b>Balance Unspent at 31 July owing to the Training and Development Agency</b>	<b>246</b>	<b>219</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>(b) Ethnic Minority Recruitment</b>	2006/07 £000	2005/06 £000
Opening fund balance	9	4
Net Training and Development Agency for Schools grants received in year	16	11
	<hr/> 25	<hr/> 15
Development	(10)	(3)
Administration	(6)	(3)
	<hr/> 9	<hr/> 9
<b>Balance Unspent at 31 July owing to the Training and Development Agency</b>	<b>9</b>	<b>9</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>(c) Student Associate Scheme</b>	2006/07 £000	2005/06 £000
Opening fund balance	6	11
Net Training and Development Agency for Schools grants received in year	216	260
	<hr/> 222	<hr/> 271
Disbursed to students	(123)	(140)
Support Payments to Schools	(40)	(51)
Administration	(57)	(74)
	<hr/> 2	<hr/> 6
<b>Balance Unspent at 31 July owing to the Training and Development Agency</b>	<b>2</b>	<b>6</b>
	<hr/> <hr/>	<hr/> <hr/>

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

(continued)

### 36. CONSOLIDATED FIVE YEAR RESULTS

	2006/07	2005/06	2004/05	2003/04	2002/03
	£000	£000	£000	£000	£000
<b>Income</b>					
Funding Council Grants	84,730	77,136	65,953	61,280	55,545
Academic Fees & Support Grants	87,845	76,793	70,030	64,357	57,706
Research Grants & Contracts	57,021	60,620	58,620	40,086	30,357
Other Operating Income	97,635	93,270	87,216	77,650	67,531
Endowment Income & Interest Receivable	3,436	2,782	2,030	1,148	1,080
<b>Total Income</b>	<b>330,667</b>	<b>310,601</b>	<b>283,849</b>	<b>244,521</b>	<b>212,219</b>
<b>Expenditure</b>					
Staff Costs	172,302	157,915	145,051	124,685	108,698
Depreciation	16,254	14,829	14,280	11,309	8,973
Other Operating Expenses	134,439	122,864	112,400	102,542	87,887
Interest Payable	3,036	3,181	3,460	2,439	1,728
<b>Total Expenditure</b>	<b>326,031</b>	<b>298,789</b>	<b>275,191</b>	<b>240,975</b>	<b>207,286</b>
<b>Surplus on Continuing Operations</b>	<b>4,636</b>	<b>11,812</b>	<b>8,658</b>	<b>3,546</b>	<b>4,933</b>
Share of profit after tax of Associate	145	46	98	0	0
Equity Minority Interest	(154)	(68)	(53)	(6)	(12)
Transfer from Accumulated Income within Specific Endowments	154	123	213	337	786
<b>Retained Earnings for the Financial Year</b>	<b>4,781</b>	<b>11,913</b>	<b>8,916</b>	<b>3,877</b>	<b>5,707</b>
<b>Surplus excluding FRS 17 adjustments</b>	<b>4,892</b>	<b>9,841</b>	<b>7,855</b>	<b>4,194</b>	<b>4,719</b>
<b>Assets</b>					
Fixed Assets	251,597	241,830	236,446	228,591	161,592
Endowment Asset Investments	4,543	4,092	2,392	2,123	2,138
Current Assets	74,161	76,200	69,313	55,811	51,664
<b>Liabilities</b>					
Current Liabilities	75,570	68,843	64,697	54,085	53,042
Long Term Liabilities	38,386	50,818	52,990	55,024	25,095
Provisions	976	307	431	972	417
<b>Net Assets, excluding Pension Liability</b>	<b>215,369</b>	<b>202,154</b>	<b>190,033</b>	<b>176,444</b>	<b>136,840</b>
Pension Liability	(9,721)	(11,639)	(11,260)	(11,676)	(15,042)
<b>Net Assets, including Pension Liability</b>	<b>205,648</b>	<b>190,515</b>	<b>178,773</b>	<b>164,768</b>	<b>121,798</b>
<b>Capital Expenditure</b>					
Land and Buildings	16,444	16,369	13,049	36,351	26,329
Plant, Machinery & Equipment	8,083	7,890	8,575	11,754	8,624
	<b>24,527</b>	<b>24,259</b>	<b>21,624</b>	<b>48,105</b>	<b>34,953</b>

## indicators of financial health

	2006/07	2005/06	2004/05	2003/04	2002/03
(a) % Ratio of Total HEFCE & TDA Grants to Total Income	25.62%	24.83%	23.24%	25.06%	26.17%
(b) % Ratio of Total Fees from Home & EU Students to Total Income	11.09%	9.40%	9.72%	10.59%	11.79%
(c) % Ratio of Total Fees from Overseas Students to Total Income	11.52%	11.70%	11.56%	11.96%	11.76%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	17.24%	19.52%	20.65%	16.39%	14.30%
(e) % Ratio of Total Other Services Rendered Income to Total Income	1.96%	2.38%	3.06%	2.87%	2.96%
(f) % Ratio of Total Residences and Catering Income to Total Income	7.90%	8.17%	8.47%	9.12%	9.66%
(g) % Ratio of Total all Other Income to Total Income	24.67%	24.00%	23.30%	24.00%	23.36%
(h) % Ratio of Surplus to Total Income	1.45%	3.84%	3.14%	1.59%	2.69%
(i) % Ratio of Long Term Liabilities* to Total General Funds*	32.98%	44.67%	51.06%	57.87%	27.98%
(j) Ratio of Liquid Assets to Current Liabilities	0.44	0.57	0.46	0.39	0.43
(k) Ratio of Current Assets to Current Liabilities	0.98	1.11	1.07	1.03	0.97
(l) Days of Total Income represented by Debtors	43.64	42.11	49.14	50.50	47.75
(m) Days of Total Expenditure represented by Creditors due within one year	84.60	84.10	85.81	81.92	93.40

\* excluding Pension Liability/Reserve

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