

# statement of accounts

for the year ended 31 July 2009

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# financial highlights

for the year ended 31 July 2009

<b>CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT</b>		2008/09	2007/08	Change
		£ million	£ million	
Funding Council Grants		86.82	85.51	1.5%
Academic Fees and Support Grants		115.86	100.01	15.8%
Research Grants and Contracts		72.98	61.67	18.3%
Other Operating Income		98.25	99.38	(1.1%)
Endowment Income and Interest Receivable		1.75	3.61	(51.5%)
<b>Total Income</b>		<b>375.66</b>	<b>350.18</b>	7.3%
<b>Surplus for the Financial Year, including exceptional items</b>		<b>2.64</b>	<b>2.87</b>	(8.0%)
<b>CONSOLIDATED BALANCE SHEET</b>		2009	2008	
		£ million	£ million	
Fixed Assets		312.02	279.83	
Endowment Asset Investments		4.91	5.23	
Net Current Assets / (Liabilities)		6.00	(3.61)	
		<b>322.93</b>	281.45	
Long Term Creditors and Provisions		(68.15)	(48.64)	
<b>Total Net Assets, excluding Pension Liability</b>		<b>254.78</b>	<b>232.81</b>	9.4%
Pension Liability		(18.03)	(12.16)	
<b>Total Net Assets, including Pension Liability</b>		<b>236.75</b>	<b>220.65</b>	7.3%
<b>CAPITAL EXPENDITURE IN THE YEAR</b>		2008/09	2007/08	
		£ million	£ million	
		<b>51.90</b>	<b>46.55</b>	11.5%
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		2008/09	2007/08	
		£ million	£ million	
		<b>24.25</b>	<b>16.45</b>	47.4%
<b>OTHER KEY STATISTICS</b>		2008/09	2007/08	
		Number	Number	
Full Time Students:-	Home / EU Undergraduates	9,620	9,298	3.5%
	Home / EU Postgraduates	2,178	1,944	12.0%
	Overseas Undergraduates	1,807	1,691	6.9%
	Overseas Postgraduates	1,815	1,661	9.3%
Total number of students (full time equivalent)		17,397	16,779	3.7%
Total staff numbers (full time equivalent)		4,523	4,496	0.6%

## treasurer's report

I am pleased to introduce the University of Warwick's annual accounts for the year ended 31 July 2009. The results for the year represent a creditable performance, given the impact of significant investment in support of future growth and the initial impact of the adverse economic climate. The results have been affected particularly by lower investment returns and pressures faced by the University's commercial activities.

The University aims to generate a surplus on operations, taking one year with another. Given the nature of many activities undertaken at the University, margins and year on year surpluses tend to be small and continue to require close attention to cost control and investment prioritisation.

A small surplus has been achieved for the year. The University recognises that low levels of surplus are not sustainable in the longer term. Improved surpluses are planned for later years in order to generate the necessary cash inflows to support appropriate levels of capital investment.

The University of Warwick is consistently within the top rank of higher education institutions in the UK, with a growing global reputation for research and teaching. The core of Warwick's teaching and research activities is substantially funded through grants from public funding bodies, principally The Higher Education Funding Council for England and various Research Councils, as well as grants from other charitable and commercial institutions. The funding of teaching activities is additionally supported through student fees. Teaching and research are further supported by gifts and donations and by returns on the University's commercial operations.

This report is produced with reference to the UK Accounting Standard Board's statement of best practice on Operating and Financial Reviews.

### Strategy

In addition to Warwick's high UK reputation and standing, the University's ambitious strategy is to set itself firmly amongst the world's top 50 universities by 2015, the 50th anniversary of Warwick's foundation. Current evidence is that the University is making good progress towards achieving this goal.

The World University Rankings league table, issued by the Times Higher Education in October 2009, ranks Warwick in 58th place (2008: 69th place). To achieve the full ambition of the Strategy, the University seeks to continue to deliver strong financial performance so that we can sustain a 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.

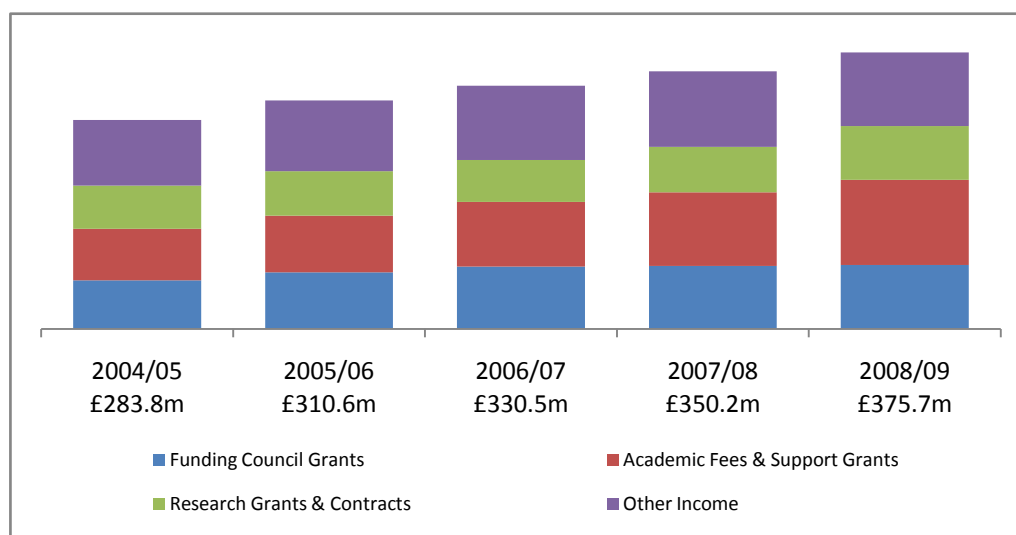
The University uses a range of both financial and non-financial indicators to monitor the performance of the University. Many of the financial indicators used are replicated on the previous Financial Highlights page and on the Indicators of Financial Health page shown at the end of these financial statements. These indicators, along with appropriate risk measurements, are reviewed by Council and others on a regular basis with further student, research and divisional performance data.

# treasurer's report

(continued)

## Turnover

Turnover of the University has increased by 7% to £376m.



### Research Income

Year on year reported income on research activity has increased by a substantial 18%, to £73m. Warwick has had sustained success in winning new research contracts in recent years. This reflects the range and depth of scholarship at Warwick. Combined capital and revenue research contracts awarded in the year totalled almost £100m, much of which will be recognised in the accounts in future years as research contracts are completed.

### Funding Council Grants and the Research Assessment Exercise (RAE)

The University received a broadly flat year on year grant allocation from the Funding Council in 08/09. The unwinding of transitional funding from changes made to the Business Research funding methodology in prior years, together with further reductions due to Government policy, in removing funding for teaching of students with existing equivalent or higher qualifications relative to their current level of study, all put pressure on the resources of many UK universities. Warwick was not exempt from these pressures.

These cuts in the University's core grant have further reduced the level of support available for the University's teaching and research operations. Taken together with further likely reductions in future government funding, the University recognises the continued need to maintain a close control of all costs and diversify income streams. Warwick recognises the likely pressures on public finances and the University is therefore planning for reductions in public funding.

The results of the 2008 RAE, announced in December 2008, reinforce Warwick's position as one of the UK's leading research universities. Warwick was ranked 7th overall in the UK amongst multi-faculty institutions. This success and much of the University's increased level of research activity over recent years is not reflected in the level of recurrent research grant funding received from the Funding Council until this new financial year (2009/10).

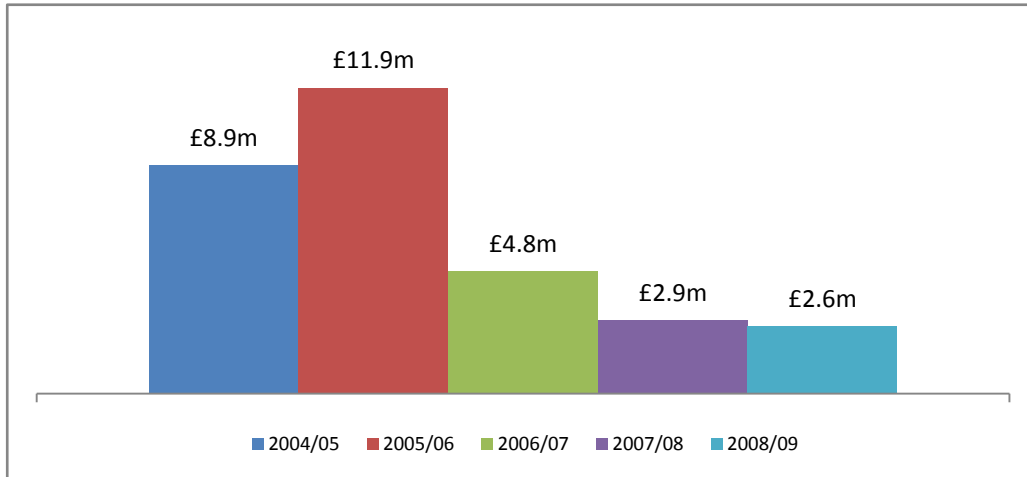
### Academic Fee Income

The third year of our home undergraduate student population paying the increased rate of variable fees has increased the University's reported turnover by around £5 million. The major part of this increase has been invested in undergraduate bursary and access award payments and on University teaching and support resources. The impact on the overall surplus is therefore small.

## treasurer's report

(continued)

### Surplus

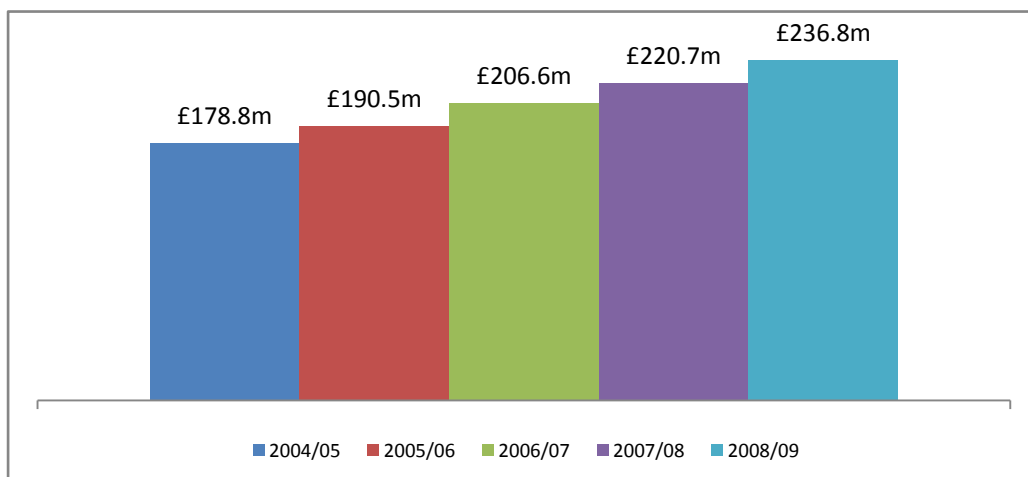


The surplus for the year was £2.6 million (0.7% of turnover). This compares with a corresponding surplus for the previous year of £2.9 million (0.8% of turnover). These surpluses are both after exceptional profits made on the sale of land and buildings (see note 9).

The reduction in the surplus was expected and budgeted. The low surplus is mainly due to strategic investment in academic staff and research facilities and increases in staff costs following the most recent national pay agreements. Margins, particularly in the area of research activities, are expected to recover in the coming years as the results of the strategic investment are more fully realised and utilisation of more recently acquired resources continues to improve.

The University's financial performance for the year continued to be underpinned by a particularly strong performance from the Warwick Business School, as well as significant contributions from the University's commercial activities, in spite of the ongoing external economic pressures that these operations have been faced with throughout the financial year.

### Net Assets



## treasurer's report

(continued)

The University's net assets have increased by 7.3%, from £220.7 million to £236.8 million.

### *University of Warwick Pension Scheme (UWPS)*

The University of Warwick Pension Scheme deficit has increased from £12.2m to £18.0m, the principal reason being a decline in investment performance because of global equity market conditions through the financial year. Ongoing contribution and benefit levels, to ensure long-term funding requirements are met, are determined as part of the triennial full valuations of the Scheme. The most recent full valuation was at 5 April 2007.

### *Universities' Superannuation Scheme (USS)*

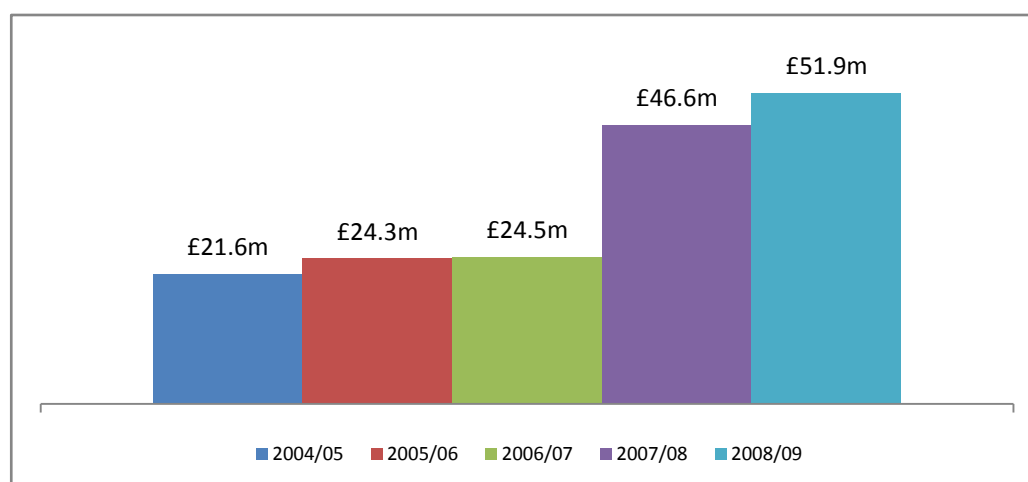
As a multi-employer scheme, assets and liabilities in respect of USS are not disclosed within the accounts of the University. The University does, however, incur substantial costs in respect of employee membership of USS.

Following the last full valuation, employer contributions were increased from 14% to 16%, as of 1 October 2009, with each additional 1% increase in the employer contribution rate adding in excess of £1m to annual costs of the University.

Further details in respect of the funding position of both UWPS and USS, from the perspective of the scheme's board of trustees in the case of the latter, is included within these accounts at note 30.

### Capital investment, cash flow and borrowings

#### Capital Investment



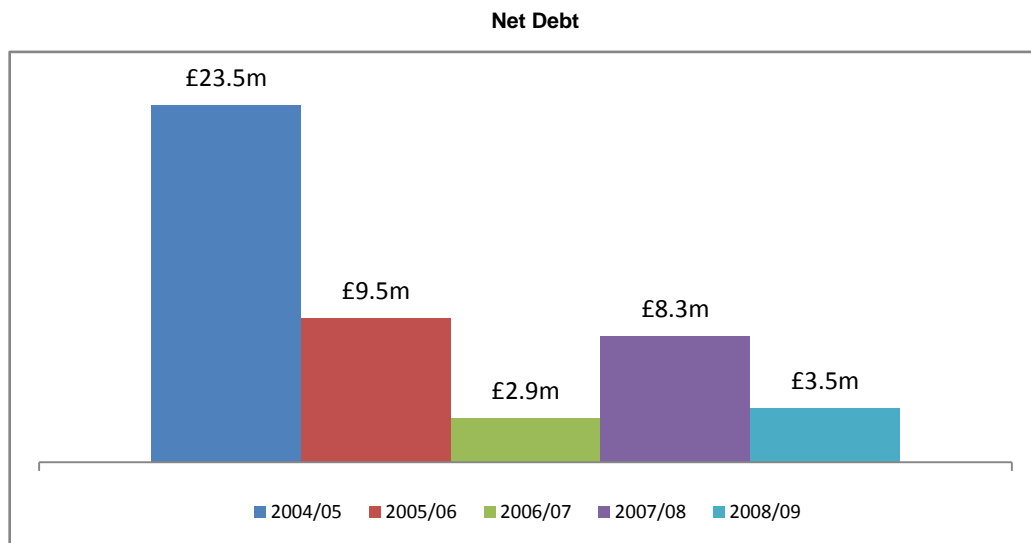
Cash inflows for the year totalled £56.8 million (2008 - £41.4 million), representing £24.3 million (2008 - £16.5 million) from operations, capital grants of £31.7m (2008 - £23.4 million) and £0.8m (2008 - £1.5m) from the sale of surplus assets. This cash inflow, along with the drawdown of additional borrowing facilities, allowed the University to maintain a high level of capital expenditure for the year of £51.9m (2008 - £46.6 million).

Amongst the major capital schemes undertaken during the year was the expansion of the Medical School's Clinical Trials Unit (£5.7 million) and the expansion of academic facilities for the Faculty of Arts at Milburn House (£3.9 million). The University also continued its major Students' Union project (£11.5 million) and a major refurbishment and expansion of the Warwick Arts Centre (£7.8 million), with both of these state of the art facilities opening in the first half of the current financial year.

In addition to ongoing projects, other major capital projects planned include further expansion of the Medical School and new sciences laboratories.

## treasurer's report

(continued)



The University's ambitious capital programme is supported by committed long term unsecured bank facilities on advantageous terms and appropriate arrangements are in place to protect the University from future variations in interest rates.

In addition to committed borrowing arrangements, the University also has substantial additional agreed facilities in place as available on demand. In the shorter term the University is taking advantage of preferential terms that have been secured on revolving loan facilities and is currently holding £25m of longer term facilities in reserve until a later date.

Banking facilities and borrowing arrangements are disclosed in more detail in note 17 of these accounts.

### Students

The University benefits greatly from our diverse, talented and committed students. The student experience at Warwick will be further enhanced when the expansion and refurbishment of the Students' Union is completed in late 2009. This will provide our students with amongst the best Students' Union facilities in the country.

The University recognises the value and contribution that 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. The University recognises the growing overseas competition for the provision of higher education services. 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 and one that we aim to develop in continuing to differentiate Warwick in the overseas higher education market for many years to come.

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. To this end, a substantial proportion of the income from fee paying home and European Union students continues to be committed to bursaries and access awards.

## treasurer's report

(continued)

### Strategic risks

The Council, supported by a risk management framework and advised by audit and risk committee, keeps under review the strategic risks facing the University and the programmes which help to manage or mitigate these risks.

Amongst the most important strategic risks are;

- (a) the funding of Universities from public sources and the impact of changes in the economy on the sources of income
- (b) any changes in the pattern of demand, especially by international students
- (c) the availability of commercial lending to finance the University's income producing activities
- (d) the recruitment and retention of internationally recognised scholars in a highly competitive market

### Prospects

We expect to continue to face a demanding financial environment in the next few financial years. We envisage significant pressures in respect of government funding over the coming years. The University recognises the role that excellence in teaching and research plays in helping the United Kingdom move out of recession and we believe that a reduction in funding for teaching and research activities would be damaging to the UK's longer term economic prospects and international competitiveness.

The University continues to re-examine the structure of services and facilities to ensure that they are fit for purpose. We will continue to invest in both capital and revenue to secure the ambitious goals we hold for the University. During the current year we will continue to progress major projects with respect to the expansion of facilities for the physical sciences and developing the University's new School of Life Sciences.

Significant work is being undertaken to achieve a sustainable improvement in the underlying surplus level of the University. In the short term, we remain confident that the financial outcome for the current year will be acceptable in the circumstances. In the longer term, we remain 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 at local, regional, national and international level.

Brian Woods-Scawen, Treasurer

27 November 2009



## 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 HEFCE and the Committee of University Chairs in the *Guide for Members of Governing Bodies in the UK*.
- 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 Until recently, the Charter and Statutes required the University to have three separate bodies. The University recently received formal approval from the Privy Council to abolish the Court. The Council and Senate remain as the two key University bodies: each with clearly defined functions and responsibilities, to oversee and manage its activities.
  - **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 reasonable expenses, for the work that they do for the University. The University council approves annually its Statement of Primary Responsibilities.
  - **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.
- 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 The Council meets at least five times each academic year and at each meeting considers one main strategic discussion topic as well as a number of reports from its committees. Much of the detailed work of the Council is initially handled by committees, in particular the Finance and General Purposes Committee, the Building Committee, the Nominations Committee, the Remuneration Committee, the University Health and Safety Executive Committee (UHSEC), the Equality and Diversity Committee (EDC) and the Audit Committee.

## corporate governance

(continued)

- 6 These Committees are formally constituted as Committees of the Council (and in the case of UHSEC and EDC jointly with Senate) with approved terms of reference and specified constitutions and approved membership, all including lay membership (from whom the Chair typically 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. For the 2009/10 academic year the position of Deputy Vice-Chancellor will be formally vacant, with all duties being allocated by the Vice-Chancellor to members of the senior management team.
- 8 The Registrar 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 Registrar is supported by the Deputy Registrar and they provide 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 Registrar.
- 10 Any enquiries about the constitution and governance of the University should be addressed to the Registrar.
- 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 Registrar and is also published on the University's website.

## 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, primarily the University's Strategy, Vision 2015. In accordance with the requirements of the Charter and Statutes and the Financial Memorandum with the HEFCE (which includes the Accountability and Audit Code of Practice), 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 and the HEFCE within the recently published *Guide for Members of Governing Bodies in the UK 2009*.

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 and is advised in this regard in particular by its Audit Committee.

The following internal control measures were in place for the year ended 31 July 2009:

- The Audit Committee, which met four times in 2008/09, received regular reports from the Head of Internal Audit which provided an overview of internal control matters (in the main as set out in the agreed Internal Audit Plan), including an opinion on the adequacy and effectiveness of the University's systems of internal control together with recommendations for improvements.
- The University operated a system of risk management designed to identify the significant risks to the achievement of the University's strategy, to evaluate the nature and extent of those risks and to manage them effectively. The University's Risk Management Policy and Procedures 2008/09 were approved by the University Council and the Steering Committee and are reviewed annually by those bodies. At the end of the period it was agreed that risk management was sufficiently embedded within the University that the Risk Management Group could be abolished and that it would be most effective if the University's Steering Committee, which meets typically on a weekly basis, takes on its responsibilities. The University required departments and commercial activities to submit their current SWOT analyses and risk assessments as part of the annual planning process and this informed the University's assessment of key risks.
- Within 2008/09, the Risk Management Group, the University Risk Holders, the Senior Officers' Group and the University's Steering Committee all participated in the strategic risk identification, description and evaluation processes, informed by departmental risk assessments and relevant senior managers. The University Risk Register was updated on a termly basis and the Steering Committee reported to the Audit Committee and the Council typically the most significant eight to ten strategic risks.
- An Operational Risk Management Group (consuming the Insurance Risk Management Group) was also established which brought together a range of internal constituencies to identify, assess and monitor risk across the range of University operations including insurance, business continuity, estates, IT and health and safety.
- 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 senior management on areas of specific internal control.
- Additionally, the Audit Committee considered a report from the Head of Internal Audit outlining key areas which supported the opinion that the University's operations offered value for money.
- The Council met five times in the 2008/09 financial year, considering the plans and strategic direction of the University.

## statement of internal control

(continued)

- The Council received termly reports summarising the key issues raised in the minutes of the Audit Committee including consideration of the work of internal and external audit and of risk management. The Council also considered the Annual Report from the Audit Committee, which provides its formal opinions on the adequacy and effectiveness of the HEI's arrangements for risk management, control and governance; economy, efficiency and effectiveness (value for money); and management and quality assurance of data submitted to HESA and to HEFCE and other funding bodies.
- The Council considered termly reports of the status of the most significant key strategic risks of the University and the current status of those risks. These key strategic risks will continue to be monitored by the Council on a termly basis throughout the 2009/10 academic year together with periodic consideration of the University's agreed key performance indicators.
- 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 controls is primarily informed by the reports of the Audit Committee. It 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 for the 2008/09 financial year.

# 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 and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
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 2009 which comprise the consolidated income and expenditure account, the consolidated and University balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

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 financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on pages 13 and 14.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, and the Financial Memorandum with the Training and Development Agency for Schools. We also report to you whether in our opinion the Treasurer’s Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, the University has not kept proper accounting records, 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 Practice, of the state of the Group and the University's affairs as at 31 July 2009 and of the Group's surplus of income over expenditure for the year then ended;
2. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
3. in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2009 have been applied for the purposes for which they were received; and
4. in all material respects, income during the year ended 31 July 2009 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.

**S R Clark**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

2 Cornwall Street

Birmingham B3 2DL

27 November 2009



## statement of principal accounting policies

### 1 Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with the 2007 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, 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 the University's share of the University of Warwick Science Park Limited, as an associated undertaking. Intra-group transactions are eliminated on consolidation. 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 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 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. 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.

Donations with restrictions are recognised when relevant conditions are met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the Statement of Total Recognised Gains and Losses and in endowments; other donations are recognised by inclusion as other income in the Income and Expenditure Account.

Endowment and investment income is credited to the Income and Expenditure Account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the Income and Expenditure Account to restricted endowments. Any realised gains and losses from dealing in the related assets are retained within the endowment in the balance sheet. Increases or decreases in value arising on the revaluation of endowment assets ie: the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the Statement of Total Recognised Gains and Losses.

### 5 Agency Arrangements

Funds that the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## statement of principal accounting policies

(continued)

### 6 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.

#### *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.

### 7 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.

### 8 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.

### 9 Negative Goodwill

Negative goodwill arising on the acquisition of Horticulture Research International has been capitalised and separately disclosed on the face of the balance sheet in fixed assets. Negative goodwill is being released to reserves over eight years and four months, on a straight line basis. 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)

### 10 Financial Instruments

The institution uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate, or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

### 11 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 to 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 are written off in the year of acquisition. Capitalised equipment, other than certain information technology equipment, is stated at cost and depreciated over expected useful lives of 5 to 10 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, or the life of the project if more appropriate. 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.

### 12 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.

Investments in subsidiary undertakings are shown at the lower of cost and net realisable value, and investments in associates are shown in the consolidated balance sheet at attributable share of net assets.

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)

### 13 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 expenditure as incurred.

### 14 Provisions and Contingent Liabilities

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.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and arises in the case of three scenarios: possible rather than present obligation; possible rather than probable outflow of economic benefits; inability to measure the economic outflow.

### 15 Cash and Liquid Resources

Cash balances shown on the face of the balance sheet includes cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise money on short-term deposit with a maturity date within one year of the balance sheet date.

### 16 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. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The University's subsidiary companies and associated undertakings are subject to corporation tax. Deferred tax within these subsidiaries is provided for in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates of tax. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## statement of principal accounting policies

(continued)

### 17 Intra-group Transactions

Gains and losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Balances between the University and its associate are not eliminated, with unsettled normal trading transactions included as current assets or liabilities. For any gains or losses that are included in the carrying amounts of assets of either entity, the part relating to the University's share is eliminated.

### 18 Accounting for Charitable Donations

#### *Unrestricted donations*

Charitable donations are recognised in the accounts when the charitable donation has been received, or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

#### *Endowment funds*

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these amounts are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

#### *Donations for fixed assets*

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the Income and Expenditure Account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

#### *Gifts in kind, including donated tangible fixed assets*

Gifts in kind are included in "other income" or "deferred capital grants" as appropriate using a reasonable estimate of their gross value or the amount actually realised.

## consolidated income and expenditure account

for the year ended 31 July 2009

	Note	2008/09 £000	2007/08 £000
<b>INCOME</b>			
Funding Council Grants	1	86,822	85,506
Academic Fees and Support Grants	2	115,858	100,007
Research Grants and Contracts	3	72,979	61,665
Other Operating Income	4	98,244	99,394
Endowment Income, Investment Income and Interest Receivable	5	1,753	3,609
<b>Total Income</b>		<b>375,656</b>	<b>350,181</b>
<b>EXPENDITURE</b>			
Staff Costs	6	203,841	189,560
Depreciation	11	19,849	17,829
Other Operating Expenses	8	148,977	139,739
Interest Payable and Similar Charges	7	1,710	1,895
<b>Total Expenditure</b>	8	<b>374,377</b>	<b>349,023</b>
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST AND BEFORE TAX</b>		<b>1,279</b>	<b>1,158</b>
Taxation		0	0
Share of profit after tax of Associate		357	205
Equity Minority Interest		(75)	7
<b>SURPLUS BEFORE EXCEPTIONAL ITEMS</b>		<b>1,561</b>	<b>1,370</b>
Disposal of Fixed Assets	9	669	1,311
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, DISPOSAL OF ASSETS, TAX AND MINORITY INTEREST</b>		<b>2,230</b>	<b>2,681</b>
Transfer from Accumulated Income within Endowment Funds		414	190
<b>SURPLUS FOR THE FINANCIAL YEAR RETAINED WITHIN GENERAL RESERVES</b>		<b>2,644</b>	<b>2,871</b>

## statement of consolidated total recognised gains and losses

for the year ended 31 July 2009

	Note	2008/09 £000	2007/08 £000
Surplus on Continuing Operations after depreciation of assets at cost, disposal of assets, tax and minority interest		2,230	2,681
Decrease in market value of Endowment Asset Investments	20	(273)	(359)
Unrealised Gains / (Losses) on Other Equity Investments		0	(184)
New Endowments	20	366	278
Actuarial Loss in respect of pension scheme	30	(6,001)	(2,695)
Total Recognised Loss relating to the Year		<b>(3,678)</b>	<b>(279)</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 surplus of £1,012k (2007/08: surplus of £724k) 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 2009

	Note	2008/09 £000	2007/08 £000
Opening Reserves and Endowments as at 1 August	20 & 21	115,031	115,310
Total Recognised Loss for the Year		(3,678)	(279)
<b>CLOSING RESERVES AND ENDOWMENTS AS AT 31 JULY</b>		<b>111,353</b>	<b>115,031</b>

## balance sheets

as at 31 July 2009

		Consolidated		University	
	Note	2009 £000	2008 £000	2009 £000	2008 £000
<b>FIXED ASSETS</b>					
Intangible Assets	10	(1,362)	(1,815)	0	0
Tangible Assets	11	308,892	277,307	296,708	274,422
Investments	12	4,489	4,341	2,552	2,761
		<b>312,019</b>	<b>279,833</b>	<b>299,260</b>	<b>277,183</b>
<b>ENDOWMENT ASSET INVESTMENTS</b>					
	13	4,908	5,229	256	0
<b>CURRENT ASSETS</b>					
Stocks		1,125	1,193	1,075	1,142
Debtors	14	33,380	34,638	37,539	38,950
Short Term Deposits		35,400	12,000	35,400	12,000
Cash at Bank and in Hand		26,638	26,256	25,775	20,176
		<b>96,543</b>	<b>74,087</b>	<b>99,789</b>	<b>72,268</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	15	(90,542)	(77,699)	(114,923)	(105,497)
<b>NET CURRENT ASSETS / (LIABILITIES)</b>					
		<b>6,001</b>	<b>(3,612)</b>	<b>(15,134)</b>	<b>(33,229)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>322,928</b>	<b>281,450</b>	<b>284,382</b>	<b>243,954</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
	16	(66,308)	(47,306)	(66,308)	(47,306)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	19	(1,837)	(1,332)	(1,811)	(1,286)
<b>TOTAL NET ASSETS, excluding Pension Liability</b>					
		<b>254,783</b>	<b>232,812</b>	<b>216,263</b>	<b>195,362</b>
<b>PENSION LIABILITY</b>					
	30	(18,026)	(12,156)	(18,026)	(12,156)
<b>TOTAL NET ASSETS, including Pension Liability</b>					
		<b>236,757</b>	<b>220,656</b>	<b>198,237</b>	<b>183,206</b>
<b>DEFERRED CAPITAL GRANTS</b>					
	18	125,239	105,500	125,401	105,637
<b>ENDOWMENTS:</b>					
Permanent	20	2,329	2,185	256	0
Expendable	20	2,579	3,044	0	0
<b>GENERAL RESERVES, including Pension Reserve</b>					
	21	106,445	109,802	72,580	77,569
<b>MINORITY INTEREST</b>					
		165	125	0	0
<b>TOTAL FUNDS</b>					
		<b>236,757</b>	<b>220,656</b>	<b>198,237</b>	<b>183,206</b>

The financial statements on pages 22 to 54 were approved by the Council on 27 November 2009, 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 2009

	Note	2008/09 £000	2007/08 £000
Net Cash Inflow from Operating Activities	25	24,250	16,451
Returns on Investments and Servicing of Finance	26	(303)	636
Taxation		0	0
Capital Expenditure and Financial Investment	27	(19,231)	(22,465)
Cash Inflow / (Outflow) before Use of Liquid Resources and Financing		4,716	(5,378)
Management of Liquid Resources net contributions to short term investments	28	(23,352)	(2,992)
Financing	29	19,018	8,990
<b>Increase in Cash</b>		<b>382</b>	<b>620</b>

## reconciliation of net cash flow to movement in net debt

for the year ended 31 July 2009

	Note	2008/09 £000	2007/08 £000
Increase in Cash in the Period		382	620
Increase in Liquid Resources	28	23,352	2,992
New Loans and Finance Leases	29	(20,368)	(10,323)
Repayment of Debt	29	1,350	1,333
Change in Net Debt		4,716	(5,378)
Net Debt at 1 August		(8,255)	(2,877)
<b>Net Debt at 31 July</b>	28	<b>(3,539)</b>	<b>(8,255)</b>

## notes to the accounts

<b>1. HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND &amp; TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS GRANTS</b>	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
<b>Recurrent Grants:</b>		
Higher Education Funding Council for England:		
Teaching	41,739	41,522
Research	30,526	30,574
Training and Development Agency for Schools	2,339	2,268
<b>Specific Grants:</b>		
HE Innovations Fund	1,378	1,240
Capital Investment Funding	426	1,063
Training and Development Agency for Schools Specific Grants	1,165	1,117
Learning and Teaching Strategy	477	484
Medical Student Expansion Funding	550	455
Centres for Excellence in Teaching and Learning	925	1,028
Matched Funding Scheme for Voluntary Giving	1,110	0
Others	393	384
<b>Deferred Capital Grants Released in Year:</b>		
Buildings (Note 18)	2,346	1,950
Equipment (Note 18)	3,448	3,421
	<b>86,822</b>	<b>85,506</b>
<hr/>		
<b>2. ACADEMIC FEES AND SUPPORT GRANTS</b>		
	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Accredited Course Fees From Home/EU Students	52,751	45,331
Accredited Course Fees From Overseas Students	47,133	39,796
Higher Education Foundation Programme Fees	2,405	2,192
Non-Accredited Short Course Fees	5,019	5,273
CASE Awards and Research Training Support Grants	7,785	6,717
Other Fees	765	698
	<b>115,858</b>	<b>100,007</b>
<hr/>		

## notes to the accounts

(continued)

<b>3. RESEARCH GRANTS AND CONTRACTS</b>	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
<b>Income</b>		
Research Councils	33,449	26,168
Central Government, Local Authorities and Public Corporations	24,920	22,522
UK Charitable Bodies	5,639	5,546
European Union	4,459	3,844
UK Industry and Commerce	3,213	2,569
Overseas	1,081	920
Others	218	96
	<b>72,979</b>	<b>61,665</b>
<b>Direct Expenditure</b>		
Research Councils	25,534	20,340
Central Government, Local Authorities and Public Corporations	19,238	17,070
UK Charitable Bodies	5,607	5,443
European Union	4,573	3,639
UK Industry and Commerce	2,273	1,980
Overseas	814	763
Others	181	94
	<b>58,220</b>	<b>49,329</b>

Income from Research Grants and Contracts includes £4,585k in respect of Deferred Capital Grants released in the year (2008: £2,134k). Costs include spend within the University group of companies.

<b>4. OTHER OPERATING INCOME</b>	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Residences, Catering and Conferences	29,590	28,303
Other Services Rendered	6,133	8,055
Released from Deferred Capital Grants	1,549	1,508
Retail Operations	26,021	27,476
Post-Experience Centres	11,925	12,267
Other Income	23,026	21,785
	<b>98,244</b>	<b>99,394</b>

Included within Other Income above is £453k (2008: £453k) relating to the release of negative goodwill arising on the acquisition of Horticulture Research International (see note 10).

## notes to the accounts

(continued)

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	2008/09	2007/08
	£000	£000
Net return on University of Warwick Pension Scheme assets (note 30)	311	1,078
Interest from Permanent Endowment investments	35	102
Income from Expendable Endowment investments	78	151
Other Interest Receivable	1,329	2,278
	<b>1,753</b>	<b>3,609</b>

6. STAFF	2008/09	2007/08
	£000	£000
<b>Staff Costs:</b>		
Wages and Salaries	170,243	157,460
Social Security Costs	13,499	13,217
Other Pension Costs	20,099	18,883
	<b>203,841</b>	<b>189,560</b>

The number of full time equivalent staff, by area of activity, can be summarised as:

	2008/09	2007/08
	Number	Number
Academic staff within academic departments	1,742	1,717
Other staff within academic departments	878	867
Academic services	399	380
Premises management and maintenance	335	334
Residences and catering	472	490
Other services and activities, including commercial operations	697	708
	<b>4,523</b>	<b>4,496</b>

## notes to the accounts

(continued)

### 6. STAFF - continued

The total staff costs of the University include amounts payable to the Vice-Chancellor, who is the senior post-holder at the University. The total emoluments paid in the year to the holder of this title were:

	2008/09 £	2007/08 £
Emoluments of the Vice-Chancellor (excluding pension contributions but including benefits-in-kind)	247,084	220,656
Pension contributions in respect of the Vice-Chancellor	33,600	29,621
	<b>280,684</b>	<b>250,277</b>

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:

	2008/09 Number	2007/08 Number
£290,000 - £299,999	1	0
£280,000 - £289,999	0	0
£270,000 - £279,999	0	0
£260,000 - £269,999	0	0
£250,000 - £259,999	0	1
£240,000 - £249,999	0	0
£230,000 - £239,999	0	0
£220,000 - £229,999	0	0
£210,000 - £219,999	2	0
£200,000 - £209,999	0	2
£190,000 - £199,999	1	0
£180,000 - £189,999	0	0
£170,000 - £179,999	1	0
£160,000 - £169,999	2	1
£150,000 - £159,999	6	4
£140,000 - £149,999	8	4
£130,000 - £139,999	8	11
£120,000 - £129,999	8	6
£110,000 - £119,999	17	14
£100,000 - £109,999	11	15

Included within the accounts of the University are amounts relating to the agreed early retirement of a higher paid employee, excluded from the list above as no longer a University employee at the year end. Payments in compensation for loss of office totalling £62,396 were paid to this employee upon retirement, in addition to their regular emoluments for the year.

All amounts for early retirement and compensation for loss of office in respect of higher paid staff are approved by the University's Remuneration Committee.

### 7. INTEREST PAYABLE

	2008/09 £000	2007/08 £000
Loans wholly repayable between two and five years	8	0
Loans not wholly repayable within five years	1,702	1,895
	<b>1,710</b>	<b>1,895</b>

## notes to the accounts

(continued)

### 8. ANALYSIS OF 2008/09 EXPENDITURE BY ACTIVITY

	Total £000	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable and Similar Charges £000
Academic Departments	150,074	100,003	4,255	45,816	0
Research Grants and Contracts	58,220	33,315	4,585	20,320	0
<b>Total Teaching and Research</b>	<b>208,294</b>	<b>133,318</b>	<b>8,840</b>	<b>66,136</b>	<b>0</b>
Academic Services	25,927	11,785	1,102	13,040	0
Central Administration and Services	20,333	13,770	99	6,464	0
General Educational Expenditure	15,305	3,305	133	11,867	0
Staff and Student Facilities	8,142	3,937	72	4,133	0
Premises	33,461	9,709	7,388	16,364	0
Residences, Catering and Conferences	26,447	9,940	1,394	13,584	1,529
Other Services Rendered	4,605	1,976	0	2,629	0
Retail Operations	21,544	11,035	201	10,127	181
Post-Experience Centres	8,065	4,806	620	2,639	0
Other Expenses	2,254	260	0	1,994	0
<b>Total per Income and Expenditure Account</b>	<b>374,377</b>	<b>203,841</b>	<b>19,849</b>	<b>148,977</b>	<b>1,710</b>

The depreciation charge has been funded by:

	2008/09 £000
Deferred Capital Grants Released (Note 18)	11,928
General Income	7,921
	<u>19,849</u>

Other operating expenses include:

	2008/09 £000	2007/08 £000
Auditors' Remuneration for the University of Warwick Group (An amount of £38k (2007/08: £37k) relates to the Auditors' remuneration for the University)	65	63
Auditors' Remuneration in respect of Non-Audit Services	129	208
Grants to University of Warwick Students' Union	2,346	1,577

## notes to the accounts

(continued)

9. EXCEPTIONAL ITEMS	2008/09 £000	2007/08 £000
Surplus on disposal of land and buildings	669	1,311

During 2008/09 the University sold land at Kirton, an off-campus agricultural research site linked to Warwick HRI activities, for £0.8m. The net profit on disposal, after professional costs of sale, is shown above.

During 2007/08 the University sold Anchor House, an off-campus residence, for £1.5m. The net profit on disposal, after professional costs of sale, is shown in the comparative figures above.

The proceeds of both of the above sales are being reinvested in the University's capital development programme for academic buildings.

10. INTANGIBLE FIXED ASSETS	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £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	1,967	1,514	5,269	5,269
- in this year	453	453	0	0
Carried forward as at 31 July	<b>(1,362)</b>	<b>(1,815)</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)

### 11. 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 2008	423,900	321,466	87,912	14,522
Additions at Cost	51,903	5,075	18,827	28,001
Asset Transfers	0	17,499	0	(17,499)
Write Offs and Disposals at Cost	(469)	(48)	(44)	(377)
At 31 July 2009	475,334	343,992	106,695	24,647
<b>Depreciation</b>				
At 1 August 2008	146,593	84,945	61,648	0
Charge for the year	19,849	8,601	11,248	0
Eliminated on Write Offs and Disposals	0	0	0	0
At 31 July 2009	166,442	93,546	72,896	0
<b>Net Book Value at 31 July 2009</b>	<b>308,892</b>	250,446	33,799	24,647
Net Book Value at 31 July 2008	277,307	236,521	26,264	14,522

The balance for '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 £4.1 million (2008: £5.5 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)

### 11. 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 2008	410,606	315,951	81,526	13,129
Additions at Cost	42,201	4,865	18,691	18,645
Asset Transfers	0	17,499	0	(17,499)
Write Offs and Disposals at Cost	(469)	(48)	(44)	(377)
At 31 July 2009	452,338	338,267	100,173	13,898
<b>Depreciation</b>				
At 1 August 2008	136,184	80,465	55,719	0
Charge for the Year	19,446	8,427	11,019	0
Eliminated on Write Offs and Disposals	0	0	0	0
At 31 July 2009	155,630	88,892	66,738	0
<b>Net Book Value at 31 July 2009</b>	<b>296,708</b>	249,375	33,435	13,898
Net Book Value at 31 July 2008	274,422	235,486	25,807	13,129

### 12. INVESTMENTS

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Balance at 1 August</b>	4,341	4,708	2,761	3,313
Net Additions / (Disposals) in the year	122	(235)	122	(215)
Share of Associate's Surplus for the year	357	205	0	0
Decrease in Market Value	(302)	(184)	(302)	(184)
Increase in Provision for Diminution in Value	(29)	(153)	(29)	(153)
<b>Balance at 31 July</b>	<b>4,489</b>	<b>4,341</b>	<b>2,552</b>	<b>2,761</b>
Represented by:				
Group Undertakings	0	0	298	298
Associated Undertaking	2,235	1,878	0	0
Other Equity Investments	1,103	1,074	1,103	1,074
Cash held within Managed Funds	239	588	239	588
Bonds held within Managed Funds	263	107	263	107
Equity Investments held within Managed Funds	1,319	1,211	1,319	1,211
Alternative Investments held within Managed Funds	382	506	382	506
	5,541	5,364	3,604	3,784
Provision for Diminution in Value	(1,052)	(1,023)	(1,052)	(1,023)
	<b>4,489</b>	<b>4,341</b>	<b>2,552</b>	<b>2,761</b>

## notes to the accounts

(continued)

### 12. 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:

CVCP Properties plc	50,766 ordinary shares of £1 each
Protherics Limited	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.

#### Allinea Software Limited (previously Backnet Limited)

1,146 ordinary shares of 10p each being 5.70% of issued ordinary shares.

#### Apnee Sehat CIC

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

#### A2SP Limited (dissolved 8 September 2009)

1,000 ordinary shares of £1 each being 18.21% of issued ordinary shares.

#### BioAthene Limited

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

#### Base4 Innovation Limited

200,000 ordinary shares of 0.1p each being 31.10% of issued ordinary shares.

## notes to the accounts

(continued)

### 12. 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.

#### [Cambridge CMOS Sensors Limited](#)

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

#### [Circadian Solar Limited \(previously AdvanceSis Limited\)](#)

37,392 ordinary shares of 1p each being 7.59% of total issued shares of which there are 61,960 ordinary shares of 1p each and 430,691 preferred ordinary shares of 1p each.

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

13,957 ordinary shares of 10p each being 11.46% of issued ordinary shares.

#### [Decision Technology Limited](#)

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

#### [DigePrint Limited](#)

25,000 ordinary shares being 1.25% of issued ordinary shares, or 0.89% of total issued shares. 1,996,179 ordinary shares of £1 each and 825,528 Class 'B' ordinary shares of 50p each have been issued.

#### [G-Tronix Limited](#)

600 ordinary shares of 1p each being 16.40% of issued ordinary shares.

#### [Neurodiscovery Limited](#)

3,469,187 ordinary shares of AUD 0.20 each being 6.03% of issued ordinary shares. Shares are listed on the Australian stock exchange.

#### [Novolytics Limited](#)

57,782 ordinary shares of 10p each being 34.07% of total issued shares.

#### [Opscape Limited](#)

6,500 ordinary shares of 1p each being 24.53% of issued ordinary shares and 5,083 Class 'A' ordinary shares of 1p each being 19.09% of issued Class 'A' ordinary shares.

#### [Optical Antenna Solutions Limited](#)

130 ordinary shares of £1 each being 9.74% 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.

#### [Shibden 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.

## notes to the accounts

(continued)

### 12. INVESTMENTS - continued

#### Sorption Energy Limited

3,333 ordinary shares of 1p each being 33.33% of issued ordinary shares.

#### Tangent Reprofilng Limited

2,000 ordinary shares of 1p each being 11.85% of issued ordinary shares.

#### Virabiotech Limited

200 ordinary shares of 10p each being 22.50% of issued ordinary shares. The University has also made a £50,000 convertible loan to the company.

#### Vizeye Limited

600 ordinary shares of 10p each being 23.53% of issued ordinary shares.

#### Warwick Audio Technologies Limited

1,572 ordinary shares of 10p each being 12.06% of issued ordinary share capital. 6,581 ordinary shares of 10p each and 6,449 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

3,125 ordinary shares of £1 each being 15.86% of issued ordinary shares and 1,538 Class 'A' ordinary shares of £1 each being 8.57% of issued Class 'A' ordinary shares.

#### 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 (dissolved 3 November 2009)

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 Warp Limited

460 ordinary shares of 10p each being 15.29% of issued ordinary shares and 379 Class 'A' ordinary shares of 10p each being 30.54% of issued Class 'A' 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)

### 13. ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
Balance at 1 August 2008	5,229	5,500	0	0
New endowments invested	0	1,320	0	0
Disposals	0	(24)	0	0
Decrease in market value of investments	(273)	(359)	0	0
(Decrease) / increase in cash balances held for endowment funds	(48)	(1,208)	256	0
<b>Balance at 31 July 2009</b>	<b>4,908</b>	<b>5,229</b>	<b>256</b>	<b>0</b>
Composed of :-				
Securities	2,811	3,084	0	0
Cash at bank held for endowment funds	2,097	2,145	256	0
<b>Total Endowment Asset Investments</b>	<b>4,908</b>	<b>5,229</b>	<b>256</b>	<b>0</b>

### 14. DEBTORS

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Amounts falling due within one year:</b>				
Trade Debtors	15,316	16,629	13,506	13,883
VAT and Other Taxes	40	156	0	0
Amounts owed by group undertakings	0	0	6,070	7,371
Amounts owed by associated undertaking	103	97	103	97
Prepayments and accrued income	16,772	16,973	16,711	16,816
Short Term Loans	0	383	0	383
<b>Amounts falling due after one year:</b>				
Debtors and prepayments	1,149	400	1,149	400
<b>Total Debtors</b>	<b>33,380</b>	<b>34,638</b>	<b>37,539</b>	<b>38,950</b>

## notes to the accounts

(continued)

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

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
Unsecured Loans (note 17)	1,366	1,350	1,366	1,350
Payments Received in Advance	52,089	40,968	51,026	39,724
Trade Creditors	11,169	13,696	10,972	12,864
Social Security and Other Taxation Payable	10,225	8,307	9,877	7,878
Accruals	15,691	13,360	12,825	10,431
Amounts owed to group undertakings	0	0	28,855	33,250
Amounts owed to associated undertaking	2	18	2	0
Other Creditors	0	0	0	0
	<b>90,542</b>	<b>77,699</b>	<b>114,923</b>	<b>105,497</b>

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

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
Unsecured Loans (note 17)	66,308	47,306	66,308	47,306
Other Creditors	0	0	0	0
	<b>66,308</b>	<b>47,306</b>	<b>66,308</b>	<b>47,306</b>

## notes to the accounts

(continued)

### 17. FINANCIAL INSTRUMENTS AND BORROWINGS

At 31 July 2009 the consolidated borrowings are analysed as follows, by expected date of final capital repayments:

	Totally Repayable		
	Total	Between two and five years	After five years
	£000	£000	£000
Amounts falling due within one year (note 15):	1,366	0	1,366
Amounts falling due after more than one year (note 16):	66,308	15,000	51,308
	<b>67,674</b>	<b>15,000</b>	<b>52,674</b>

The University takes professional advice on the hedging of interest rates on its borrowing, with a view to reducing the risk of unexpected finance costs. The University has entered into long term interest swap agreements which result in effective fixed rate borrowing over the life of the loans as shown below.

Bank loan arrangements for the University as at 31 July 2009:

	£m	Effective Fixed rate
<b>Drawn facilities - all variable rate</b>		
Amortising loan, drawn July 2007, repayable July 2037	40	5.38%
Bullet loan, drawn July 2008, repayable July 2037	10	4.83%
Bullet loan, drawn July 2009, repayable July 2037	5	4.93%
Revolving facility, drawn July 2009, repayable July 2012	15	4.91%
	<b>70</b>	
<b>Available facilities - all variable rate</b>		
Bullet loan, repayable July 2037	15	
Bullet loan, repayable July 2037	10	4.85% *
Revolving facility, repayable July 2012	5	
	<b>30</b>	

\* Swap is forward dated, commencing July 2010

The University has a negative pledge arrangement in respect of the bank loan facilities.

During the year the further other borrowing arrangements were put into place:

1. The final tranche (£107,500) of a £430,000 loan from the Lawn Tennis Association was received. This loan is amortising over 13 years from September 2008, at a 0% rate of interest, specifically for the purpose of building an indoor tennis centre.
2. A £261,200 amortising loan, specifically for the purpose of funding energy efficiency and low carbon technology was received from HEFCE, as part of HEFCE's partnership with Salix Finance Ltd. The loan is at a 0% rate of interest and is repayable in greater than five years, being the period during which compliant projects have already been planned.

## notes to the accounts

(continued)

### 18. 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 2008:</b>						
Buildings	90,522	50,831	39,691	90,664	50,831	39,833
Equipment	14,978	8,516	6,462	14,973	8,516	6,457
<b>Total</b>	<b>105,500</b>	<b>59,347</b>	<b>46,153</b>	<b>105,637</b>	<b>59,347</b>	<b>46,290</b>
<b>Add: Cash Received:</b>						
Buildings	15,194	8,755	6,439	15,194	8,755	6,439
Equipment	16,473	2,511	13,962	16,473	2,511	13,962
<b>Total</b>	<b>31,667</b>	<b>11,266</b>	<b>20,401</b>	<b>31,667</b>	<b>11,266</b>	<b>20,401</b>
<b>Less: Released to Income &amp; Expenditure:</b>						
Buildings (Notes 1, 3 & 4)	3,956	2,346	1,610	3,936	2,346	1,590
Equipment (Notes 1, 3 & 4)	7,972	3,448	4,524	7,967	3,448	4,519
<b>Total (Note 8)</b>	<b>11,928</b>	<b>5,794</b>	<b>6,134</b>	<b>11,903</b>	<b>5,794</b>	<b>6,109</b>
<b>At 31 July 2009:</b>						
Buildings	101,760	57,240	44,520	101,922	57,240	44,682
Equipment	23,479	7,579	15,900	23,479	7,579	15,900
<b>Total</b>	<b>125,239</b>	<b>64,819</b>	<b>60,420</b>	<b>125,401</b>	<b>64,819</b>	<b>60,582</b>

### 19. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated	University
	£000	£000
<b>Early leavers and retirements provision</b>		
<b>At 1 August 2008</b>	<b>648</b>	<b>602</b>
Utilised in Year	(360)	(314)
New Provisions in Year	1,300	1,274
<b>At 31 July 2009</b>	<b>1,588</b>	<b>1,562</b>
<b>Restructuring provision for WHRI Kirton</b>		
<b>At 1 August 2008</b>	<b>684</b>	<b>684</b>
Utilised in Year	(435)	(435)
<b>At 31 July 2009</b>	<b>249</b>	<b>249</b>
<b>Total of above provisions carried forward at 31 July 2009</b>	<b>1,837</b>	<b>1,811</b>



## notes to the accounts

(continued)

### 20. ENDOWMENTS

#### CONSOLIDATED

	Restricted Permanent £000	Restricted Expendable £000	2009 Total £000	2008 Total £000
<b>Balances at 1 August 2008</b>				
Capital	2,035	3,012	5,047	5,388
Accumulated Income	150	32	182	112
	<b>2,185</b>	<b>3,044</b>	<b>5,229</b>	<b>5,500</b>
<b>New endowments</b>	<b>294</b>	<b>72</b>	<b>366</b>	<b>278</b>
Investment Income	35	78	113	253
Expenditure	(31)	(496)	(527)	(443)
	4	(418)	(414)	(190)
Decrease in market value of investments	(154)	(119)	(273)	(359)
<b>At 31 July 2009</b>	<b>2,329</b>	<b>2,579</b>	<b>4,908</b>	<b>5,229</b>
<b>Represented by:</b>				
Capital	2,175	2,491	4,666	5,033
Accumulated Income	154	88	242	196
<b>Total</b>	<b>2,329</b>	<b>2,579</b>	<b>4,908</b>	<b>5,229</b>

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	Restricted Permanent £000	Restricted Expendable £000	2009 Total £000	2008 Total £000
<b>Balances at 1 August 2008</b>				
Capital	0	0	0	0
Accumulated Income	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>New endowments</b>	<b>255</b>	<b>0</b>	<b>255</b>	<b>0</b>
Investment Income	1	0	1	0
Expenditure	0	0	0	0
	1	0	1	0
Decrease in market value of investments	0	0	0	0
<b>At 31 July 2009</b>	<b>256</b>	<b>0</b>	<b>256</b>	<b>0</b>
<b>Represented by:</b>				
Capital	255	0	255	0
Accumulated Income	1	0	1	0
<b>Total</b>	<b>256</b>	<b>0</b>	<b>256</b>	<b>0</b>

### 21. GENERAL RESERVES

	Consolidated £000	University £000
<b>Balance at 1 August 2008</b>	<b>109,802</b>	<b>77,569</b>
Surplus for the Financial Year	2,644	1,012
Actuarial Loss on Pension Liability (note 30)	(6,001)	(6,001)
<b>Balance at 31 July 2009</b>	<b>106,445</b>	<b>72,580</b>
General Reserves excluding Pension Liability (note 22)	124,471	90,606
Pension Reserve (note 30)	(18,026)	(18,026)
<b>General Reserves including Pension Liability</b>	<b>106,445</b>	<b>72,580</b>

## notes to the accounts

(continued)

<b>22. CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT RESERVES</b>	2009	2008
	£000	£000
General Reserves - Associate Investment	2,235	1,878
Other Reserves	122,236	120,080
	<b>124,471</b>	<b>121,958</b>

<b>23. LEASE OBLIGATIONS</b>	Consolidated		University	
	2009	2008	2009	2008
	£000	£000	£000	£000
<b>Operating lease commitments in respect of buildings and equipment on leases expiring:</b>				
Within one year	0	33	0	33
Between one and five years	1,942	1,816	543	417
Over five years	1,190	1,190	1,190	1,190
	<b>3,132</b>	<b>3,039</b>	<b>1,733</b>	<b>1,640</b>

<b>24. CAPITAL COMMITMENTS</b>	Consolidated		University	
	2009	2008	2009	2008
	£000	£000	£000	£000
Commitments contracted at 31 July	9,006	25,638	7,631	15,085
Authorised but not contracted at 31 July	54,110	85,829	54,110	85,829
	<b>63,116</b>	<b>111,467</b>	<b>61,741</b>	<b>100,914</b>

<b>25. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	2008/09	2007/08
	£000	£000
Surplus on Ordinary Activities Before Tax	1,279	1,158
Surplus Relating to Exceptional Items	669	1,311
Depreciation (Note 11)	19,849	17,829
Shortfall of Contributions to Pension Scheme Against Service Costs (Note 30)	180	818
Credit of Goodwill (Note 10)	(453)	(453)
Profit on Write Off and Disposal of Tangible Fixed Assets	(292)	(947)
Realised Losses from Change in Market Value of Equity Investments (note 12)	302	0
Deferred Capital Grants Released to Income (Note 18)	(11,928)	(9,013)
Endowment Income and Interest Receivable (Note 5)	(1,753)	(3,609)
Interest Payable (Note 7)	1,710	1,895
Decrease / (Increase) in Stocks	68	(1)
Decrease in Debtors	1,258	4,895
Increase in Creditors	12,827	2,059
Increase in Provisions (Note 19)	505	356
Increase in Investments Provisions (Note 12)	29	153
	<b>24,250</b>	<b>16,451</b>

## notes to the accounts

(continued)

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

	2008/09 £000	2007/08 £000
Income from Endowments (Note 5)	113	253
Other Interest Receivable (Note 5)	1,329	2,278
Interest Payable (Note 7)	(1,710)	(1,895)
Deed of Covenant payment to Minority Interests	(35)	0
	<b>(303)</b>	<b>636</b>

### 27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2008/09 £000	2007/08 £000
Tangible Assets Acquired (Note 11)	(51,903)	(46,552)
Investments (Acquired) / Sold (Note 12)	(122)	235
Endowment Asset Investments Acquired (Note 13)	0	(1,320)
Net Proceeds on Disposal of Tangible Assets	761	1,520
Receipts from Sale of Endowment Assets (Note 13)	0	24
Deferred Capital Grants Received (Note 18)	31,667	23,350
Endowments Received (Note 20)	366	278
	<b>(19,231)</b>	<b>(22,465)</b>

### 28. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2008 £000	Other Changes £000	Cash Flows £000	At 31 July 2009 £000
Cash at Bank and in Hand	26,256	0	382	26,638
Short Term Deposits	12,000	0	23,400	35,400
Endowment Assets (Note 13)	2,145	0	(48)	2,097
Debt due within one year (Note 15)	(1,350)	(1,358)	1,342	(1,366)
Debt due after one year (Note 16)	(47,306)	1,358	(20,360)	(66,308)
Net Debt	<b>(8,255)</b>	<b>0</b>	<b>4,716</b>	<b>(3,539)</b>

## notes to the accounts

(continued)

### 29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING

	Mortgages & Loans	
	£000	£000
Balances at 1 August 2007		39,666
New Loans	10,323	
Capital Repayments	(1,333)	
Net New Loans in Year		8,990
Balances at 31 July 2008		48,656
New Loans	20,368	
Capital Repayments	(1,350)	
Net New Loans in Year		19,018
Balances at 31 July 2009 (Note 17)		67,674

### 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 fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 130,000 active members and the University had 2,447 active members participating in the scheme, as at 31 July 2009.

The main results and assumptions of the most recent valuation of the USS are as follows:

	USS
Latest actuarial valuation date for which valuation is available	31 March 2008
Valuation method	Projected Unit
Value of notional assets	£28,842.6m
Value of technical provisions	£28,135.3m
Funding level from accrued benefits	103.0%
Investment return per annum (past service and future service, respectively)	6.4%, 6.1%
Salary scale increases per annum	4.3%
Pension increases per annum	3.3%

Standard mortality tables were used as follows:

Male members' mortality:	PA92 MC YoB tables - rated down 1 year
Female members' mortality:	PA92 MC YoB tables - no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65:	22.8 (24.8) years
Males (females) currently aged 45:	24.0 (25.9) years

## notes to the accounts

(continued)

### 30. PENSION SCHEMES - continued

This was the first valuation under for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The actuary also valued the scheme on a number of other bases as at the date of valuation. On the scheme's historic gilts basis, using a valuation rate in respect of past services of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded. On a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 would have been approximately 104%.

The institution contribution rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate from the 14% (paid throughout the year ended 31 July 2009) to 16% of pensionable salaries, from 1 October 2009.

Since March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions effect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS 17 basis, using an AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements.

USS is 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 trustee believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers.

## notes to the accounts

(continued)

### 30. PENSION SCHEMES - continued

The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

#### 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. This valuation has been updated to 31 July 2009 by a qualified independent actuary, for calculating FRS 17 accounting entries. The main results and assumptions of the most recent valuation of the UWPS are as follows:

	UWPS
Latest actuarial valuation date	5 April 2007
Valuation method	Projected Unit
Value of notional assets	£100.527m
Funding level from accrued benefits	101%
Investment return per annum	- pre-retirement 6.50%
	- post-retirement (non-pensioners) 4.75%
	- post-retirement (pensioners) 5.00%
Salary scale increases per annum	4.25%
Pension increases per annum (subject to limited price indexation)	3.00%

As at 31 July 2009 there were 1,318 members of staff actively contributing to the Scheme.

The University contributed 19.85% of members' pensionable salaries to the Scheme throughout the year ended 31 July 2009. The University currently expects contributions to continue at this rate throughout the year ending 31 July 2010 and the estimated contribution for the year is £4.7 million.

## 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:

	2009	2008	2007	2006	2005
Rate of increase in salaries	4.65%	4.75%	4.50%	4.20%	4.20%
Rate of increase of pensions in payment	3.40%	3.50%	3.00%	*2.70%	*2.70%
* some pensions have guaranteed 3% increases.					
Discount rate	6.00%	5.80%	5.60%	5.40%	5.30%
Inflation assumption	3.40%	3.50%	3.00%	2.70%	2.70%
Return on equity investments **	8.50%	7.90%	8.00%	7.50%	7.30%
Return on bond investments **	4.64%	4.90%	5.00%	4.50%	4.30%

\*\* to develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on risk free investments (government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested (equities) and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of a 7.15% assumption for returns in the year ending 31 July 2009 (07/08 : 7.23%).

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2009 Years	2008 Years	2007 Years	2006 Years	2005 Years
Male member aged 45	22.4	22.4	23.1	23.1	19.4
Female member aged 45	25.7	25.7	25.9	25.9	22.4
Male member aged 65	20.6	20.6	21.3	21.3	16.9
Female member aged 65	23.7	23.7	24.2	24.2	19.9

The assets in the Scheme were:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Value of assets					
- Equities	72,694	71,998	75,010	69,383	58,711
- Bonds and cash	20,504	23,999	25,875	20,435	16,425
Total market value of assets	93,198	95,997	100,885	89,818	75,136
Value of liabilities	(111,224)	(108,153)	(110,606)	(101,457)	(86,396)
<b>Net pension deficit</b>	<b>(18,026)</b>	<b>(12,156)</b>	<b>(9,721)</b>	<b>(11,639)</b>	<b>(11,260)</b>

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

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Net assets excluding pension liability	254,783	232,812	216,326	202,154	190,033
Pension liability	(18,026)	(12,156)	(9,721)	(11,639)	(11,260)
<b>Net assets including pension liability</b>	<b>236,757</b>	<b>220,656</b>	<b>206,605</b>	<b>190,515</b>	<b>178,773</b>
	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Income and expenditure reserve excluding pension liability	124,471	121,958	119,347	114,455	104,614
Pension reserve	(18,026)	(12,156)	(9,721)	(11,639)	(11,260)
<b>Income and expenditure reserve including pension liability</b>	<b>106,445</b>	<b>109,802</b>	<b>109,626</b>	<b>102,816</b>	<b>93,354</b>

## notes to the accounts

(continued)

### 30. PENSION SCHEMES - continued

Analysis of movement in the market value of scheme assets	2008/09	2007/08
	£000	£000
Fair value of plan assets at beginning of the year	95,997	100,885
Expected rate of return on scheme assets	6,652	7,348
Actuarial losses	(11,623)	(13,747)
Contribution paid by the employer	4,422	4,008
Contributions by scheme participants	1,404	1,308
Benefits paid	(3,654)	(3,805)
	<hr/>	<hr/>
Fair value of plan assets at end of the year	<u>93,198</u>	<u>95,997</u>
	<hr/> <hr/>	<hr/> <hr/>
Analysis of movement in the present value of scheme liabilities	2008/09	2007/08
	£000	£000
Benefit obligation at beginning of the year	108,153	110,606
Current service costs	4,602	4,826
Interest cost	6,341	6,270
Contributions by scheme participants	1,404	1,308
Actuarial gains	(5,622)	(11,052)
Benefits Paid	(3,654)	(3,805)
Past service cost	0	0
	<hr/>	<hr/>
Benefit obligation at end of the year	<u>111,224</u>	<u>108,153</u>
	<hr/> <hr/>	<hr/> <hr/>
Analysis of amount recognised in Statement of Total Recognised Gains and Losses	2008/09	2007/08
	£000	£000
Actual loss on scheme assets	(4,971)	(6,399)
Expected return on assets	(6,652)	(7,348)
Experienced gains and losses on liabilities	0	2,690
Changes in assumptions	5,622	8,362
	<hr/>	<hr/>
Actuarial loss recognised in the Statement of Total Recognised Gains and Losses	(6,001)	(2,695)
Adjustment due to surplus cap	0	0
	<hr/>	<hr/>
<b>Net loss recognised</b>	<u>(6,001)</u>	<u>(2,695)</u>
	<hr/> <hr/>	<hr/> <hr/>
Summary of movement in net liability during the year	2008/09	2007/08
	£000	£000
Current service cost	(4,602)	(4,826)
Contributions	4,422	4,008
Past service costs	0	0
Net return on assets	311	1,078
	<hr/>	<hr/>
Net credit to Income and Expenditure Account	131	260
Actuarial loss recognised in the Statement of Total Recognised Gains and Losses	(6,001)	(2,695)
<b>Deficit in scheme at 1 August</b>	<u>(12,156)</u>	<u>(9,721)</u>
	<hr/>	<hr/>
<b>Deficit in scheme at 31 July</b>	<u>(18,026)</u>	<u>(12,156)</u>
	<hr/> <hr/>	<hr/> <hr/>



## notes to the accounts

(continued)

### 30. PENSION SCHEMES - continued

History of experience of gains and losses	2008/09 £000	2007/08 £000	2006/07 £000	2005/06 £000	2004/05 £000
Actual return less expected return on scheme assets	(11,623)	(13,747)	2,356	5,373	7,892
% of scheme assets:	(12.5%)	(14.3%)	2.3%	6.0%	10.5%
Experience of gains and losses on liabilities	0	2,690	0	0	(5,747)
% of scheme liabilities:	0.0%	2.5%	0.0%	0.0%	(6.7%)
Changes in assumptions	5,622	8,362	(327)	(7,824)	(2,790)
Total amount recognised in Statement of Total Recognised Gains and Losses	(6,001)	(2,695)	2,029	(2,451)	(645)
% of scheme liabilities:	(5.4%)	(2.5%)	1.8%	(2.4%)	(0.7%)

Cumulative actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses are:

	2009 £000	2008 £000
Loss as at 31 July	(26,615)	(20,614)

The University's contribution to the various schemes in respect of its own staff, in the years 2008/09 and 2007/08, were:

	2008/09 £000	2007/08 £000
Universities Superannuation Scheme (USS)	15,199	13,582
University of Warwick Pension Scheme (UWPS)	4,103	3,974
National Health Service Pensions Agency (NHSPA)	573	499
Local Government Superannuation Scheme (LGSS)	40	25
Net cost / (refund) of contributions to / from other schemes	4	(15)
	19,919	18,065
FRS 17 adjustment to pension charge for year	180	818
Pension cost for year (note 6)	20,099	18,883

The NHSPA 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.

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

## notes to the accounts

(continued)

### 31. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES

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

	<u>No. of £1 Ordinary Shares</u>
Warwick University Training Limited	4
Warwick University Services Limited	125,000
Warwick University Enterprises Limited	20,000
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

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. 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.

Throughout the year and as at the year end 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 12)

During the year, the University group of companies made purchases from the Science Park of £280k (2007/08: £377k). The University recharged costs to the Science Park of £1.3m (2007/08: £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.

## notes to the accounts

(continued)

### 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.

Professor Stuart Palmer, an ex officio member of Council, is also a member of the Investment Committee of the Mercia Fund and director of Mercia Fund Management Ltd. Throughout the last financial year the University held an investment of £200k (2007/08: £200k) in the Mercia Fund 1 and at the year end held an investment of £320k (2007/08: £240k) in the Mercia Fund 2.

Mr John Leighfield, an ex officio member and chair of Council and the University's Pro-Chancellor, is also a director of RM plc, a leading provider of IT services to education. During the last financial year, the University purchased products and services to the value of £0.7m (2007/08: £0.6m) from RM plc.

Mr Brian Woods-Scawen, an ex officio member of Council and the University's Treasurer, is also chairman of the West Bromwich Building Society, with which the University from time to time holds cash deposits on short term investment. The maximum investment held with the West Bromwich Building Society during the last financial year was £5m and as at 31 July 2009 the University had no deposits with the Society.

Mr Woods-Scawen is also a strategic advisor to law firm Martineau. During the year the University acquired legal services to the value of £0.6m (2007/08: £0.5m) from Martineau.

Dr Roy Chung, an appointed lay member of Council, is also Court Chairman of the Hong Kong Polytechnic University. During the last financial year the University provided academic services to the Hong Kong Polytechnic University to the value of £0.3m (2007/08: £0.3m).

Ms Vikki Heywood, appointed as a lay member of Council in 2008, is also an Executive Director of the Royal Shakespeare Company. During the last financial year the University purchased performance services to the value of £21k, passed on partner grant payments totalling £106k and received payments for £36k with respect to the provision of academic services and hire of facilities.

During the last financial year, Professor Yvonne Carter was both an ex officio member of Council and also Academic General Practitioner and Honorary NHS Consultant in Primary Care at Coventry Primary Care Trust from which the University received payments to the value of £0.5m (2007/08: £0.3m), primarily in respect of rechargeable medical staff salary costs. Professor Carter was also a non-executive director of University Hospitals Coventry and Warwickshire NHS Trust to which the University made payments to the value of £1.9m (2007/08: £1.6m) 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 (2007/08: £0.4m).

## notes to the accounts

(continued)

### 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, or are the subject of grant or planning consent, within an agreed clawback period, then the University will be liable to pay 50% of the increase in value of the property over the higher of current existing use value or the value at acquisition, to DEFRA.

During the financial year the University made a partial disposal of land at the Kirton site, the proceeds of which are included in the value recognised to date shown in the table below (see note 9). No clawback is due as a result of this sale.

The terms of the clawback and the increase in value recognised since acquisition, relative to the valuation at acquisition, can be summarised as follows:

	Valuation on acquisition	Value recognised to date	Clawback period expires
Wellesbourne land and property	£20,384,000	£nil	2019
Kirton land and property	£1,916,750	£767,919	2024

### 34. ACCESS FUNDS

	2008/09 £000	2007/08 £000
Opening fund balance	31	109
Funding Council grants received in year	242	246
	<hr/>	<hr/>
	273	355
Disbursed to Students	(239)	(324)
	<hr/>	<hr/>
Balance Unspent at 31 July	34	31

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

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

<b>(a) Student Bursaries</b>	2008/09 £000	2007/08 £000
Opening fund balance	135	246
Net Training and Development Agency for Schools grants received in year	2,574	2,906
	<hr/> 2,709	<hr/> 3,152
Disbursed to students	(2,530)	(2,967)
Administration fee	(51)	(50)
	<hr/> 128	<hr/> 135
<b>Balance Unspent at 31 July owing to the Training and Development Agency</b>	<hr/> <hr/> <b>128</b>	<hr/> <hr/> <b>135</b>
<b>(b) Ethnic Minority Recruitment</b>	2008/09 £000	2007/08 £000
Opening fund balance	3	9
Net Training and Development Agency for Schools grants received in year	16	16
	<hr/> 19	<hr/> 25
Development	(5)	(15)
Administration	(7)	(7)
	<hr/> 7	<hr/> 3
<b>Balance Unspent at 31 July owing to the Training and Development Agency</b>	<hr/> <hr/> <b>7</b>	<hr/> <hr/> <b>3</b>
<b>(c) Student Associate Scheme</b>	2008/09 £000	2007/08 £000
Opening fund balance	9	2
Net Training and Development Agency for Schools grants received in year	246	256
	<hr/> 255	<hr/> 258
Disbursed to students	(125)	(127)
Support Payments to Schools	(36)	(49)
Administration	(75)	(73)
	<hr/> 19	<hr/> 9
<b>Balance Unspent at 31 July owing to the Training and Development Agency</b>	<hr/> <hr/> <b>19</b>	<hr/> <hr/> <b>9</b>

Training and Development Agency for Schools grants are available solely for students or schools 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

	2008/09	2007/08	2006/07	2005/06	2004/05
	£000	£000	£000	£000	£000
<b>Income</b>					
Funding Council Grants	86,822	85,506	84,730	77,136	65,953
Academic Fees & Support Grants	115,858	100,007	87,845	76,793	70,030
Research Grants & Contracts	72,979	61,665	57,021	60,620	58,620
Other Operating Income	98,244	99,394	97,479	93,270	87,216
Endowment Income & Interest Receivable	1,753	3,609	3,436	2,782	2,030
<b>Total Income</b>	<b>375,656</b>	<b>350,181</b>	<b>330,511</b>	<b>310,601</b>	<b>283,849</b>
<b>Expenditure</b>					
Staff Costs	203,841	189,560	172,302	157,915	145,051
Depreciation	19,849	17,829	16,254	14,829	14,280
Other Operating Expenses	148,977	139,739	134,439	122,864	112,400
Interest Payable	1,710	1,895	3,036	3,181	3,460
<b>Total Expenditure</b>	<b>374,377</b>	<b>349,023</b>	<b>326,031</b>	<b>298,789</b>	<b>275,191</b>
<b>Surplus on Continuing Operations</b>	<b>1,279</b>	<b>1,158</b>	<b>4,480</b>	<b>11,812</b>	<b>8,658</b>
Share of profit after tax of Associate	357	205	145	46	98
Equity Minority Interest	(75)	7	(154)	(68)	(53)
Exceptional Items	669	1,311	0	0	0
Transfer from Accumulated Income within Specific Endowments	414	190	310	123	213
<b>Retained Earnings for the Financial Year</b>	<b>2,644</b>	<b>2,871</b>	<b>4,781</b>	<b>11,913</b>	<b>8,916</b>
<b>Surplus excluding FRS 17 adjustments</b>	<b>2,513</b>	<b>2,611</b>	<b>4,892</b>	<b>9,841</b>	<b>7,855</b>
<b>Assets</b>					
Fixed Assets	312,019	279,833	251,597	241,830	236,446
Endowment Asset Investments	4,908	5,229	5,500	4,092	2,392
Current Assets	96,543	74,087	74,161	76,200	69,313
<b>Liabilities</b>					
Current Liabilities	90,542	77,699	75,570	68,843	64,697
Long Term Liabilities	66,308	47,306	38,386	50,818	52,990
Provisions	1,837	1,332	976	307	431
<b>Net Assets, excluding Pension Liability</b>	<b>254,783</b>	<b>232,812</b>	<b>216,326</b>	<b>202,154</b>	<b>190,033</b>
Pension Liability	(18,026)	(12,156)	(9,721)	(11,639)	(11,260)
<b>Net Assets, including Pension Liability</b>	<b>236,757</b>	<b>220,656</b>	<b>206,605</b>	<b>190,515</b>	<b>178,773</b>
<b>Capital Expenditure</b>					
Land and Buildings	33,076	32,621	16,444	16,369	13,049
Plant, Machinery & Equipment	18,827	13,931	8,083	7,890	8,575
	<b>51,903</b>	<b>46,552</b>	<b>24,527</b>	<b>24,259</b>	<b>21,624</b>

## indicators of financial health

	2008/09	2007/08	2006/07	2005/06	2004/05
(a) % Ratio of Total HEFCE & TDA Grants to Total Income	23.11%	24.42%	25.64%	24.83%	23.24%
(b) % Ratio of Total Fees from Home & EU Students to Total Income	14.04%	12.95%	11.09%	9.40%	9.72%
(c) % Ratio of Total Fees from Overseas Students to Total Income	12.55%	11.36%	11.52%	11.70%	11.56%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	19.43%	17.61%	17.25%	19.52%	20.65%
(e) % Ratio of Total Other Services Rendered Income to Total Income	1.63%	2.30%	1.96%	2.38%	3.06%
(f) % Ratio of Total Residences and Catering Income to Total Income	7.88%	8.08%	7.90%	8.17%	8.47%
(g) % Ratio of Total all Other Income to Total Income	21.36%	23.28%	24.64%	24.00%	23.30%
(h) % Ratio of Staff Costs to Total Income	54.26%	54.13%	52.13%	50.84%	51.10%
(i) % Ratio of Surplus to Total Income	0.70%	0.82%	1.45%	3.84%	3.14%
(j) % Ratio of Long Term Liabilities* to Total General Funds*	54.75%	39.88%	32.98%	44.67%	51.06%
(k) Ratio of Liquid Assets to Current Liabilities	0.69	0.49	0.44	0.57	0.46
(l) Ratio of Current Assets to Current Liabilities	1.07	0.95	0.98	1.11	1.07
(m) Days of Total Income represented by Debtors	32.43	36.10	43.66	42.11	49.14
(n) Days of Total Expenditure represented by Creditors due within one year	88.27	81.26	84.60	84.10	85.81

\* excluding Pension Liability/Reserve

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