

statement of accounts

for the year ended 31 July 2010

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financial highlights

for the year ended 31 July 2010

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT		2009/10	2008/09	Change
		£ million	£ million	
Funding Council Grants		89.75	86.82	3.4%
Academic Fees and Support Grants		133.27	115.86	15.0%
Research Grants and Contracts		79.80	72.98	9.3%
Other Operating Income		104.90	98.25	6.8%
Endowment Income and Interest Receivable		0.76	1.75	(56.6%)
Total Income		408.48	375.66	8.7%
Surplus for the Financial Year, including exceptional items		9.30	2.64	252.3%
CONSOLIDATED BALANCE SHEET		2010	2009	
		£ million	£ million	
Fixed Assets		331.64	312.02	
Endowment Asset Investments		5.85	4.91	
Net Current Assets		4.57	6.00	
		342.06	322.93	
Long Term Creditors and Provisions		(67.02)	(68.15)	
Total Net Assets, excluding Pension Liability		275.04	254.78	8.0%
Pension Liability		(15.18)	(18.03)	
Total Net Assets, including Pension Liability		259.86	236.75	9.8%
CAPITAL EXPENDITURE IN THE YEAR		2009/10	2008/09	
		£ million	£ million	
		46.78	51.90	(9.9%)
NET CASH INFLOW FROM OPERATING ACTIVITIES		2009/10	2008/09	
		£ million	£ million	
		35.21	24.25	45.2%
OTHER KEY STATISTICS		2009/10	2008/09	
		Number	Number	
Full Time Students:-	Home / EU Undergraduates	9,802	9,620	1.9%
	Home / EU Postgraduates	2,494	2,178	14.5%
	Overseas Undergraduates	2,104	1,807	16.4%
	Overseas Postgraduates	2,210	1,815	21.8%
Total number of students (full time equivalent)		18,434	17,397	6.0%
Total staff numbers (full time equivalent)		4,448	4,523	(1.7%)

treasurer's report

I am pleased to report on the University of Warwick's annual accounts for the year ended 31 July 2010. The results for the year represent a strong financial performance and one that I am pleased to report as we move into a period of greater financial uncertainty. The University faces continuing pressures on public funding, a new system of student fees and continuing UK and global economic weakness that has an impact on the pattern of demand for both the University's educational and commercial services.

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 tend to be small in relation to the scale and complexity of the University's operations and continue to require close attention to costs and investment prioritisation.

The improved level of surplus for the year achieved by the University reflects continued growth in research activity, strong student demand and the impact of improvements in efficiency. The surplus is after exceptional costs in relation to the creation of the new School of Life Sciences.

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 amongst the world's top 50 universities by 2015, the 50th anniversary of Warwick's foundation. 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.

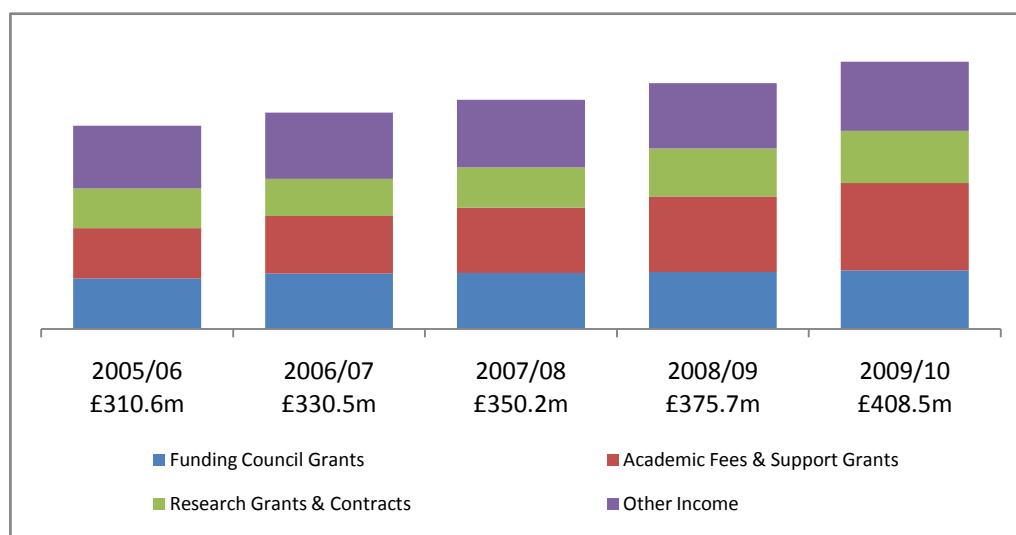
The University uses a range of both financial and non-financial indicators to monitor the performance of the University. Many of the financial indicators used are replicated on the previous Financial Highlights page and on the Indicators of Financial Health page at the end of these financial statements.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

treasurer's report

(continued)

Turnover

Turnover of the University has increased by 8.7% to £408.5m.



Research Income

Year on year reported income on research activity has increased over 9%, to £80m. This continued growth reflects the sustained success that Warwick has had in winning new research contracts in recent years and the range and depth of scholarship at Warwick. Research growth may be more moderate in the coming years, as a result of both current capacity limitations and the funding pressures faced by many grant giving bodies, not least the Research Councils. Despite continued increases in the competition to win research contracts, Warwick, once again, secured research contract awards totalling almost £100m during the year, much of which will be recognised in the accounts in future years as research contracts are completed.

Funding Council Grants

Despite receiving its share of the government funding cuts that have already started to impact on the sector, particularly with respect to funding for teaching, the University received a 3.6% year on year growth in its recurrent grant allocation from the Funding Council in 09/10. This follows a previous year of near zero growth in recurrent grants, following changes in government funding policies. In all the circumstances, this is a good performance, reflecting Warwick's success in the 2008 Research Assessment Exercise and its recognition of the high quality of research work that the staff of the University continue to undertake.

Growth in the University's core grant for this last financial year is less than the increase in the University's overall teaching and research operations. Taken together with both announced and further likely reductions in future government funding, the University recognises the continued need to maintain a close control of all costs, to diversify income streams and to respond to the new funding realities.

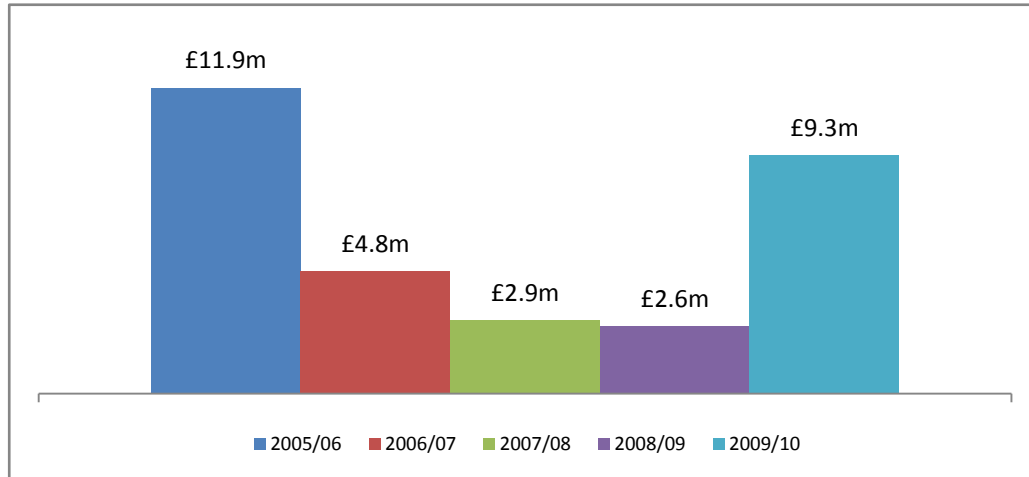
Academic Fee Income

Increases in fee income have been driven by both increases in the level of fees charged and additional student numbers. The University recognises the pressure that increasing fee levels and an increasing student population places on academic services and support. Coupled with the prospective reductions in teaching funding noted above, the University continues to make and plan for investment in academic facilities and student access support out of its own reserves and continues to assess how we can maintain the high quality of academic and social experience for students. A breakdown of academic fee income can be seen at note 2 of the accounts.

treasurer's report

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Surplus



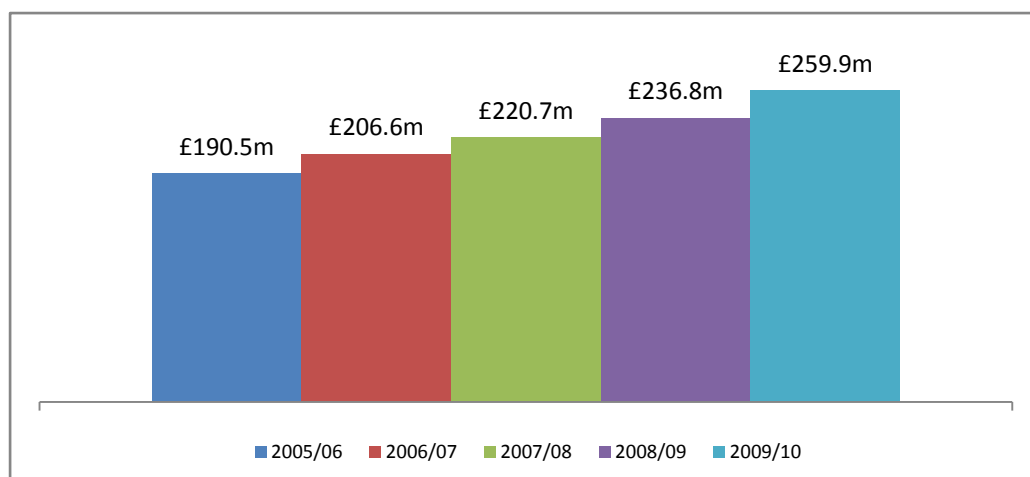
The surplus for the year was £9.3 million (2.3% of turnover). This compares with a corresponding surplus for the previous year of £2.6 million (0.7% of turnover). These surpluses are both after exceptional items (see note 9).

The improvement in the surplus was in line with plans and was referred to in my previous report on the financial statements for the year ended 31 July 2009.

The University's financial performance for the year continued to be underpinned by a particularly strong performance from a number of academic departments, as well as significant contributions from the University's commercial activities. The Warwick Business School had a particularly successful year. This was a creditable performance given the ongoing external economic pressures that operations have continued to face throughout the financial year.

The results for the year are after an £11.3m exceptional cost in relation to restructuring to create a new School of Life Sciences, building on the strengths of the existing departments of Biological Sciences and Warwick HRI (see note 9). The new School will be an integral part of the strategic vision for Life Sciences at Warwick, which aims to significantly enhance the quality, volume and future sustainability of Life Sciences research at the University.

Net Assets



treasurer's report

(continued)

The University's net assets have increased by 9.8% year on year, from £236.8 million to £259.9 million.

University of Warwick Pension Scheme (UWPS)

The University of Warwick Pension Scheme deficit has decreased from £18.0m to £15.2m. The principal reasons for this are an improvement in investment performance, following a recovery of prior year declines in global equity markets, and a reduction in the annual service costs of the scheme following changes in the scheme's benefits structure. 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 recently completed full valuation was at 5 April 2007.

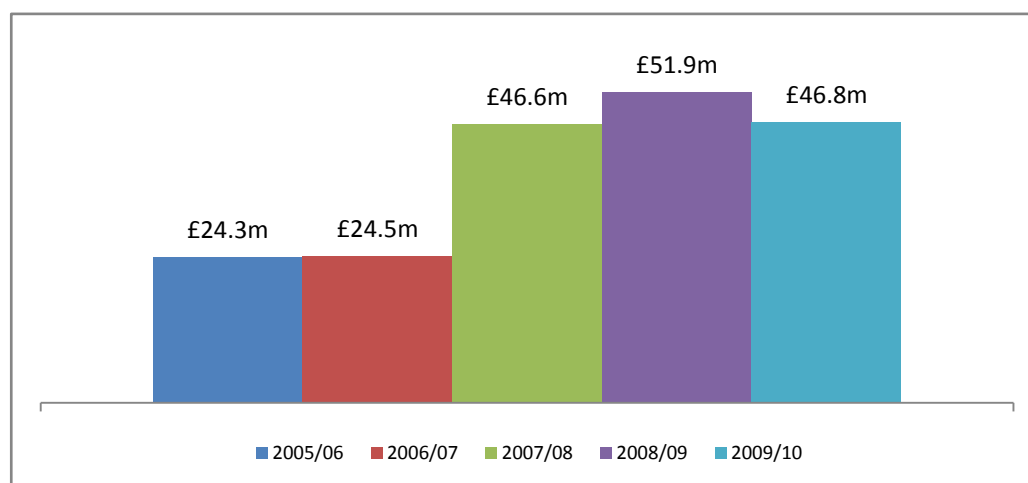
Universities' Superannuation Scheme (USS)

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.

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, are included within these accounts at note 32.

Capital investment, cash flow and borrowings

Capital Investment



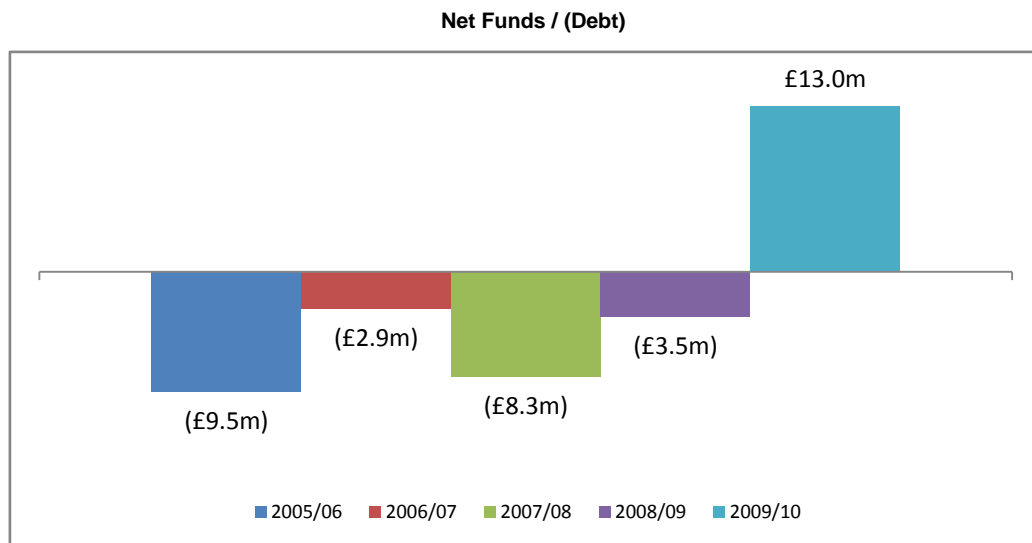
Cash inflows for the year of £35.2 million (2009: £24.3 million) from operations, capital grant receipts of £31.4m (2009: £31.7 million) and new endowments received totalling £1.3m (2009: £0.4m) allowed the University to maintain a high level of capital expenditure for the year of £46.8m (2009: £51.9 million).

Amongst the major capital schemes was the completion of work on the Students' Union refurbishment project and the commencement of works on the new Sciences Building and the new "Bluebell" student residences. Major items of capital development also included expansions at the Warwick Medical School and academic facilities for the Faculty of Arts at Milburn House and refurbishment of Chemistry teaching and research laboratories.

In addition to these building works, the University also spent over £10m on replacing and upgrading the IT network during the year.

treasurer's report

(continued)



The University's ambitious capital programme is supported by committed long term unsecured bank facilities on advantageous terms and swaps 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 has a £20m revolving loan facility and is also currently holding a further £25m of longer term facilities.

Banking facilities and borrowing arrangements are disclosed in more detail in note 18 of these accounts.

Students

The University benefits greatly from our diverse, talented and committed students. In addition to our continued investment in academic staff and facilities, the student experience at Warwick has been enhanced with the expansion and refurbishment of the Students' Union, completed during the financial year, providing our students with some of 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 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 in the future.

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, irrespective of their economic, social or educational background. To this end, a substantial proportion of the income from fee paying home and European Union students will continue to be committed to bursaries and access awards. The University also encourages the widest range of students to consider studying at Warwick through a variety of activities as set out in the Public Benefit Statement on pages 9 to 11 of these financial statements.

treasurer's report

(continued)

Environment

The University's "Vision 2015" strategy sets out Warwick's intention to develop our campus on the principles of environmental sustainability. More details of our environmental strategy and projects can be found on the University's website and I am pleased to report that the University achieved silver award status in the 2010 "Universities that Count" benchmarking exercise for environmental and social responsibility.

Strategic risks

The Council, supported by a risk management framework and advised by audit and risk committees, 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 decline in the funding of Universities from public sources, the impact of changes in the economy and the proposed changes in student fees and support on 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
- (e) the ability to maintain tight controls over costs

Prospects

We expect to continue to face a demanding financial environment in the next few financial years and we envisage significant pressures in respect of government funding following the Comprehensive Spending Review. The University recognises the role that excellence in teaching and research plays in helping the United Kingdom economy to succeed in a global market. We believe that reductions in funding for teaching and research activities would be damaging to the UK's longer term economic prospects and international competitiveness. The University also believes that Warwick's position can be sustained within a policy of higher graduate contributions, supported by appropriate bursaries and access arrangements.

The University continues to re-examine our services and facilities to ensure that they best support the University's strategic purpose. We will seek to 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 increase the capacity of our on-campus residences.

We are entering an era of significant change within the higher education sector. The University will commit to ensure financial sustainability in spite of funding restrictions. 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

26 November 2010

public benefit statement

Providing public benefit in a diverse range of ways is embedded in the way the University of Warwick sets and delivers its strategic goals and objectives. The University Council reviews annually the Charity Commission's guidance on public benefit and ensures that the University fulfils its mission in a compatible way.

The University's 1965 Charter states that "the objects of the University shall be the advancement of learning and knowledge by teaching and research and the provision of University education" and also sets out a number of powers granted to the University in order to fulfil this. The University's over-riding ambition is to become an undisputed world leader in research and scholarship while sustaining an exceptional and distinctive teaching and learning experience. The University's Vision 2015 strategy outlined a number of key goals underpinning this aim and a selection of activities which support it are outlined annually in the University's Corporate Planning Statement. (Both are published at: www.warwick.ac.uk)

The excellence of the University of Warwick's teaching and research is evidenced in a significant range of ways. Warwick is consistently ranked in the top ten universities in the UK in national league tables and performs strongly in externally validated assessments.

Warwick offers a world class education to everyone with the ability to benefit, regardless of their economic circumstances. Courses are challenging and rigorous, guided and inspired by first class academic staff.

The University offers undergraduate and postgraduate programmes across a range of disciplines. To provide educational opportunities beyond the full-time undergraduate or postgraduate experience, there are also a range of continuing professional development programmes including education, medicine, health, law, business and engineering. A number of '2+2' degree programmes are also run in partnership with a number of local FE colleges. Warwick's Open Studies programme attracts thousands of registrations, predominately from the local region.

The University works to ensure that, wherever possible, financial circumstances do not become a barrier to studying at Warwick. We offer a substantial package of financial assistance to undergraduate home students at the point of entry and throughout their academic careers. The University currently runs the Warwick Undergraduate Aid Programme (WUAP), which offers students financial support to supplement government aid available for each year of their course. There are also a limited number of scholarships available to international students. Information about funding is openly available and actively communicated to potential applicants and is highlighted to students from the most deprived backgrounds through the range of widening participation activities run by the University.

The University of Warwick has a long history of supporting widening participation. Current activities include: the GOAL programme (a national scheme supporting over 700 disadvantaged gifted and talented students aged 14-18 in achieving their potential and entering the most selective higher education courses), Pathways to Law (enabling Year 11-13 pupils and their families to receive guidance on the study of law and careers in law, including work shadowing and mentoring) and our AWARDS programme (targeting first degree candidates from backgrounds with low participation rates in higher education). The University is a member of the Realising Opportunities Scheme, whereby twelve leading universities agree to give additional consideration to applicants who have taken part in the other universities' widening participation schemes and activities in order to raise aspirations of nationally selected 'most able, least likely' Year 12 and 13 pupils. Partnerships with five Trust Schools encourage pupils to aspire to higher education. Additionally, the University's International Gateway for Gifted Youth (IGGY), continues to proactively targets its activities to a very diverse cohort, with a comprehensive system of national and international bursaries and scholarships. IGGY has also linked with Warwick in Africa to facilitate provision for children from extremely deprived backgrounds in South Africa, Ghana, Tanzania and Botswana.

public benefit statement

(continued)

At Warwick, students' personal, academic and professional development, in preparation for long-term employability, are essential elements in our courses. The University's Centre for Student Careers and Skills supports students in a number of ways from skills workshops, careers appointments and information resources, to employer presentations, careers fairs and job vacancies, as well as Warwick Volunteers activities, and works proactively with employers to identify and support their expectations.

Excellence, innovation and ambition fuel the cutting-edge, world leading research which defines Warwick.

In the 2008 Research Assessment Exercise, Warwick was ranked seventh in the UK, with 65% of the University's research rated as 4* (world-leading) or 3* (internationally excellent). Among departments achieving very high ranking in their units of assessment were: Film Studies (1st), Warwick HRI (1st), History (2nd), Pure Mathematics (2nd), French (2nd), Economics (3rd), and Italian (3rd). An indicator of the high quality of the University's research is our extremely high success rate in applying for research funding from Research Councils in the UK and the EU.

To ensure the outstanding breadth and quality of Warwick's internationally renowned research and expertise translates to user communities, business, industry, and beyond, the University undertakes and is involved with many initiatives which seek to transfer technology, knowledge and experience to the wider community. While a range of University's academic disciplines are directly involved in such activity, those particularly facilitating such engagement include the Department of Chemistry, the School of Engineering, the School of Life Sciences, the Department of Physics, the Warwick Manufacturing Group and the Warwick Medical School.

In 2007, the University established the Warwick Commission to work to influence public policy and offer potential solutions to major global issues. The first Warwick Commission examined the global trading system, drawing together international expertise as well as initiating wider public debate. In 2009, the second Warwick Commission's report, *International Financial Reform: Beyond Architecture, Towards Building Consensus*, was launched in New Delhi, receiving significant international coverage. Since, a number of other events and activities have been held to disseminate the Commission's findings and facilitate further discussion.

The University is committed to expanding access to its research. The University has a free online repository service to collect, house and provide access to the University's written research output (including journal articles and PhD theses), the Warwick Research Archive Project (WRAP) - available at www.wrap.warwick.ac.uk. There are other unique repositories held by the University, particularly the Modern Records Centre (MRC), which has been designated an Outstanding Collection by the Museums, Libraries and Archives Council and holds nationally important archives for the study of social, economic and political history, mainly from the mid-19th century onwards.

Additionally, the University recently launched a major new initiative called *The Knowledge Centre* which aims to establish Warwick as a 'lifetime academy'. It provides alumni and friends with access to world class research, learning materials and leading experts, and provides specially commissioned videos and podcasts, news analysis, archive material and online learning resources.

The University's intellectual property enterprise arm, Warwick Ventures, has recently become a limited company. Over the last ten years it has launched 49 knowledge-based companies employing over 170 staff. One of the companies launched by Warwick Ventures is Warwick Audio Technologies, where researchers from the University's School of Engineering founded a company which exploits the technology of a flat "speaker" - it now employs 10 staff in Warwick and South Wales. Another is Streamline Computing, spun out from Warwick's Computer Science department, which has over 20 staff and £5 million in sales.

public benefit statement

(continued)

The University is committed to continuing to support local and community engagement of its staff and students and to its wider corporate social responsibility.

The University has built many fruitful relationships with local and community organisations. During 2009/10, over 2,200 staff and students joined the University's 'Warwick Volunteers' programme, participating in local projects such as painting murals in local community centres and providing structured programmes of classroom support in local schools. The University also participated in the national *inspired* students' research project. The 'key community partners' project developed a new method of collaborative working with community organisations, which has expanded the skills development opportunities offered to participating volunteers as well as enhancing the outcomes for the community organisations.

Additionally, the University holds regular liaison meetings with its three local authorities and plays a prominent role in several local strategic partnerships, including the Coventry Partnership. Over the last 18 months the University has become actively involved in the "Westwood Community Cohesion Project", a project initiated by the nearest secondary school to campus (and one of our Trust schools) to improve community cohesion in the nearby Canley and Tile Hill communities. Several parts of the University – including the Arts Centre, the Chaplaincy, Warwick Medical School and Warwick Volunteers - have been involved in events aimed at raising the aspirations of pupils of Westwood and its feeder primary schools, and to encourage young people and their parents to better understand different faith and ethnic groups.

The University takes seriously its corporate social responsibility and how this benefits the wider public and the specific beneficiaries of the University. As referenced in the Treasurer's Report, in 2010, the University was ranked 5th out of the 29 institutions who participated in the Universities that Count survey and was awarded a Silver standard. The University ranked joint third for its environment and social responsibility. The survey means that universities can compare their environment and social responsibility performance with their peers in the sector and against businesses completing the Business in the Community index.

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*. The University is also mindful of its charitable purpose and its strategy aims to encompass its public benefit role.
- 2 The University is an exempt charity whose principal regulator is the Higher Education Funding Council for England. The University's 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 2009, the Charter and Statutes required the University to have three separate bodies. The University received formal approval in October 2009 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 Code of Corporate Governance and Statement of Primary Responsibilities. A copy of the Code of Corporate Governance can be obtained from the University's website and the Responsibilities of Council are set out on pages 16 and 17 of these accounts. The Council has due regard for the Charity Commission's guidance on the public benefit, which is reviewed on an annual basis.

For the financial year ended 31 July 2010 and for the subsequent period to when these financial statements were signed as approved, the following individuals were members of Council: Mr J Leighfield (Pro-Chancellor and Chair), Dr B Woods-Scawen (Treasurer), Mr K Bedell-Pearce, Dr R Chung, Ms V Cooke, Sir George Cox, Mr P Dunne, Mrs P Egan, Ms T Elliott, Ms V Heywood, Dr G Lyons, Professor N Thrift (Vice-Chancellor), Professor M Smith (from 1 May 2010), Professor A Caesar, Professor R Higgott, Professor M Whitby (until June 2010), Mr A Rivett, Professor J Labbe, Professor K Lamberts; until July 2010: Mr K Muthalagappan, Mr N Sanders, Sir John Temple, Professor L Bridges, Professor J Davey, Professor R Lindley, Professor V Zammit, Mr A Bradley, Mr A Perkins; from 1 September 2010: Professor S Hand, Professor T Jones, Professor A Muthoo, Professor M Taylor, Professor P Winstanley, Mr D Stevens and Mr S Stanley.

- **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 accountable officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

corporate governance

(continued)

- 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.
- 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 academic and administrative officer 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. While the post of Deputy Vice-Chancellor was vacant earlier in the financial year, Professor Mark Smith took up his post from 1 May 2010.
- 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.

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 2010:

- The Audit Committee, which met four times in 2009/10, 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 Audit Committee provides challenge on operational, financial and risk matters coming before it and, where appropriate, ensures that changes and recommendations are duly implemented.
- 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.
- Responsibility for strategic risk identification, description and evaluation and monitoring processes on a regular basis is held by the Steering Committee, supported by University Risk Holders, senior managers and the Operational Risk Management Group. The Operational Risk Management Group brings together a number 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 University Risk Register was updated on a termly basis and the Steering Committee reported to the Council typically the most significant eight to ten strategic risks for their consideration. Regular reports on risk management, including the Risk Register, were also periodically considered by the Audit Committee.
- In 2010, all academic and support departments and commercial activities were asked 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 and its allocation of resources.
- The Audit Committee also received periodic reports 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 2009/10 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 Warwick'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 2010/11 academic year together with periodic consideration of the University's agreed key performance indicators.
- Internal Audit provide 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, as well as from a range of reports from relevant sub-committees of the Council (e.g. Building Committee, Health and Safety Executive Committee).

The Council's consideration of these various reports, enabled it to carry out an assessment of internal control within the University for the 2009/10 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 and its members are the trustees of the University in relation to the University's status as an exempt charity. 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 and beneficiaries.
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, with the principles of public life drawn up by the Committee on Standards in Public Life, and with due regard to the Charity Commission's guidance on public benefit.
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.

statement of primary responsibilities of the council

of the University of Warwick (continued)

11. To be the employing authority for all staff in the University and to establish a human resources strategy for the University.
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 2010 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, as a body, 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 16 and 17.

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 dated June 2008 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 2010 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 2010 have been applied for the purposes for which they were received; and
4. in all material respects, income during the year ended 31 July 2010 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 dated June 2008 and the funding agreement with the Training and Development Agency for Schools.

Andy Argyle

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham B4 6GH

26 November 2010

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 receivable 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 defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the Scheme are held in a separate trustee-administered fund. Because of the mutual nature of the Scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institution's employees and 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

The Defined Benefit (DB) section of the University's own scheme, an exempt approved pension scheme, provides retirement benefits (based on final pensionable salary), 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. The DB section of the scheme was closed to new recruits on 1 April 2010.

From 1 April 2010 the University introduced a new Defined Contribution (DC) section to its own scheme, for those eligible members who are not members of the DB section. The DC section of the scheme is operated as a separate defined contribution pension scheme, with members contracted in to the state pension scheme. Employer contributions to this section of the scheme are accounted for through the Income and Expenditure Account of the University at the time that payment to the external provider is accrued as due.

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.

statement of principal accounting policies

(continued)

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.

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, from 1 August 2009, equipment, including micro-computers and software, costing less than £25,000 per individual item or group of related items are written off in the year of acquisition (£15,000 minimum capitalisation level prior to 1 August 2009). 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.

statement of principal accounting policies

(continued)

12 Investments (continued)

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.

13 Stocks

Stocks of raw materials and consumables include departmental stocks in science departments, supplies for the Estates Office, School of Life Sciences' 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.

Fixed assets in the process of sale and any associated capital grant balances are transferred to stock at the year end and are valued at the lower of book value at this point of transfer and net realisable value.

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 Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 to 488 of the Corporation Tax Act 2010 (formerly enacted in Section 505 of the Income and Corporation 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.

statement of principal accounting policies

(continued)

16 Taxation Status (continued)

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.

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 2010

	Note	2009/10 £000	2008/09 £000
INCOME			
Funding Council Grants	1	89,750	86,822
Academic Fees and Support Grants	2	133,265	115,858
Research Grants and Contracts	3	79,802	72,979
Other Operating Income	4	104,901	98,244
Endowment Income, Investment Income and Interest Receivable	5	762	1,753
Total Income		408,480	375,656
EXPENDITURE			
Staff Costs	6	206,119	203,841
Depreciation	11	29,406	19,849
Other Operating Expenses	8	150,122	148,977
Interest Payable and Similar Charges	7	3,259	1,710
Total Expenditure	8	388,906	374,377
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST AND BEFORE TAX		19,574	1,279
Taxation		0	0
Share of profit after tax of Associate		254	357
Equity Minority Interest		54	(75)
SURPLUS BEFORE EXCEPTIONAL ITEMS		19,882	1,561
Restructuring Costs	9	(11,305)	0
Disposal of Fixed Assets	9	0	669
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, DISPOSAL OF ASSETS, TAX AND MINORITY INTEREST		8,577	2,230
Transfer from Accumulated Income within Endowment Funds		723	414
SURPLUS FOR THE FINANCIAL YEAR RETAINED WITHIN GENERAL RESERVES		9,300	2,644

statement of consolidated total recognised gains and losses

for the year ended 31 July 2010

	Note	2009/10 £000	2008/09 £000
Surplus on Continuing Operations after depreciation of assets at cost, disposal of assets, tax and minority interest		8,577	2,230
Increase / (Decrease) in market value of Endowment Asset Investments	21	351	(273)
Unrealised Gains on Other Equity Investments	23	5	0
New Endowments	21	1,317	366
Actuarial Gain / (Loss) in respect of pension scheme	32	1,406	(6,001)
Total Recognised Gain / (Loss) relating to the Year		11,656	(3,678)

There are no differences between the consolidated income and expenditure account and the result on an historical cost basis.

On 30 September 2010, the University disposed of the business of its partially owned subsidiary, AdsFab Limited, the activity of which is not regarded as material to the operations of the University and is disclosed at note 33. The consolidated income and expenditure of the University and all its other subsidiaries relate wholly to continuing operations. The consolidated surplus includes a surplus of £9,579k (2008/09: surplus of £1,012k) that has been dealt with in the accounts of the University (note 22).

statement of reconciliation of reserves and endowments

for the year ended 31 July 2010

	Note	2009/10 £000	2008/09 £000
Opening Reserves and Endowments as at 1 August	21, 22 & 23	111,353	115,031
Total Recognised Gain / (Loss) for the Year		11,656	(3,678)
CLOSING RESERVES AND ENDOWMENTS AS AT 31 JULY		123,009	111,353

balance sheets

as at 31 July 2010

		Consolidated		University	
	Note	2010 £000	2009 £000	2010 £000	2009 £000
FIXED ASSETS					
Intangible Assets	10	(908)	(1,362)	0	0
Tangible Assets	11	325,495	308,892	310,336	296,708
Investments	12	7,050	4,489	5,209	2,552
		331,637	312,019	315,545	299,260
ENDOWMENT ASSET INVESTMENTS					
	13	5,853	4,908	1,170	256
CURRENT ASSETS					
Stocks	14	1,241	1,125	1,191	1,075
Debtors	15	33,611	33,380	34,542	37,539
Short Term Deposits		32,500	35,400	32,500	35,400
Cash at Bank and in Hand		36,938	26,638	36,387	25,775
		104,290	96,543	104,620	99,789
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	16	(99,720)	(90,542)	(117,474)	(114,923)
NET CURRENT ASSETS / (LIABILITIES)					
		4,570	6,001	(12,854)	(15,134)
TOTAL ASSETS LESS CURRENT LIABILITIES					
		342,060	322,928	303,861	284,382
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	17	(56,204)	(66,308)	(56,204)	(66,308)
PROVISIONS FOR LIABILITIES AND CHARGES					
	20	(10,817)	(1,837)	(10,817)	(1,811)
TOTAL NET ASSETS, excluding Pension Liability					
		275,039	254,783	236,840	216,263
PENSION LIABILITY					
	32	(15,178)	(18,026)	(15,178)	(18,026)
TOTAL NET ASSETS, including Pension Liability					
		259,861	236,757	221,662	198,237
DEFERRED CAPITAL GRANTS					
	19	136,740	125,239	136,922	125,401
ENDOWMENTS:					
Permanent	21	2,652	2,329	305	256
Expendable	21	3,201	2,579	865	0
GENERAL RESERVES, including Pension Reserve					
	22	117,151	106,445	83,565	72,580
REVALUATION RESERVE					
	23	5	0	5	0
MINORITY INTEREST					
		112	165	0	0
TOTAL FUNDS					
		259,861	236,757	221,662	198,237

The financial statements on pages 25 to 58 were approved by the Council on 26 November 2010, 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 2010

	Note	2009/10 £000	2008/09 £000
Net Cash Inflow from Operating Activities	27	35,214	24,250
Returns on Investments and Servicing of Finance	28	(2,585)	(303)
Taxation		0	0
Capital Expenditure and Financial Investment	29	(16,061)	(19,231)
Cash Inflow before Use of Liquid Resources and Financing		16,568	4,716
Management of Liquid Resources net contributions from / (to) short term investments	30	2,306	(23,352)
Financing	31	(8,574)	19,018
Increase in Cash		10,300	382

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

for the year ended 31 July 2010

	Note	2009/10 £000	2008/09 £000
Increase in Cash in the Year		10,300	382
(Decrease) / Increase in Liquid Resources	30	(2,306)	23,352
New Loans and Finance Leases	31	(8,281)	(20,368)
Repayment of Debt	31	16,855	1,350
Change in Net Debt		16,568	4,716
Net Debt at 1 August		(3,539)	(8,255)
Net Funds / (Debt) at 31 July	30	13,029	(3,539)

notes to the accounts

1. HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND & TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS GRANTS	2009/10	2008/09
	£000	£000
Recurrent Grants:		
Higher Education Funding Council for England:		
Teaching	42,270	41,739
Research	32,578	30,526
Training and Development Agency for Schools	2,662	2,339
Specific Grants:		
HE Innovations Fund	1,900	1,378
Capital Investment Funding	329	426
Training and Development Agency for Schools Specific Grants	1,154	1,165
Learning and Teaching Strategy	26	477
Medical Student Expansion Funding	0	550
Centres for Excellence in Teaching and Learning	792	925
Matched Funding Scheme for Voluntary Giving	893	1,110
Internship Funding	101	0
Others	285	393
Deferred Capital Grants Released in Year:		
Buildings (Note 19)	2,506	2,346
Equipment (Note 19)	4,254	3,448
	89,750	86,822
2. ACADEMIC FEES AND SUPPORT GRANTS	2009/10	2008/09
	£000	£000
Accredited Course Fees From Home/EU Students	57,109	52,751
Accredited Course Fees From Overseas Students	59,890	47,133
Higher Education Foundation Programme Fees	2,837	2,405
Non-Accredited Short Course Fees	4,330	5,019
CASE Awards and Research Training Support Grants	8,037	7,785
Other Fees	1,062	765
	133,265	115,858

notes to the accounts

(continued)

3. RESEARCH GRANTS AND CONTRACTS	2009/10	2008/09
	£000	£000
Income		
Research Councils	35,369	33,449
Central Government, Local Authorities and Public Corporations	25,477	24,920
UK Charitable Bodies	7,380	5,639
European Union	6,206	4,459
UK Industry and Commerce	3,809	3,213
Overseas	1,417	1,081
Others	144	218
	79,802	72,979
Direct Expenditure		
Research Councils	28,756	25,534
Central Government, Local Authorities and Public Corporations	20,726	19,238
UK Charitable Bodies	7,307	5,607
European Union	4,942	4,573
UK Industry and Commerce	2,415	2,273
Overseas	1,125	814
Others	97	181
	65,368	58,220

Income from Research Grants and Contracts includes £6,977k in respect of Deferred Capital Grants released in the year (2009: £4,585k). Costs include spend within the University group of companies.

4. OTHER OPERATING INCOME	2009/10	2008/09
	£000	£000
Residences, Catering and Conferences	31,594	29,590
Other Services Rendered	6,690	6,133
Released from Deferred Capital Grants	6,190	1,549
Retail Operations	26,130	26,021
Post-Experience Centres	9,868	11,925
Other Income	24,429	23,026
	104,901	98,244

Included within deferred capital grant releases for the year is a release of £4,514k, associated with a reassessment of the useful life of WHRI Wellesbourne properties, following an in year impairment review (see notes 11 and 19).

Included within Other Income above is £454k (2009: £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	2009/10	2008/09
	£000	£000
Net return on University of Warwick Pension Scheme assets (note 32)	89	311
Interest from Permanent Endowment investments	32	35
Income from Expendable Endowment investments	30	78
Other Interest Receivable	611	1,329
	762	1,753

6. STAFF	2009/10	2008/09
	£000	£000
Staff Costs:		
Wages and Salaries	171,562	170,243
Social Security Costs	13,842	13,499
Other Pension Costs	20,715	20,099
	206,119	203,841

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

	2009/10	2008/09
	Number	Number
Academic staff within academic departments	1,769	1,742
Other staff within academic departments	845	878
Academic services	395	399
Premises management and maintenance	329	335
Residences and catering	437	472
Other services and activities, including commercial operations	673	697
	4,448	4,523

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:

	2009/10	2008/09
	£	£
Emoluments of the Vice-Chancellor (excluding pension contributions but including benefits-in-kind)	235,120	247,084
Pension contributions in respect of the Vice-Chancellor	35,563	33,600
	270,683	280,684

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:

	2009/10	2008/09
	Number	Number
£290,000 - £299,999	1	1
£280,000 - £289,999	0	0
£270,000 - £279,999	0	0
£260,000 - £269,999	0	0
£250,000 - £259,999	0	0
£240,000 - £249,999	0	0
£230,000 - £239,999	1	0
£220,000 - £229,999	0	0
£210,000 - £219,999	0	2
£200,000 - £209,999	0	0
£190,000 - £199,999	2	1
£180,000 - £189,999	2	0
£170,000 - £179,999	2	1
£160,000 - £169,999	3	2
£150,000 - £159,999	7	6
£140,000 - £149,999	7	8
£130,000 - £139,999	10	8
£120,000 - £129,999	9	8
£110,000 - £119,999	21	17
£100,000 - £109,999	25	11

Excluded from the list above are higher paid employees who left during the year and were, therefore, no longer University employees at the year end. No payments in compensation for loss of office were paid to such employees.

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

	2009/10	2008/09
	£000	£000
Loans wholly repayable between one and two years	20	0
Loans wholly repayable between two and five years	0	8
Finance leases wholly repayable between two and five years	42	0
Loans not wholly repayable within five years	3,197	1,702
	3,259	1,710

notes to the accounts

(continued)

8. ANALYSIS OF 2009/10 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable and Similar Charges £000	2009/10 Total £000	2008/09 Total £000
Academic Departments	101,558	3,924	45,770	0	151,252	150,074
Research Grants and Contracts	35,961	6,977	22,430	0	65,368	58,220
Total Teaching and Research	137,519	10,901	68,200	0	216,620	208,294
Academic Services	12,079	2,211	14,538	0	28,828	25,927
Central Administration and Services	13,618	830	4,049	0	18,497	20,333
General Educational Expenditure	3,107	148	13,245	0	16,500	15,305
Staff and Student Facilities	4,267	52	4,333	0	8,652	8,142
Premises	9,914	13,038	14,979	0	37,931	33,461
Residences, Catering and Conferences	9,265	1,390	13,715	1,753	26,123	26,447
Other Services Rendered	1,643	0	3,925	0	5,568	4,605
Retail Operations	11,471	196	9,441	210	21,318	21,544
Post-Experience Centres	4,494	640	1,691	0	6,825	8,065
Other Expenses	(1,258)	0	2,006	1,296	2,044	2,254
Total per Income and Expenditure Account	206,119	29,406	150,122	3,259	388,906	374,377

Staff costs, within "other expenses", includes: 2009/10
£000 2008/09
£000

(Excess) / Shortfall of Contributions to Pension Scheme Against Service Costs (Note 32) (1,353) 180

The depreciation charge has been funded by: 2009/10
£000

Deferred Capital Grants Released (Note 19)	19,927
General Income	9,479
	29,406

Other operating expenses include: 2009/10
£000 2008/09
£000

Auditors' Remuneration for the University of Warwick Group 67 65
(An amount of £39k (2008/09: £38k) relates to the Auditors' remuneration for the University)

Auditors' Remuneration in respect of Non-Audit Services 52 129

Grants to University of Warwick Students' Union 2,293 2,346

During the year three lay members of the Council claimed a combined total of £1,173 in expenses (2008/09: seven members claimed a combined total of £1,732). This does not represent the total expenses individuals incurred, only what they claimed from the University. Additionally, the University provides members (not by way of expenses on an individual basis) with food and accommodation related to the activities they attend on the University's campus. Members of the University's Council are the University's Trustees. The University's does not remunerate its external 'lay' members of the University Council. Reasonable travel and subsistence expenses incurred in attending meetings relating to the work of the Council and associated charity events in members' official capacity are reimbursed upon request inclusive of appropriate evidence of expenditure. The salaries of members of the staff of the University who serve on the Council do not include any element specific to their trusteeship, but are determined following agreed process.

notes to the accounts

(continued)

9. EXCEPTIONAL ITEMS	2009/10 £000	2008/09 £000
Life Sciences restructuring costs	(11,305)	0
Surplus on disposal of land and buildings	0	669
Total of Exceptional Items	(11,305)	669

During 2009/10 the University began restructuring work to create a new School of Life Sciences, building on the strengths of the existing departments of Biological Sciences and Warwick HRI. The restructuring costs shown above include the costs of managing this change and the significant costs of severance payments and compensation for loss of office, including those costs provided for as at 31 July 2010 based on commitments made prior to the year end (see note 20).

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 by the comparative figures above and the proceeds of the sale have been reinvested in the University's capital development programme for academic buildings.

10. INTANGIBLE FIXED ASSETS	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £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	2,420	1,967	5,269	5,269
- in this year	454	453	0	0
Carried forward as at 31 July	(908)	(1,362)	0	0

CONSOLIDATED

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

The shortfall in consideration paid, below the fair value of assets acquired, 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
Cost				
At 1 August 2009	475,334	343,992	106,695	24,647
Additions at Cost	46,777	5,358	26,779	14,640
Asset Transfers	0	27,643	0	(27,643)
Write Offs and Disposals at Cost	(5,035)	(1,945)	(3,090)	0
At 31 July 2010	517,076	375,048	130,384	11,644
Depreciation				
At 1 August 2009	166,442	93,546	72,896	0
Charge for the year	29,406	15,156	14,250	0
Eliminated on Write Offs and Disposals	(4,267)	(1,298)	(2,969)	0
At 31 July 2010	191,581	107,404	84,177	0
Net Book Value at 31 July 2010	325,495	267,644	46,207	11,644
Net Book Value at 31 July 2009	308,892	250,446	33,799	24,647

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 £2.7 million (2009: £4.1 million) over the remaining term of the lease, which expires in 2011. The University has entered into a contract with Barclays Mercantile to guarantee these payments for the remainder of the lease term. At the termination of the lease, title to the building will pass to the University.

Included within fixtures, fittings and equipment are assets costed at £3.7m 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.

Also included within fixtures, fittings and equipment of both the University and the consolidated group are assets with a cost of £9.4m (including irrecoverable VAT of £1.4m) and carried at a net book value of £8.5m, that were purchased under a finance lease agreement with Cisco Systems Finance International and are, consequently, held as security against this loan (see note 18).

The depreciation charge for the year included in both the consolidated results shown above and in the following results of the University, includes a £5.0m additional charge in respect of an impairment review of WHRI Wellesbourne properties, in light of changing research trends and economic circumstances. In the case of assets that are no longer in use, the remaining useful economic life of the assets has been reduced to zero, resulting in the £5.0m in year depreciation adjustment. Remaining deferred capital grants associated with these assets have been released at the same time, resulting in a contra £4.5m Income and Expenditure Account adjustment to the deferred capital grant releases shown in note 19.

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
Cost				
At 1 August 2009	452,338	338,267	100,173	13,898
Additions at Cost	42,672	4,943	26,650	11,079
Asset Transfers	0	13,333	0	(13,333)
Write Offs and Disposals at Cost	(5,035)	(1,945)	(3,090)	0
At 31 July 2010	489,975	354,598	123,733	11,644
Depreciation				
At 1 August 2009	155,630	88,892	66,738	0
Charge for the Year	28,275	14,240	14,035	0
Eliminated on Write Offs and Disposals	(4,266)	(1,297)	(2,969)	0
At 31 July 2010	179,639	101,835	77,804	0
Net Book Value at 31 July 2010	310,336	252,763	45,929	11,644
Net Book Value at 31 July 2009	296,708	249,375	33,435	13,898

12. INVESTMENTS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Balance at 1 August	4,489	4,341	2,552	2,761
Net Additions in the year	2,029	122	2,379	122
Share of Associate's Surplus for the year	254	357	0	0
Increase / (Decrease) in Market Value	307	(302)	307	(302)
Increase in Provision for Diminution in Value	(29)	(29)	(29)	(29)
Balance at 31 July	7,050	4,489	5,209	2,552
Represented by:				
Group Undertakings	0	0	648	298
Associated Undertaking	2,489	2,235	0	0
Other Equity Investments	1,132	1,103	1,132	1,103
Cash held within Managed Funds	173	239	173	239
Bonds held within Managed Funds	453	263	453	263
Equity Investments held within Managed Funds	2,911	1,319	2,911	1,319
Alternative Investments held within Managed Funds	973	382	973	382
	8,131	5,541	6,290	3,604
Provision for Diminution in Value	(1,081)	(1,052)	(1,081)	(1,052)
	7,050	4,489	5,209	2,552

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 loan of £399,960. 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 6.06% of issued ordinary shares.

[Apnee Sehat CIC](#)

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

[Base4 Innovation Limited](#)

200,000 ordinary shares of 0.1p each being 21.39% of issued ordinary shares.

[BioAthene Limited](#)

30 ordinary shares of £1 each being 22.22% 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 12.86% of issued ordinary shares.

Circadian Solar Limited (previously AdvanceSis Limited)

37,392 ordinary shares of 1p each being 3.93% of total issued shares of which there are 61,960 ordinary shares of 1p each and 889,026 preferred ordinary shares of 1p each.

Concurrent Thinking Limited (previously Retromaze Limited)

1,050 ordinary shares of 10p each being 1.63% of issued ordinary shares.

G-Tronix Limited

600 ordinary shares of 1p each being 10.71% of issued ordinary shares.

Molecular Solar Limited

400 ordinary shares of 1p each being 23.88% of issued ordinary shares.

Novolytics Limited

57,782 ordinary shares of 10p each being 2.31% of total issued shares, of which there are 2,491,428 ordinary shares of 10p each and 4,680 deferred shares of 90p each

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. On 4 August 2010 the University disposed of its entire shareholding in the company.

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.

Sevco 5023 Limited

22 ordinary shares of £1 each being 28.21% of issued ordinary shares.

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.

Streamline Computing Limited (previously Concurrent Thinking Limited)

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

Tangent Reprofitting Limited

2,000 ordinary shares of 1p each being 11.85% of total issued shares of which there were 6,995 ordinary shares of 1p each and 9,884 'A' ordinary shares of 1p each.

Virabiotech Limited

495 ordinary shares of 10p each being 33.74% 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 17.86% of issued ordinary shares.

Warwick Audio Technologies Limited

3,890,000 ordinary shares of 0.01p each being 13.65% of total issued shares of which there are 8,899,000 ordinary shares of 0.01p each and 19,594,346 'A' ordinary shares of 0.01p each.

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 and 1,538 'A' ordinary shares of £1 each, together being 4.50% of total issued shares of which there are 19,699 ordinary shares, 17,950 'A' ordinary shares and 65,891 'B' ordinary shares of £1 each.

Warwick Insect Technologies Limited

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

Warwick Laser Systems Limited

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

Warwick Warp Limited

1,460 ordinary shares of 10p each being 27.96% of issued ordinary shares and 379 'A' ordinary shares of 10p each being 17.24% of issued 'A' ordinary shares.

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

notes to the accounts

(continued)

13. ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Balance at 1 August 2009	4,908	5,229	256	0
New endowments invested	0	0	0	0
Disposals	0	0	0	0
Increase / (Decrease) in market value of investments	351	(273)	0	0
Increase / (Decrease) in cash balances held for endowment funds	594	(48)	914	256
Balance at 31 July 2010	5,853	4,908	1,170	256
Composed of :-				
Securities	3,162	2,811	0	0
Cash at bank held for endowment funds	2,691	2,097	1,170	256
Total Endowment Asset Investments	5,853	4,908	1,170	256

14. STOCKS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Raw materials and consumables	1,054	1,125	1,004	1,075
Other assets in the process of sale	187	0	187	0
Total	1,241	1,125	1,191	1,075

15. DEBTORS

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts falling due within one year:				
Trade Debtors	12,294	15,316	10,791	13,506
VAT and Other Taxes	842	40	0	0
Amounts owed by group undertakings	0	0	3,365	6,070
Amounts owed by associated undertaking	103	103	103	103
Prepayments and accrued income	19,070	16,772	18,981	16,711
Short Term Loans	0	0	0	0
Amounts falling due after one year:				
Debtors and prepayments	1,302	1,149	1,302	1,149
Total	33,611	33,380	34,542	37,539

notes to the accounts

(continued)

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Unsecured Loans (note 18)	1,366	1,366	1,366	1,366
Obligations under Finance Leases (note 18)	1,530	0	1,530	0
Payments Received in Advance	57,054	52,089	56,182	51,026
Trade Creditors	12,027	11,169	11,880	10,972
Social Security and Other Taxation Payable	11,148	10,225	10,802	9,877
Accruals	16,595	15,691	14,266	12,825
Amounts owed to group undertakings	0	0	21,448	28,855
Amounts owed to associated undertaking	0	2	0	2
Other Creditors	0	0	0	0
	99,720	90,542	117,474	114,923

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

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Unsecured Loans (note 18)	50,202	66,308	50,202	66,308
Obligations under Finance Leases (note 18)	6,002	0	6,002	0
Other Creditors	0	0	0	0
	56,204	66,308	56,204	66,308

18. FINANCIAL INSTRUMENTS AND BORROWINGS

At 31 July 2010 the consolidated leases and bank borrowings are analysed as follows, by expected date of final capital repayment:

	Totally Repayable		
	Total £000	Between two and five years £000	After five years £000
Amounts falling due within one year (note 16):	2,896	1,530	1,366
Amounts falling due after more than one year (note 17):	56,204	6,002	50,202
	59,100	7,532	51,568

notes to the accounts

(continued)

18. FINANCIAL INSTRUMENTS AND BORROWINGS - continued

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 2010:

	£m	Effective Fixed rate
Drawn facilities - all variable rate		
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%
	55	
Additional available facilities - all variable rate		
	£m	Effective Fixed rate
Bullet loan, repayable July 2037, with swap effective from July 2009	15	4.93% *
Bullet loan, repayable July 2037, with swap effective from July 2010	10	4.85% *
Revolving facility, repayable July 2012	20	
	45	

* Interest is payable on the unmatched swaps at the fixed rates shown, reduced by LIBOR (and margin) which may vary over the life of the swap. The University expects to fully draw down against both these swaps in the near future.

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

Throughout the financial year the University also had a £430,000 loan from the Lawn Tennis Association in place, amortising over 13 years from September 2008, at a 0% rate of interest, specifically for the purpose of building an indoor tennis centre.

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

1. A loan received from HEFCE, as part of HEFCE's partnership with Salix Finance Ltd, specifically for the purpose of funding energy efficiency and low carbon technology, was increased by £259,920 to £521,120. 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.
2. New finance leases from Cisco Systems Finance International, totalling £8,020,941, for the purchase of information technology products associated with the upgrade of the University's network systems. These leases are all repayable in equal instalments over five years, with expected dates of final capital repayment ranging from December 2014 to April 2015.

As at 31 July 2010 balances of £6,788k remained outstanding at an effective fixed rate of borrowing of 3% and £744k remains outstanding at an effective fixed rate of 0%, with all finance lease borrowings secured against the equipment purchased (see note 11).

notes to the accounts

(continued)

19. DEFERRED CAPITAL GRANTS

	Consolidated			University		
	Total £000	Funding Council £000	Other Grants & Benefactions £000	Total £000	Funding Council £000	Other Grants & Benefactions £000
At 1 August 2009:						
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
Total	125,239	64,819	60,420	125,401	64,819	60,582
Add: Cash Received:						
Buildings	9,356	8,000	1,356	9,356	8,000	1,356
Equipment	22,072	11,079	10,993	22,072	11,079	10,993
Total	31,428	19,079	12,349	31,428	19,079	12,349
Less: Released to Income & Expenditure:						
Buildings (Notes 1, 3 & 4)	8,873	2,506	6,367	8,853	2,506	6,347
Equipment (Notes 1, 3 & 4)	11,054	4,254	6,800	11,054	4,254	6,800
Total (Note 8)	19,927	6,760	13,167	19,907	6,760	13,147
At 31 July 2010:						
Buildings	102,243	62,734	39,509	102,425	62,734	39,691
Equipment	34,497	14,404	20,093	34,497	14,404	20,093
Total	136,740	77,138	59,602	136,922	77,138	59,784

The deferred capital grants released in the year include a £4.5m additional release in respect of an impairment review of WHRI Wellesbourne properties (see note 11).

notes to the accounts

(continued)

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated	University
	£000	£000
Early leavers and retirements provision		
At 1 August 2009	1,588	1,562
Utilised in Year	(1,487)	(1,461)
New Provisions in Year	112	112
At 31 July 2010	213	213
Restructuring provision for WHRI Kirton		
At 1 August 2009	249	249
Utilised in Year	(249)	(249)
At 31 July 2010	0	0
Life Sciences restructuring provision (note 9)		
At 1 August 2009	0	0
New Provision in Year	10,604	10,604
At 31 July 2010	10,604	10,604
Total of above provisions carried forward at 31 July 2010	10,817	10,817

21. ENDOWMENTS

CONSOLIDATED

	Restricted Permanent £000	Restricted Expendable £000	2010 Total £000	2009 Total £000
Opening balances at 1 August				
Capital	2,175	2,491	4,666	5,047
Accumulated Income	154	88	242	182
	2,329	2,579	4,908	5,229
New endowments	168	1,149	1,317	366
Investment Income	32	30	62	113
Expenditure	(79)	(706)	(785)	(527)
	(47)	(676)	(723)	(414)
Increase / (Decrease) in market value of investments	202	149	351	(273)
Closing balances at 31 July	2,652	3,201	5,853	4,908
Represented by:				
Capital	2,545	3,102	5,647	4,666
Accumulated Income	107	99	206	242
Total	2,652	3,201	5,853	4,908

notes to the accounts

(continued)

21. ENDOWMENTS - continued

UNIVERSITY

	Restricted Permanent £000	Restricted Expendable £000	2010 Total £000	2009 Total £000
Opening balances at 1 August				
Capital	255	0	255	0
Accumulated Income	1	0	1	0
	256	0	256	0
New endowments	49	1,100	1,149	255
Investment Income	2	2	4	1
Expenditure	(2)	(237)	(239)	0
	0	(235)	(235)	1
Increase / (Decrease) in market value of investments	0	0	0	0
Closing balances at 31 July	305	865	1,170	256
Represented by:				
Capital	304	864	1,168	255
Accumulated Income	1	1	2	1
Total	305	865	1,170	256

22. GENERAL RESERVES

	Consolidated £000	University £000
Balance at 1 August 2009	106,445	72,580
Surplus for the Financial Year	9,300	9,579
Actuarial Gain on Pension Liability (note 32)	1,406	1,406
Balance at 31 July 2010	117,151	83,565
General Reserves excluding Pension Liability (note 24)	132,329	98,743
Pension Reserve (note 32)	(15,178)	(15,178)
General Reserves including Pension Liability	117,151	83,565

23. REVALUATION RESERVE

	Consolidated £000	University £000
Balance at 1 August 2009	0	0
Increase in market value of equity investments over original purchase price in year (note 12)	5	5
Balance at 31 July 2010	5	5

notes to the accounts

(continued)

24. CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT RESERVES	2010	2009
	£000	£000
General Reserves - Associate Investment	2,489	2,235
Other Reserves	129,840	122,236
	132,329	124,471

25. LEASE OBLIGATIONS	Consolidated		University	
	2010	2009	2010	2009
	£000	£000	£000	£000
<i>Operating lease commitments in respect of buildings and equipment on leases expiring:</i>				
Within one year	32	0	32	0
Between one and five years	1,860	1,942	580	543
Over five years	1,192	1,190	1,192	1,190
	3,084	3,132	1,804	1,733

26. CAPITAL COMMITMENTS	Consolidated		University	
	2010	2009	2010	2009
	£000	£000	£000	£000
Commitments contracted at 31 July	16,592	9,006	16,533	7,631
Authorised but not contracted at 31 July	60,391	54,110	59,936	54,110
	76,983	63,116	76,469	61,741

27. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2009/10	2008/09
	£000	£000
Surplus on Ordinary Activities Before Tax	19,574	1,279
(Deficit) / Surplus Relating to Exceptional Items (Note 9)	(11,305)	669
Depreciation (Note 11)	29,406	19,849
(Excess) / Shortfall of Contributions to Pension Scheme Against Service Costs (Note 32)	(1,353)	180
Credit of Goodwill (Note 10)	(454)	(453)
Profit on Write Off and Disposal of Tangible Fixed Assets	(1)	(292)
Realised (Gains) / Losses from Change in Market Value of Equity Investments (note 12)	(302)	302
Deferred Capital Grants Released to Income (Note 19)	(19,927)	(11,928)
Deferred Capital Grant adjustments in respect of asset disposals	582	0
Endowment Income and Interest Receivable (Note 5)	(762)	(1,753)
Interest Payable (Note 7)	3,259	1,710
Transfer of Fixed Assets in the process of sale to Stock (Note 14)	187	0
(Increase) / Decrease in Stocks	(116)	68
(Increase) / Decrease in Debtors	(231)	1,258
Increase in Creditors	7,648	12,827
Increase in Provisions (Note 20)	8,980	505
Increase in Investments Provisions (Note 12)	29	29
	35,214	24,250

notes to the accounts

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28. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2009/10 £000	2008/09 £000
Income from Endowments (Note 5)	62	113
Other Interest Receivable (Note 5)	611	1,329
Interest Payable (Note 7)	(3,259)	(1,710)
Deed of Covenant payment to Minority Interests	1	(35)
	(2,585)	(303)

29. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2009/10 £000	2008/09 £000
Tangible Assets Acquired (Note 11)	(46,777)	(51,903)
Investments Acquired (Note 12)	(2,029)	(122)
Endowment Asset Investments Acquired (Note 13)	0	0
Net Proceeds on Disposal of Tangible Assets	0	761
Receipts from Sale of Endowment Assets (Note 13)	0	0
Deferred Capital Grants Received (Note 19)	31,428	31,667
Endowments Received (Note 21)	1,317	366
	(16,061)	(19,231)

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

	At 1 August 2009 £000	Other Changes £000	Cash Flows £000	At 31 July 2010 £000
Cash at Bank and in Hand	26,638	0	10,300	36,938
Short Term Deposits	35,400	0	(2,900)	32,500
Endowment Assets (Note 13)	2,097	0	594	2,691
Debt due within one year (Note 16)	(1,366)	(1,366)	(164)	(2,896)
Debt due after one year (Note 17)	(66,308)	1,366	8,738	(56,204)
Net Funds / (Debt)	(3,539)	0	16,568	13,029

31. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING

	Loans and Leases £000	£000
Balances at 1 August 2008		48,656
New Loans	20,368	
Capital Repayments	(1,350)	
Net New Loans in Year		19,018
Balances at 31 July 2009		67,674
New Loans and Finance Leases	8,281	
Early Settlement of Loans	(15,000)	
Other Capital Repayments	(1,855)	
Net Repayment of Loans and Finance Leases in Year		(8,574)
Balances at 31 July 2010 (Note 18)		59,100

notes to the accounts

(continued)

32. 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 135,000 active members (2009: 130,000+) and the University had 2,530 active members participating in the scheme as at 31 July 2010 (2009: 2,447).

The main results of the most recent full triennial valuation of the USS and the assumptions used in this valuation that have the most significant effect on the result of the valuation are shown below. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI and the related impact this has on the RPI).

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
Net pension surplus	£707.3m
Funding level from accrued benefits	103.0%
Rate of return on investments	6.4% *
Salary scale increases per annum	4.3% **
Pension increases per annum	3.3%

* including an additional assumed investment return over gilts of 2% per annum.

** plus an additional allowance for increases in salaries due to age and promotion reflecting Scheme experience, with a further cautionary reserve on top for past service liabilities

Standard PA92 MC YoB mortality tables were used, with male members' mortality rated down by one year and no age rating adjustment made with respect to female members' mortality. 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

This was the first valuation 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 carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate in respect of past service liabilities 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 was 104%.

notes to the accounts

(continued)

32. PENSION SCHEMES - continued

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions, except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for technical provisions), giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included in addition, on account of the variability mentioned above. A 0.5% increase in the rate of salary growth assumption would have increased scheme liabilities by approximately £0.7 billion.

The scheme-wide 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, increased the institution contribution rate from 14% to 16% of pensionable salaries, from 1 October 2009.

Since March 2008 global investment markets have continued to fluctuate and, at 31 March 2010, the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Over the 12 months to 31 March 2010 the funding level is estimated to have improved from 74% (as at 31 March 2009) to 91%. These estimates are based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect 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 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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, where a surplus could, perhaps, be used to similarly reduce 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 major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically 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 needs 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 what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers.

notes to the accounts

(continued)

32. 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 although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100%, thereby minimising the risk of the introduction of deficit contributions. 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

Because of the mutual nature of the USS, the Scheme's assets are not hypothecated to individual institutions and a Scheme-wide contribution rate is set. The University is, therefore, exposed to actuarial risk associated with other institutions' employees and 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) Defined Benefit Section

On and from 1 April 2010 the University introduced changes to the benefit structure for existing members of UWPS and introduced a new Defined Contribution Section (DCS) to the Scheme for new hires from this date. The University closed the Defined Benefit Section (DBS) of the Scheme to new hires from 1 April 2010, but continues to operate this DBS in the UK for eligible members at the point of closure and the following FRS 17 disclosure relates to this ongoing DBS. 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 2010 by a qualified independent actuary, for calculating FRS 17 accounting entries. The main results and assumptions of the most recently available full valuation figures of the UWPS are as follows:

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 2010 there were 1,143 members of staff actively contributing to the DBS of the Scheme (2009: 1,318), with a further 17 new members joining the DCS.

The University contributed 19.85% of members' pensionable salaries to the DBS of the Scheme throughout the year ended 31 July 2010. The University currently expects contributions to continue at this rate throughout the year ending 31 July 2011 and the estimated contribution for the year is £5.4 million, including salary sacrifice contributions.

notes to the accounts

(continued)

32. PENSION SCHEMES - continued

The major FRS 17 assumptions used by the actuary (in nominal terms) for the latest updates were:

	2010	2009	2008	2007	2006
Rate of increase in salaries	4.45%	4.65%	4.75%	4.50%	4.20%
Rate of increase of pensions in payment	3.20%	3.40%	3.50%	3.00%	*2.70%
* some pensions have guaranteed 3% increases.					
Discount rate	5.50%	6.00%	5.80%	5.60%	5.40%
Inflation assumption (RPI)	3.20%	3.40%	3.50%	3.00%	2.70%
Return on equity investments **	7.80%	8.50%	7.90%	8.00%	7.50%
Return on bond investments **	4.40%	4.64%	4.90%	5.00%	4.50%

** 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 7.65% assumption for returns in the year ending 31 July 2010 (08/09 : 7.15%). Non-investment expenses incurred in the year have been offset within the final disclosures of expected returns on assets shown on the next page.

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

	2010 Years	2009 Years	2008 Years	2007 Years	2006 Years
Male member aged 45	22.4	22.4	22.4	23.1	23.1
Female member aged 45	25.7	25.7	25.7	25.9	25.9
Male member aged 65	20.6	20.6	20.6	21.3	21.3
Female member aged 65	23.7	23.7	23.7	24.2	24.2

The assets in the Scheme were:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Value of assets					
- Equities	74,596	72,694	71,998	75,010	69,383
- Bonds and cash	31,970	20,504	23,999	25,875	20,435
Total market value of assets	106,565	93,198	95,997	100,885	89,818
Value of liabilities	(121,743)	(111,224)	(108,153)	(110,606)	(101,457)
Net pension deficit	(15,178)	(18,026)	(12,156)	(9,721)	(11,639)

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

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Net assets excluding pension liability	275,039	254,783	232,812	216,326	202,154
Pension liability	(15,178)	(18,026)	(12,156)	(9,721)	(11,639)
Net assets including pension liability	259,861	236,757	220,656	206,605	190,515
	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Income and expenditure reserve excluding pension liability	132,329	124,471	121,958	119,347	114,455
Pension reserve	(15,178)	(18,026)	(12,156)	(9,721)	(11,639)
Income and expenditure reserve including pension liability	117,151	106,445	109,802	109,626	102,816

notes to the accounts

(continued)

32. PENSION SCHEMES - continued

Analysis of movement in the market value of scheme assets	2009/10	2008/09
	£000	£000
Fair value of plan assets at beginning of the year	93,198	95,997
Expected rate of return on scheme assets	6,726	6,652
Actuarial gains / (losses)	6,505	(11,623)
Contribution paid by the employer	5,387	4,422
Contributions by scheme participants	118	1,404
Benefits paid	(5,369)	(3,654)
	<hr/>	<hr/>
Fair value of plan assets at end of the year	106,565	93,198
	<hr/> <hr/>	<hr/> <hr/>
Analysis of movement in the present value of scheme liabilities	2009/10	2008/09
	£000	£000
Benefit obligation at beginning of the year	111,224	108,153
Current service costs	4,034	4,602
Interest cost	6,637	6,341
Contributions by scheme participants	118	1,404
Actuarial losses / (gains)	5,099	(5,622)
Benefits Paid	(5,369)	(3,654)
Past service cost	0	0
	<hr/>	<hr/>
Benefit obligation at end of the year	121,743	111,224
	<hr/> <hr/>	<hr/> <hr/>
Analysis of amount recognised in Statement of Total Recognised Gains and Losses	2009/10	2008/09
	£000	£000
Actual gain / (loss) on scheme assets	13,231	(4,971)
Expected return on assets	(6,726)	(6,652)
Experienced gains and losses on liabilities	2,026	0
Changes in assumptions	(7,125)	5,622
	<hr/>	<hr/>
Actuarial gain / (loss) recognised in the Statement of Total Recognised Gains and Losses	1,406	(6,001)
Adjustment due to surplus cap	0	0
	<hr/>	<hr/>
Net gain / (loss) recognised	1,406	(6,001)
	<hr/> <hr/>	<hr/> <hr/>
Summary of movement in net liability during the year	2009/10	2008/09
	£000	£000
Current service cost	(4,034)	(4,602)
Contributions	5,387	4,422
Past service costs	0	0
Net return on assets	89	311
	<hr/>	<hr/>
Net credit to Income and Expenditure Account	1,442	131
Actuarial gain / (loss) recognised in the Statement of Total Recognised Gains and Losses	1,406	(6,001)
Deficit in scheme at 1 August	(18,026)	(12,156)
	<hr/>	<hr/>
Deficit in scheme at 31 July	(15,178)	(18,026)
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notes to the accounts

(continued)

32. PENSION SCHEMES - continued

History of experience of gains and losses	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000	2005/06 £000
Actual return less expected return on scheme assets	6,505	(11,623)	(13,747)	2,356	5,373
% of scheme assets:	6.1%	(12.5%)	(14.3%)	2.3%	6.0%
Experience of gains and losses on liabilities	2,026	0	2,690	0	0
% of scheme liabilities:	1.7%	0.0%	2.5%	0.0%	0.0%
Changes in assumptions	(7,125)	5,622	8,362	(327)	(7,824)
Total amount recognised in Statement of Total Recognised Gains and Losses	1,406	(6,001)	(2,695)	2,029	(2,451)
% of scheme liabilities:	1.2%	(5.4%)	(2.5%)	1.8%	(2.4%)

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

	2010 £000	2009 £000
Loss as at 31 July	(25,209)	(26,615)

Excluding salary sacrifice contributions on behalf of employees, the University's contribution to the various schemes in respect of its own staff, in the years 2009/10 and 2008/09, were:

	2009/10 £000	2008/09 £000
Universities Superannuation Scheme (USS)	17,134	15,199
University of Warwick Pension Scheme (UWPS) Defined Benefit Section	4,243	4,103
University of Warwick Pension Scheme (UWPS) Defined Contribution Sector	5	0
National Health Service Pensions Agency (NHSPA)	645	573
Local Government Superannuation Scheme (LGSS)	28	40
Net cost of contributions to other schemes	13	4
	22,068	19,919
FRS 17 adjustment to pension charge for year	(1,353)	180
Pension cost for year (note 6)	20,715	20,099

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 defined benefit schemes shown above, no disclosures have been made under FRS17 on the grounds of materiality.

notes to the accounts

(continued)

32. PENSION SCHEMES - continued

University of Warwick Pension Scheme (UWPS) Defined Benefit Section

From 1 April 2010 the University introduced a Defined Contribution (DC) section to UWPS for eligible employees who are not members of the UWPS Defined Benefit section. The DC section of the scheme is treated and accounted for as a normal and separate defined contribution scheme and the University's contributions to the scheme of between 6% and 10% of pensionable salary, dependent upon the level of employee contributions chosen by the scheme member, are recognised through the Income and Expenditure Account as paid over to the external scheme provider.

33. 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
World First Racing Limited (Dormant)	100
Warwick Ventures Limited (owned by the University from 28 September 2010)	50,000

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.

On 30 September 2010 the University the business of AdsFab Limited was transferred to 360 AdsFab Limited, an entity unrelated to the University, under an asset sale agreement of the fixed assets of AdsFab Limited, at a book value of £7,568. This post balance sheet sale is not disclosed as a discontinued activity on the face of the Income and Expenditure account of the consolidated University, since it is deemed to be immaterial in respect of both its size and the business direction of the University as a whole. Results and assets of the total business, of which the University held a 51% share, for the reporting period of these accounts, were as follows:

	2009/10 £000	2008/09 £000
Income	3,576	5,511
Expenditure	(3,685)	(5,431)
(Loss) / Profit on ordinary activities, before deed of covenant payment	<u>(109)</u>	<u>80</u>
	2010 £000	2009 £000
Net Assets as at 31 July	<u>152</u>	<u>258</u>

notes to the accounts

(continued)

33. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES - continued

University of Warwick Science Park (Note 12)

During the year, the University group of companies made purchases from the Science Park of £211k (2008/09: £280k). The University recharged costs to the Science Park of £1.6m (2008/09: £1.3m), mainly in relation to salaries. In May 2003, the University entered into a land swap agreement relating to the letting and development of land to the University of Warwick Science Park Limited and the letting of an adjacent plot back to the University. The future rent payable by the University under this agreement is disclosed within the figures in note 25.

Other Associated Bodies

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

34. 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. Total expenses paid direct to members of the University's Council, who are also the University's Trustees, are shown at note 8.

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 group purchased products and services to the value of £0.5m (2008/09: £0.7m) from RM plc.

Mr Brian Woods-Scawen, an ex officio member of Council and the University's Treasurer, is also a strategic advisor to law firm Martineau. During the year the University acquired legal services to the value of £0.6m (2008/09: £0.6m) 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 £0.5m (2008/09: £0.3m).

Ms Vikki Heywood, an appointed lay member of Council, is also an Executive Director of the Royal Shakespeare Company. During the last financial year the University purchased performance services to the value of £3k (2008/09: £21k), passed on partner grant payments totalling £78k (2008/09: £106k) and received payments for £37k (2008/09: £36k) with respect to the provision of academic services and hire of facilities.

notes to the accounts

(continued)

34. RELATED PARTIES - continued

The University also supplies facilities, goods and services to a number of its spin-out companies, within which the University holds varying levels of share interest (see note 12). All of these goods and services are provided on an arm's length basis and the total value of sales to such individual companies, in excess of £50k, is summarised below:

	2009/10 £000	2008/09 £000
Circadian Solar Limited (previously AdvanceSis Limited)	58	113
Decision Technology Limited*	59	0
Neurosolutions Limited (100% owned subsidiary of Neurodiscovery Limited)	171	99
Sarissa Biomedical Limited**	50	14

* The University sold its full shareholding in Decision Technology Limited in February 2010.

** In the case of Sarissa Biomedical Limited, the University also purchased research services, again on an arm's length basis and in accordance with the University's financial regulations and normal procurement procedures, for a total value of £22k (2008/09: £11k).

35. 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 previous financial year (2008/09) 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. No clawback was due as a result of this sale and no further sales of land and property have been made to date.

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

36. ACCESS FUNDS

	2009/10 £000	2008/09 £000
Opening fund balance	34	31
Funding Council grants received in year	211	242
	<hr/> 245	<hr/> 273
Disbursed to Students	(171)	(239)
	<hr/> 74	<hr/> 34
Balance Unspent at 31 July		

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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37. TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS (TDA)

(a) Student Bursaries	2009/10 £000	2008/09 £000
Opening fund balance	128	135
Net Training and Development Agency for Schools grants received in year	2,802	2,574
	<hr/> 2,930	<hr/> 2,709
Disbursed to students	(2,862)	(2,530)
Administration fee	(57)	(51)
	<hr/> 11	<hr/> 128
Balance Unspent at 31 July owing to the Training and Development Agency	<hr/> <hr/> 11	<hr/> <hr/> 128
(b) Ethnic Minority Recruitment	2009/10 £000	2008/09 £000
Opening fund balance	7	3
Net Training and Development Agency for Schools grants received in year	9	16
	<hr/> 16	<hr/> 19
Development	(9)	(5)
Administration	(7)	(7)
	<hr/> 0	<hr/> 7
Balance Unspent at 31 July owing to the Training and Development Agency	<hr/> <hr/> 0	<hr/> <hr/> 7
(c) Student Associate Scheme	2009/10 £000	2008/09 £000
Opening fund balance	19	9
Net Training and Development Agency for Schools grants received in year	217	246
	<hr/> 236	<hr/> 255
Disbursed to students	(105)	(125)
Support Payments to Schools	(30)	(36)
Administration	(89)	(75)
	<hr/> 12	<hr/> 19
Balance Unspent at 31 July owing to the Training and Development Agency	<hr/> <hr/> 12	<hr/> <hr/> 19

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. Funds provided by the Agency were used only in accordance with the provisions of the Education Act 1994 (as amended by the Education Act 2005), the grant agreement and all other terms and conditions that the Agency has set.

notes to the accounts

(continued)

38. CONSOLIDATED FIVE YEAR RESULTS

	2009/10	2008/09	2007/08	2006/07	2005/06
	£000	£000	£000	£000	£000
Income					
Funding Council Grants	89,750	86,822	85,506	84,730	77,136
Academic Fees & Support Grants	133,265	115,858	100,007	87,845	76,793
Research Grants & Contracts	79,802	72,979	61,665	57,021	60,620
Other Operating Income	104,901	98,244	99,394	97,479	93,270
Endowment Income & Interest Receivable	762	1,753	3,609	3,436	2,782
Total Income	408,480	375,656	350,181	330,511	310,601
Expenditure					
Staff Costs	206,119	203,841	189,560	172,302	157,915
Depreciation	29,406	19,849	17,829	16,254	14,829
Other Operating Expenses	150,122	148,977	139,739	134,439	122,864
Interest Payable	3,259	1,710	1,895	3,036	3,181
Total Expenditure	388,906	374,377	349,023	326,031	298,789
Surplus on Continuing Operations	19,574	1,279	1,158	4,480	11,812
Share of profit after tax of Associate	254	357	205	145	46
Equity Minority Interest	54	(75)	7	(154)	(68)
Exceptional Items	(11,305)	669	1,311	0	0
Transfer from Accumulated Income within Specific Endowments	723	414	190	310	123
Retained Earnings for the Financial Year	9,300	2,644	2,871	4,781	11,913
Surplus excluding FRS 17 adjustments	7,858	2,513	2,611	4,892	9,841
Assets					
Fixed Assets	331,637	312,019	279,833	251,597	241,830
Endowment Asset Investments	5,853	4,908	5,229	5,500	4,092
Current Assets	104,290	96,543	74,087	74,161	76,200
Liabilities					
Current Liabilities	99,720	90,542	77,699	75,570	68,843
Long Term Liabilities	56,204	66,308	47,306	38,386	50,818
Provisions	10,817	1,837	1,332	976	307
Net Assets, excluding Pension Liability	275,039	254,783	232,812	216,326	202,154
Pension Liability	(15,178)	(18,026)	(12,156)	(9,721)	(11,639)
Net Assets, including Pension Liability	259,861	236,757	220,656	206,605	190,515
Capital Expenditure					
Land and Buildings	19,998	33,076	32,621	16,444	16,369
Plant, Machinery & Equipment	26,779	18,827	13,931	8,083	7,890
	46,777	51,903	46,552	24,527	24,259

indicators of financial health

	2009/10	2008/09	2007/08	2006/07	2005/06
(a) % Ratio of Total HEFCE & TDA Grants to Total Income	21.97%	23.11%	24.42%	25.64%	24.83%
(b) % Ratio of Total Fees from Home & EU Students to Total Income	13.98%	14.04%	12.95%	11.09%	9.40%
(c) % Ratio of Total Fees from Overseas Students to Total Income	14.66%	12.55%	11.36%	11.52%	11.70%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	19.54%	19.43%	17.61%	17.25%	19.52%
(e) % Ratio of Total Other Services Rendered Income to Total Income	1.64%	1.63%	2.30%	1.96%	2.38%
(f) % Ratio of Total Residences and Catering Income to Total Income	7.73%	7.88%	8.08%	7.90%	8.17%
(g) % Ratio of Total all Other Income to Total Income	20.48%	21.36%	23.28%	24.64%	24.00%
(h) % Ratio of Staff Costs to Total Income	50.46%	54.26%	54.13%	52.13%	50.84%
(i) % Ratio of Surplus to Total Income	2.28%	0.70%	0.82%	1.45%	3.84%
(j) % Ratio of Long Term Liabilities and Provisions* to Total General Funds*	50.65%	54.75%	39.88%	32.98%	44.67%
(k) Ratio of Liquid Assets to Current Liabilities	0.70	0.69	0.49	0.44	0.57
(l) Ratio of Current Assets to Current Liabilities	1.05	1.07	0.95	0.98	1.11
(m) Days of Total Income represented by Debtors	30.03	32.43	36.10	43.66	42.11
(n) Days of Total Expenditure represented by Creditors due within one year	93.59	88.27	81.26	84.60	84.10

* excluding Pension Liability/Reserve

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