

statement of accounts

for the year ended 31 July 2014

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financial highlights

for the year ended 31 July 2014

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT		2013/14	2012/13	Change
		£ million	£ million	
Funding Council Grants		64.7	77.4	(16.4%)
Academic Fees and Support Grants		213.2	190.0	12.2%
Research Grants and Contracts		90.1	83.7	7.6%
Other Operating Income		110.9	106.4	4.2%
Endowment Income and Interest Receivable		1.6	2.1	(23.8%)
Total Income		480.5	459.6	4.5%
Surplus for the Financial Year		12.4	19.5	(36.4%)
CONSOLIDATED BALANCE SHEET		2014	2013	
		£ million	£ million	
Fixed Assets		428.1	405.3	
Endowment Asset Investments		8.6	8.1	
Net Current Assets		42.4	42.1	
		479.1	455.5	
Long Term Creditors and Provisions		(130.1)	(120.7)	
Total Net Assets, excluding Pension Liability		349.0	334.8	4.2%
Pension Liability		(21.9)	(22.5)	
Total Net Assets, including Pension Liability		327.1	312.3	4.7%
CAPITAL EXPENDITURE IN THE YEAR		2013/14	2012/13	
		£ million	£ million	
		49.7	35.5	40.0%
NET CASH INFLOW FROM OPERATING ACTIVITIES		2013/14	2012/13	
		£ million	£ million	
		39.3	39.9	(1.5%)
OTHER KEY STATISTICS		2013/14	2012/13	
		Number	Number	
Full Time Students:-	Home / EU Undergraduates	10,187	10,015	1.7%
	Home / EU Postgraduates	2,334	2,663	(12.4%)
	Overseas Undergraduates	2,489	2,380	4.6%
	Overseas Postgraduates	2,744	2,727	0.6%
Total number of students (full time equivalent)		18,771	18,528	1.3%
Total staff numbers (full time equivalent)		4,932	4,536	8.7%

financial review

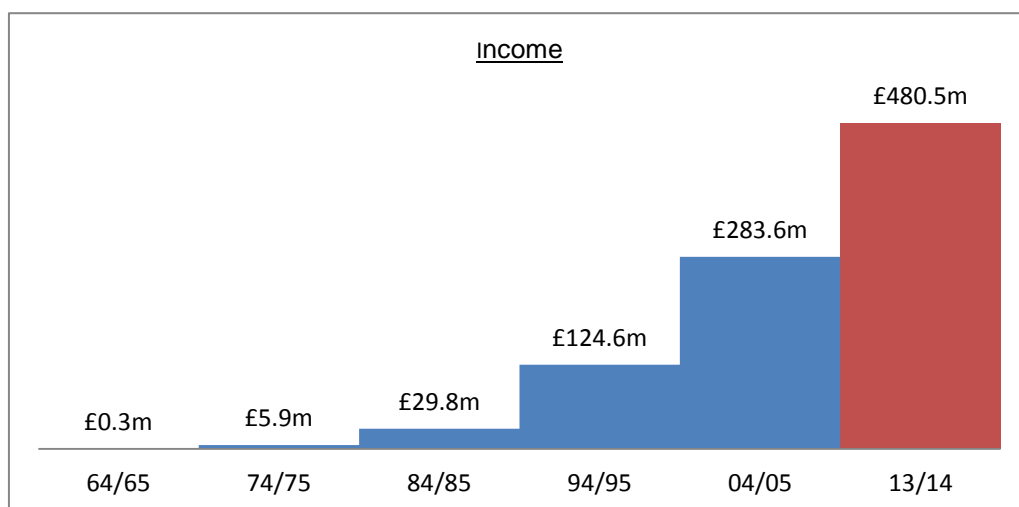
Warwick's 50th Anniversary

The year 2015 marks the University's 50th anniversary, providing an opportunity to reflect on Warwick's achievements to date and to look forward to the challenges that lie ahead. The University has grown rapidly over this period and has established a formidable reputation for research and teaching excellence on the national and international stage as well as becoming renowned for its entrepreneurial and commercial values. Warwick has consistently appeared within the top rank of higher education institutions and in September 2014 received the Times and Sunday Times University of the Year Award.

In 1965 the University's first Vice-Chancellor, Jack Butterworth, supported by ten hand-picked Founding Professors, oversaw the admission of the first cohort of undergraduate and postgraduate students. The University offered eighteen different degree courses to prospective undergraduate students and the campus consisted of a small group of newly erected buildings providing space for academic departments, two lecture theatres, a restaurant, a common room and the Library which had already acquired around 45,000 books. The University's total income in its first full year of activity was a mere £265,100, with the dominant sources being grants from central and regional government.

As the University approached its 10th birthday, campus activity was already broadening in volume and diversity, with strong reputations being built in sciences, arts and social studies. University income had grown to around £6m per annum. The Students' Union, which until that point had inhabited temporary accommodation, welcomed the opening of its new, permanent home. The first phase of the Warwick Arts Centre was also completed. Today, the Arts Centre is a focal point for campus life and is one of the largest performing and visual arts complexes in the UK outside London.

The 1980s saw then Prime Minister Margaret Thatcher open the first building in the University of Warwick Science Park, which within ten years hosted 60 companies providing 1,200 jobs. The '80s also saw a step change in student numbers including Warwick being awarded in 1985 an additional 135 fully resourced undergraduate student places under Phase I of a Government policy. In 1988, Warwick started holding three separate degree ceremonies for the first time because of the volume of students graduating. However, at this time University income levels remained modest at around £30m per annum, but over the next decade things were set to change dramatically.



financial review

(continued)

From the mid-1980s the University placed increasing importance on the generation of non-governmental income sources. This included a focus on the recruitment of international students, the development of independently funded courses and the strengthening of links with industrial partners. Warwick Business School, which had begun life in 1967 with 5 academic staff and 24 students, and Warwick Manufacturing Group became major players, with the latter seeing its Advanced Technology Centre open in 1990. These were signs of things to come. The University is currently beginning building work on a £92m National Automotive Innovation Centre in partnership with Jaguar Land Rover and Tata Motors. Warwick Business School is now Warwick's largest department and will very shortly be opening its London base, located at the Shard, to its first cohort of students. The 1980s also saw the opening of two new dedicated management training facilities, Radcliffe House and Scarman House. These remain flagships of our Warwick Conferences business which has a total annual turnover of £16m. This commercial focus and entrepreneurial spirit saw University income soar from £30m in 1985 to £125m in 1995 and £284m in 2005.

Additional surpluses generated from commercial activities are re-invested in academic departments and in improving services and infrastructure. This has provided Warwick with a strong competitive advantage enabling the University to recruit the best academics and provide them with world class facilities, enabling research excellence to be achieved across arts and humanities, sciences and social sciences. This pursuit of excellence continues with many notable individual achievements, such as the recent award of a Fields Medal, the world's most prestigious mathematics award, to Professor Martin Hairer FRS.

The millennium brought a visit from then US President Bill Clinton and saw the opening of Warwick Medical School. The School has grown rapidly to become one of the University's largest departments bringing a wealth of opportunities for new and exciting research initiatives. In 2005 another milestone in Warwick's history was passed as the merger with Horticulture Research International, now part of our School of Life Sciences, provided a second campus at Wellesbourne.

Over the last decade the University has continued to grow and as we approach 2015 our turnover is set to exceed £0.5 billion. Our alliance with Monash University in Australia and our partnership with the Centre for Urban Science and Progress in New York signpost a future in which our ambitions will not be constrained by our geographic location, but we can look back with immense pride and satisfaction at what has been achieved to date since that initial, small campus footprint was established in 1965.

Looking Forward – Our University Strategy

The University has recently launched its updated strategy, setting itself ambitious plans for the future. Warwick's vision is to be a world-class university, one with a dynamic, enterprising approach to solving global challenges; one that enables students to create their place in the world and one that defines the university of tomorrow.

To achieve the full ambition of the University strategy, the University will aim to continue to deliver a strong financial performance so that it 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 other objectives.

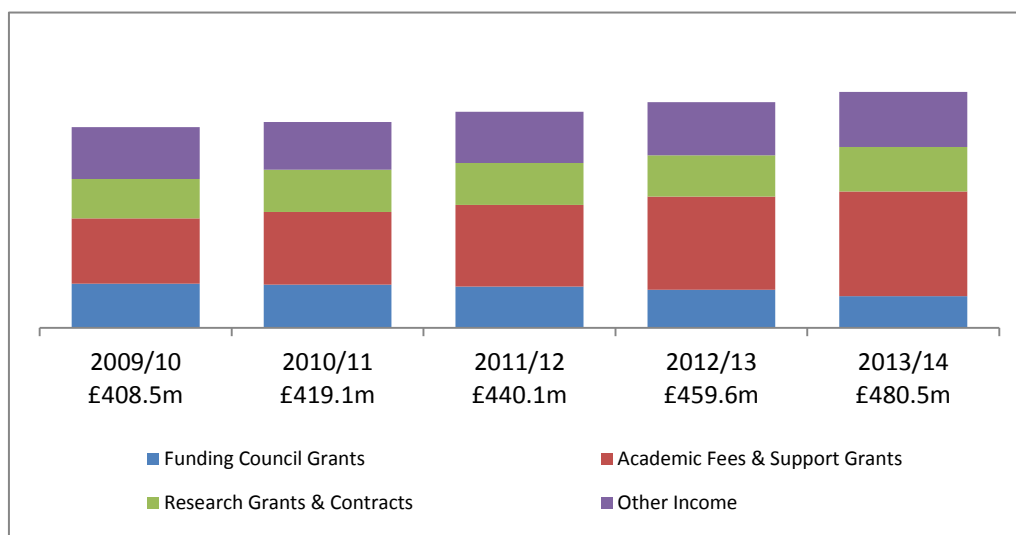
The University uses a range of both financial and non-financial indicators to monitor its performance. These indicators, which include student, research and divisional performance data and appropriate risk measurements, are reviewed by Council.

financial review

(continued)

Income

Income of the University has increased by 4.5% to £480.5m.



Funding Council Grants

In the second year of the changes to the student funding regime, the University has continued to incur its proportionate share of the government's ongoing funding cuts and has seen a fifth consecutive year of reductions in HEFCE funding of teaching in real terms, which is down £10.0m (31.8%) year on year.

Recent changes in the University's core grant continue to run contrary to the overall increase in the scale of the University's teaching and research operations over recent years and, taken together with further reductions in future government funding that have already been announced, the University recognises the continued need to diversify income streams and maintain a close control of all costs.

Academic Fee Income

The growth in the University's academic fee income has been the result of increases in fee levels, including the ongoing impact of higher regulated undergraduate fees, which increased to £9,000 for 2012 entrants. Where eligible undergraduate students elect to take a fee loan from the Student Loans Company, this income is recognised in full, less any fee waivers provided. The University continues to make and plan for substantial investment in academic facilities and student access support, as we also continue to assess how we can develop the high quality of academic and social experience for students; this is referred to in more detail later in this review. A breakdown of academic fee income can be seen at note 2 of the accounts.

Research Income

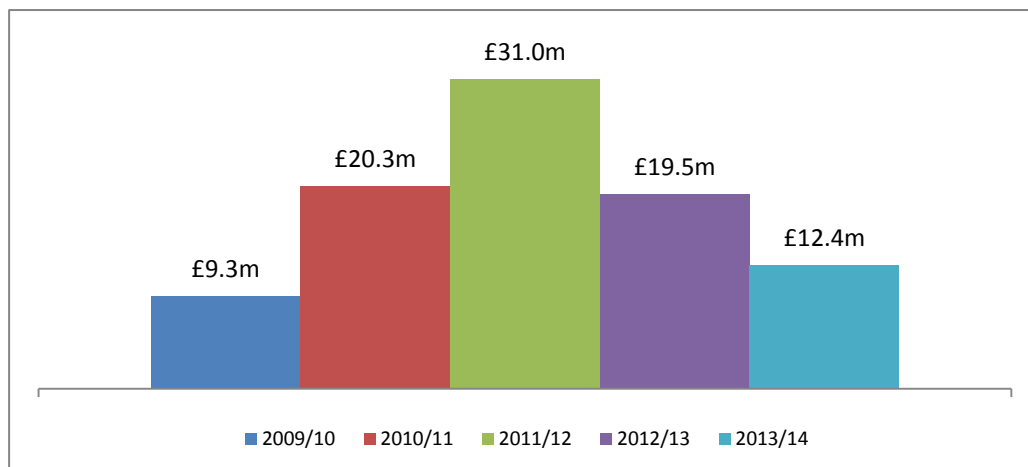
Despite ongoing funding pressures faced by many grant awarding bodies, the University has increased its income from research activity by £6.4m (7.6%), to £90.1m. The University's recent investment in academic posts is also expected to further strengthen the University's research portfolio and reputation over the coming years.

The University has continued to grow its volume of research activities undertaken for industrial partners and those supported by EU funding. By investing in the relevant academic areas, together with such initiatives as Warwick's Global Priorities Programmes, the University expects to further enhance its underlying research capabilities.

financial review

(continued)

Surplus



The surplus for the year was £12.4million (2.6% of turnover). This compares with a corresponding surplus for the previous year of £19.5 million (4.2% of turnover).

The surplus levels shown in the above graph are all after exceptional items, including significant restructuring costs of £11.3m in 2009/10. Excluding exceptional items, the University has recognised a relatively consistent surplus over the last five financial years, around a peak in 2011/12, indicating a stable overall financial outturn on its underlying operations. The reduced surplus in 2013/14 is as a result of the strategic investment in staff posts and increased operating costs, including the additional cost of bursaries and increasing utility costs. The reduction in surplus was in line with the University's financial plans and forecasts and there are financial plans in place for this surplus to grow again over the coming years, aiming for surpluses of 5-7% of turnover in order to provide sufficient funds for investment in infrastructure.

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 and Warwick Manufacturing Group reported successful financial years, reflecting the student demand arising from an outstanding academic profile and international reputation for high quality research. The University's online recruitment business, Jobs.ac.uk, also improved its financial contribution to the University.

The University plans to invest the bulk of its surpluses in the coming years in academic investment programmes and the student experience and these surpluses are therefore essential in supporting the University's continuing financial and operational sustainability, particularly in the light of the uncertain economic times and threats to a number of core funding streams.

financial review

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Net Assets

The University's net assets have increased by 4.7% year on year, from £312.3 million to £327.1 million.

University of Warwick Pension Scheme (UWPS)

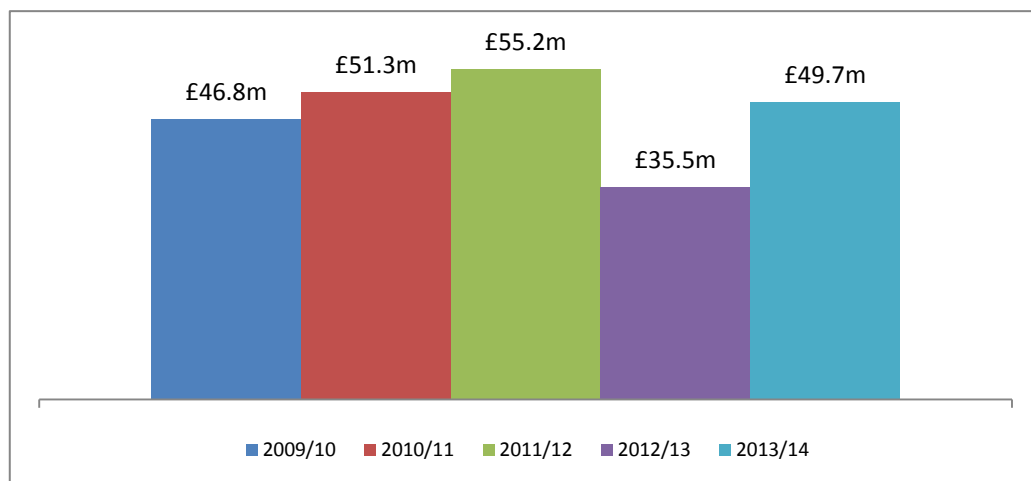
The defined benefit section of the University of Warwick Pension Scheme has seen a small reduction in the deficit from £22.5 m to £21.9m; benefits arising from the stronger performance on investments in the year having offset the increase in valuation of scheme liabilities at the balance sheet date. Increasing scheme liabilities are a result of historically low bond yields impacting on the discount rate that is used in determining liabilities, together with assumptions of higher future rates of inflation and longevity. To ensure long-term funding requirements are met, ongoing contribution levels are determined as part of the triennial full valuations of the Scheme. Results were received in the year from the last full valuation of the Scheme that was undertaken as at the end of March 2013 and showed an improvement in funding level to 93% (March 2010: 91%).

Universities Superannuation Scheme (USS)

As a multi-employer scheme, assets and liabilities in respect of USS are not reported within the accounts of the University. The University does, however, incur substantial costs in respect of employee membership of USS. It is expected that the contribution to USS will increase subsequent to the March 2014 valuation being concluded.

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 30.

Capital expenditure



financial review

(continued)

Cash inflows for the year of £39.3m (2012/13: £39.9m) from operations, capital grant receipts of £15.2m (2012/13: £13.1m) and new endowments received totalling £1.1m (2012/13: £0.8m) supported the University in making £49.7m of capital expenditure (2012/13: £35.5m), in addition to ongoing levels of refurbishment work expensed to the Income and Expenditure Account in year.

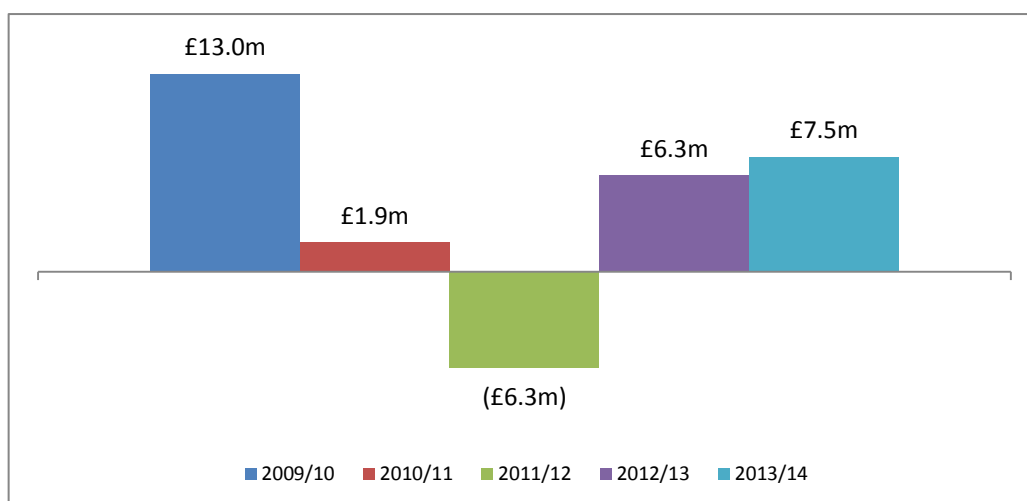
Amongst the major capital schemes completed in the year was the International Institute for Nanocomposites Manufacturing and the International Manufacturing Centre extension, as well as various infrastructure and refurbishment projects across campus. Works are ongoing on a further expansion to the Warwick Business School (Phase 3b) and a new Energy Centre, to further improve Warwick's energy security, while also tackling issues of rising energy costs and managing carbon emissions.

Work has also begun on the "National Automotive Innovation Centre" (NAIC) at Warwick, funded by HEFCE, Jaguar Land Rover (JLR) and Tata Motors European Technical Centre (TMETC), who will invest in excess of £90 million in the development. JLR and TMETC, working closely with Warwick Manufacturing Group, envisage a 10 times return on investment through increased value added from exploitation of research outputs in new and improved products, processes and services. This will not only benefit the University and our partner companies but also the local, regional and national economies.

Looking to the future, the University plans further developments to improve and expand the University's lecture theatre space and laboratory facilities across campus, new sport and wellbeing facilities, additional student residences, as well as improvements to roads, car parks and infrastructure items across campus. The scale of the planned level of future capital investment is highlighted at note 24 of these accounts, and shows further investment totalling over £300m over the next few years.

The University's updated strategy sets out Warwick's intention to develop our campus on the principles of environmental sustainability and more details of the University's environmental strategy and projects can be found on the University's website.

Net Funds / (Debt)



financial review

(continued)

The University's ambitious capital programme, in addition to being financed by retained surpluses, is further supported by committed long term unsecured bank facilities on advantageous terms reflecting the quality of the University's covenant. Swaps are in place to protect the University from future variations in interest rates. The graph of capital expenditure shows that the University is constantly reinvesting its surpluses and loan drawdowns in major capital developments with relatively consistent amounts of funds over the five years.

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

The University's cash balances are invested across a range of approved financial institutions, principally on a range of short term deposit accounts, up to one year in maximum length and to a maximum value of £40m per financial institution. The University investment policy maintains at its core the principal aim to protect the charitable assets of the University and, as such, cash balances are currently restricted to UK clearing banks and the largest UK building societies. The University also holds some investment balances within Schroders Managed Funds (see note 11 of the accounts), principally with a view to holding for the longer term and offsetting bullet loan repayment commitments. All cash and investment funds are held in accordance with the University's socially responsible investment policy.

Students

The University benefits greatly from our diverse, talented and committed students. In addition to our continued and further planned investment in academic staff and facilities, the student offering at Warwick has been expanded through the continuous upgrading of the student IT network, additional rooms in halls of residence that are being built to meet the high level of student demand for quality, affordable on-campus accommodation and continuing reviews and upgrading of the University's retail and catering operations.

The University recognises the value and contribution that international students make to Warwick from both a cultural and financial perspective and also recognises the growing competition in the provision of higher education services. Warwick has a strong international student support network in place, which we continue to develop. We are proud of the excellent reputation that Warwick continues to hold overseas. This is a reputation that is responsible for attracting such a large number of international students to Warwick and one that we aim to develop in the future, by continuing to differentiate Warwick in the overseas higher education market, alongside exciting new opportunities facilitated by strong alliances with universities across the world, including important partnerships with Monash University in Australia and the Centre for Urban Science and Progress (CUSP) in New York. The University is currently considering proposals for a campus in Sacramento.

The enhancement of student learning opportunities at Warwick was "commended" following a Quality Assurance Agency (QAA) institutional audit in March 2013 and the review team identified a number of areas of good practice, including the integrated work of the library, the Institute for Advanced Teaching and Learning, the Learning and Development Centre in facilitating innovation in teaching and learning and the Student Careers and Skills Service.

Overall student satisfaction with Warwick has risen to 89% (up from 87%) in this year's National Student Survey (NSS). The University has also seen noteworthy increases in satisfaction in 5 of the 6 main category scores, including a 7% increase in satisfaction with Assessment and Feedback. Warwick's new strategy targets an overall average satisfaction rating of 90% and the University is working hard to achieve this.

We remain 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 continues 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, some further details of which are set out in the Public Benefit Statement on pages 11 to 13 of these financial statements.

financial review

(continued)

Strategic risks

The Council, supported by a risk management framework and advised by Audit and other 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 are:

- the decline in the funding of universities from public sources, the impact of changes in the economy and the changes in student fees and support structure;
- any changes in the pattern of demand, especially in international student markets;
- the ability to maintain an internationally competitive position in respect of the quality and recognition of both teaching and research; and
- the recruitment and retention of internationally recognised scholars in a highly competitive market.

To mitigate these strategic risks, the University, amongst other things:

- plans prudently with respect to income assumptions, continually reviews the need for efficiency savings and monitors student feedback and surveys to most effectively direct available resources;
- plans conservatively for student demand and focuses on building and developing overseas networks with other organisations, representatives and alumni communities;
- is, alongside investing in the best staff and facilities and pursuing international excellence in all aspects of its operations, continuously growing its academic links and collaborative working relationships with overseas education partners and international businesses; and
- engages in regular, frequent review of recognition and reward mechanisms and leadership and development training programmes.

Prospects

The University is committed to ensuring financial sustainability in spite of funding restrictions in this period of increasing challenge and competition within the sector. We remain confident that the financial outcome for 2014/15 will be on target following recent high levels of academic investment and that, in the longer term, this investment will further support our ambition of becoming one of the top universities in the world and to be a significant contributor to the growth of knowledge to the benefit of local, regional, national and international communities. In December we will receive the results of the REF 2014 assessment and this will inform research funding for the 15/16 year.

During the current year we will continue to progress major projects with respect to the expansion and refurbishment of academic facilities to maintain the University's excellent standing for teaching and research.

The University is also committed to the continued growth of the international perspective of its academic community and will continue to invest both time and resources into developing the appropriate facilities and opportunities to allow students and scholars to be part of Warwick's strategic international vision.

With our 50th Anniversary now upon us we look back with a sense of pride and satisfaction at what Warwick has achieved; the foundations that have been built are strong and the University can look to the future with high expectations and confidence.

Keith Bedell-Pearce, University Treasurer

21 November 2014

public benefit statement

The University of Warwick provides public benefit principally through the pursuit of its core objects, as set out in its Charter; these being: “the advancement of learning and knowledge by teaching and research and the provision of University education.” The University Council as the trustee body considers the Charity Commission’s guidance on public benefit on an annual basis, and ensures that the University fulfils its mission in a compatible way.

The University’s Council approves the University’s strategy and governs the work of the University to ensure that students and potential students benefit from the excellent education that the University offers, and that the general public benefits from the generation of knowledge and the long-term impact of the University’s research. The University of Warwick Annual Review 2013 (which is available at the following link http://www2.warwick.ac.uk/about/publications/warwick_annual_review_web.pdf), provides case studies that demonstrate the public benefit delivered through our activities.

The excellence of the University of Warwick’s teaching and research is evidenced by being consistently ranked amongst the top universities in the UK in national league tables, and is further validated by external assessments of teaching and research quality.

Education

The University of Warwick aspires to offer 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. In 2013 the Quality Assurance Agency undertook a review of Warwick’s Teaching and Learning, and confirmed that the University’s academic standards, the quality of its student learning opportunities, and the quality of its information about learning opportunities all meet UK expectations. The reviewers also commended our approach to learning enhancement and identified a number of examples of good practice including our innovative campus wide Teaching and Learning Review process.

The University offers undergraduate and postgraduate programmes across a range of disciplines. A large number of continuing professional development programmes provide educational opportunities beyond the full time undergraduate or postgraduate experience, in disciplines such as education, medicine, health, law, business and engineering. The University provides foundation and 2+2 degree programmes which are offered in partnership with five local Further Education colleges, and has recently introduced two new Gateway to HE programmes. Each year, Warwick’s certificate and short course programme attracts over a thousand registrations from the general public, predominately from the local region.

We prepare our students to contribute to society and in the workplace. Our graduates are in high demand: in 2014 Warwick was ranked as one of the top ten most targeted universities by the UK’s leading graduate employers. We have developed innovative programmes in partnership with local employers (for example in the automotive industry), and we offer flexible and distance learning solutions to facilitate participation in life-long learning.

We seek 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 studies at Warwick, to support both tuition and living costs. The University also seeks to offer a broad range of rent levels for accommodation on campus. The University currently runs the Warwick Undergraduate Scholarships and Bursaries Programme, which offers students financial support to supplement government aid available for each year of their course. There are also a range of scholarships available to international students and postgraduate students. We ensure that funding information and advice is accessible to potential students.

public benefit statement

(continued)

In 2013 the University launched its Widening Participation Strategy, which is driven by our vision of becoming a recognised global leader in enhancing social diversity and participation in higher education. The University continues to work towards meeting its Widening Participation targets, agreed with the Office for Fair Access, and aims to further increase accessibility for the most able to the University. Through our Access Agreement, the University has committed to a generous new financial support framework and an extensive outreach programme.

Our Widening Participation Strategy builds on our history of innovative practice to encourage and support the development and achievement of academic ambition. Current activities include: the UniTracks (formerly 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 100 Year 12-13 pupils and their families each year to receive guidance on the study of law and careers in law, including work shadowing and mentoring) and the Student Progression Team – a collaborative scheme run in partnership with Coventry University that sees twenty students from each institution engaging regularly with pupils from nine schools in Coventry and Warwickshire. The University is a member of the Realising Opportunities Scheme, whereby fifteen leading universities agree to work locally with the 'most able, least likely' Year 12 and 13 pupils to raise aspiration, awareness and achievement, and to then give additional consideration to applicants from any of the partner institutions in recognition of their engagement with the programme. The programme seeks to recruit an additional 800 students nationally each year.

The University has strengthened its provision to support local students through activities to raise aspiration and attainment levels, engaging with learners from 30 targeted state secondary schools in Coventry and Warwickshire. In 2013 an intensive programme was developed and launched with the RSA Family of Academies, offering a suite of activities supporting the learner journey to higher education.

Warwick's Widening Participation mission is furthered through the tailored outreach activities that are offered to a variety of target groups by academic departments. Additionally, IGGY, a social and educational network of the brightest young people aged 13-18 years worldwide, continues to proactively target its activities to a diverse cohort, offering a no fee membership subscription to eligible young people in the UK, and sponsored membership to students from economically disadvantaged backgrounds overseas.

The University is working in partnership with local employers on the new WMG Academy for Young Engineers in Coventry which opened in autumn 2014 and which will deliver an innovative curriculum for 14 to 19 year old pupils. A second WMG Academy for Young Engineers in Solihull is scheduled to open in September 2016.

Research

Warwick undertakes cutting-edge, world leading research, fuelled by our ambition to achieve excellence through innovation.

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). The University continues to invest in facilities, expertise, and partnerships that enable us to develop further our research capacity.

Our research benefits the broader public through its impact on the work of charities, industry, government agencies, and also our own postgraduate and undergraduate students. To ensure that our research outputs translate to user communities, business, industry, and beyond, the University undertakes a range of initiatives that seek to transfer technology, knowledge and experience to the wider community.

public benefit statement

(continued)

We have identified 10 Global Research Priorities (GRPs) around which we have significant inter-disciplinary clusters of research strength. These GRPs relate to significant societal and governmental priorities and challenges. The areas covered by GRPs are: Food, Connecting Cultures, Energy, Global Governance, Sustainable Cities, Innovative Manufacturing, Behavioural Science, Materials, Science & Technology for Health, and International Development. The GRPs provide a focus for wider engagement with our research stakeholders and are a vehicle for dissemination of research outputs in order to maximise impact and public benefit – details available at www2.warwick.ac.uk/research/priorities.

We are committed to improving public access to our research findings. The Warwick Research Archive Project (WRAP, available at <http://wrap.warwick.ac.uk/>) is a free online repository service to provide access to our written research output (including journal articles and PhD theses). The University holds unique repositories, for example our 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. The University's Knowledge Centre provides an on-line portal showcasing our research through articles and materials designed to be understood by interested members of the public, alumni and friends of the University.

Warwick's research directly benefits the UK economy. Warwick Ventures Limited, a wholly-owned subsidiary, oversees the University's technology transfer and commercialisation function. Over the last 14 years it has launched over 83 knowledge-based companies. Warwick Ventures Limited also licenses the University's intellectual property to other companies in a wide range of industries.

The University also makes a significant impact on the regional economy. A study which reported in 2013 estimated that the University contributes around £520m annually to the West Midlands economy. A number of departments are engaged with local companies, and the University is active in the Coventry and Warwickshire Local Enterprise Partnership and its various thematic groups.

Community engagement and corporate social responsibility

The University recognises and fosters its wider stewardship and community engagement responsibilities.

The University promotes and monitors compliance with the highest standards of research ethics as embodied in UK regulation and practice. The nature of any funding offered to the University is carefully considered from an ethical perspective.

Working closely with our Students' Union, as a University community we strive to provide holistic support mechanisms for our staff and students. Our campus life provides many opportunities for development and enrichment. We promote equality and diversity, evidenced by our achievement of the HR Excellence in Research award; Athena SWAN awards, including an Institutional Silver Award, making us one of only four institutions in the UK to hold this status; and our status as a Stonewall Diversity Champion.

We liaise actively and regularly with local schools, community organisations and local authorities to ensure that we not only mitigate any potentially negative impact that the size and scale of our campus population and buildings might otherwise have, but also to positively develop partnerships, engage in volunteering opportunities, and to make sure that the community at large benefits from access to our campus facilities.

We work in partnership with our staff and students to promote environmental sustainability. We have committed to achieving a significant reduction in our carbon emissions by 2020 (a 34% reduction against our 1990 emissions). Our travel and transport strategy includes practical measures to reduce scope three carbon emissions, and we work with local authorities and public transport providers to manage the impact of travel flows to and from our campus, whilst ensuring that it remains accessible.

corporate governance

- 1 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.
- 2 The University conducts 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 that has been provided by the HEFCE and the Committee of University Chairs (CUC) in the Guide for Members of Governing Bodies in the UK. The University is mindful of its charitable purpose and its strategy aims to encompass its public benefit role.
- 3 Under the provisions of the University's Charter and Statutes, the University is governed by its Council, whilst the Senate has oversight for academic matters. Whilst the Council and the Senate have clearly defined functions and responsibilities, there is active consultation and interaction between the two bodies.
 - **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 the 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 its Code of Corporate Governance and Statement of Primary Responsibilities annually. 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 18 and 19 of these accounts.

There were 25 members of the University Council in 2013/14, reducing to 24 from 13 February 2014. The total possible membership of the Council is 25 and, therefore, the size of Council is in line with that recommended by the HEFCE and CUC. For the financial year ended 31 July 2014 and for the subsequent period to when these financial statements were signed as approved, the following individuals were members of Council: Sir George Cox (Pro-Chancellor and Chair), Mr K Bedell-Pearce (Treasurer), Dame Fiona Caldicott, Ms V Cooke (Vice-Chair), Professor S Croft (Provost) (from 10 October 2013), Mr P Dunne, Ms P Egan, Ms T Elliott, Ms V Heywood (to 13 February 2014), Mr J Higgins, Mr G Howells, Sir David Normington, Mr N Sanders (to 31 July 2014), Professor Sir John Temple (to 31 July 2014), Mr M Temple, Professor N Thrift (Vice-Chancellor and President), Professor Christina Hughes, Professor Christopher Hughes, Professor T Jones, Mr A Rivett, Professor S Swain (to 31 July 2014), Professor P Thomas, Professor P Winstanley, Mr C March (to 31 July 2014), Mr B Sundell (to 31 July 2014); for the subsequent period from 1 August 2014 to the approval of these financial statements: Dr J Ferrie, Professor A Muthoo, Mr R Ankcorn and Ms C Turhan.

- **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.

corporate governance

(continued)

- 4 The principal academic and administrative officer of the University is the Vice-Chancellor and President 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 Memorandum of Assurance and Accountability between the University and the Higher Education Funding Council for England, the Vice-Chancellor and President 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.
- 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 and President exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Registrar and Chief Operating Officer, Provost, Pro-Vice-Chancellors, Chairs of the Faculty Boards and the Board of Graduate Studies, and the senior administrative officers all support this work, but ultimate responsibility for what is done rests with the Vice-Chancellor and President, following the approval of the overarching University strategy by the Council.
- 8 The Registrar and Chief Operating Officer 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 and Chief Operating Officer is supported by the Deputy Registrar and they provide advice to the Chair of Council on all matters of procedure and in respect of 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 and Chief Operating Officer.
- 10 Any enquiries about the constitution and governance of the University should be addressed to the Registrar and Chief Operating Officer.

statement of internal control

The Council is responsible for maintaining a sound system of internal control that supports the achievement of the aims and objectives of the University, and the efficacy of its policies, whilst safeguarding the public and other funds and assets for which it has responsibility.

A system of control is designed to mitigate risk to a reasonable level rather than to eliminate all risk, and therefore can only provide reasonable and not absolute assurance of effectiveness. Key elements of the system of internal control, which are designed to discharge the responsibilities set out above, include the following:

- Approval of University strategy by the Council, whose membership includes a majority of external members, together with academic and non-academic representation.
- Monitoring the performance of the University through the annual consideration by the Council and other relevant committees of Key Performance Indicators.
- An annual and forward looking operating and capital planning process that combines top-down and bottom-up input, and is subject to challenge and scrutiny via a range of appropriately informed committees.
- Quarterly monitoring of financial performance and updates to forecast out-turns.
- Clearly defined requirements for control of expenditure, including the appointment of staff, investment and borrowings, together with comprehensive Financial Regulations and Procedures.
- An Internal Audit function that undertakes investigative work to identify any areas of weakness in compliance with University policies and procedures, primarily based on an agreed audit plan, but also in response to the identification of emerging risks or in response to actual issues. The Head of Internal Audit also prepares an annual value for money report for consideration by the Audit Committee.

The Audit Committee, whose membership is entirely external, plays a key role in providing the Council with objective assurance that its system of internal control is effective. The Audit Committee provides termly reports to the Council, in addition to providing 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 in its Annual Report to the Council.

- The Audit Committee provides challenge on operational, financial and risk matters coming before it and, where appropriate, monitors agreed actions to ensure that changes and recommendations are duly implemented.
- The Audit Committee receives regular reports from the Head of Internal Audit that provide 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.
- Additionally, the Audit Committee considers an annual report from the Head of Internal Audit that provides and evidences his/her opinion that the University has adequate and effective arrangements for economy, efficiency and effectiveness (value for money) as well as risk management, control and governance, in addition to a report summarising the data management and returns assurance processes.
- The Audit Committee meets on an annual basis with Internal Audit as well as External Audit without University management being present.
- The Audit Committee also receives periodic reports on the management of the University's significant risks and on specific areas of internal control.

statement of internal control

(continued)

The Audit Committee has oversight of the University's risk management strategy and policy on behalf of the Council.

- The University operates 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 institutional 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 representatives from the full range of internal constituencies to identify, assess and monitor operational and compliance risk across the range of University operations including insurance, business continuity, finance, delivery assurance, estates, IT and health and safety.
- The University's approach to risk management includes both distributed and centralised identification and management of risk, with all departments of the University being required to submit an annual return that demonstrates their consideration of risk exposure in local strategic planning. A number of the most relevant formal Senate and Council committees have become expressly engaged in horizon scanning and risk assessment. Risk management practice is a core part of management.
- The institutional risk register is updated on a termly basis, with the status of the most significant institutional risks being considered by the Council.
- The University recognises the need to identify, understand and manage the risks inherent in the changing operating environment, and in developing strategies in response, and therefore consideration of risk is explicit in the development and implementation of strategy, and is required as part of any business case and as part of the management of institutional projects.

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 and President 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 and President 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 and President.
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.

independent auditor's report

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 2014 which comprises of the accounting policies, 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. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditor

As explained more fully in the Statement of Primary Responsibilities of Council, set out on pages 18 and 19, the Council is responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements, in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s and University’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and the University as at 31 July 2014 and of the Group’s income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

independent auditor's report

to the Council of the University of Warwick (continued)

opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes; and
- funds provided by the Higher Education Funding Council for England have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the Statement of Internal Control is inconsistent with our knowledge of the University and Group.

Michael Rowley

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham B4 6GH

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 associated undertakings. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include those 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. Fee income is recognised net of fee waivers and the cost of any other fee discounts or bursaries made 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 and on the full acquisition of the University of Warwick Science Park has been capitalised and separately disclosed on the face of the balance sheet in fixed assets. Negative goodwill in respect of the Science Park was initially released to reserves on a straight line basis over a period that matched backlog refurbishment plans at the date of acquisition (3 year and 6 months). During 2013/14 following a review the remaining goodwill was released back to the Income and Expenditure account at this point.

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 or over the life of the project if deemed more appropriate. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings. The University has no inherited assets.

Equipment

In the accounts of the University, equipment, including micro-computers and software, costing less than £25,000 per individual item or group of related items are written off in the year of acquisition. Capitalised equipment, other than certain information technology equipment, is stated at cost and depreciated over typical 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 in the University's own accounts 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 for deficits which reduce the value of an investment to less than cost, which 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 and goods for resale in catering, bars and retail outlets and are valued at the lower of cost plus attributable overheads and net realisable value. Stocks of other consumable materials are written off to expenditure as incurred.

14 Provisions and Contingent Liabilities

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

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

15 Cash and Liquid Resources

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

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

16 Taxation Status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 (formerly 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 associates 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 2014

	Note	2013/14 £ million	2012/13 £ million
INCOME			
Funding Council Grants	1	64.7	77.4
Academic Fees and Support Grants	2	213.2	190.0
Research Grants and Contracts	3	90.1	83.7
Other Operating Income	4	110.9	106.4
Endowment Income, Investment Income and Interest Receivable	5	1.6	2.1
Total Income		480.5	459.6
EXPENDITURE			
Staff Costs	6	248.2	224.8
Depreciation	10	29.6	28.7
Other Operating Expenses	8	184.3	181.2
Interest Payable and Similar Charges	7	6.6	5.8
Total Expenditure	8	468.7	440.5
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST AND BEFORE TAX		11.8	19.1
Taxation		0.0	0.0
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, DISPOSAL OF ASSETS AND TAX		11.8	19.1
Transfer from Accumulated Income within Endowment Funds		0.6	0.4
SURPLUS FOR THE FINANCIAL YEAR RETAINED WITHIN GENERAL RESERVES		12.4	19.5

statement of consolidated total recognised gains and losses

for the year ended 31 July 2014

	Note	2013/14 £ million	2012/13 £ million
Surplus on Continuing Operations after depreciation of assets at cost, disposal of assets and tax		11.8	19.1
Increase in market value of Endowment Asset Investments	20	0.0	0.5
Unrealised Gains on Other Equity Investments	22	0.2	1.1
New Endowments	20	1.1	0.8
Actuarial loss in respect of pension scheme	30	(0.7)	(9.3)
Total Recognised Gain relating to the Year		12.4	12.2

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

The consolidated income and expenditure of the University and all its subsidiaries relate wholly to continuing operations. The consolidated surplus includes a surplus of £12.1m (2012/13: surplus of £18.7m) that has been dealt with in the accounts of the University (note 21).

statement of reconciliation of reserves and endowments

for the year ended 31 July 2014

	Note	2013/14 £ million	2012/13 £ million
Opening Reserves and Endowments as at 1 August	20, 21 & 22	183.6	171.4
Total Recognised Gain for the Year		12.4	12.2
CLOSING RESERVES AND ENDOWMENTS AS AT 31 JULY		196.0	183.6

consolidated and university balance sheets

as at 31 July 2014

		Consolidated		University	
	Note	2014 £ million	2013 £ million	2014 £ million	2013 £ million
FIXED ASSETS					
Negative Intangible Assets	9	0.0	(2.7)	0.0	0.0
Tangible Assets	10	418.7	398.8	398.6	376.0
Investments	11	9.4	9.2	14.9	14.7
		428.1	405.3	413.5	390.7
ENDOWMENT ASSET INVESTMENTS					
	12	8.6	8.1	3.6	3.2
CURRENT ASSETS					
Stocks	13	0.9	0.9	0.5	0.5
Debtors	14	35.6	33.6	40.1	36.9
Short Term Deposits		90.3	79.1	90.3	79.1
Cash at Bank and in Hand		45.3	45.4	43.8	43.2
		172.1	159.0	174.7	159.7
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	15	(129.7)	(116.9)	(154.7)	(139.9)
NET CURRENT ASSETS					
		42.4	42.1	20.0	19.8
TOTAL ASSETS LESS CURRENT LIABILITIES					
		479.1	455.5	437.1	413.7
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	16	(126.7)	(116.7)	(126.7)	(116.7)
PROVISIONS FOR LIABILITIES AND CHARGES					
	19	(3.4)	(4.0)	(3.4)	(4.0)
TOTAL NET ASSETS, excluding Pension Liability					
		349.0	334.8	307.0	293.0
PENSION LIABILITY					
	30	(21.9)	(22.5)	(21.9)	(22.5)
TOTAL NET ASSETS, including Pension Liability					
		327.1	312.3	285.1	270.5
DEFERRED CAPITAL GRANTS					
	18	131.1	128.7	130.5	127.9
ENDOWMENTS:					
Permanent	20	4.2	4.0	1.4	1.2
Expendable	20	4.4	4.1	2.2	2.0
GENERAL RESERVES, including Pension Reserve					
	21	185.9	174.2	149.5	138.1
REVALUATION RESERVE					
	22	1.5	1.3	1.5	1.3
TOTAL FUNDS					
		327.1	312.3	285.1	270.5

The financial statements on pages 27 to 59 were approved by the Council on 21 November 2014, and signed on its behalf by:

Professor Nigel Thrift, Vice-Chancellor and President

Keith Bedell-Pearce, University Treasurer

consolidated cash flow statement

for the year ended 31 July 2014

	Note	2013/14 £ million	2012/13 £ million
Net Cash Inflow from Operating Activities	25	39.3	39.9
Returns on Investments and Servicing of Finance	26	(5.2)	(4.0)
Taxation		0.0	0.0
Capital Expenditure and Financial Investment	27	(32.9)	(23.3)
Cash Inflow before Use of Liquid Resources and Financing		1.2	12.6
Management of Liquid Resources net contributions to short term investments	28	(11.7)	(25.0)
Financing	29	10.4	17.1
(Decrease) / Increase in Cash		(0.1)	4.7

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

for the year ended 31 July 2014

	Note	2013/14 £ million	2012/13 £ million
(Decrease) / Increase in Cash		(0.1)	4.7
Increase in Liquid Resources	28	11.7	25.0
New Loans and Finance Leases	29	(15.0)	(20.4)
Repayment of Debt	29	4.6	3.3
Change in Net Funds		1.2	12.6
Net Funds / (Debt) at 1 August		6.3	(6.3)
Net Funds at 31 July	28	7.5	6.3

notes to the accounts

1. HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND & NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP GRANTS	2013/14	2012/13
	£ million	£ million
Recurrent Grants:		
Higher Education Funding Council for England:		
Teaching	21.4	31.4
Research	33.3	33.8
National College for Teaching and Leadership	0.0	0.2
Specific Grants:		
HE Innovations Fund	3.1	3.7
HEFCE Catalyst Fund	0.7	0.0
National College for Teaching and Leadership	0.0	2.2
National Scholarship Programme	0.8	0.4
Others	0.1	0.1
Deferred Capital Grants Released in Year:		
Buildings (Note 18)	3.2	3.1
Equipment (Note 18)	2.1	2.5
	64.7	77.4
2. ACADEMIC FEES AND SUPPORT GRANTS	2013/14	2012/13
	£ million	£ million
Accredited Course Fees From Home/EU Students	94.6	81.2
Accredited Course Fees From Overseas Students	97.9	89.5
Higher Education Foundation Programme Fees	4.3	3.8
Non-Accredited Short Course Fees	3.5	3.1
CASE Awards and Research Training Support Grants	12.3	11.7
Other Fees	0.6	0.7
	213.2	190.0

notes to the accounts

(continued)

3. RESEARCH GRANTS AND CONTRACTS	2013/14	2012/13
	£ million	£ million
Income		
Research Councils	33.9	30.1
Central Government, Local Authorities and Public Corporations	25.9	28.1
UK Charitable Bodies	5.2	6.4
European Union	12.7	10.1
UK Industry and Commerce	7.9	5.4
Overseas	4.0	3.1
Others	0.5	0.5
	90.1	83.7
Direct Expenditure		
Research Councils	27.6	24.2
Central Government, Local Authorities and Public Corporations	21.0	23.3
UK Charitable Bodies	5.1	6.2
European Union	10.4	9.0
UK Industry and Commerce	5.3	3.8
Overseas	3.1	2.5
Others	0.5	0.5
	73.0	69.5

Income from Research Grants and Contracts includes £5.8m in respect of Deferred Capital Grants released in the year (2012/13: £8.1m).

4. OTHER OPERATING INCOME	2013/14	2012/13
	£ million	£ million
Residences, Catering and Conferences	40.3	38.4
Other Services Rendered	1.5	2.1
Released from Deferred Capital Grants	1.7	1.8
Retail Operations	31.8	29.6
Post-Experience Centres	10.4	10.1
Other Income	25.2	24.4
	110.9	106.4

Included within Other Income above is £2.7m (2012/13: £1.3m) relating to the release of negative goodwill arising on previous acquisitions (see note 9).

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	2013/14	2012/13
	£ million	£ million
Net return on University of Warwick Pension Scheme assets (note 30)	0.2	0.3
Income from Permanent Endowment investments	0.1	0.1
Income from Expendable Endowment investments	0.1	0.1
Other Interest Receivable	1.2	1.6
	1.6	2.1

notes to the accounts

(continued)

6. STAFF	2013/14 £ million	2012/13 £ million
Staff Costs: Wages and Salaries	204.5	187.7
Social Security Costs	16.9	15.6
Other Pension Costs	26.8	21.5
	248.2	224.8

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

	2013/14 Number	2012/13 Number
Academic staff within academic departments	1,920	1,652
Other staff within academic departments	949	881
Academic services	326	307
Premises management and maintenance	370	342
Residences and catering	440	436
Other services and activities, including commercial operations	927	918
	4,932	4,536

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

	2013/14 £000	2012/13 £000
Pension compensation (paid as salary)	46	45
Other emoluments of the Vice-Chancellor and President	302	287
	348	332

The pension compensation paid as salary follows changes made to the Vice-Chancellor and President's pension arrangements as a result of changes in pension legislation.

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:

	2013/14 Number	2012/13 Number
£370,000 - £379,999	1	0
£310,000 - £319,999	1	1
£290,000 - £299,999	0	1
£240,000 - £249,999	1	0
£230,000 - £239,999	0	1
£210,000 - £219,999	3	1
£190,000 - £199,999	4	1
£180,000 - £189,999	2	3
£170,000 - £179,999	6	2
£160,000 - £169,999	9	9
£150,000 - £159,999	16	12
£140,000 - £149,999	15	13
£130,000 - £139,999	18	19
£120,000 - £129,999	20	21
£110,000 - £119,999	28	21
£100,000 - £109,999	34	34

notes to the accounts

(continued)

6. STAFF - continued

Excluded from the previous list 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 (2012/13: £67,000) were paid to such higher paid employees, in addition to their emolument entitlement for the year.

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

7. INTEREST PAYABLE

	2013/14 £ million	2012/13 £ million
Loans and finance leases wholly repayable within five years	0.1	0.1
Loans not wholly repayable within five years	6.5	5.7
	6.6	5.8

8. ANALYSIS OF 2013/14 EXPENDITURE BY ACTIVITY

	Staff Costs £ million	Depreciation £ million	Other Operating Expenses £ million	Interest Payable and Similar Charges £ million	2013/14 Total £ million	2012/13 Total £ million
Academic Departments	120.1	3.3	60.4	0.0	183.8	172.7
Research Grants and Contracts	43.1	6.1	23.8	0.0	73.0	69.5
Total Teaching and Research	163.2	9.4	84.2	0.0	256.8	242.2
Academic Services	13.7	2.8	17.9	0.0	34.4	33.6
Central Administration and Services	17.9	0.8	8.9	0.1	27.7	21.6
General Educational Expenditure	5.3	0.1	19.2	0.0	24.6	21.8
Staff and Student Facilities	7.0	0.2	5.6	0.0	12.8	11.8
Premises	11.2	11.6	18.7	0.0	41.5	42.4
Residences, Catering and Conferences	10.3	2.6	18.5	3.7	35.1	33.9
Other Services Rendered	1.8	0.0	0.3	0.0	2.1	2.7
Retail Operations	14.7	0.8	6.4	0.2	22.1	21.7
Post-Experience Centres	4.0	1.3	3.9	0.0	9.2	7.3
Other Activities	(0.9)	0.0	0.7	2.6	2.4	1.5
Total per Income and Expenditure Account	248.2	29.6	184.3	6.6	468.7	440.5

Staff costs, within "Other Activities", include:

	2013/14 £ million	2012/13 £ million
Excess of Contributions to Pension Scheme Against Service Costs (Note 30)	(1.1)	(1.2)

The depreciation charge has been funded by:

	2013/14 £ million	2012/13 £ million
Deferred Capital Grants Released (Note 18)	12.8	15.5
General Income	16.8	13.2
	29.6	28.7

notes to the accounts

(continued)

8. ANALYSIS OF 2013/14 EXPENDITURE BY ACTIVITY - continued

Other operating expenses include:	2013/14 £000	2012/13 £000
Auditor's Remuneration for the University of Warwick Group (An amount of £41k (2012/13: £41k) relates to the Auditor's remuneration for the University)	77	79
Auditor's Remuneration in respect of Non-Audit Services appointed by the University	36	85
Grants to Warwick Students' Union	2,447	2,287

During the year the University made payments totalling £5,701, including reimbursement of expenses, on behalf of nine lay members of the Council (2012/13: ten members claimed a combined total of £9,023). 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 for the activities they attend on the University's campus. Members of the University's Council are the University's Trustees. The University 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 charitable events in members' official capacity are reimbursed upon request, as supported by 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 an agreed process.

notes to the accounts

(continued)

9. INTANGIBLE FIXED ASSETS	Consolidated		University	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Negative Intangible Assets				
Negative goodwill arising on acquisition of				
- Horticulture Research International	(3.8)	(3.8)	(5.3)	(5.3)
- University of Warwick Science Park	(4.7)	(4.7)	0.0	0.0
Goodwill credited to Income and Expenditure Account				
- in previous years	5.8	4.5	5.3	5.3
- in this year	2.7	1.3	0.0	0.0
Net Negative Goodwill as at 31 July	0.0	(2.7)	0.0	0.0

Horticulture Research International, Negative Goodwill

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 £3.8m. The negative goodwill on acquisition of Horticulture Research International was released to the Income and Expenditure Account over the period of 100 months (8 years 4 months), which matched 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 and 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 at this date.

University of Warwick Science Park Limited, Negative Goodwill

On 1 February 2012 the University acquired the remaining shareholding of the University of Warwick Science Park Limited, for a consideration of £3.7m.

The shortfall in consideration paid, below the fair value of assets acquired, was recognised in the Group's balance sheet as a negative goodwill figure of £4.7m. The negative goodwill on acquisition of the Science Park was initially being released to the Income and Expenditure Account over a period of 42 months (3 years 6 months), which matched the anticipated period of backlog maintenance works to be undertaken on Science Park properties. During 2013/14 following a review the remaining goodwill was released back to the Income and Expenditure Account at this point.

There were no differences between the book value and the fair value of the assets of the University of Warwick Science Park Limited as at 1 February 2012.

notes to the accounts

(continued)

10. TANGIBLE FIXED ASSETS

CONSOLIDATED

	Total £ million	Land & Buildings £ million	Fixtures, Fittings & Equipment £ million	Assets under the Course of Construction £ million
Cost				
At 1 August 2013	652.1	497.4	150.0	4.7
Additions at Cost	49.7	11.4	12.5	25.8
Asset Transfers	0.0	8.8	0.1	(8.9)
Write Offs and Disposals at Cost	(2.2)	(1.7)	(0.5)	0.0
At 31 July 2014	699.6	515.9	162.1	21.6
Depreciation				
At 1 August 2013	253.3	138.5	114.8	0.0
Charge for the year	29.6	16.7	12.9	0.0
Eliminated on Write Offs and Disposals	(2.0)	(1.7)	(0.3)	0.0
At 31 July 2014	280.9	153.5	127.4	0.0
Net Book Value at 31 July 2014	418.7	362.4	34.7	21.6
Net Book Value at 31 July 2013	398.8	358.9	35.2	4.7

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 £4.8m (2012/13: £5.7m), that were purchased under a finance lease agreement with Cisco Systems Finance International and are, consequently, held as security against this loan (see note 17).

notes to the accounts

(continued)

10. TANGIBLE FIXED ASSETS - continued

UNIVERSITY

	Total £ million	Land & Buildings £ million	Fixtures, Fittings & Equipment £ million	Assets under the Course of Construction £ million
Cost				
At 1 August 2013	614.6	462.7	147.2	4.7
Additions at Cost	49.5	11.3	12.4	25.8
Asset Transfers	0.0	8.8	0.1	(8.9)
Write Offs and Disposals at Cost	(0.4)	0.0	(0.4)	0.0
At 31 July 2014	663.7	482.8	159.3	21.6
Depreciation				
At 1 August 2013	238.6	126.5	112.1	0.0
Charge for the Year	26.8	14.0	12.8	0.0
Eliminated on Write Offs and Disposals	(0.3)	0.0	(0.3)	0.0
At 31 July 2014	265.1	140.5	124.6	0.0
Net Book Value at 31 July 2014	398.6	342.3	34.7	21.6
Net Book Value at 31 July 2013	376.0	336.2	35.1	4.7

11. INVESTMENTS

	Consolidated		University	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Balance at 1 August	9.2	6.7	14.7	11.8
Net (Disposals) / Additions in the year	(0.3)	1.5	0.1	2.0
Increase in Market Value	0.2	1.1	0.2	1.1
Decrease / (Increase) in Provision for Diminution in Value	0.3	(0.1)	(0.1)	(0.2)
Balance at 31 July	9.4	9.2	14.9	14.7
Represented by:				
Group Undertakings	0.0	0.0	5.8	5.8
Associated Undertakings	1.7	1.7	0.7	0.7
Other Equity Investments	1.6	2.0	1.2	1.1
Cash held within Managed Funds	0.1	1.2	0.0	1.2
Bonds held within Managed Funds	0.2	0.4	0.2	0.4
Equity Investments held within Managed Funds	7.2	5.7	7.2	5.7
Alternative Investments held within Managed Funds	1.6	1.5	1.6	1.5
	12.4	12.5	16.7	16.4
Provision for Diminution in Value	(3.0)	(3.3)	(1.8)	(1.7)
	9.4	9.2	14.9	14.7

notes to the accounts

(continued)

11. INVESTMENTS - continued

Associated undertakings include:

Teaching Shakespeare LLP

In March 2012 the University acquired a 40% interest in Teaching Shakespeare LLP. The University's interest in the Partnership is shown within the Associated Undertakings figures in the consolidated group accounts. As at 31 July 2014 the University's full investment of £650k has been fully provided against within the accounts of the University.

University of Warwick Science Park Associates

On 1 February 2012, the University acquired full ownership of the University of Warwick Science Park Limited and its associated undertakings including the University of Warwick Science Park Business Innovation Centre Limited (UWSP BIC) and University of Warwick Science Park Innovation Centre Limited (UWSP IC). From the date of acquisition, the Science Park was treated as a group investment at cost within the University's figures and is accounted for as a fully consolidated subsidiary within the group accounts (see note 31). UWSP BIC and UWSP IC are not consolidated into the results of the University or the University of Warwick Science Park Limited on the grounds of control and materiality.

Other Equity Investments include:

CVCP Properties plc

50,766 ordinary shares of £1 each

The Mercia Fund 1

This is a limited partnership between the Universities of Birmingham and Warwick and the General Partner, Mercia Fund Management Limited. Warwick's investment comprises of an initial 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. Since initial set up, the University has invested a further £200k into Mercia Fund 1.

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 £400k. 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.

Investment in spin-out companies

The University holds a range of shareholdings in a number of spin-out companies, set up to maximise the return on intellectual property that is the result of the University's previous research activities. The University currently holds investments in 22 active spin-out companies, all of which are incorporated in Great Britain and registered in England. In total these spin-out companies employ almost 130 staff, mainly within the West Midlands.

Further details of the University's investment in spin-out companies can be found at <http://www2.warwick.ac.uk/services/ventures/spinout-companies/spin-out-companies-a-z-list> or are available on written request addressed to the Secretary of Warwick Ventures Limited.

The University provides for investment in spin-out companies immediately upon acquisition and, whilst shareholdings vary in range, up to 50.0%, all spin-out investments are carried within the University's consolidated group accounts at nil value, given the uncertain nature of any valuation or return. The results of these companies are not being consolidated in the accounts on the basis of materiality. This will be reviewed on an annual basis.

notes to the accounts

(continued)

	Consolidated		University	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
12. ENDOWMENT ASSET INVESTMENTS				
Balance at 1 August 2013	8.1	7.2	3.2	2.8
New endowments invested	0.0	0.5	0.0	0.5
Increase in market value of investments	0.0	0.5	0.0	0.1
Increase / (Decrease) in cash balances held for endowment funds	0.5	(0.1)	0.4	(0.2)
Balance at 31 July 2014	8.6	8.1	3.6	3.2
Composed of :-				
Securities	5.0	5.0	1.1	1.1
Cash at bank held for endowment funds	3.6	3.1	2.5	2.1
Total Endowment Asset Investments	8.6	8.1	3.6	3.2
13. STOCKS				
Raw materials and consumables	0.9	0.9	0.5	0.5
14. DEBTORS				
Amounts falling due within one year:				
Trade Debtors	17.1	17.0	14.9	14.8
Prepayments and accrued income	18.5	16.6	17.8	15.8
Amounts owed by group undertakings	0.0	0.0	7.4	6.3
	35.6	33.6	40.1	36.9

notes to the accounts

(continued)

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Unsecured Loans (note 17)	3.9	2.9	3.9	2.9
Obligations under Finance Leases (note 17)	1.1	1.7	1.1	1.7
Payments Received in Advance	84.6	70.1	83.2	69.0
Trade Creditors	11.5	15.3	11.1	14.9
Social Security and Other Taxation Payable	7.2	6.4	6.5	5.5
Accruals	21.4	20.5	19.9	19.3
Amounts owed to group undertakings	0.0	0.0	29.0	26.6
	129.7	116.9	154.7	139.9

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

	Consolidated		University	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Unsecured Loans (note 17)	126.7	115.6	126.7	115.6
Obligations under Finance Leases (note 17)	0.0	1.1	0.0	1.1
	126.7	116.7	126.7	116.7

17. FINANCIAL INSTRUMENTS AND BORROWINGS

Amounts on finance leases and bank balances as at 31 July 2014 fall due as follows:

	Consolidated		University	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Within one year (note 15)	5.0	4.6	5.0	4.6
Between one and two years (note 16)	3.8	5.0	3.8	5.0
Between two and five years (note 16)	10.8	11.0	10.8	11.0
Greater than five years (note 16)	112.1	100.7	112.1	100.7
	131.7	121.3	131.7	121.3

notes to the accounts

(continued)

17. 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 2014:

	Total original facility	Outstanding 31 July 2014	Effective Fixed rate
	£ million	£ million	
Drawn facilities - all variable rate			
Amortising loan, drawn July 2007, repayable July 2037	40.0	30.3	5.38%
Bullet loan, drawn July 2008, repayable July 2037	10.0	10.0	4.83%
Bullet loan, drawn July 2009, repayable July 2037	5.0	5.0	4.93%
Bullet loan, drawn October 2010, repayable July 2037	15.0	15.0	4.93%
Bullet loan, drawn October 2010, repayable July 2037	10.0	10.0	4.85%
Amortising loan, drawn March 2012, March 2013 and December 2013, repayable December 2040	60.0	58.9	5.19%
	140.0	129.2	

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

Throughout the financial year the University also had the following borrowing arrangements in place:

1. A £0.4m loan from the Lawn Tennis Association, amortising over 13 years from September 2008, at a 0% rate of interest, specifically for the purpose of building an indoor tennis centre. £0.2m remains outstanding as at 31 July 2014.
2. A £0.5m 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. 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.
3. Finance leases from Cisco Systems Finance International, totalling £8.0m, 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 2014 balances of £1.0m remained outstanding at an effective fixed rate of borrowing of 3% and £0.1m remains outstanding at an effective fixed rate of 0%, with all finance lease borrowings secured against the equipment purchased (see note 10).

4. Loans totalling £1.1m from Salix Finance Ltd, as part of the Energy Efficient Loans Scheme, specifically for the purpose of funding energy saving projects. The loans are at a 0% rate of interest and are repayable between March 2011 and September 2016. £0.3m remains outstanding as at 31 July 2014.
5. A loan of £0.4m from HEFCE, as part of HEFCE's partnership with Salix Finance Ltd. This loan is at a 0% rate of interest and is repayable in eight equal instalments from May 2013 to November 2016. £0.3m remains outstanding as at 31 July 2014.

notes to the accounts

(continued)

18. DEFERRED CAPITAL GRANTS

	Consolidated			University		
	Total £ million	Funding Council £ million	Other Grants & Benefactions £ million	Total £ million	Funding Council £ million	Other Grants & Benefactions £ million
At 1 August 2013:						
Buildings	111.1	68.2	42.9	110.4	68.2	42.2
Equipment	17.6	7.5	10.1	17.5	7.5	10.0
Total	128.7	75.7	53.0	127.9	75.7	52.2
Add: Cash Received:						
Buildings	8.1	6.0	2.1	8.1	6.0	2.1
Equipment	7.1	0.7	6.4	7.1	0.7	6.4
Total	15.2	6.7	8.5	15.2	6.7	8.5
Less: Released to Income & Expenditure:						
Buildings (Notes 1, 3 & 4)	5.5	3.2	2.3	5.4	3.2	2.2
Equipment (Notes 1, 3 & 4)	7.3	2.1	5.2	7.2	2.1	5.1
Total (Note 8)	12.8	5.3	7.5	12.6	5.3	7.3
At 31 July 2014:						
Buildings	113.7	71.0	42.7	113.1	71.0	42.1
Equipment	17.4	6.1	11.3	17.4	6.1	11.3
Total	131.1	77.1	54.0	130.5	77.1	53.4

notes to the accounts

(continued)

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated	University
	£ million	£ million
Early leavers and retirements provision		
At 1 August 2013	0.6	0.6
Utilised in Year	(0.6)	(0.6)
At 31 July 2014	0.0	0.0
Life Sciences restructuring provision		
At 1 August 2013	3.4	3.4
Utilised in Year	0.0	0.0
At 31 July 2014	3.4	3.4
Total of above provisions carried forward at 31 July 2014	3.4	3.4

20. ENDOWMENTS

CONSOLIDATED

	Restricted Permanent £ million	Restricted Expendable £ million	2014 Total £ million	2013 Total £ million
Opening balances at 1 August				
Capital	3.7	4.0	7.7	6.9
Accumulated Income	0.3	0.1	0.4	0.3
	4.0	4.1	8.1	7.2
New endowments	0.2	0.9	1.1	0.8
Investment Income	0.1	0.1	0.2	0.2
Expenditure	(0.1)	(0.7)	(0.8)	(0.6)
	0.0	(0.6)	(0.6)	(0.4)
Increase in market value of investments	0.0	0.0	0.0	0.5
Closing balances at 31 July	4.2	4.4	8.6	8.1
Represented by:				
Capital	3.9	4.3	8.2	7.7
Accumulated Income	0.3	0.1	0.4	0.4
Total	4.2	4.4	8.6	8.1
Analysis of endowment funds by type and purpose				
Chairs and lectureships	1.7	0.7	2.4	2.4
Scholarships and bursaries	1.6	1.5	3.1	2.9
Prize funds	0.8	0.2	1.0	0.7
General	0.1	1.7	1.8	1.8
Research Support	0.0	0.3	0.3	0.3
Total	4.2	4.4	8.6	8.1

notes to the accounts

(continued)

20. ENDOWMENTS - continued

UNIVERSITY

	Restricted Permanent £ million	Restricted Expendable £ million	2014 Total £ million	2013 Total £ million
Opening balances at 1 August				
Capital	1.2	2.0	3.2	2.8
Accumulated Income	0.0	0.0	0.0	0.0
	1.2	2.0	3.2	2.8
New endowments	0.2	0.8	1.0	0.7
Investment Income	0.0	0.0	0.0	0.0
Expenditure	0.0	(0.6)	(0.6)	(0.4)
	0.0	(0.6)	(0.6)	(0.4)
Increase in market value of investments	0.0	0.0	0.0	0.1
Closing balances at 31 July	1.4	2.2	3.6	3.2
Represented by:				
Capital	1.4	2.2	3.6	3.2
Accumulated Income	0.0	0.0	0.0	0.0
Total	1.4	2.2	3.6	3.2

21. GENERAL RESERVES

	Consolidated £ million	University £ million
Balance at 1 August 2013	174.2	138.1
Surplus for the Financial Year	12.4	12.1
Actuarial Loss on Pension Liability (note 30)	(0.7)	(0.7)
Balance at 31 July 2014	185.9	149.5
General Reserves excluding Pension Liability	207.8	171.4
Pension Reserve (note 30)	(21.9)	(21.9)
General Reserves including Pension Liability	185.9	149.5

22. REVALUATION RESERVE

	Consolidated £ million	University £ million
Unrealised gains on equity investments as at 1 August 2013	1.3	1.3
Increase in market value of equity investments in year (note 11)	0.2	0.2
Unrealised gains on equity investments as at 31 July 2014	1.5	1.5

notes to the accounts

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23. LEASE OBLIGATIONS

	Consolidated		University	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Operating lease commitments in respect of buildings and equipment on leases expiring:				
Within one year	3.4	1.6	3.4	1.6
Between one and five years	3.7	3.7	3.7	3.7
Over five years	1.8	1.3	1.8	1.3
	8.9	6.6	8.9	6.6

24. CAPITAL COMMITMENTS

	Consolidated		University	
	2014 £ million	2013 £ million	2014 £ million	2013 £ million
Commitments contracted at 31 July	21.2	17.6	21.2	17.6
Authorised but not contracted at 31 July	299.5	293.4	293.7	287.6
	320.7	311.0	314.9	305.2

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

	2013/14 £ million	2012/13 £ million
Surplus on Ordinary Activities Before Tax	11.8	19.1
Depreciation (Note 10)	29.6	28.7
Excess of Contributions to Pension Scheme Against Service Costs (Note 30)	(1.1)	(1.2)
Credit of Goodwill (Note 9)	(2.7)	(1.3)
Movement on valuation of EU Emissions and Carbon Reduction Commitment allocations	0.0	0.3
Surplus on Write Off and Disposal of Tangible Fixed Assets	(0.1)	(0.2)
Deferred Capital Grants Released to Income (Note 18)	(12.8)	(15.5)
Deferred Capital Grant adjustments in respect of asset disposals	0.1	0.0
Endowment Income and Interest Receivable (Note 5)	(1.6)	(2.1)
Interest Payable (Note 7)	6.6	5.8
Decrease in Stocks	0.0	0.1
Increase in Debtors	(2.0)	(1.9)
Increase in Creditors	12.4	7.6
(Decrease) / Increase in Provisions (Note 19)	(0.6)	0.4
(Decrease) / Increase in Investments' Provisions (Note 11)	(0.3)	0.1
	39.3	39.9

notes to the accounts

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26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2013/14 £ million	2012/13 £ million
Income from Endowments (Note 5)	0.2	0.2
Other Interest Receivable (Note 5)	1.2	1.6
Interest Payable (Note 7)	(6.6)	(5.8)
	(5.2)	(4.0)

27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2013/14 £ million	2012/13 £ million
Tangible Assets Acquired (Note 10)	(49.7)	(35.5)
Investments Disposed / (Acquired) (Note 11)	0.3	(1.5)
Endowment Asset Investments Acquired (Note 12)	0.0	(0.5)
Proceeds on Disposal of Tangible Assets	0.2	0.3
Deferred Capital Grants Received (Note 18)	15.2	13.1
Endowments Received (Note 20)	1.1	0.8
	(32.9)	(23.3)

28. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2013 £ million	Other Changes £ million	Cash Flows £ million	At 31 July 2014 £ million
Cash at Bank and in Hand	45.4	0.0	(0.1)	45.3
Short Term Deposits	79.1	0.0	11.2	90.3
Endowment Assets (Note 12)	3.1	0.0	0.5	3.6
Debt due within one year (Note 15)	(4.6)	(5.0)	4.6	(5.0)
Debt due after one year (Note 16)	(116.7)	5.0	(15.0)	(126.7)
Net Funds	6.3	0.0	1.2	7.5

29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING

	Loans and Leases £ million	£ million
Balances at 1 August 2012		104.2
New Loans	20.4	
Capital Repayments	(3.3)	
Net New Loans in Year		17.1
Balances at 31 July 2013		121.3
New Loans	15.0	
Capital Repayments	(4.6)	
Net New Loans in Year		10.4
Balances at 31 July 2014 (Note 17)		131.7

notes to the accounts

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30. PENSION SCHEMES

Universities Superannuation Scheme (USS)

The University participates in the USS, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS has over 162,000 active members (2013: 148,000+) and the University had 3,376 active members participating in the scheme as at 31 July 2014 (2013: 3,101).

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, which corresponds broadly to 2.75% for RPI per annum).

Latest actuarial valuation date for which information is available	31 March 2011
Valuation method	Projected Unit
Value of scheme assets	£32,433.5m
Value of technical provisions	£35,343.7m
Net pension deficit	£2,910.2m
Funding level from accrued benefits	92.0%
Rate of return on investments	6.1%
Salary scale increases per annum	4.4% *
Pension increases per annum	3.4% for three years following valuation, then 2.6%

* includes short-term pay growth at 3.65% 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 female members' mortality rated down by one year and no age rating adjustment made with respect to male 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 CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65:	23.7 (25.6) years
Males (females) currently aged 45:	25.5 (27.6) years

The valuation at 31 March 2011 was the second 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 regular reviews of the funding levels. In particular, he 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 2014 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded. On a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% 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 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of the 2011 valuation, the trustees determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%.

notes to the accounts

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30. PENSION SCHEMES - continued

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the scheme liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the University'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.

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 allowance for promotional salary increases was not as high. 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.

As at the valuation date the scheme was still a fully final salary scheme for future accruals and the employer contribution rate was 16% of pensionable salaries.

Following UK government legislation, from 2011 statutory pension increases and revaluations are based on the Consumer Prices Index measure of inflation. Historically these increases have been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme, although these became effective from October 2011. These include:

- New entrants, other than in specific, limited circumstances, now being provided with a Career Revalued Benefits (CRB) basis, rather than a Final Salary (FS) basis;
- Normal pension age being increased for future service and new entrants, to age 65;
- Flexible retirement options being introduced;
- Member contributions being increased to 7.5% per annum and 6.5% per annum for FS Section and CRB Section members, respectively;

notes to the accounts

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30. PENSION SCHEMES - continued

- Cost sharing for total contributions in excess of 23.5% of salaries being introduced, whereby the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions; and
- A pension increase cap being introduced for service derived after 30 September 2011, whereby USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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.

University of Warwick Pension Scheme (UWPS)

As of 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 2014 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		31 March 2013
Valuation method		Projected Unit
Value of notional assets		£141.6m
Funding level from accrued benefits		93%
Discount rates per annum	- short term	5.45%
	- long term	3.25%
Salary scale increases per annum		3.65%
Pension increases per annum (subject to limited price indexation)		3.00%

As at 31 July 2014 there were 761 members of staff actively contributing to the DBS of the Scheme (2013: 836), with a further 1,092 staff being active members of the DCS (2013: 918).

Following the Scheme's March 2013 actuarial valuation, the University will maintain an overall contribution rate of 23.5% into the DBS of the Scheme, inclusive of deficit recovery contributions. With effect from 30 June 2014, the University's 23.5% DBS contribution is made up 14.3% ordinary annual contributions and 9.2% deficit recovery contributions (previously 13.4% and 10.1% respectively); the deficit recovery contributions will be subject to a minimum annual payment of £1.25 million for pension scheme years ending on and after 31 March 2017.

The University expects to continue at a 23.5% contribution rate through the year ending 31 July 2015 and the estimated contribution for the year ending 31 July 2015 is £3.9 million, including salary sacrifice contributions.

The DCS of the Scheme is treated and accounted for as a normal and separate defined contribution scheme. The University's contributions to the scheme, which are between 2% 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.

notes to the accounts

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30. PENSION SCHEMES - continued

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

	2014	2013	2012	2011	2010
Rate of increase in salaries	3.30%	3.40%	3.55%	4.25%	4.45%
Discount rate	4.30%	4.60%	4.70%	5.40%	5.50%
Inflation assumption (RPI)	3.30%	3.40%	2.80%	3.50%	3.20%
Inflation assumption (CPI) *	2.30%	2.40%	1.80%	2.50%	n/a
Return on equity investments **	7.30%	7.40%	7.30%	7.60%	7.80%
Return on other growth assets **	5.75%	5.85%	n/a	n/a	n/a
Return on bond investments **	4.30%	5.20%	4.00%	4.40%	4.40%

* CPI used for revaluation of deferred pensions where appropriate.

** 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 (including equities, property, liability driven investments (LDI), infrastructure, commodities and reinsurance) 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 5.92% assumption for returns in the year ending 31 July 2014 (12/13: 6.19%).

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

	2014 Years	2013 Years	2012 Years	2011 Years	2010 Years
Male member aged 45	23.0	23.5	23.4	23.2	22.4
Female member aged 45	26.8	26.0	25.9	25.7	25.7
Male member aged 65	20.8	21.6	21.5	21.3	20.6
Female member aged 65	24.5	24.2	24.1	23.9	23.7

The assets in the Scheme were:

	2014 £ million	2013 £ million	2012 £ million	2011 £ million	2010 £ million
Value of assets					
- Equities	41.0	34.3	84.9	86.0	74.6
- Other growth assets	42.5	34.3	0.0	0.0	0.0
- Bonds and other	63.0	68.5	42.7	38.1	32.0
Total market value of assets	146.5	137.1	127.6	124.1	106.6
Value of liabilities	(168.4)	(159.6)	(142.3)	(128.4)	(121.8)
Net pension deficit	(21.9)	(22.5)	(14.7)	(4.3)	(15.2)

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

	2014 £ million	2013 £ million	2012 £ million	2011 £ million	2010 £ million
Net assets excluding pension liability	349.0	334.8	317.2	291.3	275.1
Pension liability	(21.9)	(22.5)	(14.7)	(4.3)	(15.2)
Net assets including pension liability	327.1	312.3	302.5	287.0	259.9
	2014 £ million	2013 £ million	2012 £ million	2011 £ million	2010 £ million
Income and expenditure reserve excluding pension liability	207.8	196.7	178.7	150.1	132.3
Pension reserve	(21.9)	(22.5)	(14.7)	(4.3)	(15.2)
Income and expenditure reserve including pension liability	185.9	174.2	164.0	145.8	117.1

notes to the accounts

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30. PENSION SCHEMES - continued

Analysis of movement in the market value of scheme assets	2013/14 £ million	2012/13 £ million
Fair value of plan assets at beginning of the year	137.1	127.6
Expected rate of return on scheme assets *	7.4	6.9
Actuarial gains	3.5	3.0
Contribution paid by the employer	4.1	4.5
Contributions by scheme participants	0.1	0.1
Benefits paid	(5.7)	(5.0)
	<hr/>	<hr/>
Fair value of plan assets at end of the year	<u>146.5</u>	<u>137.1</u>

* Non-investment expenses incurred in the year have been offset within the expected returns of assets

Analysis of movement in the present value of scheme liabilities	2013/14 £ million	2012/13 £ million
Benefit obligation at beginning of the year	159.6	142.3
Current service costs	3.0	3.3
Interest cost	7.2	6.6
Contributions by scheme participants	0.1	0.1
Actuarial losses	4.2	12.3
Benefits paid	(5.7)	(5.0)
	<hr/>	<hr/>
Benefit obligation at end of the year	<u>168.4</u>	<u>159.6</u>

Analysis of amount recognised in Statement of Total Recognised Gains and Losses	2013/14 £ million	2012/13 £ million
Actual gain on scheme assets	10.9	9.9
Expected return on assets	(7.4)	(6.9)
Experienced gains and losses on liabilities	0.1	0.0
Changes in assumptions	(4.3)	(12.3)
	<hr/>	<hr/>
Net actuarial loss recognised in the Statement of Total Recognised Gains and Losses	<u>(0.7)</u>	<u>(9.3)</u>

Summary of movement in net liability during the year	2013/14 £ million	2012/13 £ million
Current service cost	(3.0)	(3.3)
Contributions	4.1	4.5
Net return on assets	0.2	0.3
	<hr/>	<hr/>
Net credit to Income and Expenditure Account	1.3	1.5
Actuarial loss recognised in the Statement of Total Recognised Gains and Losses	(0.7)	(9.3)
Deficit in scheme at 1 August	(22.5)	(14.7)
	<hr/>	<hr/>
Deficit in scheme at 31 July	<u>(21.9)</u>	<u>(22.5)</u>

notes to the accounts

(continued)

30. PENSION SCHEMES - continued

History of experience of gains and losses	2013/14 £ million	2012/13 £ million	2011/12 £ million	2010/11 £ million	2009/10 £ million
Actual return less expected return on scheme assets	3.5	3.0	(3.9)	9.3	6.5
% of scheme assets:	2.4%	2.2%	(3.1%)	7.5%	6.1%
Experience of gains and losses on liabilities	0.1	0.0	(2.7)	1.3	2.0
% of scheme liabilities:	0.1%	0.0%	(1.9%)	1.0%	1.6%
Changes in assumptions	(4.3)	(12.3)	(6.3)	(2.2)	(7.1)
Total amount recognised in Statement of Total Recognised Gains and Losses	(0.7)	(9.3)	(12.9)	8.4	1.4
% of scheme liabilities:	(0.4%)	(5.8%)	(9.1%)	6.5%	1.1%

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

	2014 £ million	2013 £ million
Loss as at 31 July	(39.7)	(39.0)

Excluding salary sacrifice contributions on behalf of employees, the University's contribution and movement on provisioning in respect of costs to the various schemes for its own staff were:

	2013/14 £ million	2012/13 £ million
Universities Superannuation Scheme (USS)	22.8	20.1
University of Warwick Pension Scheme (UWPS) Defined Benefit Section	3.3	3.7
University of Warwick Pension Scheme (UWPS) Defined Contribution Section	1.1	0.7
Other schemes	0.7	(1.8)
	27.9	22.7
FRS 17 adjustment to pension charge for year	(1.1)	(1.2)
Pension cost for year (note 6)	26.8	21.5

Due to the low value of contributions and small number of participants in defined benefit schemes other than the University's own scheme (UWPS), as shown above, no disclosures have been made under FRS17 on the grounds of materiality.

notes to the accounts

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31. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES

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

	<u>No. of £1 Ordinary Shares</u>
Warwick University Training Limited	100,004
Warwick University Services Limited	125,000
Warwick University Enterprises Limited	20,000
Warwick Learning Limited	200
Warwick Ventures Limited	50,000
University of Warwick Science Park Limited	27,997
Research-TV Limited (Dormant)	3
Warwick Conferences Limited (Dormant)	2
The University of Warwick Press Limited (Dormant)	2
Jobs for the Academic Community Limited (Dormant)	1
World First Racing Limited (Dormant)	100
WMG-Tech Limited (Dormant)	1
Warwick Innovation Network Limited (Dormant)	1
Warwick Event Solutions Limited (Dormant)	1
UPS Pension Trustee Limited (Dormant)	1

University of Warwick Foundation

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 (UW Construction Limited ceased trading on 28 March 2013). The Foundation is a linked charity as defined under paragraph 28 of the Charities Act 2011 and, as such, more information is disclosed in respect of the Foundation at note 32 of these accounts.

Horticulture Research International (HRI)

The University is the sole member of 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.

Teaching Shakespeare LLP (Note 11)

As of March 2012, the University entered into an education partnership with the Royal Shakespeare Company to deliver high quality professional development to teachers of Shakespeare. The University owns 40% of Teaching Shakespeare LLP, a partnership originally incorporated on 24 October 2011 and began trading in August 2012. The University has invested £650k into systems and course development, which has been fully provided against within the University's accounts.

WMG Academy for Young Engineers (WMG Academy)

WMG Academy was formed 6 February 2012 and is a private company, limited by guarantee and also an exempt charity where the University is one of four members. The University does not consider the entity to be an associate due to lack of substantial control and therefore is not included in the consolidated results. It is a University Technical College specialising in engineering and opened in September 2014.

Other Associated Bodies

Due to the nature of its activities, the University is a member of, or holds other minor interests in, a number of other joint ventures and companies involved in academic related activities. The individual detail of these other holdings is not disclosed, nor consolidated into the accounts of the University, purely on the grounds of materiality.

notes to the accounts

(continued)

32. CONNECTED CHARITABLE INSTITUTIONS

The University is required to disclose details of connected charitable institutions, in order to allow for appropriate review by the Higher Education Funding Council for England, which acts as principal regulator of the University of Warwick and its connected institutions, on behalf of the Charity Commission.

University of Warwick Foundation

It is the University's view that the University of Warwick Foundation is a connected institution to the University as defined under paragraph 28 of the Charities Act 2011 and, accordingly, further details are disclosed below.

The University of Warwick Foundation is an exempt charity, by virtue of Schedule 3 of the Charities Act 2011, and along with its wholly owned subsidiary company, UW Construction Limited (dormant), the purposes of the Foundation are to:

- (a) hold endowments and other donations received for the development of the University of Warwick; and
- (b) provide funding for the development of buildings at the University of Warwick.

The activities of the Foundation, a financial summary of which is shown below, is consolidated into the University's group accounts, as described in note 31.

Consolidated results	2013/14 £ million	2012/13 £ million
Opening Net Assets, as at 1 August	37.6	37.3
Income	0.9	3.5
Expenditure	(1.4)	(3.7)
New endowments and movement in market value of endowments	0.1	0.5
	<hr/>	<hr/>
Closing Net Assets, as at 31 July	37.2	37.6

Endowment Funds	Restricted Permanent £ million	Restricted Expendable £ million	2013/14 Total £ million	2012/13 Total £ million
Opening balances as at 1 August	2.8	2.1	4.9	4.4
Income	0.1	0.1	0.2	0.2
Expenditure	0.0	(0.2)	(0.2)	(0.2)
New endowments and movement in market value	0.0	0.1	0.1	0.5
	<hr/>	<hr/>	<hr/>	<hr/>
Closing balances as at 31 July	2.9	2.1	5.0	4.9

notes to the accounts

(continued)

33. RELATED PARTIES

Members of Council

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.

Dame Fiona Caldicott, an appointed lay member of Council, is also a Council Member of the United Nations University. During the year, the University of Warwick purchased research services from the United Nations University to the value of £nil (2012/13: £0.2m).

Professor Peter Winstanley, an appointed academic member of Council, is also a non-executive director at University Hospital Coventry and Warwickshire (UHCW). During the financial year, income of £6.3m (2012/13: £6.6m) and expenditure of £2.7m (2012/13: £2.4m) for various academic and research services was incurred by the University with UHCW.

Spin-out companies

The University made no direct investments in spin-out companies during the year that totalled more than £50k.

The University 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 11). 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 for the reported financial year, is summarised below:

	2013/14 £ million	2012/13 £ million
Neurosolutions Limited (100% owned subsidiary of Sevco 5023)	0.0	0.2
Molecular Solar Limited	0.0	0.1
Warwick Effect Polymers Limited	0.1	0.1

notes to the accounts

(continued)

34. CONTINGENT LIABILITIES

Clawback on freehold land:-

On 31 March 2004 the University acquired the freehold land and buildings at Wellesbourne, 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.

The terms of the remaining contingent 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	£20.4m	£nil	2019

35. HERITAGE ASSETS

The University of Warwick is in possession of an art collection which is on view to staff, students and visitors who have access to the various buildings where the work is exhibited.

The collection displays a variety of media including paintings, prints, textiles and ceramics and there are also a number of sculptures exhibited in external locations across campus. The combined value of heritage assets is not considered to be material and is of too uncertain value to warrant separate disclosure within the financial statements.

36. ACCESS FUNDS

	2013/14 £000	2012/13 £000
Opening fund balance	15	17
Funding Council grants received in year	171	161
	<hr/>	<hr/>
	186	178
Disbursed to Students	(167)	(163)
	<hr/>	<hr/>
Balance Unspent at 31 July	19	15

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

notes to the accounts

(continued)

37. NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP (NCTL)

Student Bursaries	2013/14	2012/13
	£000	£000
Opening fund balance	82	6
Net NCTL grants received in year	1,734	2,297
	<hr/>	<hr/>
	1,816	2,303
Disbursed to students	(1,638)	(2,218)
Administration fee	0	(3)
	<hr/>	<hr/>
Balance Unspent at 31 July owing to the NCTL	178	82
	<hr/> <hr/>	<hr/> <hr/>

National College for Teaching and Leadership grants are available solely for students or schools for student support and the University acts only as paying agent in administering these grants. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. Funds provided by the National College for Teaching and Leadership are 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 National College for Teaching and Leadership has set.

notes to the accounts

(continued)

38. CONSOLIDATED FIVE YEAR RESULTS

	2013/14	2012/13	2011/12	2010/11	2009/10
	£ million	£ million	£ million	£ million	£ million
Income					
Funding Council Grants	64.7	77.4	84.3	88.2	89.8
Academic Fees & Support Grants	213.2	190.0	166.1	147.5	133.2
Research Grants & Contracts	90.1	83.7	85.4	86.3	79.8
Other Operating Income	110.9	106.4	102.1	96.0	104.9
Endowment Income & Interest Receivable	1.6	2.1	2.2	1.1	0.8
Total Income	480.5	459.6	440.1	419.1	408.5
Expenditure					
Staff Costs	248.2	224.8	213.7	205.2	206.1
Depreciation	29.6	28.7	26.6	25.9	29.4
Other Operating Expenses	184.3	181.2	165.1	164.6	150.1
Interest Payable	6.6	5.8	4.6	4.0	3.3
Total Expenditure	468.7	440.5	410.0	399.7	388.9
Surplus on Continuing Operations					
	11.8	19.1	30.1	19.4	19.6
Taxation	0.0	0.0	0.5	0.0	0.0
Share of profit / (loss) after tax of Associates	0.0	0.0	(0.1)	0.2	0.2
Equity Minority Interest	0.0	0.0	0.0	0.0	0.1
Exceptional Items	0.0	0.0	0.0	0.2	(11.3)
Transfer from Accumulated Income within Specific Endowments	0.6	0.4	0.5	0.5	0.7
Retained Earnings for the Financial Year	12.4	19.5	31.0	20.3	9.3
Assets					
Fixed Assets	428.1	405.3	395.1	359.0	331.7
Endowment Asset Investments	8.6	8.1	7.2	6.7	5.9
Current Assets	172.1	159.0	127.4	116.1	104.2
Liabilities					
Current Liabilities	129.7	116.9	108.0	106.2	99.7
Long Term Liabilities	126.7	116.7	100.9	78.8	56.2
Provisions	3.4	4.0	3.6	5.5	10.8
Net Assets, excluding Pension Liability	349.0	334.8	317.2	291.3	275.1
Pension Liability	(21.9)	(22.5)	(14.7)	(4.3)	(15.2)
Net Assets, including Pension Liability	327.1	312.3	302.5	287.0	259.9
Capital Expenditure					
Land and Buildings	37.2	21.9	46.2	43.8	20.0
Plant, Machinery & Equipment	12.5	13.6	9.0	7.5	26.8
	49.7	35.5	55.2	51.3	46.8
Net Funds / (Debt)	7.5	6.3	(6.3)	1.9	13.0

indicators of financial health

	2013/14	2012/13	2011/12	2010/11	2009/10
(a) % Ratio of Total HEFCE & NCTL Grants to Total Income	13.5%	16.8%	19.2%	21.1%	22.0%
(b) % Ratio of Total Fees from Home & EU Students to Total Income	19.7%	17.7%	14.1%	14.3%	14.0%
(c) % Ratio of Total Fees from Overseas Students to Total Income	20.4%	19.5%	18.9%	16.3%	14.7%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	18.8%	18.2%	19.4%	20.6%	19.5%
(e) % Ratio of Total Other Services Rendered Income to Total Income	0.3%	0.5%	0.7%	1.2%	1.6%
(f) % Ratio of Total Residences and Catering Income to Total Income	8.4%	8.4%	8.2%	7.4%	7.7%
(g) % Ratio of Total all Other Income to Total Income	19.0%	19.0%	19.5%	19.1%	20.5%
(h) % Ratio of Staff Costs to Total Income	51.7%	48.9%	48.6%	49.0%	50.5%
(i) % Ratio of Surplus to Total Income	2.6%	4.2%	7.0%	4.8%	2.3%
(j) % Ratio of Long Term Liabilities and Provisions* to Total General Funds*	62.6%	61.4%	58.5%	56.2%	50.6%
(k) Ratio of Liquid Assets to Current Liabilities	1.05	1.07	0.88	0.77	0.70
(l) Ratio of Current Assets to Current Liabilities	1.33	1.36	1.18	1.09	1.05
(m) Days of Total Income represented by Debtors	27.0	26.7	26.3	29.4	30.0
(n) Days of Total Expenditure represented by Creditors due within one year	101.0	96.9	96.1	97.0	93.6

* excluding Pension Liability/Reserve