

statement of accounts

for the year ended 31 July 2011

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financial highlights

for the year ended 31 July 2011

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT		2010/11	2009/10	Change
		£ million	£ million	
Funding Council Grants		88.2	89.8	(1.8%)
Academic Fees and Support Grants		147.5	133.2	10.7%
Research Grants and Contracts		86.3	79.8	8.1%
Other Operating Income		96.0	104.9	(8.5%)
Endowment Income and Interest Receivable		1.1	0.8	37.5%
Total Income		419.1	408.5	2.6%
Surplus for the Financial Year, including exceptional items		20.3	9.3	118.3%
CONSOLIDATED BALANCE SHEET		2011	2010	
		£ million	£ million	
Fixed Assets		359.0	331.7	
Endowment Asset Investments		6.7	5.9	
Net Current Assets		9.9	4.5	
		375.6	342.1	
Long Term Creditors and Provisions		(84.3)	(67.0)	
Total Net Assets, excluding Pension Liability		291.3	275.1	5.9%
Pension Liability		(4.3)	(15.2)	
Total Net Assets, including Pension Liability		287.0	259.9	10.4%
CAPITAL EXPENDITURE IN THE YEAR		2010/11	2009/10	
		£ million	£ million	
NET CASH INFLOW FROM OPERATING ACTIVITIES		29.8	35.3	(15.6%)
OTHER KEY STATISTICS		2010/11	2009/10	
		Number	Number	
Full Time Students:-	Home / EU Undergraduates	10,037	9,802	2.4%
	Home / EU Postgraduates	2,705	2,494	8.5%
	Overseas Undergraduates	2,322	2,104	10.4%
	Overseas Postgraduates	2,565	2,210	16.1%
Total number of students (full time equivalent)		18,900	18,434	2.5%
Total staff numbers (full time equivalent)		4,375	4,448	(1.6%)

financial review

The results of the University of Warwick for the year ended 31 July 2011 represent one of continuing strong financial performance. The University's sound financial position is particularly welcome in these uncertain political and economic times, with continuing pressures on public funding, a new system of student fees and continuing UK and global economic weakness that has an impact on the pattern of demand for both the University's educational and commercial services.

The University aims to generate a sufficient long term surplus on operations to, alongside external capital funding, allow for appropriate capital investment in teaching and research facilities. Given the nature of many activities undertaken at the University, margins tend to be small compared to the relative scale and complexity of the University's operations and consequently all activities continue to require close attention to cost control and continual investment prioritisation decisions are required.

The level of surplus for the year achieved by the University reflects the continued growth in research activity, strong student demand and the impact of improvements in efficiency, alongside previous restructuring. These positive factors have offset the downwards pressures from government funding, via the Higher Education Funding Council for England (HEFCE), and the impact of economic pressures experienced by a number of the University's commercial operations.

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

Vision 2015 Strategy

In addition to Warwick's high UK reputation and standing, the University has set itself an ambitious strategy to firmly place itself amongst the world's top universities by 2015, the 50th anniversary of Warwick's foundation. The University's Vision 2015 aims to continue to markedly increase Warwick's international reputation by carrying out the very best research and teaching which, when measuring the quality of research output and the strength of student demand, ranks the University's global reputation within the top 50 universities in the world.

To achieve the full ambition of Vision 2015, the University seeks to continue to deliver 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 objectives.

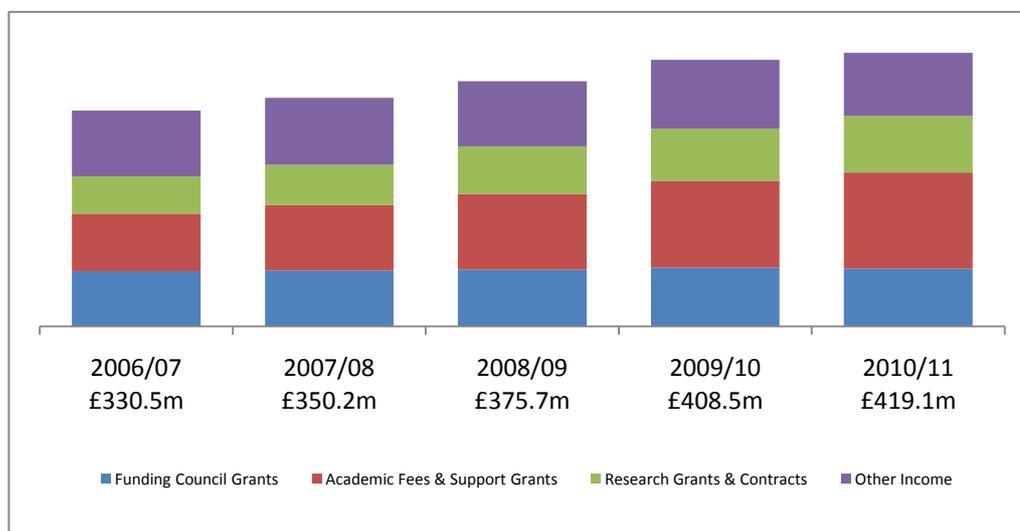
The University uses a range of both financial and non-financial indicators to monitor the performance of the University. Many of the financial indicators used are replicated on the previous Financial Highlights page and on the Indicators of Financial Health page at the end of these financial statements.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

financial review

(continued)

Turnover

Turnover of the University has increased by 2.6% to £419.1m.



Funding Council Grants

Whilst managing to maintain the level of its Quality Research grant funding from HEFCE, reflecting Warwick's success in the 2008 Research Assessment Exercise and recognition of the high quality of research work that the staff of the University continue to undertake, the University has continued to incur its proportionate share of the government's ongoing funding cuts.

In advance of any other changes due in respect of student financing, the University has suffered a £0.9m (2.1%) year on year reduction in its recurrent grant allocation for teaching from the Funding Council in 2010/11, following on from negligible overall change in 2009/10 (+£0.5m/+1.3%) and has now, consequently, faced more than two years of HEFCE teaching funding reductions in real terms.

Recent changes in the University's core grant are clearly not in line with the increase in the University's overall teaching and research operations and, taken together with announced further reductions in future government funding, the University recognises the continued need to diversify income streams, maintain a close control of all costs and to respond to the new funding realities.

Academic Fee Income

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

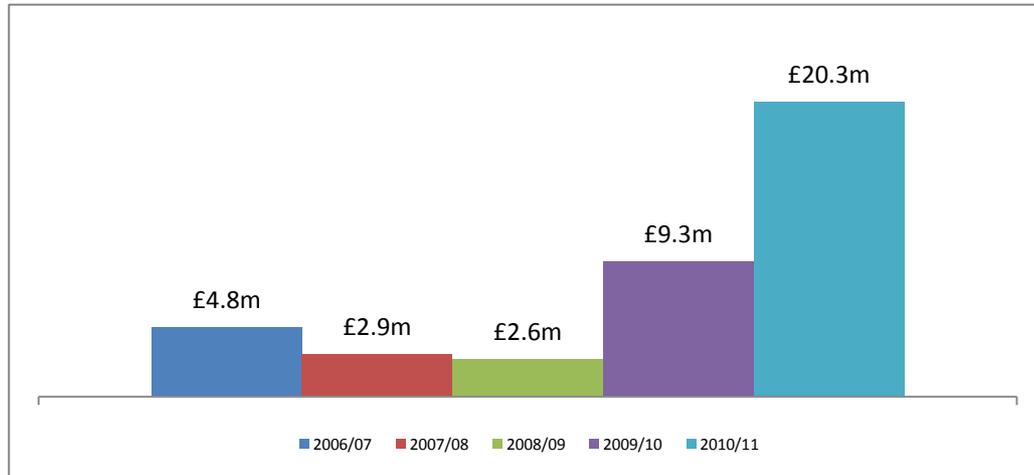
Research Income

Year on year reported income on research activity has increased by over 8%, to in excess of £86m. This continued growth reflects the sustained success that Warwick has had in winning new research contracts in recent years and the range and depth of scholarship at Warwick. It is expected that research growth may be more modest in the coming years, as a result of both current capacity limitations and the funding pressures faced by many grant giving bodies, not least the Research Councils.

financial review

(continued)

Surplus



The surplus for the year was £21.4 million (5.1% of turnover). This compares with a corresponding surplus for the previous year of £9.3 million (2.3% of turnover). These surpluses are both after exceptional items, including significant restructuring costs in 2009/10 (see note 9).

Excluding exceptional items, the University has seen a relatively stable overall financial outturn on its underlying operations for the last two financial years.

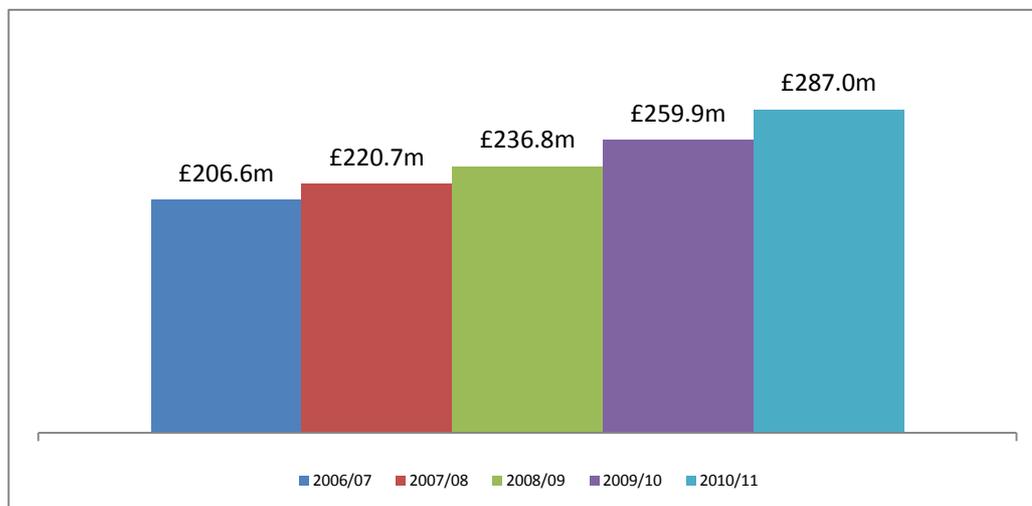
The University's financial performance for the year continued to be underpinned by a particularly strong performance from a number of academic departments, as well as significant contributions from the University's commercial activities. The Warwick Business School and Department of Economics had a particularly successful financial year and the University's online recruitment business, Jobs.ac.uk, maintained a strong financial position; a creditable performance given the ongoing external economic pressures that operations have continued to face throughout the financial year.

Work has continued throughout the last year to firmly establish and develop Warwick's new School of Life Sciences, following the start of restructuring in 2009/10. The Life Sciences restructuring aims to build on the strengths of the previous departments of Biological Sciences and Warwick HRI, and restructuring provisions have been utilised accordingly during the 2010/11 financial year (see notes 9 and 20). The new School is an integral part of the strategic vision for Life Sciences at Warwick, which aims to significantly enhance the quality, volume and future sustainability of Life Sciences research at the University.

financial review

(continued)

Net Assets



The University's net assets have increased by 10.9% year on year, from £259.9 million to £288.1 million.

University of Warwick Pension Scheme (UWPS)

Part of the increase in the net asset value of the University has arisen from reduction in the deficit reported at the year end on the University of Warwick Pension Scheme, from £15.2m to £4.3m. The principal reasons for this are an improvement in investment performance in the year to 31 July 2011 (which has been partially reversed in the period up to the date of signing of these accounts) and a reduction in the annual service costs of the scheme following changes in the scheme's benefits structure made during 2009/10. Ongoing contribution and benefit levels, to ensure long-term funding requirements are met, are determined as part of the triennial full valuations of the Scheme. The most recently completed full valuation was at 31 March 2010.

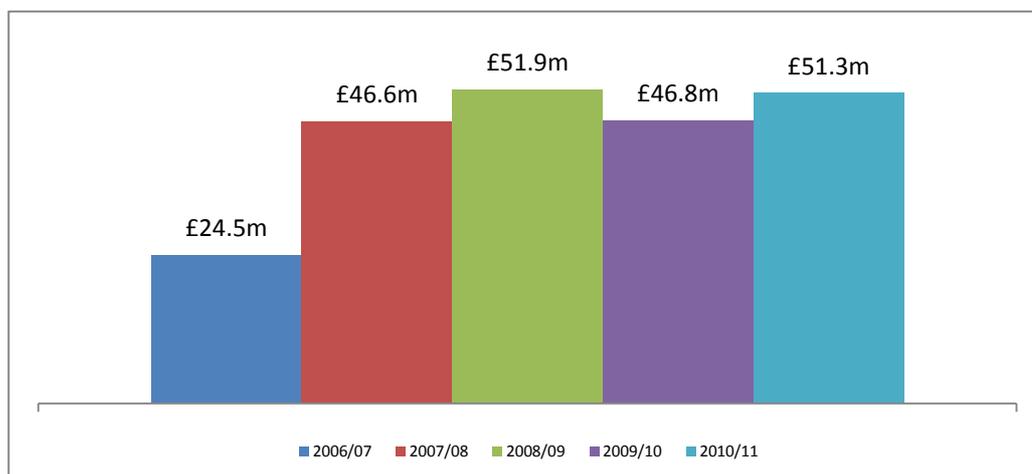
Universities' Superannuation Scheme (USS)

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

Further details in respect of the funding position of both UWPS and USS, from the perspective of the scheme's board of trustees in the case of the latter, are included within these accounts at note 32.

Capital investment, cash flow and borrowings

Capital Investment



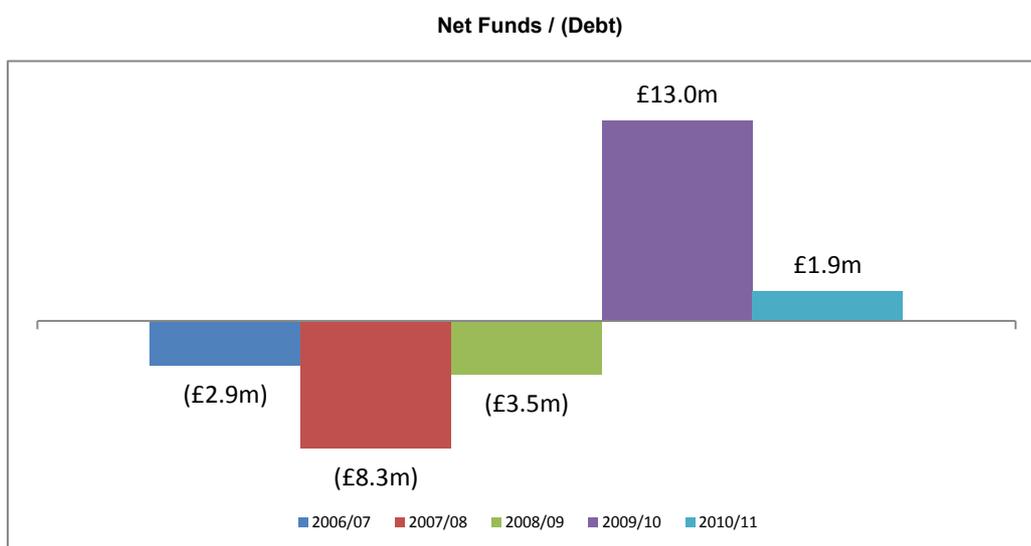
financial review

(continued)

Cash inflows for the year of £29.8m (2009/10: £35.3m) from operations, capital grant receipts of £13.4m (2009/10: £31.4m) and new endowments received totalling £1.2m (2009/10: £1.3m) supported the University in maintaining another year of high capital expenditure, totalling £51.3m (2009/10: £46.8m).

Amongst the major capital schemes was continuing work on the new Sciences Building and the new “Bluebell” student residences, both of which have now been opened for occupation subsequent to the last balance sheet date. Work has also begun on the International Institute for Product Service Innovation building, co-funded by the European Regional Development Fund (ERDF), and a second set of new student residences, to be opened in September 2012, in addition to many other capital developments and refurbishment works that have continued across the campus throughout the year.

The University’s “Vision 2015” 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.



The University’s ambitious capital programme is supported by committed long term unsecured bank facilities on advantageous terms and swaps are in place to protect the University from future variations in interest rates. The above graph shows the effect of advance loan draw downs towards the end of the 2009/10 financial year, in addition to a further £25m of new borrowings that were drawn down during the last financial year, now being substantially utilised against spend on the major capital development projects noted previously.

In addition to committed borrowing arrangements, the University also has substantial additional agreed facilities in place. In the shorter term the University has a £20m revolving loan facility and is also currently holding a further £60m of longer term facilities.

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

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 successful upgrading of the student IT network, previous refurbishment and expansion of the Students’ Union, additional student bed spaces that are being made available to meet the high level of student demand for quality, affordable on campus accommodation and continuing reviews and refreshment of the University’s retail and catering offering for the student body.

financial review

(continued)

The University recognises the value and contribution that international students make to Warwick from both a cultural and financial perspective and recognises the growing competition for the provision of higher education services. Warwick has a strong international student support network in place, which we will continue to develop. We are proud of the excellent reputation that Warwick continues to hold overseas, a reputation that is responsible for attracting such a large number of international students to Warwick and one that we aim to develop in the future, by continuing to differentiate Warwick in the overseas higher education market.

We are determined that education at Warwick will continue to be available to all those who can most benefit from and contribute to the University, irrespective of their economic, social or educational background. To this end, a substantial proportion of the income from fee paying home and European Union students will continue to be committed to bursaries and access awards. The University also encourages the widest range of students to consider studying at Warwick through a variety of activities, some further details of which are set out in the Public Benefit Statement on pages 9 to 11 of these financial statements.

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:

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

In order to mitigate the strategic risks noted above the University, amongst other things:

- (a) 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;
- (b) plans prudently for student demand and focuses on building and developing overseas networks with other organisations, representatives and alumni communities;
- (c) 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
- (d) engages in continuous review of reward mechanisms and leadership and development training programmes.

Prospects

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

financial review

(continued)

The University will commit to ensure financial sustainability in spite of funding restrictions in this period of significant change within the sector. We remain confident that the financial outcome for the current year will be satisfactory. In the longer term, we remain committed to realising our ambition of becoming one of the top 50 universities in the world and to be a key driver of success in our economy and our society at a local, regional, national and international level.

During the current year we will continue to progress major projects with respect to the expansion and refurbishment of academic facilities, including brand new lecture facilities and further increase the capacity of our on-campus residences. The University is also already firmly engaged in its planning processes for submission into the coming Research Excellence Framework and is committed to maintaining its excellent standing (Warwick being ranked seventh in the UK in the 2008 Research Assessment Exercise).

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

Professor Nigel Thrift, Vice-Chancellor

30 November 2011

public benefit statement

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

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

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 furtherance of knowledge and the long-term impact of the University's research.

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

Education

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.

The University offers undergraduate and postgraduate programmes across a range of disciplines. To provide educational opportunities beyond the full-time undergraduate or postgraduate experience, there are also a large number of continuing professional development programmes including education, medicine, health, law, business and engineering. The University offers a number of '2+2' degree programmes which are also run in partnership with a number of local FE colleges. Warwick's Open Studies programme attracts thousands of registrations from the general public without a qualificatory requirement, predominately from the local region.

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

A new Access Agreement has been approved by the Office for Fair Access and the University has committed to a generous new financial support framework, with associated targets, for students from 2012 entry. These targets aim to further increase accessibility of the most able to the University, building on the most recently published Higher Education Statistics Agency Performance Indicators which show that in 2010 Warwick admitted onto its full-time undergraduate courses 1,780 young entrants from state schools (74.7% of the total intake), 395 young entrants from the lowest socio-economic backgrounds (18.8% of the total intake) and 105 students from low participation neighbourhoods (4.3% of the total intake).

public benefit statement

(continued)

The University of Warwick has a long history of supporting widening participation to ensure access to higher education to the general public at large and to inspire potential students from backgrounds less represented in Higher Education with the ability to succeed in the excellent and challenging educational environment that Warwick offers. Current activities include: the GOAL programme (a national scheme supporting over 700 disadvantaged gifted and talented students aged 14-18 in achieving their potential and entering the most selective higher education courses), Pathways to Law (enabling 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 which 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 twelve 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 from applicants from any of the partner institutions in recognition of their engagement with the programme. The programme seeks to recruit an additional 400 students each year. Partnerships with five Trust Schools encourage pupils to aspire to higher education. Additionally, the University’s International Gateway for Gifted Youth (IGGY), continues to proactively targets its activities to a very diverse cohort, with a view to developing a comprehensive system of national and international bursaries and scholarships. IGGY has also linked with Warwick in Africa to facilitate provision for children from extremely deprived backgrounds in South Africa, Ghana, Tanzania and Botswana.

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

Warwick regularly monitors its targets against benchmarks for widening participation and its outcomes in the National Student Survey, Destinations of Leavers of Higher Education Survey, and through a number of other surveys conducted at the University to ensure that the education provided is continuously enhanced and meeting the University’s objectives.

Research

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

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

The University’s research benefits the broader public at large through the furtherance and transfer of knowledge, charities, industry, and also our own postgraduate and undergraduate students. To ensure the outstanding breadth and quality of Warwick’s internationally renowned research and expertise translates to user communities, business, industry, and beyond, the University undertakes and is involved with many initiatives which seek to transfer technology, knowledge and experience to the wider community. While a range of University’s academic disciplines are directly involved in such activity, those particularly facilitating such engagement include the Department of Chemistry, the School of Engineering, the School of Life Sciences, the Department of Physics, the Warwick Manufacturing Group and the Warwick Medical School.

public benefit statement

(continued)

In 2007, the University established the Warwick Commission to work to influence public policy and offer potential solutions to major global issues. The first Warwick Commission examined the global trading system, drawing together international expertise as well as initiating wider public debate. In 2009, the second Warwick Commission's report, *International Financial Reform: Beyond Architecture, Towards Building Consensus*, was launched in New Delhi, receiving significant international coverage. Since, a number of other events and activities have been held to disseminate the Commission's findings and facilitate further discussion. As a number of cities in England prepare for referenda on elected Mayors in 2012 a third Warwick Commission on *Electing Mayors and City Leadership* is underway, expected to make its recommendations in March 2012. Warwick is developing 10 Global Priority Programmes as strategic initiatives for the coordination of research activities across the University designed to focus on areas of global priority for governments and the public at large. These areas cover: Food Security, Connecting Cultures, Energy, Global Governance, Public Policy, Innovative Manufacturing, Individual Behaviour, Digital Change, Science & Technology for Health, and International Development.

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

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

The wholly-owned subsidiary, Warwick Ventures Ltd., operates the University's technology transfer and commercialisation function. Over the last ten years it has launched over 50 knowledge-based companies, 33 of which are active with a combined annual turnover of more than £10 million and employing over 150 staff. Warwick Ventures also licences the University's intellectual property to other companies in a wide range of industries. Warwick Ventures was re-launched in 2010 with a new strategy seeking to increase significantly its impact in knowledge transfer over the coming years.

Community engagement and corporate social responsibility

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

The University has built many fruitful relationships with local schools and community organisations. During 2010/11, over 2,300 staff and students joined the University's 'Warwick Volunteers' programme, participating in local projects such as painting murals in local community centres and providing structured programmes of classroom support in local schools. The University also participated in the national *inspired* students' research project to form relationships between student volunteers and Children's University, which promotes out-of-school-hours learning for 7-14 year olds. In 2010/11 Warwick Volunteers achieved 'Investors in Volunteers' status in recognition of the high quality of their work with volunteers.

public benefit statement

(continued)

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

In addition to the Westwood project, the University is active in, and has links with, literally hundreds of primary and secondary schools in the region. The University also provides support for community initiatives run by local organisations. For example, in the last year the University has sponsored the Coventry Telegraph's Business Awards and the Kenilworth Business and Retail Fair.

Not only does the University's research envelop a significant number of aspects of sustainability from global hunger and energy to the profitability of 'green' business, the University has made considerable strides towards the sustainability of its own operations. For instance, in 2010, the University committed to a significant reduction in carbon emissions by 2020 – a 34% reduction against 1990 levels.

The University takes seriously its corporate social responsibility and how this benefits the wider public and the specific beneficiaries of the University.

corporate governance

- 1 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 which has been provided by the HEFCE and the Committee of University Chairs in the *Guide for Members of Governing Bodies in the UK*, except where, in a small number of cases, the Council has determined it is not in the best interests of the University. The University is also mindful of its charitable purpose and its strategy aims to encompass its public benefit role.
- 2 The University is an exempt charity whose principal regulator is the Higher Education Funding Council for England. The University's legal status derives from a Royal Charter originally granted in March 1965. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes.
- 3 Until 2009, the Charter and Statutes required the University to have three separate bodies. The University received formal approval in October 2009 from the Privy Council to abolish the Court. The Council and Senate remain as the two key University bodies: each with clearly defined functions and responsibilities, to oversee and manage its activities.
 - **The Council** – is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution.

It has a majority of members from outside the University, (described as lay members), from whom its Chair and Honorary University Treasurer are drawn. Also included in its membership are representatives of the staff of the University and the student body. None of the lay members receive any payment, apart from the reimbursement of reasonable expenses, for the work that they do for the University. The University Council approves annually its Code of Corporate Governance and Statement of Primary Responsibilities. A copy of the Code of Corporate Governance can be obtained from the University's website and the Responsibilities of Council are set out on pages 18 and 19 of these accounts. The Council has due regard for the Charity Commission's guidance on the public benefit, which is reviewed on an annual basis.

The total number of members of the Council is 33 and, therefore, the size of Council is the only area where the University is not fully aligned with the advice given in the voluntary Governance Code of Practice, as included in the *Guide for Members of Governing Bodies in the UK*. For the financial year ended 31 July 2011 and for the subsequent period to when these financial statements were signed as approved, the following individuals were members of Council, for the 2010/11 financial year: Mr J Leighfield (Pro-Chancellor and Chair until 31 July 2011), Dr B Woods-Scawen (Treasurer), Mr K Bedell-Pearce, Dame Fiona Caldicott (from October 2010), Dr R Chung, Ms V Cooke, Sir George Cox (Pro-Chancellor and Chair from 1 August 2011), Mr P Dunne, Mrs P Egan, Ms T Elliott, Ms V Heywood, Mr J Higgins, Mr G Howells, Dr G Lyons, Mr M Temple (from March 2010), Professor N Thrift (Vice-Chancellor), Professor M Smith, Professor A Caesar, Professor R Higgott (until March 2011), Professor M Finn (from July 2011), Mr A Rivett, Professor J Labbe, Professor K Lamberts; Professor S Hand, Professor T Jones, Professor A Muthoo, Professor M Taylor, Professor P Winstanley; Mr D Stevens and Mr S Stanley (until July 2011); for the subsequent period to the approval of these financial statements: Sir D Normington (from September 2011) and, from August 2011: Mr N Sanders, Sir John Temple, Professor S Croft, Mr L Boe and Mr G Whitworth.

- **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 who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the accountable officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
- 5 The Council meets at least five times each academic year and at each meeting considers one main strategic discussion topic as well as a number of reports from its committees. Much of the detailed work of the Council is initially handled by committees, in particular the Finance and General Purposes Committee, the Building Committee, the Nominations Committee, the Remuneration Committee, the University Health and Safety Executive Committee (UHSEC), the Equality and Diversity Committee (EDC) and the Audit Committee.
- 6 These Committees are formally constituted as Committees of the Council (and in the case of UHSEC and EDC jointly with Senate) with approved terms of reference and specified constitutions and approved membership, all including lay membership (from whom the Chair typically will be selected).
- 7 As chief academic and administrative officer of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice-Chancellor, Pro-Vice-Chancellors, the Chairs of the Faculty Boards and the Board of Graduate Studies, and the senior administrative officers all contribute in various ways to this aspect of the work, but ultimate responsibility for what is done rests with the Vice-Chancellor.
- 8 The Registrar is Secretary to the Council and to all University bodies and committees and plays a key role in the operation and conduct of Council business. The Registrar is supported by the Deputy Registrar and they provide advice to the Chair of Council on all matters of procedure and in respect to any matters where conflict, potential or real, may occur.
- 9 The University maintains a Register of Interests of members of the Council which may be consulted by arrangement with the Registrar.
- 10 Any enquiries about the constitution and governance of the University should be addressed to the Registrar.

statement of internal control

The Council has responsibility for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, primarily the University's Strategy, Vision 2015. In accordance with the requirements of the Charter and Statutes and the Financial Memorandum with the HEFCE (which includes the Accountability and Audit Code of Practice), the Council is also responsible for safeguarding the public and other funds and assets under the University's control.

The internal controls operated by the University are designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; they can therefore only provide reasonable and not absolute assurance of effectiveness.

The Council has overall responsibility for reviewing the effectiveness of the University's system of internal control and is advised in this regard in particular by its Audit Committee.

The following internal control measures were in place for the year ended 31 July 2011:

- The Audit Committee, which met four times in 2010/11, received regular reports from the Head of Internal Audit which provided an overview of internal control matters (in the main as set out in the agreed Internal Audit Plan), including an opinion on the adequacy and effectiveness of the University's systems of internal control together with recommendations for improvements. The Audit Committee provides challenge on operational, financial and risk matters coming before it and, where appropriate, monitors agreed actions to ensure that changes and recommendations are duly implemented.
- The University operated a system of risk management designed to identify the significant risks to the achievement of the University's strategy, to evaluate the nature and extent of those risks and to manage them effectively.
- Responsibility for strategic risk identification, description and evaluation and monitoring processes on a regular basis is held by the Steering Committee, supported by University Risk Holders, senior managers and the Operational Risk Management Group. The Operational Risk Management Group brings together representatives from the full range of internal constituencies to identify, assess and monitor risk across the range of University operations including insurance, business continuity, estates, IT and health and safety.
- The University Risk Register was updated on a termly basis and the Steering Committee reported to the Council typically the most significant eight to ten strategic risks for their consideration. Regular reports on risk management, including reports from the Operational Risk Management Group, were also periodically considered by the Audit Committee.
- In 2011, all academic and support departments and commercial activities were asked to submit their current SWOT analyses and risk assessments as part of the annual planning process and this informed the University's assessment of key risks and its allocation of resources.
- The Audit Committee also received periodic reports on the management of the University's significant risks and received a number of presentations from senior management on areas of specific internal control.
- Additionally, the Audit Committee considered a report from the Head of Internal Audit outlining key areas which supported the opinion that the University's operations offered value for money.
- The Council met five times in the 2010/11 financial year, considering the plans and strategic direction of the University.

statement of internal control

(continued)

- The Council received termly reports summarising the key issues raised in the minutes of the Audit Committee, including consideration of the work of internal and external audit and of risk management.
- The Council also considered the Annual Report from the Audit Committee, which provides its formal opinions on the adequacy and effectiveness of Warwick's arrangements for risk management, control and governance; economy, efficiency and effectiveness (value for money); and management and quality assurance of data submitted to HESA and to HEFCE and other funding bodies.
- The Council considered termly reports of the status of the most significant key strategic risks of the University and the current status of those risks. These key strategic risks will continue to be monitored by the Council on a termly basis throughout the 2011/12 academic year together with periodic consideration of the University's agreed key performance indicators.
- Internal Audit provide the Audit Committee with an opinion on all of the University's significant risks as required by the HEFCE Audit Code of Practice.

The Council's review of the effectiveness of internal controls is primarily informed by the reports of the Audit Committee. It is also informed by the work of managers within the University, who have responsibility for the development and maintenance of controls and reporting on key risks, and by comments made by the external auditors, principally in their management letter, as well as from a range of reports from relevant sub-committees of the Council (e.g. Building Committee, Health and Safety Executive Committee).

The Council's consideration of these various reports, enabled it to carry out an assessment of internal control within the University for the 2010/11 financial year.

statement of primary responsibilities of the council

of the University of Warwick

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

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

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

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

statement of primary responsibilities of the council

of the University of Warwick (continued)

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

report of the independent auditors

to the Council of the University of Warwick

We have audited the Group and University financial statements (the “financial statements”) of the University of Warwick for the year ended 31 July 2011 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. 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 2011 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.

report of the independent auditors

to the Council of the University of Warwick

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.

Andy Argyle

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham B4 6GH

30 November 2011

statement of principal accounting policies

1 Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with the 2007 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, and applicable Accounting Standards.

2 Acquisitions

Acquisitions have been accounted for using the acquisition method of accounting.

3 Basis of Consolidation

The consolidated financial statements include the financial statements of the University, its subsidiary undertakings, the University of Warwick Foundation and its subsidiary, and the University's share of the University of Warwick Science Park Limited, as an associated undertaking. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include those of the University of Warwick Students' Union and subsidiaries of the Union, as these are separate organisations in which the University has no control or significant influence over policy decisions.

4 Recognition of Income

Income from government grants and other specific grants and research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. Income from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors, e.g. National Health Service. The cost of any fees waived by the University are included as expenditure. Income from other services rendered is included to the extent of completion of the contract or services concerned and is measured at the fair value of the consideration receivable.

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

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

5 Agency Arrangements

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

statement of principal accounting policies

(continued)

6 Pension Schemes

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the Scheme are held in a separate trustee-administered fund. Because of the mutual nature of the Scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institution's employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

University of Warwick Pension Scheme

The Defined Benefit (DB) section of the University's own scheme, an exempt approved pension scheme, provides retirement benefits (based on final pensionable salary), lump sum and spouse's death-in-service benefits. The scheme is set up under trust and the assets are held in a separate trustee-administered fund. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for as a defined benefit scheme in accordance with FRS 17, on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. The pension scheme surplus (to the extent that it is recoverable), or deficit, is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the Statement of Total Recognised Gains and Losses, actuarial gains and losses. The DB section of the scheme was closed to new recruits on 1 April 2010.

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

A small number of staff remain in other pension schemes.

7 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the average rate of exchange ruling for each month. Monetary assets and liabilities denominated in foreign currencies are recorded at the closing rate of exchange ruling at the year end. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

8 Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

statement of principal accounting policies

(continued)

9 Negative Goodwill

Negative goodwill arising on the acquisition of Horticulture Research International has been capitalised and separately disclosed on the face of the balance sheet in fixed assets. Negative goodwill is being released to reserves over eight years and four months, on a straight line basis. This period matches the term of acquired significant Horticulture Research International research contracts and the release of the negative goodwill arising on acquisition will therefore partially offset any future deficits made on these acquired contracts.

10 Financial Instruments

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

11 Fixed Assets

Land and buildings

Land and buildings are stated at cost. Land is not depreciated as it is considered to have an indefinite useful life. Buildings under construction are not depreciated until they are completed. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of these assets. Buildings are depreciated in equal instalments over their expected useful lives of 50 years and laboratory and other major refurbishments over 10 to 20 years. Where buildings are acquired with the aid of government and other specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings. The University has no inherited assets.

Equipment

In the accounts of the University, 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, and investments in associates are shown in the consolidated balance sheet at attributable share of net assets.

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

13 Stocks

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

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

14 Provisions and Contingent Liabilities

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

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

15 Cash and Liquid Resources

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

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

16 Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 to 488 of the Corporation Tax Act 2010 (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

statement of principal accounting policies

(continued)

16 Taxation Status (continued)

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

17 Intra-group Transactions

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

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

18 Accounting for Charitable Donations

Unrestricted donations

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

Endowment funds

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

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

Donations for fixed assets

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

Gifts in kind, including donated tangible fixed assets

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

consolidated income and expenditure account

for the year ended 31 July 2011

	Note	2010/11 £ million	2009/10 £ million
INCOME			
Funding Council Grants	1	88.2	89.8
Academic Fees and Support Grants	2	147.5	133.2
Research Grants and Contracts	3	86.3	79.8
Other Operating Income	4	96.0	104.9
Endowment Income, Investment Income and Interest Receivable	5	1.1	0.8
Total Income		419.1	408.5
EXPENDITURE			
Staff Costs	6	205.2	206.1
Depreciation	11	25.9	29.4
Other Operating Expenses	8	164.6	150.1
Interest Payable and Similar Charges	7	4.0	3.3
Total Expenditure	8	399.7	388.9
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST AND BEFORE TAX		19.4	19.6
Taxation		0.0	0.0
Share of profit after tax of Associate		0.2	0.2
Equity Minority Interest		0.0	0.1
SURPLUS BEFORE EXCEPTIONAL ITEMS		19.6	19.9
Restructuring Costs	9	0.0	(11.3)
Disposal of Fixed Assets	9	0.2	0.0
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT COST, DISPOSAL OF ASSETS, TAX AND MINORITY INTEREST		19.8	8.6
Transfer from Accumulated Income within Endowment Funds		0.5	0.7
SURPLUS FOR THE FINANCIAL YEAR RETAINED WITHIN GENERAL RESERVES		20.3	9.3

statement of consolidated total recognised gains and losses

for the year ended 31 July 2011

	Note	2010/11 £ million	2009/10 £ million
Surplus on Continuing Operations after depreciation of assets at cost, disposal of assets, tax and minority interest		19.8	8.6
Increase in market value of Endowment Asset Investments	21	0.1	0.4
Unrealised Gains on Other Equity Investments	23	0.4	0.0
New Endowments	21	1.2	1.3
Actuarial Gain in respect of pension scheme	32	8.4	1.4
Total Recognised Gain relating to the Year		29.9	11.7

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

On 30 September 2010, the University disposed of the business of its partially owned subsidiary, Warwick Advertising Limited, the activity of which is not regarded as material to the operations of the University and is disclosed at note 33. The consolidated income and expenditure of the University and all its other subsidiaries relate wholly to continuing operations. The consolidated surplus includes a surplus of £20.0m (2009/10: surplus of £9.6m) that has been dealt with in the accounts of the University (note 22).

statement of reconciliation of reserves and endowments

for the year ended 31 July 2011

	Note	2010/11 £ million	2009/10 £ million
Opening Reserves and Endowments as at 1 August	21, 22 & 23	123.1	111.4
Total Recognised Gain for the Year		29.9	11.7
CLOSING RESERVES AND ENDOWMENTS AS AT 31 JULY		153.0	123.1

balance sheets

as at 31 July 2011

		Consolidated		University	
	Note	2011 £ million	2010 £ million	2011 £ million	2010 £ million
FIXED ASSETS					
Intangible Assets	10	(0.5)	(0.9)	0.0	0.0
Tangible Assets	11	350.8	325.5	335.7	310.3
Investments	12	8.7	7.1	6.8	5.2
		359.0	331.7	342.5	315.5
ENDOWMENT ASSET INVESTMENTS					
	13	6.7	5.9	2.2	1.2
CURRENT ASSETS					
Stocks	14	1.0	1.2	0.9	1.2
Debtors	15	33.8	33.6	36.0	34.6
Short Term Deposits		27.5	32.5	27.5	32.5
Cash at Bank and in Hand		53.8	36.9	53.6	36.4
		116.1	104.2	118.0	104.7
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	16	(106.2)	(99.7)	(125.4)	(117.5)
NET CURRENT ASSETS / (LIABILITIES)					
		9.9	4.5	(7.4)	(12.8)
TOTAL ASSETS LESS CURRENT LIABILITIES					
		375.6	342.1	337.3	303.9
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	17	(78.8)	(56.2)	(78.8)	(56.2)
PROVISIONS FOR LIABILITIES AND CHARGES					
	20	(5.5)	(10.8)	(5.5)	(10.8)
TOTAL NET ASSETS, excluding Pension Liability					
		291.3	275.1	253.0	236.9
PENSION LIABILITY					
	32	(4.3)	(15.2)	(4.3)	(15.2)
TOTAL NET ASSETS, including Pension Liability					
		287.0	259.9	248.7	221.7
DEFERRED CAPITAL GRANTS					
	19	133.9	136.7	134.1	136.9
ENDOWMENTS:					
Permanent	21	3.3	2.7	0.7	0.3
Expendable	21	3.4	3.2	1.5	0.9
GENERAL RESERVES, including Pension Reserve					
	22	145.9	117.2	112.0	83.6
REVALUATION RESERVE					
	23	0.4	0.0	0.4	0.0
MINORITY INTEREST					
		0.1	0.1	0.0	0.0
TOTAL FUNDS					
		287.0	259.9	248.7	221.7

The financial statements on pages 27 to 61 were approved by the Council on 30 November 2011, and signed on its behalf by:

Professor Nigel Thrift, Vice-Chancellor

Sir George Cox, Chair of Council

consolidated cash flow statement

for the year ended 31 July 2011

	Note	2010/11 £ million	2009/10 £ million
Net Cash Inflow from Operating Activities	27	29.8	35.3
Returns on Investments and Servicing of Finance	28	(2.9)	(2.6)
Taxation		0.0	0.0
Capital Expenditure and Financial Investment	29	(38.0)	(16.2)
Cash Inflow before Use of Liquid Resources and Financing		(11.1)	16.5
Management of Liquid Resources net contributions from short term investments	30	5.1	2.3
Financing	31	22.9	(8.6)
Increase in Cash		16.9	10.2

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

for the year ended 31 July 2011

	Note	2010/11 £ million	2009/10 £ million
Increase in Cash in the Year		16.9	10.2
Decrease in Liquid Resources	30	(5.1)	(2.3)
New Loans and Finance Leases	31	(25.8)	(8.3)
Repayment of Debt	31	2.9	16.9
Change in Net Debt		(11.1)	16.5
Net Funds / (Debt) at 1 August		13.0	(3.5)
Net Funds at 31 July	30	1.9	13.0

notes to the accounts

1. HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND & TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS GRANTS	2010/11	2009/10
	£ million	£ million
Recurrent Grants:		
Higher Education Funding Council for England:		
Teaching	41.4	42.3
Research	32.7	32.6
Training and Development Agency for Schools	2.6	2.7
Specific Grants:		
HE Innovations Fund	2.2	1.9
Capital Investment Funding	0.5	0.3
Training and Development Agency for Schools Specific Grants	1.1	1.2
Centres for Excellence in Teaching and Learning	0.0	0.8
Matched Funding Scheme for Voluntary Giving	0.5	0.9
Others	0.5	0.3
Deferred Capital Grants Released in Year:		
Buildings (Note 19)	2.5	2.5
Equipment (Note 19)	4.2	4.3
	88.2	89.8
<hr/>		
2. ACADEMIC FEES AND SUPPORT GRANTS		
	2010/11	2009/10
	£ million	£ million
Accredited Course Fees From Home/EU Students	60.0	57.1
Accredited Course Fees From Overseas Students	68.2	59.9
Higher Education Foundation Programme Fees	3.8	2.8
Non-Accredited Short Course Fees	4.7	4.3
CASE Awards and Research Training Support Grants	9.8	8.0
Other Fees	1.0	1.1
	147.5	133.2
<hr/>		

notes to the accounts

(continued)

3. RESEARCH GRANTS AND CONTRACTS	2010/11	2009/10
	£ million	£ million
Income		
Research Councils	32.4	35.4
Central Government, Local Authorities and Public Corporations	33.5	25.5
UK Charitable Bodies	7.3	7.4
European Union	7.0	6.2
UK Industry and Commerce	3.2	3.8
Overseas	2.5	1.4
Others	0.4	0.1
	86.3	79.8
Direct Expenditure		
Research Councils	25.9	28.8
Central Government, Local Authorities and Public Corporations	28.0	20.7
UK Charitable Bodies	7.1	7.3
European Union	6.4	5.0
UK Industry and Commerce	2.6	2.4
Overseas	2.1	1.1
Others	0.3	0.1
	72.4	65.4

Income from Research Grants and Contracts includes £7.9m in respect of Deferred Capital Grants released in the year (2009/10: £7.0m).

4. OTHER OPERATING INCOME	2010/11	2009/10
	£ million	£ million
Residences, Catering and Conferences	31.1	31.6
Other Services Rendered	5.1	6.7
Released from Deferred Capital Grants	1.6	6.2
Retail Operations	23.0	26.1
Post-Experience Centres	9.1	9.9
Other Income	26.1	24.4
	96.0	104.9

Included within the "Released from Deferred Capital Grants" figure for the 2009/10 comparative year, above, is a release of £4.5m associated with a reassessment of the useful life of WHRI Wellesbourne properties, following an in year impairment review.

Included within Retail Operations above are the activities of Warwick Advertising Limited (previously AdsFab Limited), which were disposed of during the 2010/11 financial year (see note 33).

Included within Other Income above is £0.4m (2009/10: £0.5m) relating to the release of negative goodwill arising on the acquisition of Horticulture Research International (see note 10).

notes to the accounts

(continued)

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	2010/11 £ million	2009/10 £ million
Net return on University of Warwick Pension Scheme assets (note 32)	0.0	0.1
Income from Endowment investments	0.2	0.1
Other Interest Receivable	0.9	0.6
	1.1	0.8

6. STAFF	2010/11 £ million	2009/10 £ million
Staff Costs:		
Wages and Salaries	169.8	171.6
Social Security Costs	14.3	13.8
Other Pension Costs	21.1	20.7
	205.2	206.1

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

	2010/11 Number	2009/10 Number
Academic staff within academic departments	1,703	1,769
Other staff within academic departments	834	845
Academic services	393	395
Premises management and maintenance	330	329
Residences and catering	428	437
Other services and activities, including commercial operations	687	673
	4,375	4,448

notes to the accounts

(continued)

6. STAFF - continued

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

	2010/11 £000	2009/10 £000
Emoluments of the Vice-Chancellor (excluding pension contributions but including benefits-in-kind)	238	235
Pension contributions in respect of the Vice-Chancellor	36	36
	274	271

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:

	2010/11 Number	2009/10 Number
£290,000 - £299,999	1	1
£240,000 - £249,999	1	0
£230,000 - £239,999	1	1
£190,000 - £199,999	0	2
£180,000 - £189,999	1	2
£170,000 - £179,999	3	2
£160,000 - £169,999	4	3
£150,000 - £159,999	5	7
£140,000 - £149,999	9	7
£130,000 - £139,999	12	10
£120,000 - £129,999	10	9
£110,000 - £119,999	20	21
£100,000 - £109,999	38	25

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

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

7. INTEREST PAYABLE

	2010/11 £ million	2009/10 £ million
Loans and finance leases wholly repayable within five years	0.2	0.1
Loans not wholly repayable within five years	3.8	3.2
	4.0	3.3

notes to the accounts

(continued)

8. ANALYSIS OF 2010/11 EXPENDITURE BY ACTIVITY

	Staff Costs £ million	Depreciation £ million	Other Operating Expenses £ million	Interest Payable and Similar Charges £ million	2010/11 Total £ million	2009/10 Total £ million
Academic Departments	100.0	4.2	48.4	0.0	152.6	151.3
Research Grants and Contracts	36.0	7.9	28.5	0.0	72.4	65.4
Total Teaching and Research	136.0	12.1	76.9	0.0	225.0	216.7
Academic Services	12.0	2.4	15.2	0.0	29.6	28.8
Central Administration and Services	14.9	0.8	7.8	0.0	23.5	18.5
General Educational Expenditure	3.3	0.1	13.5	0.0	16.9	16.5
Staff and Student Facilities	5.0	0.1	4.2	0.0	9.3	8.7
Premises	10.1	8.0	17.3	0.0	35.4	37.9
Residences, Catering and Conferences	9.2	1.5	15.2	2.3	28.2	26.1
Other Services Rendered	1.9	0.0	3.0	0.0	4.9	5.6
Retail Operations	10.9	0.2	6.8	0.2	18.1	21.3
Post-Experience Centres	4.4	0.7	2.3	0.0	7.4	6.8
Other Activities	(2.5)	0.0	2.4	1.5	1.4	2.0
Total per Income and Expenditure Account	205.2	25.9	164.6	4.0	399.7	388.9

Staff costs, within "Other Activities", include:

	2010/11 £ million	2009/10 £ million
Excess of Contributions to Pension Scheme Against Service Costs (Note 32)	(2.5)	(1.3)

The depreciation charge has been funded by:

	2010/11 £ million	2009/10 £ million
Deferred Capital Grants Released (Note 27)	16.2	19.9
General Income	9.7	9.5
	25.9	29.4

Other operating expenses include:

	2010/11 £000	2009/10 £000
Auditors' Remuneration for the University of Warwick Group (An amount of £40k (2009/10: £39k) relates to the Auditors' remuneration for the University)	67	67
Auditors' Remuneration in respect of Non-Audit Services appointed by the University	131	52
Grants to University of Warwick Students' Union	1,948	2,293

During the year six lay members of the Council claimed a combined total of £2,300 in expenses (2009/10: three members claimed a combined total of £1,173). 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's does not remunerate its external 'lay' members of the University Council. Reasonable travel and subsistence expenses incurred in attending meetings relating to the work of the Council and associated 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 agreed process.

notes to the accounts

(continued)

9. EXCEPTIONAL ITEMS	2010/11	2009/10
	£ million	£ million
Life Sciences restructuring costs	0.0	(11.3)
Surplus on disposal of land and buildings	0.2	0.0
Total of Exceptional Items	0.2	(11.3)

During 2010/11 the University sold its remaining interest in land and buildings at Kirton, an off-campus agricultural research site linked to Warwick HRI activities, for £0.4m. The net profit on disposal, after professional costs of sale, is shown above. The proceeds of the sale have been reinvested in the University's capital development programme for academic buildings.

During 2009/10 the University began restructuring work to create a new School of Life Sciences, building on the strengths of the existing departments of Biological Sciences and Warwick HRI. The restructuring costs shown by the comparative figures above represent the anticipated costs of managing this change and the significant costs of severance payments and compensation for loss of office as provided for at 31 July 2010 (see note 20).

10. INTANGIBLE FIXED ASSETS	Consolidated		University	
	2011	2010	2011	2010
	£ million	£ million	£ million	£ million
Negative goodwill arising on acquisition of Horticulture Research International	(3.8)	(3.8)	(5.3)	(5.3)
Goodwill credited to Income and Expenditure Account				
- in previous years	2.9	2.4	5.3	5.3
- in this year	0.4	0.5	0.0	0.0
Carried forward as at 31 July	(0.5)	(0.9)	0.0	0.0

CONSOLIDATED

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

The shortfall in consideration paid, below the fair value of assets acquired, was initially shown in the Group's balance sheet as a negative goodwill figure of £3.8m. The negative goodwill on acquisition of Horticulture Research International is being released to the Income and Expenditure Account over the period of 100 months (8 years 4 months), which matches the term of acquired significant research contracts.

UNIVERSITY

On 31 July 2005 the business and assets of Horticulture Research International were transferred to the University for a consideration of £1.

There were no differences between the book value and the fair value of the assets of Horticulture Research International as at 31 July 2005.

The shortfall in consideration paid, below the fair value of the net assets acquired (the negative goodwill on acquisition of the assets and liabilities of Horticulture Research International) was fully credited to the Income and Expenditure Account of the University in the year ended 31 July 2005 and this fully matched the loss on the transaction shown in the accounts of Horticulture Research International for the same period.

notes to the accounts

(continued)

11. TANGIBLE FIXED ASSETS

CONSOLIDATED

	Total £ million	Land & Buildings £ million	Fixtures, Fittings & Equipment £ million	Assets under the Course of Construction £ million
Cost				
At 1 August 2010	517.1	375.1	130.4	11.6
Additions at Cost	51.3	6.4	7.5	37.4
Asset Transfers	0.0	0.2	0.0	(0.2)
Write Offs and Disposals at Cost	(16.7)	(8.0)	(8.7)	0.0
At 31 July 2011	551.7	373.7	129.2	48.8
Depreciation				
At 1 August 2010	191.6	107.4	84.2	0.0
Charge for the year	25.9	10.3	15.6	0.0
Eliminated on Write Offs and Disposals	(16.6)	(8.0)	(8.6)	0.0
At 31 July 2011	200.9	109.7	91.2	0.0
Net Book Value at 31 July 2011	350.8	264.0	38.0	48.8
Net Book Value at 31 July 2010	325.5	267.7	46.2	11.6

The balance for 'Land and Buildings' includes the land comprising the site of Scarman House, a post-experience centre. The building has been leased to Warwick University Training Limited (the Company which operates Scarman House).

As at 31 July 2011, the Company was responsible for lease payments to Barclays Mercantile totalling £1.3 million (2010: £2.7 million) over the remaining term of the lease, which expired in August 2011. At the termination of the lease, title to the building passed to the University.

Included within fixtures, fittings and equipment are assets costed at £3.7m that were held under a peppercorn lease agreement with Barclays Mercantile for the period of the building lease noted above. These assets were fully written down by the start of the financial year and are, therefore, valued at £nil net book value in the figures above.

Also included within fixtures, fittings and equipment of both the University and the consolidated group are assets with a cost of £9.4m (including irrecoverable VAT of £1.4m) and carried at a net book value of £7.5m, that were purchased under a finance lease agreement with Cisco Systems Finance International and are, consequently, held as security against this loan (see note 18).

notes to the accounts

(continued)

11. 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 2010	489.9	354.6	123.7	11.6
Additions at Cost	50.3	5.8	7.1	37.4
Asset Transfers	0.0	0.2	0.0	(0.2)
Write Offs and Disposals at Cost	(16.5)	(8.0)	(8.5)	0.0
At 31 July 2011	523.7	352.6	122.3	48.8
Depreciation				
At 1 August 2010	179.6	101.8	77.8	0.0
Charge for the Year	24.8	9.4	15.4	0.0
Eliminated on Write Offs and Disposals	(16.4)	(8.0)	(8.4)	0.0
At 31 July 2011	188.0	103.2	84.8	0.0
Net Book Value at 31 July 2011	335.7	249.4	37.5	48.8
Net Book Value at 31 July 2010	310.3	252.8	45.9	11.6

12. INVESTMENTS

	Consolidated		University	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Balance at 1 August	7.1	4.5	5.2	2.6
Net Additions in the year	0.9	2.1	1.1	2.3
Share of Associate's Surplus for the year	0.2	0.2	0.0	0.0
Increase in Market Value	0.4	0.3	0.4	0.3
Decrease in Provision for Diminution in Value	0.1	0.0	0.1	0.0
Balance at 31 July	8.7	7.1	6.8	5.2
Represented by:				
Group Undertakings	0.0	0.0	0.8	0.6
Associated Undertaking	2.7	2.5	0.0	0.0
Other Equity Investments	1.1	1.1	1.1	1.1
Cash held within Managed Funds	0.3	0.2	0.3	0.2
Bonds held within Managed Funds	0.3	0.5	0.3	0.5
Equity Investments held within Managed Funds	4.0	2.9	4.0	2.9
Alternative Investments held within Managed Funds	1.3	1.0	1.3	1.0
	9.7	8.2	7.8	6.3
Provision for Diminution in Value	(1.0)	(1.1)	(1.0)	(1.1)
	8.7	7.1	6.8	5.2

notes to the accounts

(continued)

12. INVESTMENTS - continued

The University holds 9,831 shares of £1 each (representing 35% of the total shares issued) in the University of Warwick Science Park Limited and the University's share of the Science Park is included in these consolidated financial statements, as an associated undertaking. The Science Park has a financial year end of September for their own reporting purposes. The latest quarterly management accounts available from the Science Park are used for consolidation within the University group and a financial year to the end of June (one month prior to the University's year end) is therefore used for consolidation purposes. The University also holds a 1% debenture loan of £821k in the company. This investment is considered to be a contingent asset and is therefore included in the University accounts at nil value. This will be reviewed on an annual basis.

Other Equity investments includes:

CVCP Properties plc	50,766 ordinary shares of £1 each
BTG Management Services Limited	9,198 6% unsecured convertible loan notes

The University also holds investments in:

[The Mercia Fund 1](#)

This is a limited partnership between the Universities of Birmingham and Warwick and the General Partner, Mercia Fund Management Limited. The investment comprises of a capital contribution of £100 and a grant of £199,900. The Universities each hold one Class 'B' share of £1 (there are 2 Class 'B' shares in issue) in Mercia Fund Management Limited. All the Class 'A' shares are held by West Midlands Enterprise Limited.

[The Mercia Fund 2](#)

This is a limited partnership between a number of partner institutions, including several universities, and the General Partner, Mercia Fund 2 Managers Limited. Warwick's investment comprises of a capital contribution of £40, being 6.4% of total capital contributions, and a loan of £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.

[Allinea Software Limited \(previously Backnet Limited\)](#)

1,146 ordinary shares of 10p each being 6.06% of issued ordinary shares.

[Anvil Semiconductors Limited](#)

950 ordinary shares of 1p each being 24.97% of issued ordinary shares.

[Apnee Sehat CIC](#)

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

[Base4 Innovation Limited](#)

200,000 ordinary shares of 0.1p each being 15.81% of issued ordinary shares.

notes to the accounts

(continued)

12. INVESTMENTS - continued

[Biotek Limited & Biotek Developments Limited](#)

1,650 ordinary shares of £1 each in Biotek Limited being 11.00% of issued ordinary shares. Biotek Limited holds 9,000 ordinary shares of 10p each in Biotek Developments Limited being 90% of the issued ordinary shares. The University holds the remaining 1,000, or 10%, of Biotek Developments Limited's ordinary shares directly.

[Cambridge CMOS Sensors Limited](#)

180 ordinary shares of £1 each being 12.86% of issued ordinary shares.

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

37,392 ordinary shares of 1p each being 3.11% of total issued shares of which there are 61,960 ordinary shares of 1p each and 1,139,026 preferred ordinary shares of 1p each.

[Concurrent Thinking Limited \(previously Retromaze Limited\)](#)

1,146 ordinary shares of 10p each being 1.77% of total issued shares of which there are 9,916 ordinary shares of 10p each and 54,850 'A' ordinary shares of 10p each.

[goHDR Limited](#)

5,000 ordinary shares of 1p each being 21.95% of issued ordinary shares.

[G-Tronix Limited](#)

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

[Molecular Solar Limited](#)

456 ordinary shares of 1p each being 19.52% of issued ordinary shares.

[Novolytics Limited](#)

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

[Sarissa Biomedical Limited](#)

29,500 ordinary shares of 1p each being 18.60% of total issued shares of which there are 80,000 ordinary shares of 1p each and 78,571 preference shares of 1p each.

[Sevco 5023 Limited](#)

22 ordinary shares of £1 each being 22.00% of issued ordinary shares. Sevco 5023 Limited holds 87,100 ordinary shares of 1p each in Neurosolutions Limited being 100% of the issued ordinary shares.

[Sonemat Limited](#)

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

notes to the accounts

(continued)

12. INVESTMENTS - continued

Sorption Energy Limited

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

Streamline Computing Limited (previously Concurrent Thinking Limited)

13,957 ordinary shares of 10p each being 3.58% of total issued shares of which there are 121,819 ordinary shares of 1p each and 268,474 'A' ordinary shares of 1p each.

Tangent Reprofilng Limited

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

Vizeye Limited

600 ordinary shares of 10p each being 17.86% of issued ordinary shares.

Warwick Analytics Limited

600 ordinary shares of 1p each being 24.00% of issued ordinary shares.

Warwick Audio Technologies Limited

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

Warwick Dynamics Limited

15 ordinary shares of £1 each being 15.00% of issued ordinary shares.

Warwick Effect Polymers Limited

3,125 ordinary shares of £1 each and 1,538 'A' ordinary shares of £1 each, together being 2.15% of total issued shares of which there are 19,699 ordinary shares, 17,950 'A' ordinary shares, 65,891 'B' ordinary shares and 113,490 'C' ordinary shares of £1 each.

Warwick Insect Technologies Limited

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

Warwick Laser Systems Limited

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

Warwick Warp Limited

1,460 ordinary shares of 10p each and 379 'A' ordinary shares of 10p each, together being 24.78% of total issued shares of which there are 5,222 ordinary shares and 2,198 'A' ordinary shares of 10p each.

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

notes to the accounts

(continued)

13. ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Balance at 1 August 2010	5.9	4.9	1.2	0.3
New endowments invested	0.8	0.0	0.5	0.0
Increase in market value of investments	0.1	0.4	0.0	0.0
(Decrease) / Increase in cash balances held for endowment funds	(0.1)	0.6	0.5	0.9
Balance at 31 July 2011	6.7	5.9	2.2	1.2
Composed of :-				
Securities	4.1	3.2	0.5	0.0
Cash at bank held for endowment funds	2.6	2.7	1.7	1.2
Total Endowment Asset Investments	6.7	5.9	2.2	1.2

14. STOCKS

	Consolidated		University	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Raw materials and consumables	1.0	1.0	0.9	1.0
Other assets in the process of sale	0.0	0.2	0.0	0.2
Total	1.0	1.2	0.9	1.2

15. DEBTORS

	Consolidated		University	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Amounts falling due within one year:				
Trade Debtors	12.2	12.3	10.9	10.8
VAT and Other Taxes	0.9	0.8	0.0	0.0
Amounts owed by group undertakings	0.0	0.0	4.6	3.4
Amounts owed by associated undertaking	0.1	0.1	0.1	0.1
Prepayments and accrued income	20.6	19.1	20.4	19.0
Amounts falling due after one year:				
Debtors and prepayments	0.0	1.3	0.0	1.3
Total	33.8	33.6	36.0	34.6

notes to the accounts

(continued)

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Unsecured Loans (note 18)	1.6	1.4	1.6	1.4
Obligations under Finance Leases (note 18)	1.6	1.5	1.6	1.5
Payments Received in Advance	60.9	57.1	60.5	56.2
Trade Creditors	11.0	12.0	10.8	11.9
Social Security and Other Taxation Payable	11.3	11.1	10.9	10.8
Accruals	19.8	16.6	17.8	14.3
Amounts owed to group undertakings	0.0	0.0	22.2	21.4
	106.2	99.7	125.4	117.5

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

	Consolidated		University	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Unsecured Loans (note 18)	74.4	50.2	74.4	50.2
Obligations under Finance Leases (note 18)	4.4	6.0	4.4	6.0
	78.8	56.2	78.8	56.2

18. FINANCIAL INSTRUMENTS AND BORROWINGS

At 31 July 2011 the consolidated leases and bank borrowings are analysed as follows, by expected date of final capital repayment:

	Totally Repayable		
	Total £ million	Between two and five years £ million	After five years £ million
Amounts falling due within one year (note 16):	3.2	1.8	1.4
Amounts falling due after more than one year (note 17):	78.8	4.9	73.9
	82.0	6.7	75.3

notes to the accounts

(continued)

18. FINANCIAL INSTRUMENTS AND BORROWINGS - continued

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

Bank loan arrangements for the University as at 31 July 2011:

	£ million	Effective Fixed rate
Drawn facilities - all variable rate		
Amortising loan, drawn July 2007, repayable July 2037	40.0	5.38%
Bullet loan, drawn July 2008, repayable July 2037	10.0	4.83%
Bullet loan, drawn July 2009, repayable July 2037	5.0	4.93%
Bullet loan, drawn October 2010, repayable July 2037	15.0	4.93%
Bullet loan, drawn October 2010, repayable July 2037	10.0	4.85%
	80.0	
Additional available facilities - all variable rate		
Revolving facility, repayable July 2012	20.0	
Amortising loan, repayable December 2040 (see item 5, below)	60.0	5.19%
	80.0	

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.
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 2011 balances of £5.4m remained outstanding at an effective fixed rate of borrowing of 3% and £0.6m remains outstanding at an effective fixed rate of 0%, with all finance lease borrowings secured against the equipment purchased (see note 11).

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

4. Loans totalling £0.8m were received 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 in eight equal instalments, from March 2011 to September 2014.
5. A forward dated amortising swap for £25m, commencing December 2011, rising to £45m in December 2012 and to £60m in December 2013. The University has an agreed £60m loan facility covering these swaps, as noted in the table above.

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19. 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 2010:						
Buildings	102.2	62.7	39.5	102.4	62.7	39.7
Equipment	34.5	14.4	20.1	34.5	14.4	20.1
Total	136.7	77.1	59.6	136.9	77.1	59.8
Add: Cash Received:						
Buildings	8.3	5.2	3.1	8.3	5.2	3.1
Equipment	5.1	1.0	4.1	5.1	1.0	4.1
Total	13.4	6.2	7.2	13.4	6.2	7.2
Less: Released to Income & Expenditure:						
Buildings (Notes 1, 3 & 4)	4.2	2.5	1.7	4.2	2.5	1.7
Equipment (Notes 1, 3 & 4)	12.0	4.2	7.8	12.0	4.2	7.8
Total (Note 8)	16.2	6.7	9.5	16.2	6.7	9.5
At 31 July 2011:						
Buildings	106.3	65.4	40.9	106.5	65.4	41.1
Equipment	27.6	11.2	16.4	27.6	11.2	16.4
Total	133.9	76.6	57.3	134.1	76.6	57.5

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20. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated	University
	£ million	£ million
Early leavers and retirements provision		
At 1 August 2010	0.2	0.2
Utilised in Year	(0.2)	(0.2)
New Provisions in Year	1.3	1.3
At 31 July 2011	1.3	1.3
Life Sciences restructuring provision (note 9)		
At 1 August 2010	10.6	10.6
Utilised in Year	(6.4)	(6.4)
At 31 July 2011	4.2	4.2
Total of above provisions carried forward at 31 July 2011	5.5	5.5

21. ENDOWMENTS

CONSOLIDATED

	Restricted Permanent £ million	Restricted Expendable £ million	2011 Total £ million	2010 Total £ million
Opening balances at 1 August				
Capital	2.6	3.1	5.7	4.7
Accumulated Income	0.1	0.1	0.2	0.2
	2.7	3.2	5.9	4.9
New endowments	0.5	0.7	1.2	1.3
Investment Income	0.1	0.1	0.2	0.1
Expenditure	0.0	(0.7)	(0.7)	(0.8)
	0.1	(0.6)	(0.5)	(0.7)
Increase in market value of investments	0.0	0.1	0.1	0.4
Closing balances at 31 July	3.3	3.4	6.7	5.9
Represented by:				
Capital	3.1	3.3	6.4	5.7
Accumulated Income	0.2	0.1	0.3	0.2
Total	3.3	3.4	6.7	5.9

notes to the accounts

(continued)

21. ENDOWMENTS - continued

UNIVERSITY

	Restricted Permanent £ million	Restricted Expendable £ million	2011 Total £ million	2010 Total £ million
Opening balances at 1 August				
Capital	0.3	0.9	1.2	0.3
Accumulated Income	0.0	0.0	0.0	0.0
	0.3	0.9	1.2	0.3
New endowments	0.4	0.8	1.2	1.1
Investment Income	0.0	0.0	0.0	0.0
Expenditure	0.0	(0.2)	(0.2)	(0.2)
	0.0	(0.2)	(0.2)	(0.2)
Increase in market value of investments	0.0	0.0	0.0	0.0
Closing balances at 31 July	0.7	1.5	2.2	1.2
Represented by:				
Capital	0.7	1.5	2.2	1.2
Accumulated Income	0.0	0.0	0.0	0.0
Total	0.7	1.5	2.2	1.2

22. GENERAL RESERVES

	Consolidated £ million	University £ million
Balance at 1 August 2010	117.2	83.6
Surplus for the Financial Year	20.3	20.0
Actuarial Gain on Pension Liability (note 32)	8.4	8.4
Balance at 31 July 2011	145.9	112.0
General Reserves excluding Pension Liability (note 24)	150.2	116.3
Pension Reserve (note 32)	(4.3)	(4.3)
General Reserves including Pension Liability	145.9	112.0

23. REVALUATION RESERVE

	Consolidated £ million	University £ million
Balance at 1 August 2010	0.0	0.0
Increase in market value of equity investments in year (note 12)	0.4	0.4
Balance at 31 July 2011	0.4	0.4

notes to the accounts

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24. CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT RESERVES	2011 £ million	2010 £ million
General Reserves - Associate Investment	2.7	2.5
Other Reserves	147.4	129.8
	150.1	132.3

25. LEASE OBLIGATIONS	Consolidated		University	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Operating lease commitments in respect of buildings and equipment on leases expiring:				
Within one year	1.4	0.0	0.1	0.0
Between one and five years	0.6	1.9	0.6	0.6
Over five years	1.2	1.2	1.2	1.2
	3.2	3.1	1.9	1.8

26. CAPITAL COMMITMENTS	Consolidated		University	
	2011 £ million	2010 £ million	2011 £ million	2010 £ million
Commitments contracted at 31 July	26.2	16.6	26.2	16.5
Authorised but not contracted at 31 July	86.0	60.4	86.0	59.9
	112.2	77.0	112.2	76.4

27. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2010/11 £ million	2009/10 £ million
Surplus on Ordinary Activities Before Tax	19.4	19.6
Surplus / (Deficit) Relating to Exceptional Items (Note 9)	0.2	(11.3)
Depreciation (Note 11)	25.9	29.4
Excess of Contributions to Pension Scheme Against Service Costs (Note 32)	(2.5)	(1.3)
Credit of Goodwill (Note 10)	(0.4)	(0.5)
Profit on Write Off and Disposal of Tangible Fixed Assets	(0.2)	0.0
Realised Gains from Change in Market Value of Equity Investments	0.0	(0.3)
Deferred Capital Grants Released to Income (Note 19)	(16.2)	(19.9)
Deferred Capital Grant adjustments in respect of asset disposals	0.1	0.6
Endowment Income and Interest Receivable (Note 5)	(1.1)	(0.8)
Interest Payable (Note 7)	4.0	3.3
Transfer of Fixed Assets in the process of sale (from) / to Stock (Note 14)	(0.2)	0.2
Decrease / (Increase) in Stocks	0.2	(0.1)
Increase in Debtors	(0.2)	(0.2)
Increase in Creditors	6.2	7.6
(Decrease) / Increase in Provisions (Note 20)	(5.3)	9.0
(Decrease) / Increase in Investments Provisions (Note 12)	(0.1)	0.0
	29.8	35.3

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28. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2010/11 £ million	2009/10 £ million
Income from Endowments (Note 5)	0.2	0.1
Other Interest Receivable (Note 5)	0.9	0.6
Interest Payable (Note 7)	(4.0)	(3.3)
Deed of Covenant payment to Minority Interests	0.0	0.0
	(2.9)	(2.6)

29. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2010/11 £ million	2009/10 £ million
Tangible Assets Acquired (Note 11)	(51.3)	(46.8)
Investments Acquired (Note 12)	(0.9)	(2.1)
Endowment Asset Investments Acquired (Note 13)	(0.8)	0.0
Net Proceeds on Disposal of Tangible Assets	0.4	0.0
Receipts from Sale of Endowment Assets (Note 13)	0.0	0.0
Deferred Capital Grants Received (Note 19)	13.4	31.4
Endowments Received (Note 21)	1.2	1.3
	(38.0)	(16.2)

30. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2010 £ million	Other Changes £ million	Cash Flows £ million	At 31 July 2011 £ million
Cash at Bank and in Hand	36.9	0.0	16.9	53.8
Short Term Deposits	32.5	0.0	(5.0)	27.5
Endowment Assets (Note 13)	2.7	0.0	(0.1)	2.6
Debt due within one year (Note 16)	(2.9)	(3.0)	2.7	(3.2)
Debt due after one year (Note 17)	(56.2)	3.0	(25.6)	(78.8)
Net Funds	13.0	0.0	(11.1)	1.9

31. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING

	Loans and Leases £ million	£ million
Balances at 1 August 2009		67.7
New Loans	8.3	
Early Settlement of Loans	(15.0)	
Other Capital Repayments	(1.9)	
Net New Loans in Year		(8.6)
Balances at 31 July 2010		59.1
New Loans and Finance Leases	25.8	
Capital Repayments	(2.9)	
Net Repayment of Loans and Finance Leases in Year		22.9
Balances at 31 July 2011 (Note 18)		82.0

notes to the accounts

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32. PENSION SCHEMES

Universities Superannuation Scheme (USS)

The University participates in the USS, a defined benefit scheme which is externally funded and contracted out of the State 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 142,000 active members (2010: 135,000+) and the University had 2,418 active members participating in the scheme as at 31 July 2011 (2010: 2,530).

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.

Latest actuarial valuation date for which information is available	31 March 2008
Valuation method	Projected Unit
Value of notional assets	£28,842.6m
Value of technical provisions	£28,135.3m
Net pension surplus	£707.3m
Funding level from accrued benefits	103.0%
Rate of return on investments	6.4% *
Salary scale increases per annum	4.3% **
Pension increases per annum	3.3%

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

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

Standard PA92 MC YoB mortality tables were used, with male members' mortality rated down by one year and no age rating adjustment made with respect to female members' mortality. Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

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

The valuation at 31 March 2008 was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded. On a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company. Using the FRS 17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

notes to the accounts

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32. PENSION SCHEMES - continued

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

The scheme-wide contribution rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate from 14% to 16% of pensionable salaries, from 1 October 2009.

Since March 2008 global investment markets have continued to fluctuate and, as at 31 March 2011, the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of c£700 million). Over the 12 months to 31 March 2011 the funding level is estimated to have improved from 91% (as at 31 March 2010) to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption, which in turn impacts on the salary and pension increase assumptions).

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS 17 basis, 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 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

notes to the accounts

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32. PENSION SCHEMES - continued

FRS 17

Because of the mutual nature of the USS, the Scheme's assets are not hypothecated to individual institutions and a Scheme-wide contribution rate is set. The University is, therefore, exposed to actuarial risk associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

University of Warwick Pension Scheme (UWPS)

On and from 1 April 2010 the University introduced changes to the benefit structure for existing members of UWPS and introduced a new Defined Contribution Section (DCS) to the Scheme for new hires from this date. The University closed the Defined Benefit Section (DBS) of the Scheme to new hires from 1 April 2010, but continues to operate this DBS in the UK for eligible members at the point of closure and the following FRS 17 disclosure relates to this ongoing DBS. Under FRS 17, the current service costs arising from employee service for the current period (less contributions paid into the scheme), expected interest costs on the scheme liabilities and the expected rate of return on scheme assets are charged and credited to the Income and Expenditure Account of the University. Other changes in the forecast scheme liability recorded on the Balance Sheet, as a result of changes in assumptions, are recorded in the Statement of Total Recognised Gains and Losses. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. This valuation has been updated to 31 July 2011 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 2010
Valuation method		Projected Unit
Value of notional assets		£111.8m
Funding level from accrued benefits		91%
Investment return per annum	- pre-retirement	6.35%
	- post-retirement	4.85%
Salary scale increases per annum		4.25%
Pension increases per annum (subject to limited price indexation)		3.00%

As at 31 July 2011 there were 1,019 members of staff actively contributing to the DBS of the Scheme (2010: 1,143), with a further 109 staff being active members of the DCS (2010: 17).

Effective from 1 April 2010, the University increased its contribution rate to the DBS of the Scheme from 19.85% of members' pensionable salaries, to 24%. Contribution levels were increased from July 2011 in respect of this change, including the relevant backdated contributions, following the results of the 2010 triennial valuation. In line with the agreed deficit recovery plan, the University currently expects contributions to continue at this rate until 1 April 2012, before reducing to 23.5% for the remainder of the year ending 31 July 2012. The estimated contribution for the year ending 31 July 2012 is £5.3 million, including salary sacrifice contributions.

The DCS of the scheme is treated and accounted for as a normal and separate defined contribution scheme and the University's contributions to the scheme of between 6% and 10% of pensionable salary, dependent upon the level of employee contributions chosen by the scheme member, are recognised through the Income and Expenditure Account as paid over to the external scheme provider.

notes to the accounts

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32. PENSION SCHEMES - continued

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

	2011	2010	2009	2008	2007
Rate of increase in salaries	4.25%	4.45%	4.65%	4.75%	4.50%
Discount rate	5.40%	5.50%	6.00%	5.80%	5.60%
Inflation assumption (RPI)	3.50%	3.20%	3.40%	3.50%	3.00%
Inflation assumption (CPI) *	2.50%	n/a	n/a	n/a	n/a
Return on equity investments **	7.60%	7.80%	8.50%	7.90%	8.00%
Return on bond investments **	4.40%	4.40%	4.64%	4.90%	5.00%

* 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 (equities) and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of a 6.77% assumption for returns in the year ending 31 July 2011 (09/10 : 7.65%). Non-investment expenses incurred in the year have been offset within the final disclosures of expected returns on assets shown on the next page.

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

	2011 Years	2010 Years	2009 Years	2008 Years	2007 Years
Male member aged 45	23.2	22.4	22.4	22.4	23.1
Female member aged 45	25.7	25.7	25.7	25.7	25.9
Male member aged 65	21.3	20.6	20.6	20.6	21.3
Female member aged 65	23.9	23.7	23.7	23.7	24.2

The assets in the Scheme were:

	2011 £ million	2010 £ million	2009 £ million	2008 £ million	2007 £ million
Value of assets					
- Equities	86.0	74.6	72.7	72.0	75.0
- Bonds and cash	38.1	32.0	20.5	24.0	25.9
Total market value of assets	124.1	106.6	93.2	96.0	100.9
Value of liabilities	(128.4)	(121.8)	(111.2)	(108.2)	(110.6)
Net pension deficit	(4.3)	(15.2)	(18.0)	(12.2)	(9.7)

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

	2011 £ million	2010 £ million	2009 £ million	2008 £ million	2007 £ million
Net assets excluding pension liability	291.3	275.1	254.8	232.8	216.3
Pension liability	(4.3)	(15.2)	(18.0)	(12.2)	(9.7)
Net assets including pension liability	287.0	259.9	236.8	220.6	206.6
	2011 £ million	2010 £ million	2009 £ million	2008 £ million	2007 £ million
Income and expenditure reserve excluding pension liability	150.1	132.3	124.5	122.0	119.3
Pension reserve	(4.3)	(15.2)	(18.0)	(12.2)	(9.7)
Income and expenditure reserve including pension liability	145.8	117.1	106.5	109.8	109.6

notes to the accounts

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32. PENSION SCHEMES - continued

Analysis of movement in the market value of scheme assets	2010/11	2009/10
	£ million	£ million
Fair value of plan assets at beginning of the year	106.6	93.2
Expected rate of return on scheme assets	6.7	6.7
Actuarial gains	9.3	6.5
Contribution paid by the employer	5.8	5.4
Contributions by scheme participants	0.1	0.1
Benefits paid	(4.4)	(5.3)
	<hr/>	<hr/>
Fair value of plan assets at end of the year	124.1	106.6
	<hr/> <hr/>	<hr/> <hr/>
Analysis of movement in the present value of scheme liabilities	2010/11	2009/10
	£ million	£ million
Benefit obligation at beginning of the year	121.8	111.2
Current service costs	3.3	4.1
Interest cost	6.7	6.6
Contributions by scheme participants	0.1	0.1
Actuarial losses	0.9	5.1
Benefits paid	(4.4)	(5.3)
	<hr/>	<hr/>
Benefit obligation at end of the year	128.4	121.8
	<hr/> <hr/>	<hr/> <hr/>
Analysis of amount recognised in Statement of Total Recognised Gains and Losses	2010/11	2009/10
	£ million	£ million
Actual gain on scheme assets	16.0	13.2
Expected return on assets	(6.7)	(6.7)
Experienced gains and losses on liabilities	1.3	2.0
Changes in assumptions	(2.2)	(7.1)
	<hr/>	<hr/>
Net actuarial gain recognised in the Statement of Total Recognised Gains and Losses	8.4	1.4
	<hr/> <hr/>	<hr/> <hr/>
Summary of movement in net liability during the year	2010/11	2009/10
	£ million	£ million
Current service cost	(3.3)	(4.1)
Contributions	5.8	5.4
Net return on assets	0.0	0.1
	<hr/>	<hr/>
Net credit to Income and Expenditure Account	2.5	1.4
Actuarial gain recognised in the Statement of Total Recognised Gains and Losses	8.4	1.4
Deficit in scheme at 1 August	(15.2)	(18.0)
	<hr/>	<hr/>
Deficit in scheme at 31 July	(4.3)	(15.2)
	<hr/> <hr/>	<hr/> <hr/>

notes to the accounts

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32. PENSION SCHEMES - continued

History of experience of gains and losses	2010/11 £ million	2009/10 £ million	2008/09 £ million	2007/08 £ million	2006/07 £ million
Actual return less expected return on scheme assets	9.3	6.5	(11.6)	(13.7)	2.4
% of scheme assets:	7.5%	6.1%	(12.4%)	(14.3%)	2.4%
Experience of gains and losses on liabilities	1.3	2.0	0.0	2.7	0.0
% of scheme liabilities:	1.0%	1.6%	0.0%	2.5%	0.0%
Changes in assumptions	(2.2)	(7.1)	5.6	8.4	(0.3)
Total amount recognised in Statement of Total Recognised Gains and Losses	8.4	1.4	(6.0)	(2.6)	2.1
% of scheme liabilities:	6.5%	1.1%	(5.4%)	(2.4%)	1.9%

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

	2011 £ million	2010 £ million
Loss as at 31 July	(16.8)	(25.2)

Excluding salary sacrifice contributions on behalf of employees, the University's contribution to the various schemes in respect of its own staff, in the years 2010/11 and 2009/10, were:

	2010/11 £ million	2009/10 £ million
Universities Superannuation Scheme (USS)	17.6	17.1
University of Warwick Pension Scheme (UWPS) Defined Benefit Section	5.1	4.3
University of Warwick Pension Scheme (UWPS) Defined Contribution Section	0.1	0.0
National Health Service Pensions Agency (NHSPA)	0.8	0.6
	23.6	22.0
FRS 17 adjustment to pension charge for year	(2.5)	(1.3)
Pension cost for year (note 6)	21.1	20.7

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

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

notes to the accounts

(continued)

33. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES

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

	<u>No. of £1 Ordinary Shares</u>
Warwick University Training Limited	100,004
Warwick University Services Limited	125,000
Warwick University Enterprises Limited	20,000
Research-TV Limited (Dormant)	3
Warwick Conferences Limited (Dormant)	2
The University of Warwick Press Limited (Dormant)	2
Warwick Learning Limited (Dormant)	200
Jobs for the Academic Community Limited (Dormant)	1
World First Racing Limited (Dormant)	100
Warwick Ventures Limited (trading from 4 October 2010)	50,000
WMG-Tech Limited (incorporated 18 August 2011)	1

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

In addition, the consolidated accounts include the accounts of The University of Warwick Foundation, an exempt Charity, and its wholly owned subsidiary UW Construction Limited. The Foundation is a linked charity as defined under paragraph (w) of Schedule 2 of the Charities Act 1993 and, as such, more information is disclosed in respect of the Foundation at note 34 of these accounts.

Throughout the year and as at the year end the University held 51.0% of voting shares and 50.5% of non-voting shares in Warwick Advertising Limited (previously AdsFab Limited), being 153,000 £1 ordinary 'C' shares (non-voting) and 51 £1 ordinary 'A' shares (voting). The consolidated accounts include the accounts of Warwick Advertising Limited.

On 30 September 2010 the business of Warwick Advertising Limited was transferred to 360 AdsFab Limited, an entity unrelated to the University, under an asset sale agreement for the fixed assets of Warwick Advertising Limited, at a book value of £8k. This sale is not disclosed as a discontinued activity on the face of the Income and Expenditure account of the consolidated University, since it is deemed to be immaterial in respect of both its size and the business direction of the University as a whole. Results and assets of the Warwick Advertising Limited business, of which the University held a 51% share, for the reporting period of these accounts, were as follows:

	2010/11	2009/10
	£ million	£ million
Income	0.6	3.6
Expenditure	(0.6)	(3.7)
Loss on ordinary activities, before deed of covenant payment	0.0	(0.1)
	<hr/>	<hr/>
	2011	2010
	£ million	£ million
Net Assets as at 31 July	0.1	0.2
	<hr/>	<hr/>

notes to the accounts

(continued)

33. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES - continued

University of Warwick Science Park (Note 12)

During the year, the University group of companies made purchases from the Science Park of £0.2m (2009/10: £0.2m). The University recharged costs to the Science Park of £1.3m (2009/10: £1.6m), mainly in relation to salaries. In May 2003, the University entered into a land swap agreement relating to the letting and development of land to the University of Warwick Science Park Limited and the letting of an adjacent plot back to the University. The future rent payable by the University under this agreement is disclosed within the figures in note 25.

Other Associated Bodies

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.

34. LINKED CHARITIES

The University is required to disclose details of linked charities, 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 linked charities, on behalf of the Charity Commission.

It is the University's view that the University of Warwick Foundation is a linked charity to the University as defined under paragraph (w) of Schedule 2 of the Charities Act 1993 and, accordingly, further details are disclosed below.

The University of Warwick Foundation is an exempt charity, by virtue of Schedule 2 of the Charities Act 1993, and along with its wholly owned subsidiary company, UW Construction Limited, the purposes of the Foundation are to:

- (a) hold endowments and other donations received for the development of the University of Warwick;
- (b) provide funding for the development of buildings at the University of Warwick; and
- (c) supply heat and power services to the University of Warwick.

Summary financial information of the Foundation for the financial year is as follows:

Consolidated results	2010/11 £ million	2009/10 £ million
Opening Net Assets, as at 1 August	38.0	38.7
Income	3.7	3.7
Expenditure	(4.3)	(4.9)
New endowments and movement in market value of endowments	0.2	0.5
Closing Net Assets, as at 31 July	37.6	38.0

Endowment Funds	Restricted Permanent £ million	Restricted Expendable £ million	2010/11 Total £ million	2009/10 Total £ million
Opening balances as at 1 August	2.3	2.4	4.7	4.7
Income	0.1	0.0	0.1	0.1
Expenditure	0.0	(0.4)	(0.4)	(0.6)
New endowments and movement in market value	0.1	0.1	0.2	0.5
Closing balances as at 31 July	2.5	2.1	4.6	4.7

notes to the accounts

(continued)

35. 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.

Mr John Leighfield, an ex officio member of Council and, during the last financial year, chair of Council and the University's Pro-Chancellor, was also a director of RM plc, a leading provider of IT services to education. During the last financial year, the University group purchased products and services to the value of £1.1m (2009/10: £0.5m) from RM plc.

Mr Brian Woods-Scawen, an ex officio member of Council and the University's Treasurer, is also a strategic advisor to law firm Martineau. During the year the University acquired legal services to the value of £0.8m (2009/10: £0.6m) from Martineau.

Dame Fiona Caldicott, appointed as a lay member of Council from October 2010, is also a Council Member of the United Nations University. During the year, Warwick University purchased research services from the United Nations University to the value of £0.3m.

Dr Roy Chung, an appointed lay member of Council, is also Court Chairman of the Hong Kong Polytechnic University. During the last financial year, Warwick University provided academic services to the Hong Kong Polytechnic University to the value of £0.3m (2009/10: £0.5m).

Ms Vikki Heywood, an appointed lay member of Council, is also an Executive Director of the Royal Shakespeare Company (RSC). During the last financial year the University received payments for £13k (2009/10: £37k) with respect to the provision of academic services. The University also paid the RSC £28k in respect of course development costs, associated with plans for a new Centre for Teaching Shakespeare at Warwick, to be operated as a collaborative venture between the two organisations.

Spin-out companies

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

	2010/11 £ million	2009/10 £ million
Neurosolutions Limited (100% owned subsidiary of Sevco 5023)	0.1	0.2
Sarissa Biomedical Limited*	0.1	0.1

* In the case of Sarissa Biomedical Limited, the University also purchased consumables for research projects, again on an arm's length basis and in accordance with the University's financial regulations and normal procurement procedures, for a total value of £18k (2009/10: £22k).

notes to the accounts

(continued)

36. CONTINGENT LIABILITIES

Clawback on freehold land:-

On 31 March 2004 the University acquired the freehold land and buildings at Wellesbourne and Kirton, on which Warwick Horticulture Research International is based, from The Secretary of State for Environment, Food and Rural Affairs. Under the terms of the agreement with the Department for Environment, Food and Rural Affairs (DEFRA), if any part of the acquired land and buildings are disposed of, or are the subject of grant or planning consent, within an agreed clawback period, then the University will be liable to pay 50% of the increase in value of the property over the higher of current existing use value or the value at acquisition, to DEFRA.

During the year ended 31 July 2011 the University disposed of the remainder of its interest in land and buildings at the Kirton site. No clawback was due as a result of the disposal.

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

37. 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.

38. ACCESS FUNDS

	2010/11 £000	2009/10 £000
Opening fund balance	74	34
Funding Council grants received in year	135	211
	<hr/>	<hr/>
Disbursed to Students	209 (182)	245 (171)
	<hr/>	<hr/>
Balance Unspent at 31 July	27	74

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)

39. TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS (TDA)

(a) Student Bursaries	2010/11 £000	2009/10 £000
Opening fund balance	11	128
Net Training and Development Agency for Schools grants received in year	2,574	2,802
	2,585	2,930
Disbursed to students	(2,407)	(2,862)
Administration fee	(48)	(57)
	130	11
Balance Unspent at 31 July owing to the Training and Development Agency	130	11
(b) Ethnic Minority Recruitment	2010/11 £000	2009/10 £000
Opening fund balance	0	7
Net Training and Development Agency for Schools grants received in year	0	9
	0	16
Development	0	(9)
Administration	0	(7)
	0	0
Balance Unspent at 31 July owing to the Training and Development Agency	0	0
(c) Student Associate Scheme	2010/11 £000	2009/10 £000
Opening fund balance	12	19
Net Training and Development Agency for Schools grants received in year	183	217
	195	236
Disbursed to students	(82)	(105)
Support Payments to Schools	(29)	(30)
Administration	(79)	(89)
	5	12
Balance Unspent at 31 July owing to the Training and Development Agency	5	12

Training and Development Agency for Schools grants are available solely for students or schools for student support and the University acts only as paying agent in administering these TDA grants. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. Funds provided by the Agency were used only in accordance with the provisions of the Education Act 1994 (as amended by the Education Act 2005), the grant agreement and all other terms and conditions that the Agency has set.

notes to the accounts

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40. CONSOLIDATED FIVE YEAR RESULTS

	2010/11	2009/10	2008/09	2007/08	2006/07
	£ million				
Income					
Funding Council Grants	88.2	89.8	86.8	85.5	84.7
Academic Fees & Support Grants	147.5	133.2	115.9	100.0	87.9
Research Grants & Contracts	86.3	79.8	73.0	61.7	57.0
Other Operating Income	96.0	104.9	98.2	99.4	97.5
Endowment Income & Interest Receivable	1.1	0.8	1.8	3.6	3.4
Total Income	419.1	408.5	375.7	350.2	330.5
Expenditure					
Staff Costs	205.2	206.1	203.9	189.6	172.3
Depreciation	25.9	29.4	19.8	17.8	16.3
Other Operating Expenses	164.6	150.1	149.0	139.7	134.4
Interest Payable	4.0	3.3	1.7	1.9	3.0
Total Expenditure	399.7	388.9	374.4	349.0	326.0
Surplus on Continuing Operations	19.4	19.6	1.3	1.2	4.5
Share of profit after tax of Associate	0.2	0.2	0.3	0.2	0.1
Equity Minority Interest	0.0	0.1	(0.1)	0.0	(0.1)
Exceptional Items	0.2	(11.3)	0.7	1.3	0.0
Transfer from Accumulated Income within Specific Endowments	0.5	0.7	0.4	0.2	0.3
Retained Earnings for the Financial Year	20.3	9.3	2.6	2.9	4.8
Surplus excluding FRS 17 adjustments	17.8	7.9	2.5	2.6	4.9
Assets					
Fixed Assets	359.0	331.7	312.0	279.8	251.6
Endowment Asset Investments	6.7	5.9	4.9	5.2	5.5
Current Assets	116.1	104.2	96.5	74.1	74.2
Liabilities					
Current Liabilities	106.2	99.7	90.5	77.7	75.6
Long Term Liabilities	78.8	56.2	66.3	47.3	38.4
Provisions	5.5	10.8	1.8	1.3	1.0
Net Assets, excluding Pension Liability	291.3	275.1	254.8	232.8	216.3
Pension Liability	(4.3)	(15.2)	(18.0)	(12.1)	(9.7)
Net Assets, including Pension Liability	287.0	259.9	236.8	220.7	206.6
Capital Expenditure					
Land and Buildings	43.8	20.0	33.1	32.7	16.4
Plant, Machinery & Equipment	7.5	26.8	18.8	13.9	8.1
	51.3	46.8	51.9	46.6	24.5

indicators of financial health

	2010/11	2009/10	2008/09	2007/08	2006/07
(a) % Ratio of Total HEFCE & TDA Grants to Total Income	21.1%	22.0%	23.1%	24.4%	25.6%
(b) % Ratio of Total Fees from Home & EU Students to Total Income	14.3%	14.0%	14.0%	12.9%	11.1%
(c) % Ratio of Total Fees from Overseas Students to Total Income	16.3%	14.7%	12.6%	11.4%	11.5%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	20.6%	19.5%	19.4%	17.6%	17.3%
(e) % Ratio of Total Other Services Rendered Income to Total Income	1.2%	1.6%	1.6%	2.3%	2.0%
(f) % Ratio of Total Residences and Catering Income to Total Income	7.4%	7.7%	7.9%	8.1%	7.9%
(g) % Ratio of Total all Other Income to Total Income	19.1%	20.5%	21.4%	23.3%	24.7%
(h) % Ratio of Staff Costs to Total Income	49.0%	50.5%	54.3%	54.1%	52.1%
(i) % Ratio of Surplus to Total Income	4.8%	2.3%	0.7%	0.8%	1.5%
(j) % Ratio of Long Term Liabilities and Provisions* to Total General Funds*	56.2%	50.6%	54.7%	39.8%	33.0%
(k) Ratio of Liquid Assets to Current Liabilities	0.77	0.70	0.69	0.49	0.44
(l) Ratio of Current Assets to Current Liabilities	1.09	1.05	1.07	0.95	0.98
(m) Days of Total Income represented by Debtors	29.4	30.0	32.4	36.1	43.7
(n) Days of Total Expenditure represented by Creditors due within one year	97.0	93.6	88.2	81.3	84.6

* excluding Pension Liability/Reserve

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