

Company registered number: 1659656



**UNIVERSITY OF WARWICK
SCIENCE PARK LIMITED**

**Annual report and financial statements
for the year ended 30 September 2007**

University of Warwick Science Park Limited

Annual report and financial statements for the year ended 30 September 2007

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University of Warwick Science Park Limited

Officers and professional advisers for the year ended 30 September 2007

Officers and professional advisers

Directors

Councillor D Arrowsmith (resigned 17 5 07)
Mr P Burns
Councillor K J Foster (appointed 17 5 07)
Mr A Hope
Councillor M J Jones
Councillor A M Matchet
Councillor R P L Morris-Jones
Dr I D Nussey
Professor S B Palmer
Mr K R Thomas
Mr H R P Thompson
Professor N J Thrift

Secretary

Mr J F Baldwin

Registered Office

University House
University of Warwick
Coventry
CV4 8UW

Bankers

Barclays Bank plc
University of Warwick Branch
University of Warwick
Coventry
CV4 7AL

Solicitors

Martineau Johnson	Flint Bishop Solicitors
St Philips House	The Atrium
St Philips Place	20 Wollaton Street
Birmingham	Nottingham
B3 2PP	NG1 5FW

Auditors

Deloitte & Touche LLP
Chartered Accountants
Four Brindleyplace
Birmingham
B1 2HZ

University of Warwick Science Park Limited

Directors' report

for the year ended 30 September 2007

The directors present their annual report on the affairs for the company, together with the financial statements and auditors' report for the year ended 30 September 2007

Principal activities

The company was established by its shareholders to build upon the joint strength of a well-established scientific community and a skilled workforce to play an important role in the economic development of the West Midlands region. The business has evolved over time in delivering its mission. Initially it established appropriate high quality premises for knowledge-based businesses while assisting tenants to work more closely with the University of Warwick. This remains the core business. From the mid 1990's onwards, the company added start up and early stage business development activities designed to increase the flow of high quality prospective tenants and to strengthen the growth prospects of existing occupiers. Through grant awards this activity was extended to similar businesses elsewhere in Coventry and Warwickshire as well as the broader West Midlands according to the nature of the grant funding. From 1996 to 2001 the company financed, in collaboration with others, two further Business Innovation Centres in the Coventry and Warwickshire sub-region. It also took on the management of a further Innovation Centre in the region.

Grant aid from Advantage West Midlands (AWM) is providing part-funding for refurbishment of the Venture Centre. A part of an agreement with AWM is that the share of income attributable to AWM from their financial support in the assistance in the purchase of Barclay's share of the Venture Centre may be retained by the company provided it delivers new high growth potential start ups and business support to growth oriented SMEs in the Coventry, Solihull and Warwickshire Technology Corridor that result in the creation of new employment. This is wholly in accord with the objects of the company and enables it to deliver the skills it has developed over the last 10 years in helping companies to innovate, secure risk finance, improve their marketing and, as a consequence, grow.

Apart from the aforementioned contract relating to the Venture Centre, other contract-based activity supporting the start up and growth of innovation led businesses has reduced as the large three year Investment Readiness programme drew to a close midway through the year.

The company has put into effect the early stages of a programme to increase the number of overseas businesses attracted to the Science Park. To date these are mostly small businesses with limited growth prospects in the UK, but together with partners the project is being refined to improve the productivity and impact of this initiative.

Business Review

Overall occupation on the Science Park was 84% remaining similar to that at the end of last year but below the peak of 88%. Further lettings in Riley Court continue to improve the performance of the Science Park's flagship property. There was an overall increase in business activity generating a higher turnover, up from £6.5m to £7.1m. This, together with control of costs, has produced significantly higher profits before taxation of £418k up from £337k in 2006.

The company's most significant market lies with ICT and related technology businesses, both UK and overseas subsidiaries, who take up tenancies. After 2001 there was a serious turn down in the technology market until 2003. This led to business failures and mergers and impacted on the company's occupancy rate. During the 2006/07 financial year it was becoming apparent that a growing proportion of

University of Warwick Science Park Limited

Directors' report – continued

for the year ended 30 September 2007

companies in this sector were improving their performance and starting to take on additional staff but relatively few have taken up the slack of excess space which the downturn left. Merger and acquisition activity continues to be strong in the sector. There is therefore an ongoing risk for the company in finding it difficult to re-let space that falls vacant, other than for incubator units where start up and early stage business activity has been particularly strong this year.

The considerable Schedule A taxable income generated by the company with limited opportunities for increasing capital allowances exposes it to high levels of taxation given that other forms of allowable expenditure have been contained.

The Board of Directors use the principal financial indicators of profit before tax, operating profit, net asset worth and cash flow to control the company. The main non-financial KPI's used by the Board of Directors are occupancy over the entire property portfolio of the company and the figures are reported above. Occupancy at individual property level, property enquiry rates and enquiry conversion rates are also considered by the Board of Directors but not reported here.

The University of Warwick Science Park recognises the significance of adapting its operations and properties to meet the growing imperative to reduce greenhouse gas emissions worldwide and that as a minimum its properties must conform to environmental building regulation standards and to otherwise ensure that its tenants conform to regulatory requirements with respect to waste and other environmental regulations. Riley Court, the most recent new development, incorporates a number of technologies to reduce energy consumption both for cooling in summer and heating in winter that go well beyond current building regulation standards. The refurbishments to the Venture Centre mentioned above include an improvement to the insulation standards of the external walls so that the property meets current building regulations that are a higher standard than those to which it was built. Solar shades to the south and west elevations are also being incorporated as additions to reduce the extent of summer cooling requirements and are beyond the call of regulation.

There are no branches of the company outside the United Kingdom.

There have been no significant events since the balance sheet date.

Financial risk management objectives and policies

Cash flow risk

Appropriate trade terms are negotiated with suppliers and customers and management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms.

The company has £2,308,980 (2006: £2,308,980) of debt in the form of debentures at a fixed interest rate and £858,434 (2006: £1,448,461) of bank debt (Note 12 provides further details). Other than particularly severe upward swings in interest rates the company's exposure to interest rate changes is therefore slight.

Credit risk

The company's credit risk is primarily attributable to tenant payments and the company is moving progressively to monthly collection of rents to minimise bad debts. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

University of Warwick Science Park Limited

Directors' report – continued for the year ended 30 September 2007

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments the company uses a mixture of long-term and short-term debt finance.

Price risk

The company is not exposed to any price risk other than that associated with the usual costs to business that are subject to general inflationary pressures and has built suitable assumptions into its budgets and financial forecasts.

Dividend

The directors do not recommend a final dividend (2006 £Nil)

Directors

The directors, who served throughout the year except as noted, were as follows

Name	Representing
Mr P Burns	Coventry & Warwickshire Chamber of Commerce
Councillor K J Foster	Coventry City Council
Mr A Hope	West Midlands Enterprise Limited
Councillor M J Jones	Warwickshire County Council
Councillor A M Matchet	Coventry City Council
Councillor R P L Morris-Jones	Warwickshire County Council
Dr I D Nussey	Independent
Professor S B Palmer	University of Warwick
Mr K R Thomas	West Midlands Enterprise Limited
Mr H R P Thompson	University of Warwick
Professor N J Thrift	University of Warwick

Councillor D Arrowsmith resigned on 17 May 2007. Councillor K Foster was appointed on 17 May 2007 Mr H R P Thompson resigned on 31 December 2007

No director held interests in the shares of the company at 30 September 2007, or at any time during the year

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure suppliers are made aware of the terms of payment and abide by the terms of payment

Fixed assets

In the opinion of the directors, the current open market value of the company's interests in land and buildings is fairly reflected in the financial statements

Charitable and political contributions

During the year the company made donations totalling £26,095 (2006: £1,250), principally to charities supporting education in the field of enterprise

Employees

Details of number of employees and related costs can be found in Note 5 to the financial statements. The company has an equal opportunities employment policy to which it rigorously adheres. In the event of staff becoming disabled the company has

University of Warwick Science Park Limited

Directors' report – continued for the year ended 30 September 2007

historically and will continue to ensure that their employment with the company continues and that appropriate training, facilities and technologies are made available to support them. Employee performance is reviewed annually as an input to employee development and training.

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Companies. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Board of Directors' Meeting.

Approved by the Board of Directors and signed on its behalf by:



J F Baldwin
Secretary

Date 6 March 2008

Registered office University House, University of Warwick, Coventry CV4 8UW

University of Warwick Science Park Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the Members of University of Warwick Science Park Limited

We have audited the financial statements of University of Warwick Science Park Limited for the year ended 30 September 2007 which comprise the Profit and Loss Account, the Note on Historical Cost, Profit and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the Members of University of Warwick
Science Park Limited - continued**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, UK

29 May 2008

University of Warwick Science Park Limited

Profit and loss account for the year ended 30 September 2007

	Note	2007 £	2006 Restated (Note 30) £
Turnover: continuing operations	1	<u>7,091,627</u>	<u>6,456,722</u>
Operating profit	2	594,257	375,973
Income from fixed asset investments	3	26,467	30,412
Interest receivable and similar income		76,623	111,222
Interest payable and similar charges	6	<u>279,608</u>	<u>180,678</u>
Profit on ordinary activities before taxation for the financial year		417,739	336,929
Tax on profit on ordinary activities	7	<u>184,007</u>	<u>(139,282)</u>
Profit for the financial year	17	<u>601,746</u>	<u>197,647</u>

All activities derive from continuing operations

There are no recognised gains and losses other than the loss for the year and the preceding financial year. Accordingly, no statement of total recognised gains and losses is given.

University of Warwick Science Park Limited

Note of historical cost profit and losses for the year ended 30 September 2007

	2007	2006
	£	£
Profit on ordinary activities before taxation	417,739	336,929
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	<u>179,354</u>	<u>120,389</u>
Historical cost profit on ordinary activities before taxation	<u>597,093</u>	<u>457,318</u>
Historical cost profit after taxation	<u>710,100</u>	<u>318,036</u>

University of Warwick Science Park Limited

Balance sheet at 30 September 2007

			2007 £	2006 Restated (Note 30) £
	Note	£	£	£
Fixed assets				
Tangible assets	8		23,897,513	19,547,624
Investments	9		<u>1,179,638</u>	<u>1,079,622</u>
			25,077,151	20,627,246
Current assets				
Debtors				
- due within one year	10	1,714,280	1,474,342	
- due after one year	10	2,000	16,200	
Cash at bank and in hand		<u>877,014</u>	<u>1,356,898</u>	
		2,593,294	2,847,440	
Creditors:				
amounts falling due within one year	11	<u>(2,559,629)</u>	<u>(2,959,562)</u>	
Net current assets/(liabilities)				
			<u>33,665</u>	<u>(112,122)</u>
Total assets less current liabilities				
			25,110,816	20,515,124
Creditors:				
amounts falling due after more than one year	12	(7,179,710)	(7,306,895)	
Provisions for liabilities				
	15	<u>(178,984)</u>	<u>(527,140)</u>	
			<u>(7,358,694)</u>	<u>(7,834,035)</u>
			<u>17,752,122</u>	<u>12,681,089</u>
Capital and reserves				
Called-up share capital	16		27,997	27,997
Share premium account	17		449,064	449,064
Revaluation reserve	17		13,136,919	8,846,986
Profit and loss account	17		<u>4,138,142</u>	<u>3,357,042</u>
Shareholders' funds				
	18		<u>17,752,122</u>	<u>12,681,089</u>

University of Warwick Science Park Limited

Balance sheet -continued
as at 30 September 2007

These financial statements were approved by the board of directors and authorised for issue on 6 March 2008

They were signed on its behalf by

A handwritten signature in black ink, appearing to read "S B Palmer". The signature is written in a cursive style with a large, stylized "S" and "P".

Date: 6 March 2008

University of Warwick Science Park Limited

Cash flow statement for the year ended 30 September 2007

	Note	2007 £	2007 £	2006 £	2006 £
Net cash inflow from operating activities	25		707,841		1,066,300
Dividends received from joint venture			26,467		30,412
Returns on investments and servicing of finance					
Interest received		76,623		111,222	
Interest paid		(279,608)		(180,678)	
Net cash outflow from returns on investments and servicing of finance			(202,985)		(69,456)
			531,323		1,027,256
Taxation					
Corporation tax paid			(136,163)		(118,157)
Capital expenditure					
Purchase of tangible fixed assets		(280,762)		(1,540,691)	
Capital grant received		-		920,000	
Investments made in the year		(100,016)		-	
Net cash outflow from capital expenditure			(380,778)		(620,691)
Net cash inflow before financing			14,382		288,408
Financing					
Repayment of borrowing being net cash inflow from financing	28		(494,266)		(375,057)
Decrease in cash	27		(479,884)		(86,649)

University of Warwick Science Park Limited

Statement of accounting policies for the year ended 30 September 2007

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Basis of accounting

The financial statements have been prepared under the historic cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

The valuation of leasehold land and infrastructure is amortised over the remaining period of the lease commencing from the date that those assets are first brought into use.

The valuation of leasehold buildings is amortised over 60 years or the remaining period of the lease if shorter.

Depreciation is provided on all other tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Fixtures and fittings	5 years
Office and computer equipment	3 years

Revaluation of properties

Individual leasehold properties (other than investment properties) are revalued every 5 years with an interim revaluation at the end of year 3 in the cycle with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated costs relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

University of Warwick Science Park Limited

Statement of accounting policies - continued for the year ended 30 September 2007

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Turnover

Turnover represents amounts receivable for rents, management charges, service charges receivable and income derived from business support services net of trade discounts, VAT and other sales-related taxes. Operating lease and service charge income from related parties has been included in turnover. Revenue is recognised in line with the terms of lease agreement for rent, management charges and service charges. All other income is recognised as and when the service is performed.

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charges to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charges on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Income from fixed asset investments

Income from fixed asset investments comprises dividends declared relating to the accounting period and provision is made for dividends that arise from shares that are accounted for in accordance with their liability elements as appropriate under Financial Reporting Standard 25 - Financial Instruments: Disclosure and Presentation, the presentation requirements of which are applicable for periods beginning on or after 1 January 2006.

Pension schemes

The company's contributions to both schemes are accounted for on a defined contribution basis as allowed by FRS17 in circumstances where multi employer schemes exist, and the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

University of Warwick Science Park Limited

Notes to the financial statements for the year ended 30 September 2007

1. TURNOVER

	2007	2006 Restated (Note 30)
	£	£
Turnover	7,091,627	6,456,722
Cost of sales	(5,747,226)	(5,780,154)
Administration expenses	(750,143)	(676,568)
Operating profit	<u>594,257</u>	<u>375,973</u>

Turnover consists of sources entirely derived in the United Kingdom and includes revenue of £3,827,558 (2006: £3,652,655) from rental operating leases

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging /(crediting):

	2007	2006
	£	£
Depreciation of tangible fixed assets	400,160	416,195
Capital government grants	(67,172)	(62,558)
Operating lease rentals	<u>22,654</u>	<u>21,966</u>

The analysis of the auditor's remuneration is as follows:

	2007	2006
	£	£
Fees payable to the company's auditors for the audit of the company's annual accounts	18,650	20,250
Fees payable to the company's auditors and their associates for taxation services to the company	<u>16,075</u>	<u>6,100</u>

3. INCOME FROM FIXED ASSET INVESTMENTS

	2007	2006
	£	£
From shares in group undertaking - University of Warwick Science Park Innovation Centre Limited	<u>26,467</u>	<u>30,412</u>

The dividend has been approved after the balance sheet date and has been credited to the profit and loss account and provided for as a current liability

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

4. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments for their services to the company during the year (2006 £Nil)

5. EMPLOYEE INFORMATION

	2007	2006
Employees	<u>31</u>	<u>31</u>
Employment costs	2007	2006
	£	£
Wages and salaries	821,919	795,988
Social security costs	71,247	69,634
Other pension costs	101,607	108,961
Total direct costs of employment	<u>994,773</u>	<u>974,583</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Bank loans and overdrafts	67,062	151,706
Other loan interest	185,881	3,713
Debenture interest	22,340	22,340
Other interest	4,325	2,919
	<u>279,608</u>	<u>180,678</u>

The other loan interest relates to financing of fixed assets under a finance lease agreement where the interest element is based on the IRR of the investment and is charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. This is 11.86% pa (2006 8% pa). The financing agreement commenced June 2006 and an interim rate was used to prepare the accounts for the year ended 30 September 2006 pending a professional review. In the early years of the agreement, the interest charge will exceed the revenue generated from the fixed asset.

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2007 £	2006 £
Current tax		
UK Corporation tax on profit for the year at 30% (2006 30%)	170,665	154,779
Adjustment in respect of previous years	<u>(6,516)</u>	<u>(12,125)</u>
Total current tax	164,149	142,654
Deferred tax		
Origination of timing differences	(348,219)	(1,927)
Adjustment in respect of previous years	12,847	(1,445)
Rate difference adjustment	<u>(12,784)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>(184,007)</u>	<u>139,282</u>

Factors affecting tax charge for the year

	2007 £	2006 £
Profit on ordinary activities before tax	<u>417,739</u>	<u>336,929</u>
Profit on ordinary activities multiplied by the rate of corporation tax 30% (2006 30%)	125,322	101,079
Effects of		
Expenses not deductible for tax purposes	91,232	96,653
Capital allowances in excess of depreciation	(15,475)	(9,038)
Franked investment income not subject to Corporation tax	(7,940)	(9,124)
Marginal relief on corporation tax charge	(22,474)	(24,791)
Adjustment to tax charge in respect of previous years	<u>(6,516)</u>	<u>(12,125)</u>
Current tax charge	<u>164,149</u>	<u>142,654</u>

University of Warwick Science Park Limited

Notes to the financial statements for the year ended 30 September 2007

8. TANGIBLE FIXED ASSETS

	Long leasehold land and infra- structure £	Long leasehold buildings £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 October 2006	5,470,000	14,623,511	1,119,871	21,213,382
Additions	1,094	160,893	118,775	280,762
Surplus on revaluation	1,845,408	1,614,596	-	3,460,004
At 30 September 2007	<u>7,316,502</u>	<u>16,399,000</u>	<u>1,238,646</u>	<u>24,954,148</u>
Accumulated depreciation				
At 1 October 2006	74,498	592,517	998,743	1,665,758
Charge for the year	42,792	299,476	57,892	400,160
Surplus on revaluation	(117,290)	(891,993)	-	(1,009,283)
At 30 September 2007	<u>-</u>	<u>-</u>	<u>1,056,635</u>	<u>1,056,635</u>
Net book value				
At 30 September 2007	<u>7,316,502</u>	<u>16,399,000</u>	<u>182,011</u>	<u>23,897,513</u>
At 30 September 2006	<u>5,395,502</u>	<u>14,030,994</u>	<u>121,128</u>	<u>19,547,624</u>
Cost or valuation at 30 September 2007 is represented by:				
Valuation	7,316,502	16,399,000	-	23,715,502
Cost	-	-	182,011	182,011
	<u>7,316,502</u>	<u>16,399,000</u>	<u>182,011</u>	<u>23,897,513</u>

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

Valuations

An interim professional valuation of the land and buildings was made by Savills Commercial Limited at 30 September 2007 following a full professional valuation made by FPD Savills at 30 September 2004. This valuation is £23,715,500. Work in progress is valued at cost. The basis of the valuation used was market value.

The historical cost and related depreciation of land and buildings included at a valuation are set out below:

	Long leasehold land and infrastrucure		Long leasehold buildings	
	2007	2006	2007	2006
	£	£	£	£
Historical cost	1,928,504	1,920,026	10,408,374	10,249,111
Depreciation based on cost	398,033	378,904	1,360,352	1,210,723
Historical cost net book value	<u>1,530,471</u>	<u>1,541,122</u>	<u>9,048,022</u>	<u>9,038,388</u>

9. INVESTMENTS HELD AS FIXED ASSETS

	2007	2006
	£	£
Shares held in associated companies	354,501	354,501
Debentures held in associated companies	725,122	725,122
Investment in Mercia 2 Venture Capital Fund	100,015	-
	<u>1,179,638</u>	<u>1,079,623</u>

At 30 September 2007 the company had interests in the following related undertakings:

University of Warwick Science Park Innovation Centre Limited

The University of Warwick Science Park Limited is the holder of 350,001 'B' Ordinary Shares of £1 each representing 100% of that class in the University of Warwick Science Park Innovation Centre Limited. Warwickshire County Council is also a shareholder of the company holding 87,500 'A' Ordinary Shares of £1 each and 952,000 'A' Preference Shares of £1 each, representing 100% of the shares issued of those classes. The objects of the company are to construct and operate an incubator unit on the Warwick Technology Park. The University of Warwick Science Park is also standing as guarantor for loans of £57,000 to assist in the original construction.

A Shareholders' Agreement restricts the voting rights of members and directors such that the University of Warwick Science Park Innovation Centre Limited falls within the Companies Act 1985 definition of an associated undertaking, and under FRS9 is classed as a joint venture. The company made a profit after taxation of £323,754 for the year to 30 September 2007 (2006: £181,662) and had capital and reserves amounting to £1,474,936 (2006: £1,087,050 as restated).

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

University of Warwick Science Park Business Innovation Centre Limited

The University of Warwick Science Park Limited is the holder of 4,501 'B' Ordinary Shares of £1 each representing 100% of that class in the University of Warwick Science Park Business Innovation Centre Limited. Coventry City Council and the Coventry and Warwickshire Chamber of Commerce are also shareholders of the company. Coventry City Council holds 2,000 'A' Ordinary Shares of £1 each and 152,166 'A' Preference Shares of £1 each and the Chamber holds 3,500 'C' Ordinary Shares of £1 each. These holdings also represent 100% of the shares issued of those classes.

The objects of the company are to construct and operate a business incubator unit on the Binley Business Park. A Shareholders' Agreement restricts the voting rights of members and directors such that the University of Warwick Science Park Business Innovation Centre Limited falls within the Companies Act 1985 definition of an associated undertaking, and under FRS9 is classed as a joint venture. The company made a profit after taxation of £52,776 for the year to 30 September 2007 (2006: £30,776 loss) and had capital and reserves of £757,464 at 30 September 2007 (2006: £479,688).

Cash and net book amount	Shares £	Loans £	Total £
At 1 October 2006 and 30 September 2007	354,501	725,122	1,079,623

10. DEBTORS

	2007 £	2006 Restated (Note 30) £
Trade debtors	1,515,024	1,211,469
Amounts owed by related undertakings		
University of Warwick Foundation	24,553	-
UWSP Concepts Limited	6,723	-
Prepayments and accrued income	126,013	235,573
Dividend receivable	26,467	-
Loans	17,500	43,500
	<u>1,716,280</u>	<u>1,490,542</u>

Included within loans is an amount of £2,000 (2006: £16,200) due after more than one year relating to the Enterprise Fellowship Scheme.

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

Analysis of loans due within one year and after one year is as follows:

	2007 £	2006 Restated (Note 30) £
Loans: due within one year		
Enterprise Fellowship Scheme	15,500	27,300
Loans due after one year		
Enterprise Fellowship Scheme	2,000	16,200
	<u>17,500</u>	<u>43,500</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 Restated (Note 30) £
Trade creditors	283,403	480,167
Bank loans	155,231	589,484
Corporation tax	170,665	142,679
Other taxes and social security	140,449	4,087
Sinking fund (see note 13)	269,005	246,023
Amounts owed to related undertakings		
University of Warwick Science Park Innovation Centre Limited	82,661	117,858
University of Warwick Science Park Business Innovation Centre Limited	69,857	94,234
UWSP Concepts Limited	-	10,533
Other creditors	254,470	190,112
Government and other grants	20,491	-
Accruals and deferred income	1,046,225	1,017,213
Capital government grants	67,172	67,172
	<u>2,559,629</u>	<u>2,959,562</u>

Other creditors include amounts payable to related parties in respect of rents

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

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

	2007 £	2006 £
Debenture loans	2,308,980	2,308,980
Bank loans	703,203	858,977
Other loan	1,104,848	1,009,087
Government and other grants (note 14)	3,062,679	3,129,851
	<u>7,179,710</u>	<u>7,306,895</u>

The bank loans are secured by legal charges over certain land and buildings. The debenture loans are secured on the company's other leasehold property ranking after the bank's charges. The other loan relates to financing of fixed assets under a finance lease agreement.

An analysis of the debenture loans by due date of repayment is set out below.

	2007 £	2006 £
Repayment after five years:		
1% Debenture loans 2011/2012	1,811,250	1,811,250
1% Debenture loans 2015/2016	323,730	323,730
1% Debenture loan 2016/2017	99,000	99,000
1% Other debenture loans	75,000	75,000
	<u>2,308,980</u>	<u>2,308,980</u>

The debentures are held by the University of Warwick, Coventry City Council and Warwickshire Country Council.

	2007 £	2006 £
Bank loans:		
Repayable within one year	155,231	589,484
Between one and two years	121,920	95,586
Between two and five years	292,692	150,800
After five years	288,591	612,591
	<u>858,434</u>	<u>1,448,461</u>

Interest on bank loans is charged at 1.5% over LIBOR on £36,612, 1.25% over base rate on £612,591, fixed at 7.115% on £140,000, and 1.4375% over LIBOR on £69,231.

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

	2007 £	2006 £
Other loan		
Repayable after five years	1,104,848	1,009,087
	<u>1,104,848</u>	<u>1,009,087</u>

The other loan interest relates to financing of fixed assets under a finance lease agreement where the interest element is based in the IRR of the investment and is charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. This is 11.86% pa (2006 8% pa). The financing agreement commenced June 2006 and an interim rate was used to prepare the accounts for the year ended 30 September 2006 pending a professional review. In the early years of the agreement, the interest charge will exceed the revenue generated from the fixed asset.

13. SINKING FUND

	2007 £	2006 £
At 1 October 2006	246,023	225,504
Payment into fund	19,050	17,775
Interest receivable	3,932	2,744
	<u>269,005</u>	<u>246,023</u>
Balance at 30 September 2007	<u>269,005</u>	<u>246,023</u>

The sinking fund comprises monies received from tenants held against future essential major repairs on buildings in which the company has a long leasehold interest. The provision is held as a creditor falling due within one year since the requirement for such repairs could arise at any time.

14. CAPITAL GOVERNMENT GRANTS

	2007 £	2006 £
At 1 October 2006	3,197,023	3,252,009
Amortisation in year against depreciation on buildings	(67,172)	(54,986)
	<u>3,129,851</u>	<u>3,197,023</u>
Balance at 30 September 2007	<u>3,129,851</u>	<u>3,197,023</u>
Analysed as follows		
Due within one year (included in note 11)	67,172	67,172
Due after more than one year (included in note 12)	3,062,679	3,129,851
	<u>3,129,851</u>	<u>3,197,023</u>

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

15. PROVISION FOR LIABILITIES

Deferred tax	2007	2006
	£	£
Accelerated capital allowances	176,890	526,160
Other timing differences	2,094	980
	<u>178,984</u>	<u>527,140</u>
Provision at 1 October 2006	527,140	530,512
Deferred tax credit in the profit and loss account (note 7)	(348,156)	(3,372)
Provision at 30 September 2007	<u>178,984</u>	<u>527,140</u>
Deferred taxation not provided for in the financial statements		
Unrealised capital gains	<u>2,108,265</u>	<u>2,550,930</u>

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements

16. CALLED UP SHARE CAPITAL

	2007	2006
	£	£
Authorised:		
Voting share capital 27,092 shares of £1 each	27,092	27,092
Non voting share capital 10,000 shares of £1 each	10,000	10,000
	<u>37,092</u>	<u>37,092</u>

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

	2007 £	2006 £
Allotted, called up and fully paid share capital		
The University of Warwick		
9,523 voting shares of £1 each	9,523	9,523
385 non-voting shares of £1 each	385	385
Coventry City Council		
12,146 voting shares of £1 each	12,146	12,146
480 non-voting shares of £1 each	480	480
Warwickshire County Council		
2,335 voting shares of £1 each	2,335	2,335
40 non-voting shares of £1 each	40	40
West Midlands Enterprise Ltd		
3,088 voting shares of £1 each	3,088	3,088
	<u>27,997</u>	<u>27,997</u>

The voting and non-voting shares are both equity shares and rank pari passu in all respects other than in respect to voting rights

17. RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 October 2006	449,064	8,846,986	3,357,042
Profit for the year	-	-	601,746
Surplus on revaluation	-	4,469,287	-
Transfer to profit and loss account	-	(179,354)	179,354
At 30 September 2007	<u>449,064</u>	<u>13,136,919</u>	<u>4,138,142</u>

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit for the financial year	601,746	197,647
Revaluation in the year	4,469,287	-
Shareholders' funds at 1 October 2006	<u>12,681,089</u>	<u>12,483,442</u>
Shareholders' funds at 30 September 2007	<u>17,752,122</u>	<u>12,681,089</u>

19. CONTINGENT LIABILITIES

At 30 September 2007 the company had a contingent liability as guarantor of a bank loan of £38,000 (2006 £57,000) taken by the University of Warwick Science Park Innovation Centre Limited (note 9), and a commitment to provide up to £226,000 in working capital to that company. No call had been made on this facility at 30 September 2007. The working capital was repaid in full during the 2004/5 financial year.

A further investment in Mercia 2 Fund of £150,000 is payable in two parts in 2008 and 2009.

20. CAPITAL COMMITMENTS

The company had no capital commitments at 30 September 2007 (2006 £Nil).

21. OPERATING LEASE COMMITMENTS

	2007 £	2006 £
Within one year	27,003	1,580
In second to fifth years inclusive	<u>62,841</u>	<u>37,295</u>
Operating rentals payable	<u>89,844</u>	<u>38,875</u>

The company has financial commitments in respect of non-cancellable operating leases of vending machines and office equipment.

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

22. THE LOCAL GOVERNMENT AND HOUSING ACT 1989

The Directors are of the opinion that the Company does not, and did not have for the year ending 30 September 2007, any business relationship with any local authority, as defined under Section 69(3) of the Local Government and Housing Act 1989

23. PENSION SCHEMES

University of Warwick Pension Scheme

Certain employees are members of the University of Warwick Pension Scheme. This is an exempt-approved pension scheme. The scheme provides retirement benefits (based on final pensionable salary) and lump sum and spouses death in service benefits. The scheme is set up under trust and the assets are held in a separate trustee administered fund. The last actuarial valuation was as at 5 April 2004. The pension costs were assessed in accordance with the advice of a qualified actuary using the projected unit method. The major financial assumptions used were that the long term investment returns would average 6.5% per annum compound, that long term salary increases (both promotional and inflationary) would average 4.25% per annum compound (plus a one off increase of 4%), and that pensions would increase at a minimum rate of 2.75% per annum compound.

The market value of the assets at 5 April 2004 was £59,239,000 and the actuarial valuation of the assets showed them to be sufficient to cover 98% (excluding the impact of any further life expectancy improvement, values at £6.2m) of the benefits which had accrued to members after allowing for expected future increases in earnings. Company contributions were 19% of pensionable salaries and will continue at this rate until the outcome of the 5 April 2007 actuarial valuation is known.

FRS 17

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

	2007	2006	2005
Rate of increase in salaries	4.50%	4.20%	4.20%
Rate of increase of pensions in payment	3.00%	*2.70%	*2.70%
* some pensions have guaranteed 3% increases			
Discount rate	5.60%	5.40%	5.30%
Inflation assumption	3.00%	2.70%	2.70%

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

The assets and liabilities of the scheme and the expected return on assets are detailed below

	2007 £000	2006 £000	2005 £000
Value of Assets			
Equities	75,010	69,383	58,711
Bonds and cash	25,875	20,435	16,425
Total market value of assets	100,885	89,818	75,136
Value of liabilities	(110,606)	(101,457)	(86,396)
Deficit in scheme	(9,721)	(11,639)	(11,260)

Universities Superannuation Scheme

Other employees are members of the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State pension (S2P). The scheme provides retirement benefits (based on final pensionable salary). The assets of the scheme are held in a separate trustee administered fund.

The last actuarial valuation for which figures were available at the end of the financial year was at 31 March 2005. The pension costs were assessed in accordance with the advice of a qualified actuary using the projected unit method. The major financial assumptions used were that the long term investment returns would be between 4.5% and 6.2% per annum, that long term salary increases would be 3.9% per annum and that pensions would increase by 2.9% per annum. The value of the assets at 31 March 2006 was £21,740 million and the funding level from accrued benefits was 76.8%.

The actuary also valued the scheme on a number of other bases as at the date of valuation. Using the minimum funding requirement subscribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at the valuation date and, under the Pension Protection Fund regulations introduced by the Pensions Act 2004, it was 110% funded. On a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company. Using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

The contribution rate required for future service benefits alone at the date of valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the contribution rate at 14% of pensionable salaries.

Surpluses and deficits which arise at future valuations may impact on the future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension refunding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

FRS 17

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

24. RELATED PARTY TRANSACTIONS

The University of Warwick Science Park Foundation is a related party of the company by virtue of common relationship. The company is the only member of the Foundation, a company limited by guarantee as well as a registered charity. A donation was made to the Foundation of £25,000 (2006: £Nil). The company received a grant from the Foundation of £24,553 (2006: £Nil). The company bears the governance and administration costs of the Foundation. The amount due from the Foundation as at 30 September 2007 was £24,553 (2006: £95).

UWSP Concepts Limited is a related party of the company by virtue of common relationship. The company is the only member of UWSP Concepts, a company limited by guarantee. As at 30 September 2007, UWSP Concepts was a net debtor of £6,723 (2006: net creditor £10,533).

The University of Warwick Innovation Centre Limited and the University of Warwick Business Innovation Centre Limited are related parties by virtue of shareholdings in those companies (Note 9).

University of Warwick Science Park Innovation Centre Limited (see note 9) and University of Warwick Science Park Business Innovation Centre Limited (see Note 9) each have management agreements with the company whereby the University of Warwick Science Park Limited manages their properties. During the year management charges totalling £49,167 (2006: £47,463) were received from the University of Warwick Science Park Innovation Centre Limited and £50,776 (2006: £49,000) from the University of Warwick Science Park Business Innovation Centre Limited.

The company has guaranteed a loan of £38,000 (2006: £57,000) on behalf of University of Warwick Innovation Centre Limited.

The amount owed to the University of Warwick Innovation Centre Limited by the company at 30 September 2007 amounted to £82,661 (2006: £117,858). The amount owed to the University of Warwick Business Innovation Centre Limited by the company at 30 September 2007 amounted to £69,857 (2006: £110,218).

By virtue of their shareholdings in the company, related parties are Coventry City Council, The University of Warwick, West Midlands Enterprise Limited and Warwickshire County Council. Advantage West Midlands is a funder of the company. The articles of association of the company prescribe how these organisations appoint members to the board.

Under the terms of certain leases rents are payable to Coventry City Council, Coventry Venture Capital Limited (a subsidiary of the West Midlands Enterprise Limited),

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

University of Warwick Science Park Innovation Centre Limited, University of Warwick, University of Warwick Science Park Business Innovation Centre Limited and Warwickshire County Council. These amounted to

	2007	2006
	£	£
Advantage West Midlands	100,609	39,392
Coventry City Council	680,134	591,346
Coventry Venture Capital	102,687	102,687
University of Warwick	58,400	58,400
University of Warwick Innovation Centre Limited	372,768	357,971
University of Warwick Business Innovation Centre Limited	306,532	263,620
Warwickshire County Council	64,529	61,487

These rents included a financing re-payment of £90,922 (2006: £38,318) to Coventry City Council

Amounts payable to related parties are included within other creditors. The amounts due are:

	2007	2006
	£	£
Coventry City Council	211,743	157,167
Warwickshire County Council	21,512	11,730
Coventry Venture Capital	21,215	21,215

25. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Operating profit	594,257	375,973
Depreciation	400,160	416,195
Release of grant	(67,172)	(54,985)
Increase in debtors	(225,738)	(240,050)
Increase in creditors	6,334	569,167
Net cash inflow from operating activities	<u>707,841</u>	<u>1,066,300</u>

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £	2006 £
Decrease in cash in the year	(479,884)	(86,649)
Cash outflow from financing	494,266	375,057
	<hr/>	<hr/>
Movement in net debt in the year	14,382	288,408
Net debt at 1 October 2006	<u>(3,409,630)</u>	<u>(3,698,038)</u>
Net debt at 30 September 2007	<u>(3,395,248)</u>	<u>(3,409,630)</u>

27. ANALYSIS OF CHANGES IN NET DEBT

	At 1 October 2006	Cash flow	At 30 September 2007
Cash at bank and in hand	1,356,898	(479,884)	877,014
Debt due within one year	(589,484)	493,330	(96,154)
Debt due after more than one year	<u>(4,177,044)</u>	936	<u>(4,176,108)</u>
		<hr/>	
Net debt	<u>(3,409,630)</u>	14,382	<u>(3,395,248)</u>

University of Warwick Science Park Limited

Notes to the financial statements - continued for the year ended 30 September 2007

28. FINANCING

	2007 £	2006 £
Loan repayments	(590,027)	(1,418,749)
New loan	-	1,043,692
Capital portion of finance lease	95,761	-
	<u>(494,266)</u>	<u>(375,057)</u>

29. CONTROLLING PARTY

The company is controlled by the board of directors who are appointed as prescribed in the articles of association of the company

30. PRIOR YEAR ADJUSTMENTS

The cost of sales figure (Note 1) has been restated from £2,074,541, which was purely rents payable to £5,780,154 which now includes the costs attributable to properties, business services and project delivery. The administration expenses have therefore reduced from £4,006,208 to £676,568 to provide a more accurate reflection of the costs associated with generating turnover.

The Enterprise Fellowship Scheme loans (Note 10) receivable have been restated from £89,350 to £43,500 to more accurately reflect the amounts repayable and are now stated net of allowances for doubtful receivables which were previously classified within trade debtors.

Trade creditors (Note 11) now exclude related party creditors as shown below

	£
Coventry City Council	157,167
Warwickshire County Council	11,730
Coventry Venture Capital	21,215

These have been reclassified from trade creditors to other creditors to better reflect overall trade creditors