

University of Warwick
Science Park Limited
Annual report and financial statements
for the year ended 30 September 2010

Registered number 1659656



University of Warwick Science Park Limited

Contents

	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	7
Independent auditors' report	8
Consolidated profit and loss account	9
Consolidated statement of total recognised gains and losses	10
Consolidated balance sheet	11
Company balance sheet	12
Consolidated cash flow statement	13
Notes to the financial statements	14

University of Warwick Science Park Limited

Officers and Professional Advisers for the year ended 30 September 2010

Officers and professional advisers

Directors

Mr P Burns
Mr P Daffern
Dr I D Nussey
Professor S B Palmer
Mr N J Sanders
Professor N J Thrift
WME Group Limited
Councillor R P L Morris-Jones
Councillor L J Bigham
Councillor A Skipper

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
No 1 Colmore Square
Birmingham
B4 6AA

Wright Hassall LLP
Olympus Avenue
Leamington Spa
Warwickshire
CV34 6BF

Auditors

KPMG LLP
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

University of Warwick Science Park Limited

Directors' report for the year ended 30 September 2010

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 30 September 2010

Principal activities

The Group 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 Solihull.

A long term agreement with Advantage West Midlands (AWM) provides that in exchange for a grant towards the refurbishment of the Venture Centre and buying out Barclays Bank in 2006 a proportion of the income generated by the building is to be applied by the Company to deliver new high growth potential start ups and business support to growth oriented SMEs in the Coventry, Solihull and Warwickshire Technology Corridor. 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, other contract-based activity supporting the start up and growth of innovation led businesses has declined, notably with the conclusion of the of an 18 month contract from AWM to deliver "Proof of Concept" grants to start-ups and SMES with high growth potential ideas. Over 200 businesses received grants of up to £30,000 across the West Midlands region and the project quickly became a showcase illustrating excellence in innovation from the region's small business sector and the Universities.

Business review

Overall occupation on the Science Park was 90%, an increase over the level of 86% last year. Further lettings in Riley Court continue to improve the performance of the Science Park's flagship property. There are two material tenant issues affecting the Science Park, being Becta and SUN. In June 2010 the government announced the abolition of Becta, however by the year end a strong covenant assignee had been secured resulting in a considerable lift in value for the property concerned. Without securing the replacement tenant there would have been a drop in average occupancy. The second tenant issue relates to Sun Microsystems who were acquired by Oracle Corporation. Further to that acquisition, SUN gave notice to vacate their property on the Science Park and this cessation was concluded November 2010.

Group turnover excluding Joint Ventures has reduced from £5,743,000 in 2009 to £5,371,000 however, this includes a reduction of £307,000 relating to UWSP Concepts Limited which was itself a direct consequence of the run out of the Proof of Concept work which had been operated by UWSP Concepts. After allowing for this reduction turnover from operating of the Science Park remains very similar to 2009. Operating profit including Joint Ventures reduced from £1,158,000 to £1,068,000 and profit before tax from £1,027,000 to £973,000, included within this is £110,000 reduction due to Joint Ventures alone.

University of Warwick Science Park Limited

Directors' report - continued for the year ended 30 September 2010

The group'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 downturn in the technology market until 2003. This led to business failures and mergers and impacted on the company's occupancy rate. During the 2007/08 and 2008/09 financial years it became apparent that a growing proportion of companies in this sector were improving their performance and starting to take on additional staff. However with the onset of the 2008 recession, which started to strongly affect the technology sector in 2009 there was an increase in business failures, starting with several of the newest start ups then following through to longer established SMEs although in these latter cases the impact was felt more as a result of business downsizing than failures. This effect has impacted two of the innovation centres in which we have investments or management responsibility and has also affected some of the larger businesses on the Science Park's main site. However, during this period the Science Park continued to secure new occupiers, principally in the innovation centres and benefitted from the growth of a few existing businesses on its main site.

The Board of Directors use the principal financial indicators of profit before tax, operating profit, net asset worth and cash flow to control the group. The main non-financial KPI's used by the Board of Directors are occupancy over the entire property portfolio of the group 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 have also been incorporated to reduce the extent of summer cooling requirements and are beyond the call of regulation.

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

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

Going concern

Income and future cash flows will continue to be derived from the group's principal activities. The financial risk management objectives and policies of the group are set out below. The group has significant cash balances and the group's debt obligations are largely long-term in nature. As a result, the directors believe that the group and company is well placed to manage its business risks despite the current difficult economic climate. The directors have considered the working capital requirements for a period of 12 months from the date of this report and have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

University of Warwick Science Park Limited

Directors' report - continued for the year ended 30 September 2010

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 Group has £2,308,980 (2009 £2,233,980) of debt in the form of debentures at a fixed interest rate and £339,351 (2009 £512,177) of bank debt (Note 15 provides further details) Of the £2,308,980 debentures, the Company has had the benefit of £1,811,250 at a rate of 1% interest which are repayable in two equal instalments in December 2011 and December 2012 It is forecast these debentures will be repaid in cash exposing the Company to loss of bank interest or significantly higher financing costs

Credit risk

The Group's credit risk is primarily attributable to tenant payments and the Group 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

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 Group 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

Dividends

The directors do not recommend a final dividend (2009 £Nil)

University of Warwick Science Park Limited

Directors' report - continued for the year ended 30 September 2010

Directors

The directors, who served throughout the year and up to the date of signing these accounts, except as noted, were as follows

<u>Name</u>	<u>Representing</u>
Mr P Burns	Coventry & Warwickshire Chamber of Commerce
Councillor G E Crookes	Coventry City Council
Mr P Daffern	West Midlands Enterprise Limited
Councillor M J Jones	Warwickshire County Council
Councillor R P L Morris-Jones	Warwickshire County Council
Dr I D Nussey	Independent
Professor S B Palmer	University of Warwick
Councillor G C Ridley	Coventry City Council
Mr N J Sanders	University of Warwick
Professor N J Thrift	University of Warwick
WME Group Limited	West Midlands Enterprise Limited
Councillor L J Bigham	Coventry City Council
Councillor A Skipper	Coventry City Council

Councillor L J Bigham and Councillor A Skipper were appointed 20 May 2010 Councillor M J Jones resigned 1 April 2010 Councillors GC Ridley and GE Crookes resigned 20 May 2010

Directors indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that 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 Group's interests in land and buildings is fairly reflected in the financial statements

Charitable and political contributions

During the year the Group made donations totalling £1,000 (2009, £37,023), principally to local charities serving the communities in which the Group operates

Employees

Details of number of employees and related costs can be found in Note 3 to the financial statements The group and the company has an equal opportunities employment policy to which it rigorously adheres In the event of staff becoming disabled the group has historically and will continue to ensure that their employment with the group 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

University of Warwick Science Park Limited

Directors' report - continued for the year ended 30 September 2010

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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

KPMG 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 and signed on its behalf by



J F Baldwin
Secretary

Date 28 June 2011

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

University of Warwick Science Park Limited

Statement of directors' responsibilities in respect of the annual report and the financial statements

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 financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent-,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



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 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Company, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

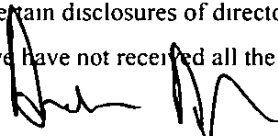
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit


Andrew Argyle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway, Birmingham B4 6GH, UK

Date 28 June 2011

University of Warwick Science Park Limited

Consolidated profit and loss account

For the year ended 30 September 2010

	Note	2010 £	2009 (Restated) £
Turnover:			
Group	31	5,371,065	5,742,797
Share of Joint Venture		490,788	556,321
		<u>5,861,853</u>	<u>6,299,118</u>
Operating profit	2		
Group		960,175	917,742
Share of Joint Venture		108,116	218,356
		<u>1,068,291</u>	<u>1,136,098</u>
Profit on sale on disposal of fixed asset investments		-	22,500
Provisions for impairment of investments		-	-
Profit on ordinary activities before finance income/(charges)		<u>1,068,291</u>	<u>1,158,598</u>
Finance income/(charges) (net)			
Group	4	4,760	62,268
Share of Joint Ventures	4	(99,083)	(193,574)
		<u>973,968</u>	<u>1,027,292</u>
Profit on ordinary activities before taxation	5		
Tax on profit on ordinary activities			
Group	7	(411,609)	(239,514)
Share of Joint Venture		(26,998)	(51,086)
		<u>535,361</u>	<u>736,692</u>
Other expenses	8	-	(24,552)
Profit for the financial year	20,21	<u>535,361</u>	<u>712,140</u>

All activities derive from continuing operations

Turnover and cost of sales for 2009 have been restated to match current year accounting treatment (See Note 31)

Cost of sales and finance charges for 2009 have been restated to better reflect the underlying transactions (See Notes 4 and 15)

University of Warwick Science Park Limited

Consolidated statement of total recognised gains and losses

For the year ended 30 September 2010

	Note	2010 £	2009 £
Profit/(loss) for the financial year			
Group		553,325	738,444
Joint Ventures		(17,964)	(26,304)
		<u>535,361</u>	<u>712,140</u>
Unrealised profit (loss) on revaluation of investment properties	20		
Group		921,550	(3,234,923)
Joint Ventures		(229,695)	(492,350)
		<u>691,855</u>	<u>(3,727,273)</u>
Unrealised profit (loss) on revaluation of fixed asset properties			
Group		339,208	-
Joint Ventures		-	-
		<u>339,208</u>	<u>-</u>
Total recognised gains / (losses) relating to the financial year		<u><u>1,566,424</u></u>	<u><u>(3,015,133)</u></u>

University of Warwick Science Park Limited

Consolidated balance sheet

For the year ended 30 September 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	10	3,517,005	3,200,047
Investment Properties	11	13,036,511	12,114,961
Other investments	12	205,672	170,839
Investments in Joint Ventures		975,292	1,222,952
Share of Gross Assets	12	3,250,165	3,334,853
Share of Gross Liabilities	12	(3,349,995)	(3,187,023)
Debenture/ Loan	12	1,079,624	1,075,122
		<u>17,734,480</u>	<u>16,708,799</u>
Current assets			
Debtors			
– due within one year	13	1,221,567	1,233,644
Cash at bank and in hand		3,218,967	2,573,992
		<u>4,440,534</u>	<u>3,807,636</u>
Creditors: Amounts falling due within one year	14	<u>(2,930,679)</u>	<u>(2,759,139)</u>
Net current assets		<u>1,510,305</u>	<u>1,048,497</u>
Total assets less current liabilities		19,244,335	17,757,296
Creditors: Amounts falling due after more than one year	15	<u>(5,927,116)</u>	<u>(6,009,749)</u>
Provisions for liabilities	18	<u>(171,124)</u>	<u>(167,878)</u>
Net assets		<u>13,146,095</u>	<u>11,579,669</u>
Capital and reserves			
Called-up share capital	19	27,997	27,997
Share premium account	20	449,064	449,064
Revaluation reserve	20	6,717,584	5,686,520
Profit and loss account	20	5,951,450	5,416,088
Total shareholders' funds	21	<u>13,146,095</u>	<u>11,579,669</u>

The financial statements of University of Warwick Science Park Limited, registered number 1659656, were approved by the board of directors and authorised for issue on 28 JUNE 2011. They were signed on its behalf by



Professor S B Palmer

Director

Date 28 JUNE 2011

University of Warwick Science Park Limited

Company balance sheet

For the year ended 30 September 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	10	3,517,005	3,200,047
Investment Properties	11	13,036,511	12,114,961
Investments	12	1,285,295	1,250,463
		<u>17,838,811</u>	<u>16,565,471</u>
Current assets			
Debtors			
– due within one year	13	930,712	1,309,816
Cash at bank and in hand		2,993,487	2,227,442
		<u>3,924,199</u>	<u>3,537,258</u>
Creditors: Amounts falling due within one year	14	<u>(2,635,389)</u>	<u>(2,700,653)</u>
Net current assets		<u>1,288,810</u>	<u>836,605</u>
Total assets less current liabilities		<u>19,127,621</u>	<u>17,402,076</u>
Creditors: Amounts falling due after more than one year	15	<u>(5,695,985)</u>	<u>(5,778,618)</u>
Provisions for liabilities	18	<u>(171,124)</u>	<u>(167,878)</u>
Net assets		<u>13,260,512</u>	<u>11,455,580</u>
Capital and reserves			
Called-up share capital	19	27,997	27,997
Share premium account	20	449,064	449,064
Revaluation reserve	20	6,947,279	5,686,520
Profit and loss account	20	5,836,172	5,291,999
		<u>13,260,512</u>	<u>11,455,580</u>
Total shareholders' funds		<u>13,260,512</u>	<u>11,455,580</u>

The financial statements of University of Warwick Science Park Limited, registered number 1659656, were approved by the board of directors and authorised for issue on 28 June 2011. They were signed on its behalf by



Professor S B Palmer

Director

Date 28 June 2011

University of Warwick Science Park Limited

Consolidated cash flow statement

For the year ended 30 September 2010

	Note	2010 £	2009 £
Net cash inflow from operating activities	22	1,120,340	1,398,760
Dividends from associates and Joint ventures		19,834	39,534
Returns on investments and servicing of finance	23	(15,074)	(113,035)
Taxation	23	(258,807)	(155,000)
Capital expenditure and financial investment	23	(123,492)	(43,517)
Acquisition and disposals		-	-
Cash inflow before financing		742,801	1,126,742
Financing	23	(97,826)	(210,289)
Increase in cash in the year	23	644,975	916,453

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

1. Accounting policies

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

Basis of accounting

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

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 2 to 3. The directors' report on pages 2 to 6 describes the financial position of the Group, its cash flows, liquidity position and borrowing facilities, the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern bases in preparing the annual report and accounts.

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

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

1. Accounting policies - (continued)

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.

Investment properties

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties, or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 Accounting for investment properties.

Investments and joint ventures

Except as stated below, 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.

In the Group financial statements investments in joint ventures are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of joint ventures' profits less losses while the Group's share of the net assets of the joint ventures is shown in the consolidated balance sheet.

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.

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.

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

1. Accounting policies - (continued)

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.

Revenue is recognised in line with the terms of the management agreement.

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.

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 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.

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

Government grants

Government grants in respect of tangible fixed assets are credited to the profit and loss account over the expected useful economic lives of the relevant assets to which they relate. Grants received but not yet released to the profit and loss account are included as deferred income in the balance sheet. Grants receivable in respect of investment properties are credited directly to the cost of the asset. This treatment is not in accordance with Schedule 1 to the Accounting Regulations to the Companies Act 2006 which requires fixed assets to be shown at cost and grants as deferred income. The treatment has been adopted in accordance with section 404(5) of the Companies Act 2006 in order to show a true and fair view as, in the opinion of the directors, it is not appropriate to treat grants on investment properties as deferred income. Investment properties are not depreciated and accordingly no basis exists on which to recognise the release of deferred income to the profit and loss account.

Grants and investment funding

Grant income relates to income received to be used for equity investments in technology based companies. The funding from Advantage West Midlands Rover Task Force Fund and the European Regional Development Fund has been treated as funding liabilities. The liabilities are stated at an amount that reflects the ongoing capital adjusted for investment income and gains less investment losses, net of tax. Such movements flow through the financial statements and are allocated to the funding liabilities as other operating income/charges.

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.

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

1 Accounting policies - (continued)

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

2 Cost of sales, gross profit and other operating expenses (net)

	2010 £	2009 (restated) £
Cost of sales		
Group	3,541,167	4,745,568
Share of Joint Venture	305,854	272,275
	<u>3,847,021</u>	<u>5,017,843</u>
Gross profit	<u>2,014,832</u>	<u>1,281,275</u>
Administrative expenses		
Group	869,723	935,891
Share of Joint Venture	76,818	65,691
	<u>946,541</u>	<u>1,001,582</u>
Other operating expenses (net)		

Administrative expenses include £12,304 (2009 £53,491) in respect of a bad debt charge arising in continuing operations

3. Staff costs

The average monthly number of employees (including executive directors) was

	2010 Number	2009 Number
Employees	<u>32</u>	<u>30</u>

Their aggregate remuneration comprised

	2010 £	2009 £
Wages and salaries	926,460	905,935
Social security costs	75,720	72,286
Other pension costs (see note 26)	115,443	105,571
	<u>1,117,624</u>	<u>1,083,792</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

4. Finance charges (net)

	2010	2009 (restated)
	£	£
Interest payable and similar charges	147,934	238,649
Less Investment income	(53,612)	(107,344)
	<u>94,322</u>	<u>131,305</u>

Investment income

	2010	2009
	£	£
Income from fixed asset investments	19,834	39,534
Interest receivable and similar income	33,778	67,810
	<u>53,612</u>	<u>107,344</u>

Interest payable and similar charges

	2010	2009 (restated)
	£	£
Bank loans and overdrafts	11,378	21,154
Other loan interest	-	-
Debenture interest	35,923	21,875
Other interest	1,550	2,046
	<u>48,851</u>	<u>45,075</u>
Share of joint ventures' interest payable and similar charges	99,083	193,574
	<u>147,934</u>	<u>238,649</u>

Interest payable for the year ended 30 September 2009 has been restated to better reflect the substance of the underlying transactions, with other loan interest payable of £135,770 being recategorised as cost of sales, being rent payable to Coventry City Council

5. Profit on ordinary activities before taxation

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

	2010	2009
	£	£
Depreciation of tangible fixed assets	95,751	110,093
Capital Government grants	34,041	(24,371)
Operating lease rentals	28,336	26,989
Impairment in investment		
Mercia Fund 2	15,163	20,628
	<u>147,934</u>	<u>238,649</u>

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

5. Profit on ordinary activities before taxation (continued)

The analysis of auditors' remuneration is as follows

	2010 £	2009 £
Fees payable to the Company's auditors for the audit of the Company's annual accounts	12,789	17,500
Fees payable to the Company's auditors and their associates for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation		2,450
- The audit of joint ventures	6,211	8,550
Total audit fees	19,000	28,500
Fees payable to the Company's auditors and their associates for taxation services to the Company	11,000	15,965
Fees payable to the Company's auditors for other services		5,215
Total non-audit fees	11,000	21,180
Total fees	30,000	49,680

6 Directors' remuneration and transactions

The Directors did not receive any emoluments for their services to the company during the year (2009 £Nil)

7 Tax on profit on ordinary activities

The tax charge comprises

	2010 £	2009 £
Current tax		
UK corporation tax	275,158	264,608
Adjustments in respect of prior years		
UK corporation tax	135,513	(16,974)
Total current tax	410,671	247,634
Deferred tax		
Origination and reversal of timing differences	7,149	(6,225)
Effects of law changes	(6,211)	
Adjustment in respect of prior years	-	(1,895)
Total deferred tax	938	(8,120)
Share of associates' tax	26,998	51,086
Total tax on profit on ordinary activities	438,607	290,600

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

7. Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2010 £	2009 £
Profit on ordinary activities before tax	973,968	1,027,292
Less share of Joint venture's profit before tax	(9,034)	(24,780)
Group profit on ordinary activities before tax	<u>964,934</u>	<u>1,002,512</u>
 Tax on Group profit on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	 270,182	 280,703
Effects of		
Expenses not deductible for tax purposes	15,125	7,663
Depreciation on ineligible less IBAs	13,950	-
Capital allowances in excess of depreciation	(4,672)	(2,436)
Utilisation of tax losses - brought forward	(11,353)	(1,505)
Franked investment income not subject to corporation tax	(5,554)	(11,044)
Marginal relief on corporation tax		(9,141)
Other timing differences	(2,519)	367
Adjustments to tax charge in respect of previous periods	135,513	(16,973)
 Group current tax charge for period	 <u>275,158</u>	 <u>247,634</u>

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

8. Other expenses

Other expenses shown in 2009 represents the transfer (from) or to the profit and loss account of an amount relating to a funding balance attributable to the Advantage West Midlands Rover Task Force Fund and the European Regional Development Fund advanced to UWSP Concepts Limited, to be invested in technology-based companies. No transfer was made in 2010.

9. Profit attributable to the Company

The profit for the financial year dealt with in the financial statements of the parent Company was £544,173 (2009 £733,070). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

10. Tangible fixed assets

Group/ Company	Long leasehold land and infra- structure £	Long leasehold buildings £	Fixtures, fittings, tools and equipment £	Total £
Cost or valuation				
At 1 October 2009	1,402,667	1,725,333	1,276,835	4,404,835
Additions	-	-	73,497	73,497
Surplus/(deficit) on revaluation	95,000	190,000	-	285,000
At 30 September 2010	1,497,667	1,915,333	1,350,332	4,763,332
Accumulated depreciation				
At 1 October 2009	-	-	1,204,788	1,204,788
Charge for the year	11,078	43,133	41,540	95,751
Deficit on revaluation	(11,078)	(43,133)	-	(54,211)
At 30 September 2010	-	-	1,246,328	1,246,328
Net book value				
At 30 September 2010	1,497,667	1,915,333	104,004	3,517,004
At 30 September 2009	1,402,667	1,725,333	72,047	3,200,047
Cost or valuation at 30 September 2010 is represented by				
Valuation	1,497,667	1,915,333	-	3,413,000
Cost	-	-	104,004	104,004
	1,497,667	1,915,333	104,004	3,517,004

Valuations

An interim professional valuation of the land and buildings was made by an independent third party, Savills Commercial Limited, at 30 September 2010 following a full professional valuation made by FPD Savills at 30 September 2009. This valuation is £3,413,000. The basis of the valuation used was market value.

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

11. Investment Properties

Group/Company	Long leasehold land and infra- structure £	Long leasehold buildings £	Total £
Cost or Valuation			
At 1 October 2009	4,292,001	7,822,960	12,114,961
Surplus/(deficit) on revaluation	437,999	483,551	921,550
At 30 September 2010	<u>4,730,000</u>	<u>8,306,511</u>	<u>13,036,511</u>

Valuations

An interim professional valuation of the land and buildings was made by an independent third party, Savills Commercial Limited, at 30 September 2010 following a full professional valuation made by FPD Savills at 30 September 2009. This valuation is £14,268,550. The basis of the valuation used was market value.

The accumulated impact of the treatment of grants receivable in respect of investment properties is to reduce the deferred income and the investment property costs or valuation by £1,232,039 (2009: £1,232,039).

12. Fixed asset investments

	Group 2010 £	2009 £	Company 2010 £	2009 £
Joint Ventures	975,292	1,222,952	1,079,624	1,079,624
Other investments and loans	205,672	170,839	205,672	170,839
	<u>1,180,964</u>	<u>1,393,791</u>	<u>1,285,296</u>	<u>1,250,463</u>

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

12. Fixed asset investments (continued)

Principal Group investments

The parent Company and the Group have investments in the following subsidiary undertakings, associates and other investments which principally affected the profits or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

	Country of incorporation or principal business address	Principal activity	Holding*	%
Subsidiary undertakings				
UWSP Concepts Ltd +	United Kingdom	Letting business	Wholly owned	100
Joint ventures				
University of Warwick Science Park Business Innovation Centre (UWSPBIC)	United Kingdom	Letting business	4,501 Ordinary Shares and debenture	45
University of Warwick Science Park Innovation Centre (UWSPIC)	United Kingdom	Letting business	350,001 Ordinary Shares	80
Other investments				
Investment in Mercia Fund 2 Limited Partnership			Commitment of £250,000 of which £250,000 already invested	
	United Kingdom	Investment Fund		n/a

+ Held directly by The University of Warwick Science Park Limited

* 'B' Ordinary Shares held in respect to shares owned. For UWSP debenture loan also held for £725,122

Subsidiary undertakings

	£
Cost	
At 1 October 2009	-
	-
	-
Provisions for impairment	
At 1 October 2009	-
Written off	-
Written back	-
Disposals	-
At 30 September 2010	-
Net book value	-

UWSP Concepts Limited has been treated as a subsidiary undertaking because the Group exercises dominant influence over this investment, directing its financial and operating policies.

The subsidiary's undertakings have been included in the consolidation. UWSP Concept made a profit of £9,152 for the year ended 30 September 2010 and its aggregate capital and reserves at 30 September 2010 amounted to (£10,002).

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

12. Fixed asset investments (continued)

Joint Ventures

	Group £	Company £
Share of net assets/cost		
At 1 October 2009	1,222,952	1,079,624
Share of retained profit for the year	(17,964)	-
Revaluation	(229,695)	
Dividends		
At 30 September 2010	<u>975,292</u>	<u>1,079,624</u>
Provisions for impairment		
At 1 October 2009	-	-
Written off	-	-
Written back	-	-
Disposals	-	-
At 30 September 2010	<u>-</u>	<u>-</u>
Net book value	<u>975,292</u>	<u>1,079,624</u>

The Group's joint ventures during the year and preceding year were as follows

	% of issued ordinary shares held
University of Warwick Science Park Innovation Centre	80%
University of Science Park Business Innovation Centre	45%

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.

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 2006 definition of an associated undertaking, and under FRS9 is classed as a joint venture.

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.

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 2006 definition of an associated undertaking, and under FRS9 is classed as a joint venture.

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

12. Fixed asset investments (continued)

The group's share of net assets of joint ventures comprises

	2010 £	2009 £
Fixed assets	2,883,945	3,117,244
Current assets	366,220	217,609
Liabilities due within one year	(284,447)	(121,470)
Liabilities due after more than one year	(3,065,548)	(3,065,553)
	<u>(99,830)</u>	<u>147,830</u>

Additional disclosures are given in respect of the group's share of the companies which exceed certain thresholds under FRS9

University of Warwick Science Park Innovation Centre Limited	2010 £	2009 £
Turnover	424,215	478,607
Profit before taxation	24,677	63,894
Taxation	(33,747)	(63,858)
Profit after taxation	<u>(9,070)</u>	<u>36</u>
Fixed assets	2,399,494	2,464,993
Current assets	349,279	246,459
Liabilities due within one year	(250,121)	(142,730)
Liabilities due after more than one year	(2,003,001)	(2,003,001)
Net assets	<u>495,651</u>	<u>565,721</u>

University of Warwick Science Park Business Innovation Centre Limited	2010 £	2009 £
Turnover	336,479	385,412
(Loss)/Profit before taxation	(23,796)	(58,519)
Taxation	-	-
(Loss)/Profit after taxation	<u>(23,796)</u>	<u>(58,519)</u>
Fixed assets	2,143,000	2,545,000
Current assets	192,881	45,425
Liabilities due within one year	(187,443)	(16,191)
Liabilities due after more than one year	(3,251,450)	(3,251,450)
Net (liabilities)/assets	<u>(1,103,012)</u>	<u>(677,216)</u>

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

12. Fixed asset investments (continued)

Both companies own and let buildings to SMEs engaged in high technology businesses. The University of Warwick Science Park Limited manages the buildings on behalf of the joint venture companies and acts as a focus for technology and information exchange between tenants and the University, whilst giving tenants additional access to the various business development projects and initiatives carried out at the University of Warwick main site.

Other investments and loans

	Group			Company		
	Other investments £	Loans £	Total £	Other investments £	Loans £	Total £
Cost						
At 1 October 2009	900,005	-	900,505	200,005	-	200,005
Additions	49,995	-	49,995	49,995	-	49,995
Disposals	-	-	-	-	-	-
At 30 September 2010	950,000	-	950,000	250,000	-	250,000
Provision for impairment						
At 1 October 2009	729,166	-	729,166	29,166	-	29,166
Written off	15,163	-	15,163	15,163	-	15,163
Written back	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 30 September 2010	744,329	-	744,329	44,329	-	44,329
Net book value						
30 September 2010	205,671	-	205,671	205,671	-	205,671
30 September 2009	170,839	-	170,839	170,839	-	170,839

13. Debtors

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Amounts falling due within one year				
Trade debtors	744,763	817,653	744,763	817,653
Amounts owed by related parties	72,209	114,600	80,787	244,748
Other debtors	-	-	-	-
Prepayments and accrued income	388,095	259,352	88,662	205,376
Dividend Receivable	16,500	39,289	16,500	39,289
Loans	-	2,750	-	2,750
	1,221,567	1,233,644	930,712	1,309,816

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

14. Creditors – amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts	99,360	137,826	99,360	137,826
Trade creditors	362,780	236,762	67,537	219,434
Amounts owed to intercompany	143,917	5,996	143,917	5,996
Corporation tax	389,838	237,975	389,838	237,975
Other taxation and social security	120,368	77,598	120,321	76,125
Other related party creditors	364,893	501,520	364,893	501,520
Government grants	31,041	24,371	31,041	24,371
Accruals and deferred income	1,070,968	1,211,417	1,070,968	1,171,732
Sinking Fund (note 16)	347,514	325,674	347,514	325,674
	<u>2,930,679</u>	<u>2,759,139</u>	<u>2,635,389</u>	<u>2,700,653</u>

15 Creditors – amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£	(restated) £	£	(restated) £
Other creditors				
Bank loans	239,991	374,351	239,991	374,351
Deferred income	1,125,245	1,144,157	1,125,245	1,144,157
Government and other grants	2,252,900	2,257,261	2,021,769	2,026,130
Debenture loans	2,308,980	2,233,980	2,308,980	2,233,980
	<u>5,927,116</u>	<u>6,009,749</u>	<u>5,695,985</u>	<u>5,778,618</u>

The bank loans are secured by legal charges over certain land and buildings on the company's other leasehold property ranking after the bank's charges. The debenture loans are secured by legal charges over certain land and buildings on the company's other leasehold property ranking after the bank's charges. An analysis of the debenture loans by due date of repayment is set out below.

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

15. Creditors – amounts falling due after more than one year - continued

	Group and Company	
	2010	2009
	£	£
Convertible debt		
Between one and two years		
1% Debenture loans 2011/2012	-	-
Between two and five years		
1% Debenture loans 2011/2012	1,811,250	1,811,250
1% Debenture loans 2014	75,000	-
After five years		
1% Debenture loans 2015/2016	323,730	323,730
1% Debenture loans 2016/2017	99,000	99,000
Other Debenture loans	-	-
	<u>2,308,980</u>	<u>2,233,980</u>
On demand or within one year	-	-
	<u>2,308,980</u>	<u>2,233,980</u>

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

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans				
Between one and two years	99,360	134,360	99,360	134,360
Between two and five years	140,631	239,991	140,631	239,991
After five years	-	-	-	-
	<u>239,991</u>	<u>374,351</u>	<u>239,991</u>	<u>374,351</u>
On demand or within one year	99,360	137,826	99,360	137,826
	<u>339,351</u>	<u>512,177</u>	<u>339,351</u>	<u>512,177</u>

Interest on bank loans is charged at 1.5% over LIBOR. Interest is calculated on the balance outstanding each day. 2010 interest charge £7,047 (2009 £13,979)

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

15. Creditors – amounts falling due after more than one year - continued

Total borrowings

	2010	2009 (restated)
	£	£
Between one and two years	1,004,985	134,360
Between two and five years	1,121,256	2,051,241
After five years	422,730	422,730
	<hr/>	<hr/>
On demand or within one year	2,548,971	2,608,331
	99,360	137,826
	<hr/>	<hr/>
	2,648,331	2,746,157
	<hr/>	<hr/>

Creditors due after more than one year for the year ended 30 September 2009 have been restated to transfer the “other loan – finance lease” creditor balance of £1,144,157 to deferred income to better reflect the underlying substance of the transaction

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

16. Sinking Fund

	Group and Company	
	2010	2009
	£	£
Opening Balance	325,674	301,330
Payment into Fund	37,893	19,050
Interest Receivable	163	5,294
Payments out of Fund	(16,216)	-
Closing Balance	<u>347,514</u>	<u>325,674</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.

17. Capital Government Grants

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Opening Balance	2,281,632	2,390,092	2,050,500	2,183,513
Amortisation in year against depreciation on buildings	(24,371)	(24,371)	(24,371)	(24,371)
Clawback of Grant	-	(108,642)	-	(108,642)
Transfer from/(to) profit and loss account	-	24,553	-	-
Capitalisation of prior year grant	33,351	-	33,351	-
Amortisation in year against depreciation	(6,670)	-	(6,670)	-
Closing Balance	<u>2,283,942</u>	<u>2,281,632</u>	<u>2,052,810</u>	<u>2,050,500</u>
Analysed as follows:				
Due within one year (included in Note 14)	31,041	24,371	31,041	24,371
Due after more than one year (included in Note 15)	2,252,900	2,257,261	2,021,769	2,026,129
	<u>2,283,942</u>	<u>2,281,632</u>	<u>2,052,810</u>	<u>2,050,500</u>

The 2009 clawback of grant represents a repayment agreed with the grant awarding body to rectify a non-agreed variation of contract. The directors continue to monitor the utilisation of property funded by grant for clawback risk with provisions adjusted accordingly.

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

18. Provisions for liabilities

	Group and Company £
Deferred taxation	
At 1 October 2009	167,878
Charged to profit and loss account	938
At 30 September 2010	168,816
Pension Liability	2,308
	<hr/>
At 30 September 2010	<u>171,124</u>

Deferred tax

Deferred tax is provided as follows

	Group and Company	
	2010 £	2009 £
Group		
Accelerated capital allowances	181,586	183,640
Other timing differences	(12,770)	(15,762)
	<hr/>	<hr/>
	168,816	167,878
	<hr/>	<hr/>
Deferred taxation not provided for in the financial statements		
Unrealised capital gains	-	-
	<hr/>	<hr/>

No provision has been made in the deferred taxation account for the estimated corporation tax that would be payable on disposal at this valuation because, in the opinion of the directors, these assets are unlikely to be disposed of in the foreseeable future

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

19. Called-up share capital

	2010 £	2009 £
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>
	2010 £	2009 £
Allotted, called-up and fully-paid		
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		
13,230 voting shares of £1 each	13,230	13,230
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 (Investments) Ltd		
2,004 voting shares £1	2,004	2,004
	<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

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

20. Reserves

	Share premium account £	Revaluation Reserve £	Profit and loss account £	Total £
Group				
At 1 October 2009	449,064	5,686,520	5,416,088	11,551,672
Surplus / (Deficit) on Revaluation	-	1,260,758	-	1,260,758
Surplus / (Deficit) on Revaluation and dividends in Joint Venture	-	(229,694)	-	(229,694)
Profit for the financial year	-	-	535,362	535,362
At 30 September 2010	449,064	6,717,584	5,951,450	13,118,098
	Share premium account £	Revaluation Reserve £	Profit and loss account £	Total £
Company				
At 1 October 2009	449,064	5,686,520	5,291,999	11,427,583
Surplus / (Deficit) on Revaluation	-	1,260,758	-	1,260,758
Profit for the financial year	-	-	544,173	544,173
At 30 September 2010	449,064	6,947,278	5,836,172	13,232,514

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

21. Reconciliation of movements in Group shareholders' funds

	2010 £	2009 £
Profit for the financial year	535,362	712,140
Revaluation in the year	1,260,758	(3,234,923)
Revaluation in Joint Ventures	(229,694)	(492,354)
Net increase (reduction) in shareholders' funds	1,566,426	(3,015,137)
Opening shareholders' funds	11,579,669	14,594,806
Closing shareholders' funds	13,146,095	11,579,669

22. Reconciliation of operating profit to operating cash flows

	2010 £	2009 £
Operating profit	960,175	1,053,511
Depreciation and amortisation	95,751	110,093
Impairment of Investment	15,163	20,628
Movement on grant creditor	(2,051)	(133,011)
Decrease in debtors	12,077	82,097
Increase / (decrease) in creditors	39,225	265,442
Net cash inflow from operating activities	1,120,340	1,398,760

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

23. Analysis of cash flows

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	33,778	67,810
Interest paid	(48,852)	(180,845)
Net cash outflow	<u>(15,074)</u>	<u>(113,035)</u>
Taxation		
UK corporation tax paid	(258,807)	(155,000)
Net cash outflow	<u>(258,807)</u>	<u>(155,000)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(73,497)	(16,022)
Purchase of trade investments	(49,995)	(49,995)
Sale of investments	-	22,500
Net cash outflow	<u>(123,492)</u>	<u>(43,517)</u>
	2010 £	2009 £
Financing		
Bank loan repayments	(97,826)	(226,776)
Increase in other loan – finance lease	-	16,487
Net cash outflow	<u>(97,826)</u>	<u>(210,289)</u>

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

24. Analysis and reconciliation of net debt

	1 October 2009 £	Cash flow £	30 September 2010 £
Cash in hand, at bank	2,573,992	644,975	3,218,967
Debt due within 1 year	(137,826)	38,466	(99,360)
Debt due after 1 year	(2,608,331)	59,360	(2,548,971)
Net (debt)/funds	(172,165)	742,801	570,636
		2010 £	2009 (restated) £
Increase in cash in the year		644,975	916,453
Cash outflow from financing (debts and lease financing)		97,826	226,776
Movement in net debt in year		742,801	1,143,229
Net debt at 1 October		(172,165)	(1,315,394)
Net funds/(debt) at 30 September		570,636	(172,165)

25. Operating Lease Commitments

The Group and Company has financial commitments in respect of non-cancellable operating leases of vending machines and office equipment. Annual commitments under non-cancellable operating leases are as follows

	2010 £	2009 £
Group		
Expiry date		
- within one year	28,336	26,989
- between two and five years	87,569	82,197
- after five years	-	2,526
	115,905	111,712
Company		
Expiry date		
- within one year	28,336	26,989
- between two and five years	87,569	82,197
- after five years	-	2,526
	115,905	111,712

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

26. Retirement benefit schemes

University of Warwick Pension Scheme

Certain employees are members of the University of Warwick Pension Scheme (UWPS) operated by the University of Warwick. This is a defined benefits pension scheme in the UK. Under FRS 17, the current service costs arising from employee service for the current period (less contributions paid into the scheme), expected interest costs on the scheme liabilities and the expected rate of return on scheme assets are charges and credited to the Income and Expenditure Account of the University of Warwick. Other changes in the forecast scheme liability recorded on the Balance Sheet of the University of Warwick, as a result of changes in assumptions, are recorded in the Statement of Total Recognised Gains and Losses of the University of Warwick. 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 by a qualified independent actuary, for calculating University of Warwick's FRS 17 accounting entries. The main results and assumptions of the most recent valuation of the UWPS are as follows:

Latest actuarial valuation date for which valuation is available	5 April 2007
Valuation method	Projected Unit
Value of notional assets	£100 527m
Funding level from accrued benefits	101%
Investment return per annum – pre-retirement	6.50%
Investment return per annum – post-retirement (non-pensioners)	4.75%
Investment return per annum – post-retirement (pensioners)	5.00%
Salary scale increase per annum	4.25%
Pension increases per annum (subject to limited price indexation)	3.00%

The University of Warwick contributed 19.85% of members' pensionable salaries to the Scheme throughout the year ended 31 July 2010. The University of Warwick currently expects contributions to continue at this rate throughout the year ending 31 July 2011. The University of Warwick Science Park Limited contributed 19.85% of members' pensionable salaries to the Scheme throughout the years ended 31 July 2010.

The Directors are reviewing the pension arrangements in respect of the Universities Superannuation Scheme and University of Warwick Pension Scheme to establish any additional financial costs associated with employee membership of those schemes. In view of the uncertainty, no financial provision has been made in these accounts in relation to these matters. It is not considered possible to accurately estimate any potential liability at this stage.

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

26. Retirement benefit scheme (continued)

FRS 17

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

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

** to develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on risk free investments (government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested (equities) and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of a 7.65% assumption for returns in the year ending 31 July 2010 (08/09 7.15%).

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

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 defined retirement benefits based on final pensionable salary. The assets of the scheme are held in a separate trustee administered fund. The main results and assumptions of the most recent valuation of the USS are as follows:

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

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

26 Retirement benefit scheme (continued)

This was the first valuation under for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

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

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

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

Since March 2008 global investment markets have continued to fluctuate and, at 31 March 2010, the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Over the 12 months to 31 March 2010 the funding level is estimated to have improved from 74% (as at 31 March 2009) to 91%. These estimates are based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption, which in turn impacts on the salary and pension increase assumptions).

On the FRS 17 basis, using an AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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

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

The trustee believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers.

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 FRS17 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.

27. Contingent liabilities

At 30 September 2010 the group had a contingent liability as a guarantor of a bank loan of £nil (2009 £nil) taken by the University of Warwick Science Park Innovation Limited, 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 2010.

28. Capital commitments

The company had no capital commitments at 30 September 2010.

29. 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 2010, any business relationship with any local authority, as defined under Section 69(3) of the Local Government and Housing Act 1989.

30. Related party transactions

The University of Warwick Science Park Foundation is a related party of the company. 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 £0 (2009 £37,000). The company received a grant from the Foundation of £nil (2009 £37,000). The company bears the governance and administration costs of the Foundation. The amount due from the Foundation as at 30 September 2010 was £Nil (2009 £nil).

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 2010, UWSP Concepts was a net debtor of £8,577 (2009 £130,148).

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 12).

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

30. Related party transactions - continued

University of Warwick Science Park Innovation Centre Limited (see note 12) and University of Warwick Science Park Business Innovation Centre Limited (see Note 12) each have management agreements with the company whereby the University of Warwick Science Park Limited manages their properties. During the year management charges totalling £53,003 (2009 £52,900) were received from the University of Warwick Science Park Innovation Centre Limited and £55,813 (2009 £55,420) from the University of Warwick Science Park Business Innovation Centre Limited.

The amount owed to the University of Warwick Science Park Innovation Centre Limited by the company at 30 September 2010 amounted to £45,441 (2009 £7,497). The amount owed to the University of Warwick Science Park Business Innovation Centre Limited by the company at 30 September 2010 amounted to £74,548 (2009 £5,996).

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. The articles of association of the company prescribe how these organisations appoint members to the board. Advantage West Midlands is a funder of the company.

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

	2010 £	2009 £
Advantage West Midlands	170,485	176,594
Coventry City Council	658,956	638,010
Coventry Venture Capital	100,672	102,678
University of Warwick	58,400	58,400
University of Warwick Innovation Centre Limited	294,961	364,147
University of Warwick Business Innovation Centre Limited	211,842	265,449
Warwickshire County Council	67,945	67,605

University of Warwick Science Park Limited

Notes to the financial statements

For the year ended 30 September 2010

30 Related party transactions - continued

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

	2010	2009
	£	£
Coventry City Council	191,297	183,113
Warwickshire County Council	15,065	12,288
Coventry Venture Capital	-	-
University of Warwick	191,087	236,016

In addition £58,201 (2009 £151,615) was payable to the University of Warwick in respect of the services of certain personnel used on projects run by the company

31. Segmental reporting

Turnover for the group derives from the following classes of business

	2010	2009 (Restated)
	£	£
Property and operating lease income	3,485,972	3,632,521
Business services	627,663	719,031
Project income	1,058,191	1,136,351
Other income (including agent management fees)	199,239	254,894
	<u>5,371,065</u>	<u>5,742,797</u>

All sales derive from the United Kingdom

The group does not produce information to analyse group profit before tax or net assets by segment or class of business

2009 turnover and cost of sales have been restated by a reduction of £1,106,232 to match current year accounting treatment by excluding double counted rental income and expenditure