

statement of accounts

for the year ended 31 July 2002

Index of Contents	Page
Treasurer's Report	2
Corporate Governance	4
Interim Statement of Internal Control	6
Responsibilities of the Council	8
Auditor's Report	9
Principal Accounting Policies	11
Consolidated Income and Expenditure Account	13
Statement of Consolidated Total Recognised Gains and Losses	13
Consolidated and University Balance Sheets	14
Consolidated Cash Flow Statement	15
Notes to the Accounts	16
Consolidated Five Year Results	37
Indicators of Financial Health	38

treasurer's report

The accounts this year contain one or two new features. We set out, for the first time, what the financial impact would be if the University's local pension scheme were to be consolidated into the accounts – about which more later – and we also include a table showing our results over the past five years (see page 37).

The latter shows that over the five year period total income has risen by about 28%, net assets by something over 25% and that our operating surplus, the size of which is important for underwriting the continued success of the University, has averaged 2.9% of turnover per annum. In the year under review we achieved a surplus of 2.79% which is rather higher than our original forecast.

That we achieved this figure was the result of continuing the two-pronged attack, to which I referred last year, on income generation and costs. What we used to call our Earned Income Group was, during the year, divided into its two constituent parts, now called the Academic Enterprise Group (AEG) and the Commercial and Related Activities Group (CRAG), not least to improve manageability. AEG had a particularly good year with both income and surplus handsomely exceeding budget. That was the result of good performances by Warwick Business School, the Higher Education Foundation Programme, the Centre for English Language Teacher Education and, happily, Warwick Manufacturing Group which, after a good deal of managerial effort, returned to something like its old form and comfortably exceeded budget. The going was fairly heavy for some of our commercial activities though Residences, Catering and Conferences (Warwick Hospitality) performed well. Overall, the CRAG surplus was within a whisker of budget and showed a healthy increase on the previous year. Once again the spread of our activities proved its worth.

One pleasing feature of the accounts is the significant drop, notwithstanding the increase in turnover, in trade debtors – down by over £2 million from last year – resulting from improved collection procedures.

What the five year table does not reveal is capital expenditure over the period which totals a remarkable £78.1 million (£57.7 million on land and buildings) of which the year under review accounted for £15.4 million (£8.9 million on land and buildings). This expenditure has been financed from a variety of sources – the Funding Council, charitable foundations, private donations, University surpluses and not least from additional bank borrowing the total of which now stands at about £27.7 million. This figure will shortly rise by about £24 million as we draw down the loan we have arranged largely to cover the cost of the new student and staff accommodation at Lakeside. That implies a total borrowing in the next two years of, say (allowing for some repayments), around £50 million but the figure will, in fact increase somewhat above that because we have recently agreed to purchase the National Grid headquarters building (9,150 sq metres net on an approx. 4 acre site) which is contiguous to, indeed, really part of, the University campus. It is of strategic significance to us but its acquisition will have to be funded by additional borrowing. Thus in due course our borrowings will have grown very substantially though not to a level which would put us outside the ratios we are required to observe by our lenders or those which HEFCE use. We shall, however, need to keep a fairly tight grip on the capital expenditure budget for a year or two.

Now a word about FRS 17 which is the accounting 'rule' which requires us to reveal the health or otherwise of our local pension scheme as a note to our accounts. We have set out the position in note 28 (page 31) from which you will see that the fund, not surprisingly in the current market, showed, at the last balance sheet date, a deficit of about £8.3 million since which time the position will almost certainly have worsened. Pension provision is by its nature a long term business and there can surely be little doubt that equity markets will recover in time but the immediate outlook is for increasing employer contributions. We are keeping the situation under close watch. In the meanwhile, the scheme actuary has given his opinion that the funding position is satisfactory. In any event, we are in the process of studying how best we might provide pensions to our employees in the years ahead so that they have a range of possibilities open to them to fit their differing individual circumstances.

treasurer's report

(continued)

The University of Warwick Pension Scheme (UWPS) to which the foregoing refers has about 1,200 active members. Many of the other 2,700 staff are members of the Universities Superannuation Scheme (USS) to which our contribution is three times the amount of that we pay to UWPS. We understand that the latest valuation of USS reveals an actuarial surplus. The FRS 17 position is not known and for the reasons set out in note 28 there will be no requirement for it to be shown in the accounts. If a funding issue arises in the future it will be nonetheless real.

Finally, a comment on the current debate about the way in which higher education should be funded in the future. At Warwick we have, for the past year or so, been considering the costs of providing a sustainable, quality education to our students and it has become clear to us that the current level of funding for domestic undergraduates is substantially inadequate for sustained excellence to be maintained. Fortunately the Government has recently come to the same conclusion. The White Paper, to be published in January 2003, proposing solutions to the dilemma of providing adequate funding of higher education, reducing regulation and maintaining access for all young people no matter what their socio-economic circumstances, is awaited with hope and expectation.

P Dodd, Treasurer

13 December 2002

corporate governance

The following statement is provided to enable readers of the Annual Report and Accounts of the University to obtain a better understanding of the governance and legal structure of the University.

1. The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England and Northern Ireland.
2. The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in March 1965. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, which was approved by the Privy Council in 2001/2002 in its current form.
3. The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:
 - The Council – is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. It has a majority of members from outside the University, (described as lay members), from whom its Chair and Treasurer must be drawn. Also included in its membership are representatives of the staff of the University and the student body. None of the lay members receive any payment, apart from the reimbursement of expenses, for the work that they undertake for the University.
 - The Senate – is the academic authority of the University and draws its membership entirely from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.
 - The Court – is a large, mainly formal body. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court normally meets once a year to receive the Annual Report and Accounts of the University. A majority of the members of the Court will be from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body.
4. The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
5. Although the Council meets at least four times each academic year, much of its detailed work is initially handled by committees, in particular the Finance and General Purposes Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee. The decisions of these Committees are formally reported to the Council.
6. These Committees are formally constituted as Committees of the Council with written terms of reference and specified membership, including a significant proportion of lay members (from whom the Chair will be selected).

corporate governance

(continued)

7. As chief executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice Chancellors and the senior administrative officers all contribute in various ways to this aspect of the work, but ultimate responsibility for what is done rests with the Vice-Chancellor.
8. The Registrar maintains a Register of Interests of members of the Council in which any pecuniary or non-pecuniary interests are expected to be registered if a member considers that a conflict of interest could arise or be perceived to arise. The Register of Interests may be consulted by arrangement with the Registrar. Similar arrangements apply to Directors of the University subsidiary companies and registers are operated by the Company Secretary for these companies.
9. The Statutes of the University specify that the Registrar should act as Secretary of the Council. Any enquiries about the constitution and governance of the University should be addressed to the Registrar.
10. The University acknowledges and endorses the principles of corporate governance, including adopting a risk based approach to internal controls. The University has undertaken a review of the major risks to which it is exposed so as to develop a risk strategy covering business, operational and compliance issues, in addition to finance systems, thereby improving internal controls, procedures and systems to mitigate risks. As a consequence of this review the University is in a position to operate enhanced internal control systems for the financial year 2002/2003. The Council expects to be able to make a full statement on risk strategy and the systems put in place to mitigate those risks in the financial statements for the year to 31 July 2003.

interim statement of internal control

The Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aim and objectives, while safeguarding the public and other funds and assets for which the Council is responsible, by virtue of the University's Charter and Statutes and the Financial Memorandum with the Higher Education Funding Council for England.

The main method the Council adopts to discharge their responsibility for internal control is to review the effectiveness of the system of internal control. The review is informed by the work of the internal auditors and the executive managers within the University who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of the effectiveness of controls.

The system of internal control is based on a process designed to identify the significant risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically.

The following actions have been undertaken to initiate the University's risk management strategy:

- The adoption of a risk management policy.
- Agreement as to where the principal management responsibility rests for risk management.
- Introductory training seminars for Chairs and Heads of Department in risk management, identifying the University's objectives and risks, and reviewing the internal controls for each of the significant risks.
- The requirement of Chairs and Heads of Departments to undertake a review of the key risks facing their departments and report the results of these reviews to senior management.
- The establishment of a risk management group to oversee the above processes, to summarise the results of the risk management exercises into a list of the most significant risks facing the University, to nominate risk holders for each of these significant risks and to report their findings to the Audit Committee.
- A review of the above arrangements and the list of identified significant risks by the Audit Committee in order to provide their opinion on the effectiveness of the risk management process.
- Approval by Council of the list of significant risks reported by the Audit Committee.

The Council's meeting calendar and agenda have been drawn up so as to enable termly reports from the Chair of Audit Committee to be received during 2002/2003, incorporating reports from those managers designated as risk holders for the most significant risks. The reports will include steps undertaken to manage risk and progress reports on key projects, thereby ensuring that there will be a full risk and control assessment before reporting on the year ending 31 July 2003. The main aim of the Council during 2002/2003 is to more fully embed the internal control and risk management processes that have been established and improve on the robustness of these processes.

interim statement of internal control

(continued)

These arrangements became effective from 1st August 2002. In addition to the above during 2002/2003 the University plans to:

- Arrange for reports from budget holders, departmental heads and project managers on risks in their areas as part of the annual planning round.
- Hold, as part of the planning round, a seminar at which senior managers can consider changes to the list of significant risks.

The University has an internal audit unit, which operates in accordance with the “Guideline on Internal Audit” published by the Auditing Practices Committee and which was last reviewed for effectiveness by the Higher Education Funding Council for England’s Audit Service in February 2002. The internal auditors submit regular reports to Council, which include the head of internal audit’s independent opinion on the adequacy and effectiveness of the system of internal financial control, together with recommendations for improvement. The revised Higher Education Funding Council for England’s Code of Audit Practice suggests a wider remit for internal audit to take account of the current developments in risk management. The Audit Committee is currently considering the University’s response to this issue.

responsibilities of the council

of the university of warwick

In accordance with the University's Charter of Incorporation, the Council is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the University. It therefore ensures that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council ensures that:

- the most appropriate accounting policies are selected and applied consistently.
- judgements and estimates are made that are reasonable and prudent.
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Teacher Training Agency are used only for the purpose for which they have been given in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council or the Agency may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University of Warwick and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and General Purposes Committee of Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

report of the independent auditors

to the council of the university of warwick

We have audited the financial statements on pages 13 to 37 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 11 to 12.

respective responsibilities of the University's Council and the auditors

The University's Council is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by Statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the funding agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We have also, at the request of the Council, reviewed whether the Interim Statement of Internal Control reflects the University's compliance with the relevant provisions of the Combined Code specified for our review in so far as they apply to the Higher Education Sector, and we report if it does not. We are not required to consider whether the statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Treasurer's Report (including the corporate governance statement), and consider the implications for our report if we become aware of any apparent misstatements within it.

basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

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

report of the independent auditors

to the council of the university of warwick (continued)

opinion

In our opinion:

- 1 the financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2002 and of the surplus of income over expenditure and cash flows of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- 2 in all material aspects, income from the Higher Education Funding Council for England and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- 3 in all material respects, income has been applied in accordance with the University's Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the funding agreement with the Teacher Training Agency.

KPMG LLP
13 December 2002
Chartered Accountants
Registered Auditor

statement of principal accounting policies

1 Accounting Convention

The financial statements have been prepared under the historical cost convention as amended by the revaluation of certain fixed asset investments and in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions and applicable Accounting Standards.

2 Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2002. The consolidated financial statements do not include those of the University of Warwick's Students' Union Services Ltd and other subsidiaries of the Union, as these are separate organisations in which the University has no control or significant influence over policy decisions.

3 Recognition of Income

Income from Specific Endowments and Donations, Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account on a receivable basis.

4 Pension Schemes

The University participates in the Universities Superannuation Scheme (USS), a pension scheme which provides benefits based on final pensionable salary for the academic and academic-related employees of all UK universities and some other employers. The assets of the Scheme are held in a separate trustee-administered fund. Other staff are offered membership of the University's own pension scheme. A small number of staff remain in other pension schemes. The University's own scheme is an exempt approved pension scheme for the benefit of its non-academic staff. The scheme provides retirement benefits (based on final pensionable salary) and lump sum and spouse's death-in-service benefits. The scheme is set-up under trust and the assets are held in a separate trustee-administered fund.

5 Foreign Currencies

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

6 Leases

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

statement of principal accounting policies

(continued)

7 Land and Buildings

Land and buildings are stated at cost. Buildings are depreciated over their expected useful lives of 50 years and laboratory and other major refurbishments over 20 years. Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings. The University has no inherited assets.

8 Equipment

Equipment, including micro-computers and software, costing less than £15,000 per individual item or group of related items and vehicles costing less than £5,000 are written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment other than computer networks and certain information technology equipment is stated at cost and depreciated over 5 years. Computer networks are depreciated over 10 years and certain items of information technology equipment are depreciated over 3 years. Any related grants are treated as grants received in advance and released to income over 5 years. Works of Art donated to or purchased by the University are not capitalised.

9 Investments

Endowment asset investments are included in the Balance Sheet at market value. Other investments are included at the lower of cost and net realisable value.

10 Stocks

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

11 Long-term Maintenance

In line with FRS 12, the University charges long term maintenance costs to the Income and Expenditure Account as they are incurred.

12 Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 506 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. The University receives no similar exemption in respect of Value Added Tax. The University's subsidiary companies are subject to corporation tax.

13 Deferred Capital Grants

In accordance with the latest SORP, deferred capital grants are generally seen as increasing the Institution's permanent funding base and accordingly the portion of grants received not yet released to the Income and Expenditure Account are included in the bottom half of the Balance Sheet as part of Total Funds.

consolidated income and expenditure account

for the year ended 31 July 2002

	Note	2001/02 £000	2000/01 £000
INCOME			
Funding Council Grants	1	50,591	46,513
Academic Fees and Support Grants	2	48,631	42,262
Research Grants and Contracts	3	28,057	26,316
Other Operating Income	4	63,059	58,130
Endowment Income and Interest Receivable	5	1,141	1,230
Total Income		191,479	174,451
EXPENDITURE			
Staff Costs	6	99,539	92,881
Depreciation	9	7,423	6,748
Other Operating Expenses	8	77,408	68,470
Interest Payable	7	1,908	2,410
Total Expenditure	8	186,278	170,509
SURPLUS AFTER DEPRECIATION OF ASSETS AT COST AND BEFORE TAX		5,201	3,942
Taxation		0	0
SURPLUS AFTER DEPRECIATION OF ASSETS AT COST AND TAX		5,201	3,942
Equity Minority Interests		135	0
SURPLUS FOR THE FINANCIAL YEAR		5,336	3,942

statement of consolidated total recognised gains and losses

for the year ended 31 July 2002

	Note	2001/02 £000	2000/01 £000
Surplus after Depreciation of Assets at Valuation and Tax		5,336	3,942
(Depreciation) / Appreciation of Endowment Asset Investments	18	(178)	(48)
Endowment Income Retained for Year	18	(197)	(151)
New Endowments	18	246	207
TOTAL RECOGNISED GAINS SINCE LAST ACCOUNTS		5,207	3,950

There are no differences between the consolidated income and expenditure account and the result on an historical cost basis. The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations. The consolidated surplus includes £3,452k (2001: £1,760k) that has been dealt with in the accounts of the University.

balance sheets

as at 31 July 2002

	Note	Consolidated		University	
		2002 £000	2001 £000	2002 £000	2001 £000
FIXED ASSETS					
Tangible Assets	9	136,209	128,270	121,719	108,092
Investments	10	260	406	538	531
		136,469	128,676	122,257	108,623
ENDOWMENT ASSET INVESTMENTS					
	11	2,691	2,981	0	0
CURRENT ASSETS					
Stocks		1,118	802	1,067	749
Debtors	12	25,507	27,982	39,198	36,999
Short Term Deposits		9,000	9,138	9,000	9,138
Cash at Bank and in Hand		12,403	9,789	9,194	6,728
		48,028	47,711	58,459	53,614
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	13	(36,028)	(34,689)	(39,728)	(31,400)
NET CURRENT ASSETS					
		12,000	13,022	18,731	22,214
TOTAL ASSETS LESS CURRENT LIABILITIES					
		151,160	144,679	140,988	130,837
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	14	(26,590)	(28,079)	(36,909)	(34,697)
PROVISIONS FOR LIABILITIES AND CHARGES					
	16	(838)	(797)	(838)	(797)
TOTAL NET ASSETS					
		123,732	115,803	103,241	95,343
DEFERRED CAPITAL GRANTS					
	17	34,562	31,561	29,395	24,949
ENDOWMENTS: Specific					
	18	2,691	2,981	0	0
RESERVES: Income and Expenditure Account					
	19	86,462	81,261	73,846	70,394
MINORITY INTEREST					
		17	0	0	0
TOTAL FUNDS					
		123,732	115,803	103,241	95,343

The financial statements on pages 13 to 37 were approved by the Council on 13 December 2002, and signed on its behalf by:

Professor V D VandeLinde, Vice-Chancellor

P Dodd, Treasurer

consolidated cash flow statement

for the year ended 31 July 2002

	Note	2001/02 £000	2000/01 £000
Net Cash Inflow from Operating Activities	23	14,590	13,879
Returns on Investments and Servicing of Finance	24	(892)	(1,522)
Taxation		0	0
Capital Expenditure and Financial Investment	25	(9,420)	(7,390)
Cash Inflow before Use of Liquid Resources and Financing		4,278	4,967
Management of Liquid Resources (net contributions to/withdrawals from short term investments)	26	138	(3,138)
Financing	27	(1,813)	(1,599)
INCREASE IN CASH		2,603	230

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

for the year ended 31 July 2002

	Note	2001/02 £000	2000/01 £000
Increase in Cash in the Period		2,603	230
(Decrease) / Increase in Short Term Deposits	26	(138)	3,138
New Loan	27	0	0
Repayment of Debt	27	1,813	1,599
Change in Net Funds / (Debt)		4,278	4,967
Net (Debt) at 1 August		(9,164)	(14,131)
Net (Debt) at 31 July	26	(4,886)	(9,164)

notes to the accounts

1. HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND & TEACHER TRAINING AGENCY GRANTS

	2001/02 £000	2000/01 £000
Recurrent Grants:		
Higher Education Funding Council for England:		
Teaching	25,593	23,296
Research	17,929	17,607
Teacher Training Agency	2,655	2,339
Specific Grants:		
Development of Teaching and Learning	248	450
Teaching and Learning Technology Programme	31	48
Learning and Teaching Strategy	203	0
Human Resources Supplement	900	0
Library Research Support	131	115
Collaboration and Restructuring	539	1,129
Foundation Degrees	100	41
Innovations Fund	137	0
Joint Information Systems Committee	125	56
Science Enterprise Challenge	156	0
Others	593	144
Deferred Capital Grants Released in Year:		
Buildings (Note 17)	584	528
Equipment (Note 17)	667	760
	50,591	46,513

2. ACADEMIC FEES AND SUPPORT GRANTS

	2001/02 £000	2000/01 £000
Full-time Students charged home fees	11,954	11,648
Full-time Students charged overseas fees	13,794	11,824
Part-time fees	813	822
Research Training Support Grants	204	268
Short Course Fees	21,460	17,431
Other Fees	406	269
	48,631	42,262

notes to the accounts

(continued)

3. RESEARCH GRANTS AND CONTRACTS	2001/02	2000/01
	£000	£000
Income		
Research Councils	11,459	10,285
Central Government, Local Authorities and Public Corporations	6,313	5,646
Industry and Commerce	3,029	3,656
Charitable Bodies	3,686	3,286
European Union	2,526	2,247
Overseas	777	656
Others	267	540
	28,057	26,316
Direct Expenditure		
Research Councils	9,143	8,175
Central Government, Local Authorities and Public Corporations	5,099	4,637
Industry and Commerce	2,156	2,473
Charitable Bodies	3,627	3,243
European Union	2,167	1,894
Overseas	664	527
Others	244	445
	23,100	21,394

Income from Research Grants and Contracts includes £1,193k in respect of Deferred Capital Grants released in the year (2001: £1,188k) - see also Note 17. Costs include spend within the University group of companies.

4. OTHER OPERATING INCOME	2001/02	2000/01
	£000	£000
Residences, Catering and Conferences	20,653	18,741
Other Services Rendered	7,414	6,956
Released from Deferred Capital Grants (Note 17)	395	516
Retail Operations	14,848	13,173
Post -Experience Centres	11,593	10,571
Other Income	8,156	8,173
	63,059	58,130
5. ENDOWMENT INCOME AND INTEREST RECEIVABLE		
	2001/02	2000/01
	£000	£000
Chairs and Lectureships	66	109
Fellowships, Scholarships and Prizes	34	117
General	127	204
Income from Short Term Investments	914	800
	1,141	1,230

notes to the accounts

(continued)

6. STAFF	2001/02 £000	2000/01 £000
Staff Costs		
Wages and Salaries	84,047	78,250
Social Security Costs	6,315	6,055
Other Pension Costs	9,177	8,576
	99,539	92,881
	Full Year £	To 30th April 2001 £
Emoluments of the Vice-Chancellor (excluding pension contributions but including benefits-in-kind)	165,874	99,097
Pension contributions in respect of the Vice-Chancellor (In 2001/02 pension contributions were made to private pension schemes)	33,600	13,540
	199,474	112,637
	Full Year £	From 1st May 2001 £
Emoluments of the Acting Vice-Chancellor (excluding the University's pension contributions to USS but including benefits-in-kind).	0	24,935
The University's pension contributions in respect of the Acting Vice-Chancellor	0	2,730
	0	27,665

notes to the accounts

(continued)

6. STAFF - continued

Emoluments of other Higher Paid Staff (excluding the employer's pension contributions but including benefits-in-kind) and payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment:

	2001/02	2000/01
£150,000 - £159,999	1	1
£140,000 - £149,999	0	0
£130,000 - £139,999	1	1
£120,000 - £129,999	1	0
£110,000 - £119,999	1	0
£100,000 - £109,999	3	1
£90,000 - £99,999	3	4
£80,000 - £89,999	9	6
£70,000 - £79,999	13	17
£60,000 - £69,999	48	36
£50,000 - £59,999	110	93

One member of higher paid staff received compensation for loss of office of £58,934.

7. INTEREST PAYABLE

	2001/02	2000/01
	£000	£000
Loans not wholly repayable within five years	1,870	2,336
Finance Leases	38	74
	1,908	2,410

notes to the accounts

(continued)

8. ANALYSIS OF 2001/02 EXPENDITURE BY ACTIVITY

	Total £000	Other Staff Costs £000	Depreciation £000	Operating Expenses £000	Interest Payable £000
Academic Departments	68,903	49,116	1,332	18,455	0
Research Grants and Contracts	22,897	13,833	1,193	7,871	0
Total Teaching and Research	91,800	62,949	2,525	26,326	0
Academic Services	14,277	6,050	1,037	7,190	0
Central Administration and Services	10,296	5,992	138	4,166	0
General Educational Expenditure	2,441	648	0	1,793	0
Staff and Student Facilities	2,439	1,258	0	1,181	0
Premises	15,542	5,712	2,155	7,675	0
Residences, Catering and Conferences	20,065	7,096	1,034	10,208	1,727
Other Services Rendered	6,129	2,813	0	3,316	0
Retail Operations	14,183	3,996	70	9,974	143
Post -Experience Centres	8,344	2,836	464	5,006	38
Other Expenses	762	189	0	573	0
Total per Income and Expenditure Account	186,278	99,539	7,423	77,408	1,908

The depreciation charge has been funded by:

	2001/02 £000
Deferred Capital Grants Released (Note 17)	2,839
General Income	4,584
	<u>7,423</u>

Other operating expenses include:

	2001/02 £000	2000/01 £000
Auditors' Remuneration	42	45
An amount of £26k relates to the Auditors remuneration for the University in 2001/2002		
Auditors' Remuneration in respect of Non-Audit Services	47	16
Grants to University of Warwick Students' Union	907	867

notes to the accounts

(continued)

9. TANGIBLE FIXED ASSETS

Consolidated		Freehold Land and Buildings £000	Equipment £000	Leased Equipment £000
	Total £000			
Cost				
At 1 August 2001	179,934	153,281	22,944	3,709
Additions at cost	15,414	8,945	6,469	0
Disposals at cost	(372)	(321)	(49)	(2)
At 31 July 2002	<u>194,976</u>	<u>161,905</u>	<u>29,364</u>	<u>3,707</u>
Depreciation				
At 1 August 2001	51,664	31,814	16,141	3,709
Charge for the year	7,423	3,580	3,843	0
Eliminated on Disposals	(320)	(279)	(39)	(2)
At 31 July 2002	<u>58,767</u>	<u>35,115</u>	<u>19,945</u>	<u>3,707</u>
Net Book Value at 31 July 2002	<u>136,209</u>	<u>126,790</u>	<u>9,419</u>	<u>0</u>
Net Book Value at 31 July 2001	<u>128,270</u>	<u>121,467</u>	<u>6,803</u>	<u>0</u>

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

The Company is responsible for lease payments totalling £13.88m (2001: £15.27m) over the remaining term of the lease, which expires in 2011. The University has entered into a contract with Barclays Mercantile to guarantee these payments for the remainder of the lease term.

At the termination of the lease, title to the building will pass to the University. At that time, the net book value of the building is projected to be £4.34m (as at last year).

notes to the accounts

(continued)

9. TANGIBLE FIXED ASSETS - continued

The consolidated expenditure on new buildings in the year ended 31 July 2002 was :-

	£000
International Manufacturing Centre Phase 3	3,194
Warwick Business School Phase 2	2,086
Medical Research Institute Building	1,270
Medical School	567
Combined Heat and Power and Energy Savings Scheme	534
Westwood Laundry	347
Biotechnology Building	396
Refurbishment of Centre for English Language Teaching	198
Lakeside Phase 2	194
Sports Centre Extension	107
Other	52
	8,945

University

	Total £000	Freehold Land and Buildings £000	Equipment £000
Cost			
At 1 August 2001	152,339	131,416	20,923
Additions at Cost (including acquisitions from the Foundation)	20,577	15,416	5,161
Disposals at Cost	(368)	(328)	(40)
At 31 July 2002	172,548	146,504	26,044
Depreciation			
At 1 August 2001	44,247	29,416	14,831
Charge for the Year	6,810	3,338	3,472
Eliminated on Disposals	(228)	(197)	(31)
At 31 July 2002	50,829	32,557	18,272
Net Book Value at 31 July 2002	121,719	113,947	7,772
Net Book Value at 31 July 2001	108,092	102,000	6,092

notes to the accounts

(continued)

10. INVESTMENTS

	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
Group Undertakings	0	0	278	278
Other Equity Investments	352	406	352	253
	352	406	630	531
Provision for Diminution in Value	(92)	0	(92)	0
	260	406	538	531

Other Equity investments includes:

[CVCP Properties Limited](#) 50766 ordinary shares of £1.00 each

[Enact-Pharma Limited](#) 53950 ordinary shares of 10p each

The University also holds investments in:

[The Mercia Fund](#)

This is a limited partnership between the Universities of Birmingham and Warwick and the General Partner, Mercia Fund Management Limited. The investment comprises of a capital contribution of £100 and a grant of £199,900.

[Warwick Control Technologies Limited](#)

16200 Class 'A' ordinary shares being 34.50% of issued Class 'A' ordinary shares - 41600 Class 'B' ordinary shares have also been issued.

[Herfurth LaserTechnology Limited](#)

62500 Class 'A' ordinary shares being 35.71% of issued Class 'A' ordinary shares.

[Streamline Computing Limited](#)

10550 ordinary shares being 28.48% of issued ordinary shares - 12,000 Class 'A' ordinary shares have also been issued.

[Neurosolutions Limited](#)

225 ordinary shares being 25.00% of issued ordinary shares.

[Septegen Limited](#)

300 ordinary shares being 23.08% of issued ordinary shares.

[Warwick Learning Limited \(dormant\)](#)

200 ordinary shares being 100.00% of issued ordinary shares

[Warwick Moulding Technology Limited](#)

18000 ordinary shares being 22.50% of issued ordinary shares

[Warwick Effect Polymers Limited](#)

1000 ordinary shares and 59360 redeemable preference shares being 22.22% of issued ordinary shares and 100.00% of redeemable preference shares.

[Dig-e-Print Limited](#)

25000 ordinary shares being 13.39% of issued ordinary shares - 86668 Class 'A' ordinary shares have also been issued.

notes to the accounts

(continued)

10. INVESTMENTS - continued

Shibden Technologies Limited

3000 ordinary shares being 11.12% of issued ordinary shares.

All the companies listed above are incorporated in Great Britain and registered in England. In consideration for the allotment of these shares the University granted exclusive rights to these companies to use licensed technologies. The monetary value of this consideration and the results of these companies have not been consolidated into the accounts on the basis of materiality. This will be reviewed on an annual basis.

11. ENDOWMENT ASSET INVESTMENTS

	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
Balance at 1 August 2001	2,981	3,254	0	0
Additions	64	150	0	0
Disposals	(165)	(158)	0	0
(Depreciation) / Appreciation on Disposals / Revaluation	(178)	(48)	0	0
Increase in Short Term Assets	150	64	0	0
Transfer of Funds	(161)	(281)	0	0
Balance at 31 July 2002	2,691	2,981	0	0
Composed of :-				
Fixed Interest Stocks	310	298	0	0
Equities	1,007	1,298	0	0
Short Term Assets	1,374	1,385	0	0
Total Endowment Asset Investments	2,691	2,981	0	0
Fixed Interest and Equities at Cost	1,351	1,468	0	0

12. DEBTORS

	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
Amounts falling due within one year:				
Trade Debtors	11,367	13,507	9,794	11,798
VAT and Other Taxes	2,157	1,417	872	171
Amounts owed by group undertakings	0	0	10,456	5,252
Prepayments and accrued income	10,467	11,427	10,264	11,284
Short Term Loans	125	107	125	107
Amounts falling due after one year:				
Debtors and prepayments	1,391	1,524	1,391	1,524
Amounts owed by group undertakings	0	0	6,296	6,863
	25,507	27,982	39,198	36,999

notes to the accounts

(continued)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
Mortgages and Unsecured Loans	1,505	1,534	1,399	1,400
Obligations Under Finance Leases (Note 21)	0	386	0	0
Payments Received in Advance	17,991	16,737	17,893	16,722
Trade Creditors	6,925	7,098	6,132	5,970
Social Security and Other Taxation Payable	2,805	2,914	2,482	2,619
Accruals and Deferred Income	4,706	4,244	3,029	2,792
Amounts owed to group undertakings	0	0	8,793	1,897
Other Creditors	2,096	1,776	0	0
	36,028	34,689	39,728	31,400

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

	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
Mortgages secured on residential and other property	24,118	25,365	24,118	25,365
Unsecured loans	2,040	2,191	2,040	2,191
Other Creditors	432	523	0	0
Amounts owed to group undertakings	0	0	10,751	7,141
	26,590	28,079	36,909	34,697

notes to the accounts

(continued)

15. FINANCIAL INSTRUMENTS AND BORROWINGS

The University's borrowings are in respect of certain student and staff residences. The University takes professional advice on the hedging of interest rates on its borrowings, with a view to reducing the risk of unexpected increases in finance costs. It therefore makes decisions to fix or hedge through the use of interest rate swaps, or caps the rates on certain borrowings from time to time.

At 31 July 2002 the consolidated borrowings are analysed as follows:

(a) Borrowings analysed by maturity date

	Totally Repayable			
	Total	Between one and two years	Between two and five years	After five years
	£000	£000	£000	£000
Amounts falling due within one year (note 13):				
Mortgages and Unsecured Loans	1,505	0	0	1,505
Amounts falling due after more than one year (note 14):				
Mortgages secured on residential and other property	24,118	0	0	24,118
Unsecured Loans	2,040	0	0	2,040
Obligations under Finance Leases	0	0	0	0
Total borrowing	27,663	0	0	27,663

This note shows the expected dates of final capital repayments.

(b) Borrowings analysed by interest rate after taking account of various financial instruments

	Total	Capped and Floating	Fixed Borrowings		
			Principal	Weighted Average Interest	Weighted Average Period Years
	£000	£000	£000		
Secured Loans	25,472	8,436	17,036	7.20%	7.33
Unsecured Loans	2,191	2,191	0	0.00%	0.00
	27,663	10,627	17,036	7.00%	6.75

Secured loans are secured on the residential property to which the borrowing relates. Capped and floating rate borrowings bear interest based on LIBOR.

notes to the accounts

(continued)

16. PROVISIONS FOR LIABILITIES AND CHARGES

	University and Consolidated £000
At 1 August 2001	797
Utilised in Year	(592)
Transferred from Income & Expenditure Account	633
	<hr/>
At 31 July 2002	838
	<hr/> <hr/>

17. DEFERRED CAPITAL GRANTS

	Consolidated			University		
	Total	Funding Council	Other Grants & Benefactions	Total	Funding Council	Other Grants & Benefactions
	£000	£000	£000	£000	£000	£000
At 1 August 2001:						
Buildings	28,666	15,196	13,470	22,054	11,878	10,176
Equipment	2,895	923	1,972	2,895	923	1,972
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	31,561	16,119	15,442	24,949	12,801	12,148
Cash Received:						
Buildings	4,067	2,567	1,500	5,492	5,953	(461)
Equipment	1,773	328	1,445	1,772	328	1,444
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	5,840	2,895	2,945	7,264	6,281	983
Released to Income & Expenditure:						
Buildings (Notes 1, 3 & 4)	979	584	395	958	652	306
Equipment (Notes 1, 3 & 4)	1,860	667	1,193	1,860	667	1,193
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total (Note 8)	2,839	1,251	1,588	2,818	1,319	1,499
At 31 July 2002:						
Buildings	31,754	17,179	14,575	26,588	17,179	9,409
Equipment	2,808	584	2,224	2,807	584	2,223
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	34,562	17,763	16,799	29,395	17,763	11,632
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year 2001/2002 the deferred capital grant relating to the Medical Research Institute was transferred from the University within the group of companies. The initial grant instalment was received by the University in 2000/2001 and therefore the total transfer value exceeds the cash received in lieu of other buildings in the year 2001/2002.

notes to the accounts

(continued)

18. ENDOWMENTS

	Consolidated
	£000
At 1 August 2001	2,981
Additions	246
Depreciation of Endowment Asset Investments	(178)
Income for Year	102
Transferred to Income & Expenditure Account	(299)
Transfer of Funds	(161)
	<hr/>
At 31 July 2002	2,691
	<hr/> <hr/>

19. RESERVES

	Income and Expenditure Consolidated	University
	£000	£000
Balance at 1 August 2001	81,261	70,394
Surplus after Depreciation of Assets at Cost and Tax	5,336	3,452
Attributable to Minority Interest	(135)	0
	<hr/>	<hr/>
Balance at 31 July 2002	86,462	73,846
	<hr/> <hr/>	<hr/> <hr/>

20. INCOME AND EXPENDITURE ACCOUNT RESERVES

	2002	2001
	£000	£000
Committed Reserves:		
Academic Departmental Funds	10,489	8,273
Other Departmental Funds	3,470	1,230
Long Term Maintenance Provision	1,900	2,258
Residential Renewals Fund	1,739	2,310
Other Renewals Funds	1,112	797
Research and Teaching Development Funds	448	468
Other Committed and Earmarked Reserves	1,246	1,337
	<hr/>	<hr/>
	20,404	16,673
Other Reserves	66,058	64,588
	<hr/>	<hr/>
	86,462	81,261
	<hr/> <hr/>	<hr/> <hr/>

notes to the accounts

(continued)

21. LEASE OBLIGATIONS

	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
Obligations under finance leases fall due as follows:				
Between one and five years	0	0	0	0
Over five years	0	0	0	0
Total over one year (Note 14)	0	0	0	0
Within one year (Note 13)	0	386	0	0
	0	386	0	0
Operating lease commitments in respect of buildings for the 2002 financial year, on leases expiring:				
Within one year	0	0	0	0
Between one and five years	23	14	0	0
Over five years	1,223	879	0	0
	1,246	893	0	0

22. CAPITAL COMMITMENTS

	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
Commitments contracted at 31 July	7,669	13,225	7,669	7,223
Authorised but not contracted at 31 July	40,087	40,327	25,775	40,327
	47,756	53,552	33,444	47,550

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

	2001/02 £000	2000/01 £000
Surplus before tax	5,201	3,942
Depreciation (Note 9)	7,423	6,748
Loss on Disposal of Tangible Fixed Assets	(52)	0
Deferred Capital Grants Released to Income (Note 17)	(2,839)	(2,992)
Short Term Investment Income (Note 5)	(914)	(800)
Interest Payable	1,908	2,410
(Increase) / Decrease in Stocks	(316)	176
Decrease / (Increase) in Debtors	2,475	(3,216)
Increase in Creditors	1,663	7,037
Increase in Provisions	41	574
	14,590	13,879

notes to the accounts

(continued)

24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2001/02	2000/01
	£000	£000
Income from Endowments (Note 18)	102	88
Income from Short Term Investments (Note 5)	914	800
Interest Paid	(1,908)	(2,410)
	<u>(892)</u>	<u>(1,522)</u>

25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2001/02	2000/01
	£000	£000
Tangible Assets Acquired (Note 9)	(15,414)	(17,910)
Disposal of Tangible Assets (Note 9)	52	0
Investments Acquired (Note 10)	54	(155)
Endowment Asset Investments Acquired (Note 11)	(64)	(150)
Total Fixed and Endowment Asset Investments Acquired	<u>(15,372)</u>	<u>(18,215)</u>
Receipts from Sales of Endowment Assets (Note 11)	165	158
Deferred Capital Grants Received (Note 17)	5,840	10,699
Endowments Received (Note 18)	246	207
Endowments transferred to Income and Expenditure Account (Note 18)	(299)	(239)
	<u>(9,420)</u>	<u>(7,390)</u>

26. ANALYSIS OF CHANGES IN NET FUNDS / (DEBT)	At		Cash	At
	1 August 2001	Transfers	Flows	31 July 2002
	£000	£000	£000	£000
Cash at Bank and in Hand	9,789	0	2,614	12,403
Short-Term Deposits	9,138	0	(138)	9,000
Endowment Assets	1,385	(161)	150	1,374
Debt due within one year	(1,920)	0	415	(1,505)
Debt due after one year	(27,556)	0	1,398	(26,158)
Net Debt	<u>(9,164)</u>	<u>(161)</u>	<u>4,439</u>	<u>(4,886)</u>

notes to the accounts

(continued)

27. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING

	Total	Finance	Mortgages
	£000	Leases	& Loans
		£000	£000
Balances at 1 August 2000	31,075	705	30,370
New Leases / Loans	0	0	0
Capital Repayments	(1,599)	(319)	(1,280)
Net Amount Acquired in Year	(1,599)	(319)	(1,280)
Balances at 31 July 2001	29,476	386	29,090
New Leases / Loans	0	0	0
Capital Repayments	(1,813)	(386)	(1,427)
Net Amount Acquired in Year	(1,813)	(386)	(1,427)
Balances at 31 July 2002	27,663	0	27,663

28. PENSION SCHEMES

Universities Superannuation Scheme (USS)

The University participates in the USS, which is a funded defined benefit pension scheme where contributions are held in trust separately from the University. The main results and assumptions of the most recent valuation of the USS are as follows:

	USS
Latest actuarial valuation date	31 March 1999
Valuation method	Projected Unit
Value of notional assets	£18,870m
Funding level from accrued benefits	108.0%
Investment return per annum	5.50%
Salary scale increases per annum	3.50%
Pension increases per annum	2.50%

The contributions payable by the University during the accounting period were equal to 14% of total pensionable salaries. The pensions charge recorded by the University during the accounting period was equal to the contributions payable, taking into account benefit improvements subsequent to the valuation and the spreading of surplus over future service lives of employees.

notes to the accounts

(continued)

28. PENSION SCHEMES - continued

FRS 17

The USS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University will therefore account for its pension costs on the defined contribution basis as permitted by FRS17.

University of Warwick Pension Scheme (UWPS)

The University operates its own scheme which is a funded defined benefit pension scheme where contributions are held in trust separately from the University. A full actuarial valuation was carried out at 5 April 2001 and updated to 31 July 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	2002	2001
Rate of increase in salaries	4.50%	4.25%
Rate of increase of pensions in payment	*2.50%	2.25%
* some pensions have guaranteed 3% increases		
Rate of increase in deferred pensions	2.50%	2.25%
Discount rate	6.00%	6.00%
Rate of inflation	2.50%	2.25%

If the Pension Scheme had been recognised in these financial statements the following assets and liabilities would have appeared in the Balance Sheet:

	2002	2001
	£000	£000
Value of assets		
- Equities	33,656	38,873
- Bonds and cash	12,212	12,927
Total market value of assets	45,868	51,800
Value of liabilities	(54,195)	(48,200)
(Deficit) / Surplus in scheme	(8,327)	3,600
Related deferred tax liability	0	0
Net pension (deficit) / surplus	(8,327)	3,600

Had the following been recognised in the financial statements, the University's net assets and revenue reserves would have been as follows:

	2002	2001
	£000	£000
Net assets excluding pension asset / liability	123,732	115,803
Pension (liability) / asset	(8,327)	3,600
	115,405	119,403

notes to the accounts

(continued)

28. PENSION SCHEMES - continued

	2002	2001
	£000	£000
Income and expenditure reserve excluding pension asset / liability	86,462	81,261
Pension reserve	(8,327)	3,600
	<hr/>	<hr/>
Income and expenditure reserve	78,135	84,861
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the amount charged to the Income and Expenditure Account	2002	
	£000	
Service cost	2,140	
Past service cost	0	
	<hr/>	
Total operating charge	2,140	
	<hr/> <hr/>	
Analysis of net return on pension scheme	2002	
	£000	
Expected return on pension scheme assets	3,948	
Interest on pension liabilities	(2,993)	
	<hr/>	
Net return	955	
	<hr/> <hr/>	
Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses	2002	
	£000	
Actual return less expected return on assets	(12,775)	
Experience gains and losses on liabilities	(57)	
Changes in assumptions	0	
	<hr/>	
Actuarial (loss)	(12,832)	
Adjustment due to surplus cap	0	
	<hr/>	
Net (loss) recognised	(12,832)	
	<hr/> <hr/>	
Movement in surplus / (liability) during the year	2002	
	£000	
Surplus in scheme at 1 August 2001	3,600	
Movement in year:		
Current service cost	(2,140)	
Contributions	2,090	
Past service costs	0	
Net return on assets	955	
Actuarial (loss) / gain	(12,832)	
	<hr/>	
(Deficit) in scheme at 31 July 2002	(8,327)	
	<hr/> <hr/>	

notes to the accounts

(continued)

28. PENSION SCHEMES - continued

History of experience of gains and losses	2002
	£000
Actual return less expected return on scheme assets	(12,775)
% of scheme assets:	(27.9%)
Experience gains and losses on liabilities	(57)
% of scheme assets:	0.1%
Total amount recognised in statement of total recognised gains and losses	(12,832)
% of scheme assets:	23.7%

The University's contribution to the various schemes in the years 2000/01 and 2001/02 were:

	2001/02	2000/01
	£000	£000
Universities Superannuation Scheme (USS)	6,973	6,530
University of Warwick Pension Scheme (UWPS)	2,172	2,024
Local Government Superannuation Scheme (LGSS)	13	16
National Health Service Pensions Agency (NHSPA)	15	0
Others	4	6
	9,177	8,576

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

29. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES

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

	No. of £1 Ordinary Shares
Warwick University Training Limited	4
Warwick University Services Limited	125,000
Warwick Retail Services Limited	1
Graduate Residences of Warwick Limited (Dormant)	3
Warwick Conferences Limited (Dormant)	2
The University of Warwick Press Limited (Dormant)	2

notes to the accounts

(continued)

29. SUBSIDIARY COMPANIES AND ASSOCIATED BODIES - continued

The University also holds 9831 shares of £1 each (representing 35% of the total shares issued) in the University of Warwick Science Park Limited. This University investment and the results of this company have not been consolidated into the accounts of the University on the basis of materiality. This will be reviewed on an annual basis. The University also holds a 1% debenture loan of £820,710 in the company. This investment is considered to be a contingent asset and is therefore included in the accounts at nil value. This will be reviewed on an annual basis.

In addition, the consolidated accounts include the accounts of The University of Warwick Foundation, an exempt Charity, and its wholly owned subsidiary UW Construction Limited.

At 31 July 2002 the University held 51.0% of voting shares and 50.5% of non-voting shares in AdsFab Limited, being 153,000 £1 ordinary 'C' shares (non-voting) and 51 £1 ordinary 'A' shares (voting). AdsFab Limited was incorporated on 14 March 2001 and the consolidated accounts include the first 14 months of trade for the period ending 31 July 2002.

30. RELATED PARTIES

The University's Chair of Council, Mr John Leighfield, is a director and shareholder of RM plc, a company supplying software, services and systems to the UK education sector. He holds 148000 class 'A' ordinary shares being 0.12% of shares issued.

The Southern Universities Purchasing Consortium tendered for and entered into a 3 year supply contract with RM plc on 1 April 2001. The contract has an option to extend for a further 12 months and is due for re-tender during 2004.

In the financial year 2001/2002 the University spent £755,733 on goods and services supplied by RM plc.

Mr Brian Woods-Scawen, a senior partner in PricewaterhouseCoopers, is a member of Council and of the Audit Committee. During the year the University, under longstanding arrangements, paid £144k for VAT advice from PricewaterhouseCoopers. Mr Woods-Scawen was not personally involved in the advice to the University.

31. CONTINGENT LIABILITY

The University has entered into four funding schemes which have subsequently been challenged by Customs and Excise. The consolidated accounts include debtors of £1,028,444 which have not yet been reimbursed by Customs and Excise as a result of this challenge. There are also amounts of £777,448 which have already been reclaimed which are subject to this challenge but £367,500 which has been paid over to Customs and Excise will be repayable in the event of a successful challenge. The University has taken advice and is confident that all the above amounts are recoverable. However, if the challenge should prove to be successful and other recovery methods are unsuccessful then these amounts will be capitalised.

notes to the accounts

(continued)

32. ACCESS FUNDS

	2001/02	2000/01
	£000	restated £000
Opening fund balance	29	32
Funding Council grants received in year	537	503
Interest Earned	7	8
	<hr/>	<hr/>
	573	543
Disbursed to Students	(561)	(514)
Audit Fees	0	0
	<hr/>	<hr/>
Balance Unspent at 31 July	12	29
	<hr/> <hr/>	<hr/> <hr/>

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

33. TEACHER TRAINING AGENCY (TTA) STUDENT BURSARIES

	2001/02	2000/01
	£000	£000
Opening fund balance	37	0
Net Teacher Training Agency grants received in year	1,989	1,574
	<hr/>	<hr/>
	2,026	1,574
Disbursed to students	(1,856)	(1,507)
Administration fee	(37)	(30)
	<hr/>	<hr/>
Balance Unspent at 31 July owing to the Teacher Training Agency	133	37
	<hr/> <hr/>	<hr/> <hr/>

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

notes to the accounts

(continued)

34. CONSOLIDATED FIVE YEAR RESULTS

	2001/02	2000/01	1999/00	1998/99 restated	1997/98
	£000	£000	£000	£000	£000
Income					
Funding Council Grants	50,591	46,513	44,568	44,218	42,641
Academic Fees & Support Grants	48,631	42,262	39,442	37,422	32,880
Research Grants & Contracts	28,057	26,316	25,090	25,177	22,807
Other Operating Income	63,059	58,130	54,494	52,732	47,813
Endowment Income & Interest Receivable	1,141	1,230	1,701	1,704	3,104
Total Income	191,479	174,451	165,295	161,253	149,245
Expenditure					
Staff Costs	99,539	92,881	87,214	80,323	74,441
Depreciation	7,423	6,748	6,538	6,233	5,319
Other Operating Expenses	77,408	68,470	64,620	67,902	62,364
Interest Payable	1,908	2,410	2,244	1,962	1,530
Total Expenditure	186,278	170,509	160,616	156,420	143,654
Equity Minority Interest	135	0	0	0	0
Operating Surplus	5,336	3,942	4,679	4,833	5,591
Assets					
Fixed Assets	136,469	128,676	117,359	113,956	103,098
Endowment Asset Investments	2,691	2,981	3,254	2,899	2,002
Current Assets	48,028	47,711	42,510	38,565	37,522
Liabilities					
Current Liabilities	36,028	34,689	28,535	27,530	24,162
Long Term Liabilities	26,590	28,079	29,938	25,695	19,585
Provisions	838	797	223	366	306
Net Assets	123,732	115,803	104,427	101,829	98,569

indicators of financial health

	2001/02	2000/01	1999/00	1998/99	1997/98
INDICATORS RELATING TO SOURCES OF INCOME					
(a) % Ratio of Total HEFC & TTA Grants to Total Income	26.42%	26.66%	26.96%	27.42%	28.57%
(b) % Ratio of Total Full-time Home & EC Fees to Total Income	6.24%	6.68%	6.74%	6.54%	6.92%
(c) % Ratio of Total Overseas Student Fees to Total Income	7.20%	6.78%	6.23%	6.26%	5.83%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	14.65%	15.09%	15.18%	15.61%	15.28%
(e) % Ratio of Total Other Services Rendered Income to Total Income	3.87%	3.99%	6.46%	5.58%	5.62%
(f) % Ratio of Total Residences and Catering Income to Total Income	10.79%	10.74%	10.87%	10.02%	10.22%
(g) % Ratio of Total all Other Income to Total Income	30.82%	30.07%	27.56%	28.57%	27.56%
(h) % Ratio of Surplus/(Deficit) to Total Income	2.79%	2.26%	2.83%	3.00%	3.75%
INDICATORS RELATING TO FINANCIAL STRENGTH					
(i) Days Ratio of General Funds to Total Expenditure	169.42	173.95	175.71	169.49	173.84
(j) % Ratio of Long Term Liabilities to Total General Funds	31.72%	35.53%	39.01%	35.88%	30.23%
INDICATORS RELATING TO SHORT TERM LIQUIDITY AND SOLVENCY					
(k) Ratio of Liquid Assets to Current Liabilities	0.59	0.55	0.59	0.58	0.61
(l) Days Ratio of Net Liquid Assets to Total Expenditure	41.94	40.52	34.86	32.40	34.64
(m) Ratio of Current Assets to Current Liabilities	1.33	1.38	1.49	1.41	1.55
(n) Days Ratio of Increase/(Decrease) in Cash & Liquid Resources to Total Expenditure	4.85	4.63	3.62	0.63	11.05
(o) Days of Total Income represented by Debtors	48.62	58.55	54.69	51.51	54.32
(p) Days of Total Expenditure represented by Creditors	70.59	74.26	64.85	64.24	61.39

