

UNIVERSITY OF WARWICK

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED
31 JULY 1995

INDEX OF CONTENTS

	Page
Treasurer's Report	2
Corporate Governance	3
Responsibilities of the Council	4
Auditors' Report	5
Accounting Policies	6 - 7
Consolidated Income and Expenditure Account	8
Consolidated and University Balance Sheets	9
Consolidated Cash Flow Statement	10
Statement of Consolidated Total Recognised Gains and Losses	11
Notes to the Accounts	12 - 22
Indicators of Financial Health	23

TREASURER'S REPORT

The accounts are based on the new Statement of Recommended Practice for Accounting in Universities, and the figures for the year ended 31 July 1994 have been restated for comparative purposes. The figures for the University of Warwick Foundation have been incorporated in full, and a Statement on Corporate Governance has been included for the first time.

The new SORP is designed to bring university accounting more into line with commercial practice. The principal effect is to remove capital expenditure financed from revenue from the Income and Expenditure account, together with the substantial transfers to/from Reserves previously shown. There is, however, a significantly higher depreciation charge. In the Balance Sheet there is an apparently large reduction in net assets, which now excludes the value of external funds received for the purchase of land, buildings and equipment. The written down value of these external funds is shown as a liability under Deferred Capital Grants.

The surplus on the Consolidated Income and Expenditure Account in 1994/95 was £5.3m., compared with a restated £8.7m. the previous year. The lower figure, which was forecast, reflects both a number of non-recurring items that benefited the 1993/94 year and the increasingly tight financial regime within which universities are operating. This applies especially in teacher training where the University continues to bear large costs arising from early retirements of staff as student numbers and funding per student fall.

The result was not unsatisfactory, but must be seen in the context of the University's capital expenditure programme. Within the year's total of £8.2m of new buildings the £2.26m spent on residences is planned to be financed by borrowing, but in accordance with University policy the non-self-financing projects were funded either by grants and donations or from our own resources. The principal items so financed were: the International Manufacturing Centre, £2.5m; a third multi-storey car-park, £1.2m.; sports fields and changing-rooms, £0.5m.; the Arts Centre foyer redevelopment, £0.6m.; and the purchase of some 223 acres (90 hectares) of adjacent farmland, £0.5m. The University's forward capital programme involves expenditure at about the same level for each of the next three years.

Whilst the University has relatively very small Endowment funds its cash balances have grown significantly in recent years. As a result of a major study on treasury management carried out for us by KMPG, much more detailed cash flow forecasting is being introduced, together with some changes in investment policy.

The Chancellor's November, 1995, Budget Statement contained further bad news for the university sector. In addition to previous funding reductions, there is to be a significant increase in the "efficiency factor", whereby funding per student is reduced each year. In 1996/97 there will be major cuts in equipment and other, already small, capital funding. Warwick is fortunate in having more externally earned income than many universities, but this cannot indefinitely compensate for an ever-increasing squeeze on student funding. If quality is not to be compromised a new approach to raising extra recurrent finance will soon have to be considered nationally.

J D M HEARTH, CBE., MA.

TREASURER

CORPORATE GOVERNANCE

The following statement is given to provide assurance that the Council is mindful of best practice in corporate governance. The Council complies with the guidance to universities issued by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England and Wales.

1. Its procedures for the appointment of co-opted members of the Council accords fully with the guidance. Invitations to submit names are widely publicised within the University and are transmitted by the Registrar to a Nominations Committee, and nominations are made to the Council by the Committee under the provisions of an Ordinance which is published in the University Calendar. No co-opted member may serve continuously in that category of membership on the Council for more than six years.
2. The Council maintains a register of members' interests.
3. The Council has an Audit Committee which is drawn from co-opted members who are not members of the Finance and General Purposes Committee. The Audit Committee meets twice a year.
4. The Council has a Remuneration Committee chaired by the Chairman of the Council.
5. The Council itself meets four times a year. In addition to the Audit, Nominations and Remuneration Committees, the Council has a Finance and General Purposes Committee, chaired by the Honorary Treasurer, a Building Committee, a Safety Committee, and an Honorary Degrees Committee. In addition it has joint committees with the Senate as follows: Joint Council and Senate Strategy Committee, Accommodation Committee and Arts Centre Committee.

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 which 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:

suitable 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 are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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 bi-monthly reviews of financial results involving variance reporting and updates of forecast outcomes;

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 and Council;

a professional Internal Audit team whose annual programme is approved by the Audit Committee.

AUDITORS' REPORT TO THE COUNCIL

OF THE

UNIVERSITY OF WARWICK

We have audited the financial statements on pages 6 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

Respective responsibilities of the Council and Auditors

As described on page 4, the Council is responsible for ensuring that financial statements are prepared. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of our 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University of Warwick's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us 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.

Opinion

In our opinion:

- (i) the financial statements give a true and fair view of the state of affairs of the University of Warwick and its subsidiaries at 31 July 1995 and of the surplus of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act, the Statement of Recommended Practice on accounting in U.K. Universities and the Royal Charter.
- (ii) funds from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University of Warwick have been applied only for the purposes for which they have been received.
- (iii) income has been applied in accordance with the Royal Charter governing the University of Warwick and, where appropriate, with the Financial Memorandum dated 1 August 1993 with the Higher Education Funding Council for England.


Price Waterhouse
Chartered Accountants
Registered Auditors

Cornwall Court
19 Cornwall Street
Birmingham
15 December 1995

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1.. Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice: Accounting in Higher Education Institutions (SORP) and applicable Accounting Standards. The revised SORP results in the Financial Statements being prepared with different accounting principals to those previously applied. The corresponding figures for 1993/94 have been restated accordingly and a reconciliation of the amendments is shown at Note 29

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 1995. The consolidated financial statements do not include those of the University of Warwick Students' Union nor Warwick Students' Union Services Ltd. 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. Staff not eligible for membership of USS 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

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rate. 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.

7. Land and Buildings

Land and buildings are stated at cost. Buildings are depreciated over their expected useful lives of 50 years, and leasehold land over the life of the lease. 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.

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 is stated at cost and depreciated over 5 years. Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over 5 years

9. Investments

Endowment Asset Investments are included in the Balance Sheet at market value. Current Asset Investments are included at the lower of cost and net realisable value.

10. Stocks

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

11. Long-term Maintenance

Included in the income and expenditure account is an annual charge for long-term maintenance calculated so as to equalise annual costs on the basis of the University's long-term maintenance plan. The charge is credited to a provision against which actual expenditure on long-term maintenance is met.

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 505 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.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 1995

	<u>Note</u>	<u>1994/95</u> £000	<u>1993/94</u> £000
INCOME			
Higher Education Funding Council (England) Grants	1	42,050	35,281
Academic Fees and Support Grants	2	25,945	29,308
Research Grants and Contracts	3	17,410	17,686
Other Operating Income	4	37,363	36,522
Endowment Income and Interest Receivable	5	1,809	1,601
Total Income		<u>124,577</u>	<u>120,398</u>
EXPENDITURE			
Staff Costs	6	62,593	60,044
Depreciation	12	2,420	2,036
Other Operating Expenses	7	53,235	48,921
Interest Payable	8	1,022	731
Total Expenditure	10	<u>119,270</u>	<u>111,732</u>
Surplus after Depreciation of Assets at Cost and before Tax		5,307	8,666
Taxation	11	<u>0</u>	<u>0</u>
Surplus after Depreciation of Assets at Cost and Tax		<u>5,307</u>	<u>8,666</u>

BALANCE SHEET AS AT 31 JULY 1995

	<u>Note</u>	<u>Consolidated</u>		<u>University</u>	
		<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
		£000	£000	£000	£000
FIXED ASSETS					
Tangible Assets	12	67,870	60,885	63,762	56,731
Investments	13	0	122	125	122
		<u>67,870</u>	<u>61,007</u>	<u>63,887</u>	<u>56,853</u>
ENDOWMENT ASSET INVESTMENTS		<u>536</u>	<u>503</u>	<u>0</u>	<u>0</u>
CURRENT ASSETS					
Stocks		515	561	483	543
Debtors	15	12,759	13,811	12,305	13,778
Investments		25,917	18,065	25,882	18,033
Cash at Bank and in Hand		3,174	1,949	619	51
		<u>42,365</u>	<u>34,386</u>	<u>39,289</u>	<u>32,405</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(22,052)</u>	<u>(16,567)</u>	<u>(23,264)</u>	<u>(17,866)</u>
NET CURRENT ASSETS		<u>20,313</u>	<u>17,819</u>	<u>16,025</u>	<u>14,539</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>88,719</u>	<u>79,329</u>	<u>79,912</u>	<u>71,392</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	<u>(12,007)</u>	<u>(8,785)</u>	<u>(11,552)</u>	<u>(7,764)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(2,511)</u>	<u>(2,156)</u>	<u>(2,511)</u>	<u>(2,156)</u>
TOTAL ASSETS LESS LIABILITIES		<u>74,201</u>	<u>68,388</u>	<u>65,849</u>	<u>61,472</u>
DEFERRED CAPITAL GRANTS	19	<u>(19,165)</u>	<u>(18,969)</u>	<u>(18,719)</u>	<u>(18,969)</u>
TOTAL NET ASSETS		<u>55,036</u>	<u>49,419</u>	<u>47,130</u>	<u>42,503</u>
 Represented by:					
ENDOWMENTS					
Specific		1,903	1,649	0	0
General		5,442	5,412	0	0
		<u>7,345</u>	<u>7,061</u>	<u>0</u>	<u>0</u>
RESERVES					
Revaluation Reserve	21	71	45	0	0
Income and Expenditure Account	22	47,620	42,313	47,130	42,503
		<u>47,691</u>	<u>42,358</u>	<u>47,130</u>	<u>42,503</u>
TOTAL FUNDS		<u>55,036</u>	<u>49,419</u>	<u>47,130</u>	<u>42,503</u>

The financial statements on pages 8 to 22 were approved by the Council on 15 December 1995, and signed on its behalf by:


Professor Sir Brian Follett, Vice-Chancellor


J D M Hearth, Treasurer

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 July 1995

	<u>Note</u>	<u>1994/95</u> £000	<u>1993/94</u> £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	<u>12,280</u>	<u>6,949</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from Endowments		(273)	(512)
Income from Short Term Investments		1,166	1,083
Interest Paid		<u>(1,070)</u>	<u>(946)</u>
Net Cash Inflow from Returns on Investments and Servicing of Finance		<u>(177)</u>	<u>(375)</u>
TAX PAID	11	<u>0</u>	<u>0</u>
INVESTING ACTIVITIES			
Payments to Acquire Tangible Assets (Other than Leased Equipment)		(8,621)	(6,208)
Payments to Acquire Endowment Asset Investments		<u>(66)</u>	<u>(156)</u>
Total Payments to Acquire Fixed and Endowment Asset Investments		<u>(8,687)</u>	<u>(6,364)</u>
Payments to Acquire Long Term Investments		0	(2)
Receipts from Sales of Endowment Assets		59	154
Receipts from Disposal of Fixed Assets		2	1
Deferred Capital Grants Received		391	295
Endowments Received		<u>1,001</u>	<u>550</u>
Net Cash Outflow from Investing Activities		<u>(7,234)</u>	<u>(5,366)</u>
NET CASH INFLOW BEFORE FINANCING		<u>4,869</u>	<u>1,208</u>
FINANCING			
Capital Element of Finance Lease Repayments		(539)	(357)
Net Mortgages and Loans Acquired		<u>4,054</u>	<u>(244)</u>
Net Cash Inflow /(Outflow) from Financing		<u>3,515</u>	<u>(601)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	28	<u>8,384</u>	<u>607</u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31 July 1995

	Note	<u>1994/95</u> £000	<u>1993/94</u> £000
Surplus after Depreciation of Assets at Valuation and Tax		5,307	8,666
Appreciation of Endowment Asset Investments	20	36	10
Endowment Income Retained for Year	20	(323)	(470)
New Endowments	20	1,620	1,383
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>6,640</u>	<u>9,589</u>

NOTES TO THE ACCOUNTS

1. HIGHER EDUCATION FUNDING COUNCIL (ENGLAND) GRANTS		<u>1994/95</u>	<u>1993/94</u>
		£000	£000
Recurrent Grant		36,161	29,844
Specific Grants:			
Equipment and Furniture		2,827	2,554
Minor Works		419	204
NAAS		0	189
Biotechnology		69	68
Continuing Education		1,176	1,214
Flexibility in Course Provision		0	111
Transitional Funding		106	88
Teaching and Learning Technology Programme		144	130
Backlog Maintenance		624	106
C.T.I. Centre		48	47
Joint Information Systems Committee		99	378
Others		39	66
Deferred Capital Grants Released in Year			
Buildings (Note 19)		282	282
Equipment (Note 19)		56	0
		<u>42,050</u>	<u>35,281</u>
2. ACADEMIC FEES AND SUPPORT GRANTS		<u>1994/95</u>	<u>1993/94</u>
		£000	£000
Full-time Students		9,678	13,134
Full-time Students charged overseas fees		6,912	6,194
Part-time fees		656	597
Research Training Support Grants		342	237
Short Course Fees		8,140	8,964
Other Fees		217	182
		<u>25,945</u>	<u>29,308</u>
3. RESEARCH GRANTS AND CONTRACTS		<u>1994/95</u>	<u>1993/94</u>
		£000	£000
Income			
Research Councils		7,174	6,713
Central Government, Local Authorities and Public Corporations		3,903	3,348
Industry and Commerce		3,152	3,010
Charitable Bodies		1,062	1,087
European Union		1,695	2,229
Overseas		135	334
Others		201	701
Endowments		88	264
		<u>17,410</u>	<u>17,686</u>
Expenditure			
Research Councils		5,509	5,256
Central Government, Local Authorities and Public Corporations		2,878	2,445
Industry and Commerce		2,454	2,424
Charitable Bodies		1,045	1,019
European Union		1,437	2,011
Overseas		116	271
Others		163	595
Endowments		88	264
		<u>13,690</u>	<u>14,285</u>

Income from Research Grants and Contracts includes Deferred Capital Grants released in the year -see also Note 19

4. OTHER OPERATING INCOME	1994/95	1993/94
	£000	£000
Residences, Catering and Conferences	11,091	10,245
Other Services Rendered	5,473	4,928
Released from Deferred Capital Grants (Note 19)	287	278
Retail Operations	8,437	8,167
Post -Experience Centres	7,725	7,440
Other Income	4,350	5,464
	37,363	36,522

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	1994/95	1993/94
	£000	£000
Chairs and Lectureships	93	40
Fellowships, Scholarships and Prizes	93	56
General	228	480
Income from Short Term Investments	1,395	1,025
	1,809	1,601

6. STAFF	1994/95	1993/94
	£000	£000
Staff Costs:		
Wages and Salaries	51,246	49,424
Social Security Costs	4,490	4,250
Other Pension Costs	6,857	6,370
	62,593	60,044

Emoluments of the Vice-Chancellor	£95,774	£89,316
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(excluding the University's pension contributions to USS but including benefits-in-kind).

The University's pension contributions to USS for the Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £17,322 (1993/94 - £16,118).

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).

£80,000 - £89,999	1	1
£70,000 - £79,999	2	2
£60,000 - £69,999	4	3
£50,000 - £59,999	16	10

There were no amounts paid as compensation for loss of office to higher paid staff.

7. OTHER OPERATING EXPENSES	1994/95	1993/94
	£000	£000
Residences, Catering and Conferences Operating Expenses	6,412	4,787
Consumables and Laboratory Expenditure	15,104	12,135
Books, Periodicals and Binding	1,470	1,328
Fellowships, Scholarships and Prizes	431	366
Heat, Light, Water and Power	1,773	1,609
Repairs and General Maintenance	3,496	3,990
Provision for Long-Term Maintenance	1,263	1,239
Grants to University of Warwick Students' Union	750	705
Rents, Rates and Insurance	709	662
Auditors' Remuneration	25	21
Auditors' Remuneration in respect of Non-Audit Services	54	14
Retail Operations	6,931	6,772
Post -Experience Centres	4,291	4,494
Other Expenses	10,526	10,799
	53,235	48,921

14. ENDOWMENT ASSET INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£000	£000	£000	£000
Balance at 1 August 1994	7,106	6,195	0	0
Additions	1,925	1,735	0	0
Disposals	(628)	(833)	0	0
Appreciation/Depreciation on Disposals/Revaluation	36	9	0	0
	8,439	7,106	0	0
Fixed Interest Stocks	112	138	0	0
Equities	424	365	0	0
	536	503	0	0
Land and Property	2,189	1,787	0	0
Short Term Deposits	35	32	0	0
Bank Balances	592	21	0	0
Debtors	5,130	4,778	0	0
Creditors	(43)	(15)	0	0
	8,439	7,106	0	0
Deferred Capital Grants	(446)	0	0	0
Revaluation Reserve	(71)	(45)	0	0
Total Endowment Asset Investments	7,922	7,061	0	0
Fixed Interest and Equities at Cost	465	458	0	0
Land and Property at Cost	2,610	2,155	0	0

15. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors	7,719	8,090	6,963	7,693
Prepayments and accrued income	5,040	5,721	5,342	6,085
	12,759	13,811	12,305	13,778

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£000	£000	£000	£000
Bank Overdraft	4,296	3,603	4,296	3,603
Mortgages and Unsecured Loans	414	243	530	415
Obligations Under Finance Leases (Note 24)	546	539	0	0
Payments Received on Account	5,326	2,960	5,326	2,960
Creditors	2,390	605	2,331	531
Social Security and Other Taxation Payable	1,451	1,376	1,451	1,376
Accruals and Deferred Income	7,629	7,241	9,330	8,981
	22,052	16,567	23,264	17,866

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

	<u>Consolidated</u>		<u>University</u>	
	<u>1995</u> £000	<u>1994</u> £000	<u>1995</u> £000	<u>1994</u> £000
Mortgages secured on residential and other property	9,815	5,910	9,815	5,910
Unsecured loans	179	202	1,737	1,854
	9,994	6,112	11,552	7,764
Accruals (Operating Leases)	56	170	0	0
Obligations Under Finance Leases (Note 24)	1,957	2,503	0	0
	2,013	2,673	0	0
	12,007	8,785	11,552	7,764

18. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Consolidated and University</u>
Long Term Maintenance	£000
At 1 August 1994	2,156
Utilised in Year	(908)
Transfer from Income & Expenditure Account	1,263
At 31 July 1995	2,511

19. DEFERRED CAPITAL GRANTS

	<u>University</u>		<u>Consolidated</u>		
	Funding Council £000	Other Grants & Benefactions £000	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 1994					
Buildings	7,510	11,459	7,510	11,459	18,969
Equipment	0	0	0	0	0
Total	7,510	11,459	7,510	11,459	18,969
Cash Received					
Buildings	0	(12)	0	442	442
Equipment	281	123	281	123	404
Total	281	111	281	565	846
Released to Income and Expenditure					
Buildings (Notes 1,3, & 4)	282	279	282	287	569
Equipment (Notes 1,3, & 4)	56	25	56	25	81
Total (Note 10)	338	304	338	312	650
At 31 July 1995					
Buildings	7,228	11,168	7,228	11,614	18,842
Equipment	225	98	225	98	323
Total	7,453	11,266	7,453	11,712	19,165

20. ENDOWMENTS

	<u>Consolidated</u>		
	Specific £000	General £000	Total £000
At 1 August 1994	1,685	5,421	7,106
Additions	998	622	1,620
Appreciation of Endowment Asset Investments	34	2	36
Income for Year	116	189	305
Transferred to Income and Expenditure Account	(536)	(92)	(628)
At 31 July 1995	2,297	6,142	8,439

21. REVALUATION RESERVE

	<u>Consolidated</u>		<u>University</u>	
	<u>1995</u> £000	<u>1994</u> £000	<u>1995</u> £000	<u>1994</u> £000
Revaluations				
At 1 August	45	56	0	0
Revaluation in Year	26	(11)	0	0
At 31 July	71	45	0	0
Net Revaluation Amount				
At 31 July	71	45	0	0
At 1 August	45	56	0	0

22. INCOME AND EXPENDITURE ACCOUNT

	<u>Consolidated</u> £000	<u>University</u> £000
Balance at 1 August 1994	42,313	42,503
Surplus after Depreciation of Assets at Cost and Tax	5,307	4,627
Balance at 31 July 1995	47,620	47,130

23. INCOME AND EXPENDITURE ACCOUNT RESERVES

	<u>1995</u> £000	<u>1994</u> £000
Committed Reserves:		
Research and Teaching Innovations	93	60
Study Leave	28	33
Catering and Conferences	454	806
Residential Renewals and Improvements	940	979
Other Renewals	990	867
Premature Retirement Compensation Scheme	45	49
Capital	441	3,323
Departmental Expenses	2,756	2,374
Departmental Funds	3,782	4,215
Restructuring	1,627	1,627
Others	1,456	1,521
	12,612	15,854
Other Reserves:	35,008	26,459
	47,620	42,313

In order to comply with the Statement of Recommended Practice - Accounting in Higher Education Institutions the 1994 financial results and position have been restated. Reserves have increased significantly in order to take account of the funding of capital assets which have been restated. In previous accounting periods those assets which had been financed from revenue were included in the source of capital funding.

24. LEASE OBLIGATIONS

	<u>Consolidated</u>		<u>University</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Obligations under finance leases fall due as follows:				
Between one and five years	1,367	1,616	0	0
Over five years	590	887	0	0
Total over one year (Note 17)	1,957	2,503	0	0
Within one year (Note 16)	546	539	0	0
	2,503	3,042	0	0

Operating lease commitments in respect of equipment for the 1995 financial year, on leases expiring:

Within one year	0	0	0	0
Between one and five years	0	0	0	0
Over five years	582	457	0	0
	582	457	0	0

25. CAPITAL COMMITMENTS

	<u>Consolidated</u>		<u>University</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Commitments contracted at 31 July	5,042	4,685	5,042	4,685
Authorised but not contracted at 31 July	11,305	343	11,305	343
	16,347	5,028	16,347	5,028

26. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	<u>1994/95</u>	<u>1993/94</u>
	<u>£000</u>	<u>£000</u>
Surplus before tax	5,307	8,666
Depreciation (Note 12)	2,420	2,036
Deferred Capital Grants Released to Income (Note 19)	(650)	(560)
Investment Income (Note 5)	(1,395)	(1,025)
Profit on Sale of Endowment Assets	10	21
Loss on Sale of Long Term Investments	122	0
Profit on Disposal of Fixed Assets	(2)	0
Interest Payable	1,022	731
Decrease Stocks	46	147
Decrease/(Increase) in Debtors	1,281	(2,851)
Increase/(Decrease) in Creditors	3,764	(520)
Increase in Provisions	355	304
Net Cash Inflow from Operating Activities	12,280	6,949

**27. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING
DURING THE YEAR**

	Finance Leases £000	Mortgages & Loans £000
Balances at 1 August 1993	3,042	8,525
New Leases/Loans		
Capital Repayments	(539)	(346)
Net Amount Acquired in Year	(539)	(346)
Balances at 31 July 1994	2,503	8,179
New Leases/Loans	0	4,386
Capital Repayments	(546)	(483)
Net Amount Acquired in Year	(546)	3,903
Balances at 31 July 1995	1,957	12,082

**28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS
AS SHOWN IN THE CONSOLIDATED BALANCE SHEET**

1994/95

	1995 £000	1994 £000	Change in Year £000
Cash at Bank and in Hand			
Endowment Assets	592	21	571
Others	2,582	1,928	654
Total Cash at Bank and in Hand	3,174	1,949	1,225
Short-Term Investments	25,917	18,065	7,852
Bank Overdrafts	(4,296)	(3,603)	(693)
	24,795	16,411	8,384

1993/94

	1994 £000	1993 £000	Change in Year £000
Cash at Bank and in Hand	1,949	2,083	(134)
Short-Term Investments	18,065	16,397	1,668
Bank Overdrafts	(3,603)	(2,676)	(927)
	16,411	15,804	607

29. RECONCILIATION OF 1993/94 CONSOLIDATED SURPLUS

As disclosed in note 1 of the Accounting Policies, the introduction of the new SORP has given rise to the following restatement of the 1993/94 results.

	£000
Previously reported surplus	8,108
Depreciation	(1,432)
Release from deferred capital grant	560
Principal loan repayment exclusion	347
Internal Loan Repayment	220
Consolidation of Foundation Fund	863
As restated	8,666

30. PENSION SCHEMES

- (a.) The latest actuarial valuation of the Universities Superannuation Scheme was at 31 March 1993. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return of investments and the rates of increase in salary and pensions. It was assumed that the investment return would be 8.5% per annum, that salary scale increases would be 6.5% per annum, and that pensions would increase by 5% per annum. At the date of the last actuarial valuation, which was carried out using the projected unit method, the market value of the assets of the scheme was £7,838 million and the actuarial value of the assets was sufficient to cover 97% of the benefits which had accrued to members after allowing for expected future increases in earnings. The level of contributions paid by the employing institutions takes into account this actuarial deficiency. The pension contribution charged in the accounts is comprised of a regular cost of 13.78% plus 4.77% which is calculated to recover the shortfall on assets below liabilities over approximately 5 years.
- (b.) The last actuarial valuation of the University's own pension scheme was at 6 April 1992. (A revised valuation at April 1995 is being prepared.) The pension costs were assessed using the Attained Age method. The major financial assumptions used were that the long term investment returns would average 9% per annum compound, that long term salary increases (both promotional and inflationary) would average 7.5% per annum compound and that pensions would increase at a minimum rate of 3% per annum compound. The actuarial value of the assets was sufficient to cover 128% of the benefits which had accrued to members after allowing for expected future increases in earnings. To reduce this surplus the University did not pay contributions from 1 August 1993 to 30 September 1995 and increased benefits for members. The market value of the assets at 5 April 1995 was £25,525,500. The University's contributions to the various schemes in the years 1993/94 and 1994/95 were:

	<u>1994/95</u>	<u>1993/94</u>
	£000	£000
Universities Superannuation Scheme	5,515	5,125
University of Warwick Pension Scheme	0	0
Local Government Superannuation Scheme	32	31
Others	8	12
	<u>5,555</u>	<u>5,168</u>

31. SUBSIDIARY COMPANIES

The University holds 9831 shares of £1 each (representing 35% of the total shares issued) and a 1% debenture loan of £820,710 issued by University of Warwick Science Park Limited. The investment has been included in the accounts at nil value. The University also owns the entire issued share capital of Warwick Retail Services Limited. The University of Warwick Press Limited and Graduate Residences of Warwick Limited, all dormant companies, and 2 £1 ordinary shares in Microbial Systems Limited whose activities have been excluded from the consolidated accounts on the grounds of immateriality.

32. CONTINGENT LIABILITIES

The University owns the entire issued share capital, consisting of ordinary shares, in Warwick University Training Limited, a company incorporated on 24 November 1989 in England. The Company's principal activity is the operation of Scarman House, a post-experience management training centre. Scarman House commenced its operations on 24 June 1991. On 9 February 1990 Warwick University Training Limited entered into leases in respect of Scarman House and is contracted to make lease payments for 20 years commencing on 1 August 1992. The payments under the leases are dependent upon the total construction costs, including land and buildings, plant and equipment and capitalised interest, totalling approximately £10.1m.

33. ACCESS FUNDS

	<u>1994/95</u> £000	<u>1993/94</u> £000
Funding Council Grants	185	174
Interest Earned	2	0
	<hr/> 187	<hr/> 174
Disbursed to Students	(187)	(174)
Audit Fees	0	0
	<hr/> 0	<hr/> 0
Balance Unspent at 31 July	<hr/> 0	<hr/> 0

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.

INDICATORS OF FINANCIAL HEALTH

INDICATORS RELATING TO SOURCES OF INCOME

	<u>1994/95</u>	<u>1993/94</u>	<u>1992/93</u>	<u>1991/92</u>
(a) Ratio of Total UFC Grants to Total Income*	33.65%	29.71%	28.29%	29.55%
(b) Ratio of Total Home & EC Fees and Support Grants to Total Income	8.08%	19.76%	22.35%	22.14%
(c) Ratio of Total Overseas Student Fees to Total Income*	5.58%	5.30%	4.94%	4.49%
(d) Ratio of Total Research Grant and Contract Income to Total Income*	14.05%	15.12%	16.23%	17.02%
(e) Ratio of Total Other Services Rendered Income to Total Income*	4.42%	4.21%	5.04%	5.41%
(f) Ratio of Total Residences and Catering Income to Total Income*	8.95%	8.76%	8.41%	8.16%
(g) Ratio of Total all Other Income * to Total Income*	25.28%	17.13%	14.75%	13.23%
(h) Ratio of Surplus/(Deficit) to Total Income*	4.28%	6.89%	6.01%	2.58%

INDICATORS RELATING TO FINANCIAL STRENGTH

(i) Days Ratio of General Funds to Total Expenditure*	40.75	63.35	51.87	43.30
(j) Ratio of Long Term Liabilities to Total General Funds	25.21%	31.53%	42.74%	34.51%

INDICATORS RELATING TO SHORT TERM LIQUIDITY AND SOLVENCY

(k) Ratio of Liquid Assets to Current Liabilities	131.92%	101.47%	100.58%	79.42%
(l) Days Ratio of Net Liquid Assets to Total Expenditure*	21.22	48.53	49.21	43.62
(m) Ratio of Current Assets to Current Liabilities :1	1.92	1.82	1.72	1.59
(n) % Movement in Net Liquid Assets	51.08%	5.28%	21.21%	64.63%
(o) Days of Total Income* represented by Debtors	37.57	61.17	51.49	67.97

* Excluding Depreciation