

UNIVERSITY OF WARWICK

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED
31 JULY 1996

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TREASURER'S REPORT

The consolidated surplus for the year was £4.1m, compared with £5.3m, the previous year, and £8.7m (re-stated) in 1993/94. Given the declining trend it may seem strange to describe it as a very good result, but it was some £2m ahead of budget and, in all the circumstances, very satisfactory.

The cumulative effect of years of declining resource in real terms provided by HMG through block grant and home student fees is thus reflected at Warwick in the surplus as a percentage of income falling from 7.2% to 3.1% over three years, with the budgeted surplus for 1996/97 falling again to some 1.7%. Whilst we budget on a conservative basis, and hope to do considerably better than that, we are unlikely to achieve the surplus of 3% of turnover (approximately £4m in our case) that the Higher Education Funding Council quite correctly views as the minimum desirable level.

The main factors underlying the results for 1995/96 were a strong performance by our earned income activities, particularly in the Manufacturing Group, in the Business School, and in our Post-experience Training Centres, coupled with expenditure overall being held close to budget.

The Balance Sheet reflects a year of very heavy capital expenditure, £11.5m having been spent on buildings and £4.4m on equipment. The buildings were funded from internal resources or donations, without additional borrowing, and as a result fixed assets increased from £67.9m to £80.6m, but investments and cash fell from £25.9m to £18.9m. Amongst the most significant buildings erected were Social Studies Phase 7 (£1.9m), developments for Mathematics and Biological Sciences (£3.8m) and further student residences (£3.6m).

Whilst the Statement of Recommended Practice on Accounting under which these accounts have to be prepared is admirable in many respects, I do not find it helpful in dealing with Reserves, and next year hope to be able to provide a more helpful note than the present note 23, which describes four fifths of the Reserves simply as "Other Reserves".

Looking to the future, we are likely to borrow substantially in 1996/97 to fund student residences already built or in progress. The Chancellor's November 1996 budget was marginally helpful to Universities, but Warwick is engaged in a programme of tight cost control, making economies wherever possible without harming the teaching and research base of the University, and increasing revenue not only in our traditional earned income areas but through significant increases in fees in selected areas - e.g., for Taught Masters' programmes. We await the outcome of the Dearing Enquiry with great interest; whatever the future pattern of University funding Warwick starts from a relatively strong position within the sector as a whole.

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 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 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 8 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 1996 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 with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

Price Waterhouse
Chartered Accountants
Registered Auditors

Cornwall Court
19 Cornwall Street
Birmingham
13 December 1996

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.

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 1996. 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 1996

	Note	<u>1995/96</u> £000	<u>1994/95</u> £000
INCOME			
Higher Education Funding Council (England) & Teacher Training Agency Grants	1	41,241	42,050
Academic Fees and Support Grants	2	29,419	25,945
Research Grants and Contracts	3	19,724	17,410
Other Operating Income	4	41,287	37,598
Endowment Income and Interest Receivable	5	2,660	1,809
Total Income		<u>134,331</u>	<u>124,812</u>
EXPENDITURE			
Staff Costs	6	68,522	62,593
Depreciation	12	3,490	2,420
Other Operating Expenses	7	57,017	53,470
Interest Payable	8	1,181	1,022
Total Expenditure	10	<u>130,210</u>	<u>119,505</u>
Surplus after Depreciation of Assets at Cost and before Tax		4,121	5,307
Taxation	11	0	0
Surplus after Depreciation of Assets at Cost and Tax		<u>4,121</u>	<u>5,307</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

For the Year Ended 31 July 1996

	<u>1995/96</u> £000	<u>1994/95</u> £000
Surplus after Depreciation of Assets at Cost and Tax	4,121	5,307
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the Revalued amount.	6	0
Historical Cost Surplus after Tax	<u>4,127</u>	<u>5,307</u>

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

BALANCE SHEET AS AT 31 JULY 1996

	Note	<u>Consolidated</u>		<u>University</u>	
		<u>1996</u> £000	<u>1995</u> £000	<u>1996</u> £000	<u>1995</u> £000
FIXED ASSETS					
Tangible Assets	12	80,615	67,870	71,469	63,762
Investments	13	51	0	176	125
		<u>80,666</u>	<u>67,870</u>	<u>71,645</u>	<u>63,887</u>
ENDOWMENT ASSET INVESTMENTS		<u>571</u>	<u>536</u>	<u>0</u>	<u>0</u>
CURRENT ASSETS					
Stocks		541	515	505	483
Debtors	15	16,481	12,759	16,052	12,305
Investments		18,909	25,917	18,879	25,862
Cash at Bank and in Hand		2,770	3,174	336	619
		<u>38,701</u>	<u>42,365</u>	<u>35,772</u>	<u>39,269</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(25,060)</u>	<u>(22,052)</u>	<u>(22,875)</u>	<u>(23,264)</u>
NET CURRENT ASSETS		<u>13,641</u>	<u>20,313</u>	<u>12,897</u>	<u>16,025</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>94,878</u>	<u>88,719</u>	<u>84,542</u>	<u>79,912</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	<u>(10,998)</u>	<u>(12,007)</u>	<u>(11,006)</u>	<u>(11,552)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(2,687)</u>	<u>(2,511)</u>	<u>(2,687)</u>	<u>(2,511)</u>
TOTAL ASSETS LESS LIABILITIES		<u>81,193</u>	<u>74,201</u>	<u>70,849</u>	<u>65,849</u>
DEFERRED CAPITAL GRANTS	19	<u>(21,640)</u>	<u>(19,165)</u>	<u>(19,374)</u>	<u>(18,719)</u>
TOTAL NET ASSETS		<u>59,553</u>	<u>55,036</u>	<u>51,475</u>	<u>47,130</u>
Represented by:					
ENDOWMENTS					
Specific		1,915	1,903	0	0
General		5,514	5,442	0	0
		<u>7,429</u>	<u>7,345</u>	<u>0</u>	<u>0</u>
RESERVES					
Revaluation Reserve	21	377	71	0	0
Income and Expenditure Account	22	51,747	47,620	51,475	47,130
		<u>52,124</u>	<u>47,691</u>	<u>51,475</u>	<u>47,130</u>
TOTAL FUNDS		<u>59,553</u>	<u>55,036</u>	<u>51,475</u>	<u>47,130</u>

The financial statements on pages 8 to 22 were approved by the Council on 13 December 1996, and signed on its behalf by:

Professor Sir Brian Follett, Vice-Chancellor

J D M Hearsh, Treasurer

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 July 1996

	<u>Note</u>	<u>1995/96</u> £000	<u>1994/95</u> £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	<u>4,631</u>	<u>12,280</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from Endowments		267	232
Income from Short Term Investments		1,569	1,166
Interest Paid		<u>(1,185)</u>	<u>(1,070)</u>
Net Cash Inflow from Returns on Investments and Servicing of Finance		<u>651</u>	<u>328</u>
TAX PAID	11	<u>0</u>	<u>0</u>
INVESTING ACTIVITIES			
Payments to Acquire Tangible Assets (Other than Leased Equipment)		(15,366)	(8,621)
Payments to Acquire Endowment Asset Investments		<u>(57)</u>	<u>(66)</u>
Total Payments to Acquire Fixed and Endowment Asset Investments		<u>(15,423)</u>	<u>(8,687)</u>
Payments to Acquire Long Term Investments		(51)	0
Receipts from Sales of Endowment Assets		32	59
Receipts from Disposal of Fixed Assets		3	2
Deferred Capital Grants Received		3,716	391
Endowments Received		<u>(112)</u>	<u>496</u>
Net Cash Outflow from Investing Activities		<u>(11,835)</u>	<u>(7,739)</u>
NET CASH INFLOW BEFORE FINANCING		<u>(6,553)</u>	<u>4,869</u>
FINANCING			
Capital Element of Finance Lease Repayments		(515)	(539)
Net Mortgages and Loans Acquired		<u>(422)</u>	<u>4,054</u>
Net Cash Inflow /(Outflow) from Financing		<u>(937)</u>	<u>3,515</u>
INCREASE IN CASH AND CASH EQUIVALENTS	28	<u>(7,490)</u>	<u>8,384</u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the Year Ended 31 July 1996

	Note	<u>1995/96</u> £000	<u>1994/95</u> £000
Surplus after Depreciation of Assets at Valuation and Tax		4,121	5,307
Appreciation of Endowment Asset Investments	20	306	36
Endowment Income Retained for Year	20	(894)	(323)
New Endowments	20	1,148	1,620
Unrealised Surplus on Revaluation of Properties		302	0
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		4,983	6,640

NOTES TO THE ACCOUNTS

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

	<u>1995/96</u> £000	<u>1994/95</u> £000
Recurrent Grants		
Higher Education Funding Council:		
Teaching	19,302	21,215
Research	14,618	14,946
Teacher Training Agency	3,499	0
Specific Grants:		
Formula Capital Funding / Equipment and Furniture	2,272	2,827
Minor Works	0	419
Specialised Research Collection in the Humanities	25	0
Biotechnology	12	66
C.V.E./Continuing Education	358	1,176
Minority Subject	21	0
Transitional Funding	0	106
Teaching and Learning Technology Programme	60	144
Backlog Maintenance	0	624
C.T.I. Centre	50	48
Joint Information Systems Committee	588	99
Others	4	39
Deferred Capital Grants Released in Year		
Buildings (Note 19)	286	282
Equipment (Note 19)	146	56
	<u>41,241</u>	<u>42,050</u>

2. ACADEMIC FEES AND SUPPORT GRANTS

	<u>1995/96</u> £000	<u>1994/95</u> £000
Full-time Students	10,081	9,678
Full-time Students charged overseas fees	7,521	6,912
Part-time fees	714	656
Research Training Support Grants	458	342
Short Course Fees	10,480	8,140
Other Fees	165	217
	<u>29,419</u>	<u>25,945</u>

3. RESEARCH GRANTS AND CONTRACTS

	<u>1995/96</u> £000	<u>1994/95</u> £000
Income		
Research Councils	8,647	7,174
Central Government, Local Authorities and Public Corporations	3,469	3,903
Industry and Commerce	3,570	3,152
Charitable Bodies	1,403	1,062
European Union	2,213	1,695
Overseas	204	135
Others	176	201
Endowments	42	88
	<u>19,724</u>	<u>17,410</u>
Expenditure		
Research Councils	6,827	5,509
Central Government, Local Authorities and Public Corporations	2,688	2,878
Industry and Commerce	2,854	2,454
Charitable Bodies	1,395	1,045
European Union	1,929	1,437
Overseas	177	116
Others	114	163
Endowments	42	88
	<u>16,026</u>	<u>13,690</u>

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

4. OTHER OPERATING INCOME

	<u>1995/96</u>	<u>1994/95</u>
	£000	£000
Residences, Catering and Conferences	12,281	11,091
Other Services Rendered	6,325	5,473
Released from Deferred Capital Grants (Note 19)	251	287
Retail Operations	8,868	8,437
Post -Experience Centres	8,434	7,725
Surplus on Sale of Fixed Assets	0	0
Other Income	5,128	4,585
	<u>41,287</u>	<u>37,598</u>

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE

	<u>1995/96</u>	<u>1994/95</u>
	£000	£000
Chairs and Lectureships	72	93
Fellowships, Scholarships and Prizes	151	93
General	953	228
Income from Short Term Investments	1,484	1,395
	<u>2,660</u>	<u>1,809</u>

6. STAFF

	<u>1995/96</u>	<u>1994/95</u>
	£000	£000
Staff Costs:		
Wages and Salaries	56,429	51,246
Social Security Costs	4,596	4,490
Other Pension Costs	7,497	6,857
	<u>68,522</u>	<u>62,593</u>

Emoluments of the Vice-Chancellor
(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
£17,800 (1994/95 - £17,322).

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).

£90,000 - £99,999	1	0
£80,000 - £89,999	0	1
£70,000 - £79,999	2	2
£60,000 - £69,999	8	4
£50,000 - £59,999	22	16

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

7. OTHER OPERATING EXPENSES

	<u>1995/96</u>	<u>1994/95</u>
	£000	£000
Residences, Catering and Conferences Operating Expenses	6,736	6,412
Consumables and Laboratory Expenditure	15,879	15,104
Books, Periodicals and Binding	1,396	1,470
Fellowships, Scholarships and Prizes	529	431
Heat, Light, Water and Power	1,690	1,773
Repairs and General Maintenance	3,324	3,912
Provision for Long-Term Maintenance	1,289	1,263
Grants to University of Warwick Students' Union	773	750
Rents, Rates and Insurance	679	709
Auditors' Remuneration	30	25
Auditors' Remuneration in respect of Non-Audit Services	74	54
Retail Operations	6,995	6,931
Post - Experience Centres	2,797	2,743
Other Expenses	14,826	11,893
	<u>57,017</u>	<u>53,470</u>

8. INTEREST PAYABLE

Bank and other loans wholly repayable within five years
Loans not wholly repayable within five years
Finance Leases

<u>1995/96</u>	<u>1994/95</u>
£000	£000
0	0
1,056	893
125	129
<u>1,181</u>	<u>1,022</u>

9. RESTRUCTURING COSTS

Premature Retirement Compensation Scheme

<u>1995/96</u>	<u>1994/95</u>
£000	£000
793	176

10. ANALYSIS OF 1995/96 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	38,930	141	15,879	0	54,950
Academic Services	3,207	48	3,919	0	7,174
Research Grants and Contracts	9,298	630	6,098	0	16,026
Residences, Catering and Conferences	3,923	586	6,736	1,015	12,260
Premises	3,108	1,271	6,674	0	11,053
Administration	5,295	166	3,906	0	9,367
Retail Operations	1,831	0	6,995	29	8,855
Post -Experience Centres	2,072	622	3,114	125	5,933
Other Expenses	858	26	3,696	12	4,592
Total per Income and Expenditure Account	<u>68,522</u>	<u>3,490</u>	<u>57,017</u>	<u>1,181</u>	<u>130,210</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 19)	1,313
Revaluation Reserve Released (Note 21)	6
General Income	<u>2,171</u>
	<u>3,490</u>

11. TAXATION

UK Corporation Tax at 25%, payable on the Profits of
University of Warwick Training Ltd. and University of Warwick
Services Ltd.

<u>1995/96</u>	<u>1994/95</u>
£000	£000
0	0

12. TANGIBLE ASSETS

Consolidated

	Land and Buildings			Leased	
	Freehold	Long	Equipment	Equipment	Total
	£000	Leasehold	£000	£000	£000
		£000			
<u>Cost</u>					
At 1 August 1995	82,099	0	1,410	3,709	87,218
Additions at Cost	11,590	0	4,345	0	15,935
Revaluation in Year	302	0	0	0	302
Disposals	0	0	(2)	0	(2)
At 31 July 1996	93,991	0	5,753	3,709	103,453
<u>Depreciation</u>					
At 1 August 1995	16,948	0	354	2,046	19,348
Charge for Year	1,832	0	1,147	511	3,490
Disposals	0	0	0	0	0
At 31 July 1996	18,780	0	1,501	2,557	22,838
Net Book Value at 31 July 1996	75,211	0	4,252	1,152	80,615
Net Book Value at 1 August 1995	65,151	0	1,056	1,663	67,870

Included within Fixed Assets is land relating to the site of Scarman House, a postgraduate experience centre. Title to the Scarman House building, valued at £6.8m, is currently held by Barclays Mercantile and will revert to the University in 2011. As such the building will not be included in the consolidated accounts until this date.

University

	Land and Buildings			Leased	
	Freehold	Long	Equipment	Equipment	Total
	£000	Leasehold	£000	£000	£000
		£000			
<u>Cost</u>					
At 1 August 1995	79,489	0	1,001	0	80,490
Additions at Cost	11,518	0	4,178	0	15,696
Revaluation in Year	0	0	0	0	0
Disposals	(5,607)	0	0	0	(5,607)
At 31 July 1996	85,400	0	5,179	0	90,579
<u>Depreciation</u>					
At 1 August 1995	16,528	0	200	0	16,728
Charge for Year	1,696	0	1,036	0	2,732
Disposals	(350)	0	0	0	(350)
At 31 July 1996	17,874	0	1,236	0	19,110
Net Book Value at 31 July 1996	67,526	0	3,943	0	71,469
Net Book Value at 1 August 1995	62,961	0	801	0	63,762

13. INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	1996	1995	1996	1995
	£000	£000	£000	£000
Investment in Subsidiary Companies at Cost	0	0	125	125
Investment in CVCP Properties PLC at Cost	51	0	51	0
	51	0	176	125

The University owns 100% of the issued share capital of 4 £1 ordinary shares of Warwick University Training Ltd. and 125,000 £1 ordinary shares of Warwick University Services Ltd., companies registered in England and operating in the UK. and 1 £1 share in Microbial Systems Ltd.

14. ENDOWMENT ASSET INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£000	£000	£000	£000
Balance at 1 August	8,439	7,106	0	0
Additions	1,483	1,925	0	0
Disposals	(1,229)	(628)	0	0
Appreciation/Depreciation on Disposals/Revaluation	306	36	0	0
	8,999	8,439	0	0
Fixed Interest Stocks	112	112	0	0
Equities	459	424	0	0
	571	536	0	0
Land and Property	6,222	2,189	0	0
Short Term Deposits	30	35	0	0
Bank Balances	630	592	0	0
Debtors	2,438	5,130	0	0
Creditors	(892)	(43)	0	0
	8,999	8,439	0	0
Deferred Capital Grants	(507)	(446)	0	0
Revaluation Reserve	(377)	(71)	0	0
	8,115	7,922	0	0
Total Endowment Asset Investments				
	490	465	0	0
Fixed Interest and Equities at Cost				
	6,481	2,610	0	0
Land and Property at Cost				

15. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors	8,814	7,719	8,126	6,963
Prepayments and accrued Income	7,667	5,040	7,926	5,342
	16,481	12,759	16,052	12,305

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£000	£000	£000	£000
Bank Overdraft	4,374	4,296	4,374	4,296
Mortgages and Unsecured Loans	1,284	414	535	530
Obligations Under Finance Leases (Note 24)	601	546	0	0
Payments Received on Account	4,843	5,326	4,843	5,326
Creditors	4,763	2,390	4,699	2,331
Social Security and Other Taxation Payable	1,558	1,451	1,558	1,451
Accruals and Deferred Income	7,637	7,629	6,866	9,330
	25,060	22,052	22,875	23,264

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

	<u>Consolidated</u>		<u>University</u>	
	<u>1996</u> £000	<u>1995</u> £000	<u>1996</u> £000	<u>1995</u> £000
Mortgages secured on residential and other property	6,463	6,566	6,463	6,566
Unsecured loans	3,104	3,428	4,543	4,986
	9,567	9,994	11,006	11,552
Accruals (Operating Leases)	44	56	0	0
Obligations Under Finance Leases (Note 24)	1,367	1,957	0	0
	1,431	2,013	0	0
	10,998	12,007	11,006	11,552

18. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Consolidated and University</u>		
	<u>Long Term</u> <u>Maintenance</u> £000	<u>Other</u> £000	<u>Total</u> £000
At 1 August 1995	2,511	0	2,511
Utilised in Year	(1,377)	0	(1,377)
Transfer from Income & Expenditure Account	1,289	264	1,553
At 31 July 1996	2,423	264	2,687

19. DEFERRED CAPITAL GRANTS

	<u>University</u>		<u>Consolidated</u>		<u>Consolidated</u>
	<u>Funding</u> <u>Council & Benefactions</u> £000	<u>Other Grants</u> <u>& Benefactions</u> £000	<u>Funding</u> <u>Council & Benefactions</u> £000	<u>Other Grants</u> <u>& Benefactions</u> £000	<u>Total</u> £000
At 1 August 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
Cash Received					
Buildings	231	8	231	80	311
Equipment	450	3,027	450	3,027	3,477
Total	681	3,035	681	3,107	3,788
Released to Income and Expenditure					
Buildings (Notes 1,3, & 4)	286	240	286	251	537
Equipment (Notes 1,3, & 4)	146	630	146	630	776
Eliminated on Disposals	0	1,759	0	0	0
Total (Note 10)	432	2,629	432	881	1,313
At 31 July 1996					
Buildings	7,173	9,177	7,173	11,443	18,616
Equipment	529	2,495	529	2,495	3,024
Total	7,702	11,672	7,702	13,938	21,640

20. ENDOWMENTS

	<u>Consolidated</u>		
	Specific £000	General £000	Total £000
At 1 August 1995	2,297	6,142	8,439
Additions	1,106	42	1,148
Appreciation of Endowment Asset Investments	8	298	306
Income for Year	84	251	335
Transferred to Income and Expenditure Account	(1,000)	(229)	(1,229)
At 31 July 1996	2,495	6,504	8,999

21. REVALUATION RESERVE

	<u>Consolidated</u>		<u>University</u>	
	1996 £000	1995 £000	1996 £000	1995 £000
Revaluations				
At 1 August	71	45	0	0
Revaluation in Year	312	26	0	0
At 31 July	383	71	0	0
Contributions to Depreciation				
At 1st August	0	0	0	0
Released in Year (Note 10)	6	0	0	0
At 31st July	6	0	0	0
Net Revaluation Amount				
At 31 July	377	71	0	0
At 1 August	71	45	0	0

22. INCOME AND EXPENDITURE ACCOUNT

	<u>Consolidated</u> £000	<u>University</u> £000
Balance at 1 August 1995	47,620	47,130
Released from Revaluation Reserve	6	0
Surplus after Depreciation of Assets at Cost and Tax	4,121	4,345
Balance at 31 July 1996	51,747	51,475

23. INCOME AND EXPENDITURE ACCOUNT RESERVES

	1996 £000	1995 £000
Committed Reserves:		
Research and Teaching Innovations	87	93
Study Leave	13	28
Catering and Conferences	33	454
Residential Renewals and Improvements	1,069	940
Other Renewals	1,176	1,001
Premature Retirement Compensation Scheme	40	45
Departmental Expenses	3,022	2,806
Departmental Funds	3,758	3,782
Restructuring	1,103	1,627
Others	997	1,424
	11,298	12,200
Other Reserves:	40,449	35,420
	51,747	47,620

24. LEASE OBLIGATIONS

Obligations under finance leases fall due as follows:

	<u>Consolidated</u>		<u>University</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Between one and five years	1,078	1,367	0	0
Over five years	309	590	0	0
Total over one year (Note 17)	1,387	1,957	0	0
Within one year (Note 16)	571	546	0	0
	1,958	2,503	0	0

Operating lease commitments in respect of equipment for the 1996 financial year, on leases expiring:

Within one year	0	0	0	0
Between one and five years	0	0	0	0
Over five years	579	582	0	0
	579	582	0	0

25. CAPITAL COMMITMENTS

Commitments contracted at 31 July
Authorised but not contracted at 31 July

	<u>Consolidated</u>		<u>University</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Commitments contracted at 31 July	8,811	5,042	8,811	5,042
Authorised but not contracted at 31 July	4,693	11,305	4,693	11,305
	13,504	16,347	13,504	16,347

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

	<u>1995/96</u>	<u>1994/95</u>
	<u>£000</u>	<u>£000</u>
Surplus before tax	4,121	5,307
Depreciation (Note 12)	3,490	2,420
Deferred Capital Grants Released to Income (Note 19)	(1,313)	(650)
Investment Income (Note 5)	(1,484)	(1,395)
Profit on Sale of Endowment Assets	0	10
Loss on Sale of Long Term Investments	0	122
Profit on Disposal of Fixed Assets	0	(2)
Interest Payable	1,181	1,022
Decrease Stocks	(27)	46
Decrease/(Increase) in Debtors	(3,806)	1,281
Increase/(Decrease) in Creditors	2,293	3,764
Increase in Provisions	176	355
Net Cash Inflow from Operating Activities	4,631	12,280

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

	<u>Finance Leases</u> £000	<u>Mortgages & Loans</u> £000
Balances at 1 August 1994	2,503	8,179
New Leases/Loans	0	4,386
Capital Repayments	(546)	(482)
Net Amount Acquired in Year	(546)	3,903
Balances at 31 July 1995	1,957	12,082
New Leases/Loans	0	0
Capital Repayments	(570)	(540)
Net Amount Acquired in Year	(570)	(540)
Balances at 31 July 1996	1,387	11,542

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

1995/96	<u>1996</u> £000	<u>1995</u> £000	<u>Change in Year</u> £000
Cash at Bank and in Hand	630	592	38
Endowment Assets	2,140	2,582	(442)
Others			
Total Cash at Bank and in Hand	2,770	3,174	(404)
Short-Term Investments	18,909	25,917	(7,008)
Bank Overdrafts	(4,374)	(4,296)	(78)
	17,305	24,795	(7,490)
1994/95	<u>1995</u> £000	<u>1994</u> £000	<u>Change in Year</u> £000
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

29. PENSION SCHEMES

- (a.) The latest actuarial valuation available at the time of these accounts 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.

A new actuarial valuation was undertaken at 31 March 1996, and the results are expected in early 1997.

- (b.) The last actuarial valuation of the University's own pension scheme was at 6 April 1995. The pension costs were assessed using the projected unit method. The major financial assumptions used were that the long term investment returns would average 9% per annum compound, that long term earnings increases would average 7.5% per annum compound and that pensions would increase at a rate of 6% per annum compound.

The actuarial value of the assets was sufficient to cover 107% 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 6 April 1995 to 30 September 1995 and increased benefits for members. From 1 October 1995, the University has started to pay contributions at the rate of 8% of pensionable earnings. This rate will rise to 13.15% in October 1998, subject to the next valuation in April 1998. The market value of the assets at 5 April 1996 was £31,409,729.

The University's contributions to the various schemes in the years 1994/95 and 1995/96 were:

	1995/96	1994/95
	£000	£000
Universities Superannuation Scheme	5,913	5,515
University of Warwick Pension Scheme	480	0
Local Government Superannuation Scheme	32	32
Others	9	8
	<u>6,434</u>	<u>5,555</u>

30. 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 1 £1 ordinary shares in Microbial Systems Limited whose activities have been excluded from the consolidated accounts on the grounds of immateriality.

31. 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.

32. ACCESS FUNDS

	<u>1995/96</u> £000	<u>1994/95</u> £000
Funding Council Grants	190	185
Interest Earned	1	2
	<hr/> 191	<hr/> 187
Disbursed to Students	(191)	(187)
Audit Fees	0	0
	<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>1995/96</u>	<u>1994/95</u>	<u>1993/94</u>
(a) % Ratio of Total HEFC & TTA Grants to Total Income	30.70%	33.69%	29.30%
(b) % Ratio of Total Full-time Home & EC Fees to Total Income	7.50%	7.75%	10.91%
(c) % Ratio of Total Overseas Student Fees to Total Income	5.60%	5.54%	5.14%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	14.68%	13.95%	14.69%
(e) % Ratio of Total Other Services Rendered Income to Total Income	4.71%	4.38%	4.09%
(f) % Ratio of Total Residences and Catering Income to Total Income	9.14%	8.89%	8.51%
(g) % Ratio of Total all Other Income to Total Income	27.66%	25.80%	27.35%
(h) % Ratio of Surplus/(Deficit) to Total Income	3.07%	4.25%	7.20%

INDICATORS RELATING TO FINANCIAL STRENGTH

(i) Days Ratio of General Funds to Total Expenditure	160.51	162.07	155.90
(j) % Ratio of Long Term Liabilities to Total General Funds	22.50%	24.44%	20.05%

INDICATORS RELATING TO SHORT TERM LIQUIDITY AND SOLVENCY

(k) Ratio of Liquid Assets to Current Liabilities	0.87	1.32	1.21
(l) Days Ratio of Net Liquid Assets to Total Expenditure	48.51	75.73	53.61
(m) Ratio of Current Assets to Current Liabilities	1.54	1.92	2.08
(n) Days Ratio of Increase/(Decrease) in Cash & Cash Equivalents to Total Expenditure	(21.00)	25.61	1.98
(o) Days of Total Income represented by Debtors	44.78	37.31	41.87