

UNIVERSITY OF WARWICK

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED
31 JULY 1997

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TREASURER'S REPORT

Immediately after the publication of the Dearing Report, Her Majesty's Government announced radical changes in the funding system for students entering University. Accepting some of the recommendations in the report, and rejecting others, Her Majesty's Government decided that, subject to some means-testing, students would pay tuition fees of £1,000 per annum, and that maintenance would be financed by loan rather than grant.

The implications are far-reaching for students, but as yet it is not possible to assess the effect on universities. The much increased level of typical student debt will undoubtedly make students even more careful in their choice of institution and, subsequently, in deciding whether or not to continue with postgraduate study. Administratively, universities will have an additional burden in the collection of fees from individuals. More importantly, it is not yet clear whether universities will receive the full financial benefit of the increased resources arising from fees. As this report is being written there are one or two encouraging indicators, but time alone will tell.

Turning from the general to the particular, and from the future to the past, the financial results for the University in 1996/97 were much better than forecast, and reasonably satisfactory - the operating surplus was £3.9m, representing 2.8% of income. Lower funding from HEFCE, particularly for equipment, and from the TTA, were factors outside our control. Significant expenditure above budget was incurred on early retirements, campus security, telephone systems and computer infrastructure. On the plus side the growth in Research income was encouraging, and the University's Earned Income activities continued their remarkable record of growth with outstanding performance from the Business School, Scarman House and Overseas Student recruitment in particular. The long-awaited reduction in Employers' contributions to the USS Pension Scheme and a significant recovery of VAT on a building project were helpful.

The University was able to maintain its dramatic programme of capital investment, investing some £13.8m in buildings and equipment. (The long-term loan forecast in this report last year was taken up just after the year-end - £12.35m for the post-construction financing of residences.)

On a matter of accounting detail we have not found it possible, as I had hoped, to give a more informative and sensible breakdown of Reserves in these Accounts.

The next round in the five-year planning cycle, starting in the Spring of next year, will be no easier than in recent years. The vitality of the University will make the process difficult as well as exciting, as we seek to maintain the excellence of teaching and research across the campus and at the same time the pace of the capital expenditure programme. That many of the capital projects will be self-financing does not ease the short-term cash investment burden, and the way in which we finance the programme will be a major topic of debate - as will the financial implications of a Medical School if we are successful in our joint bid with Leicester! Let us hope that the indications of a slightly easier funding regime for post 1998/99 planning purposes are fulfilled.

J D M HEARTH, CBE., MA.
TREASURER

12 December 1997

CORPORATE GOVERNMENT

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 member's 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.

REPORT OF THE AUDITORS TO THE COUNCIL
OF THE
UNIVERSITY OF WARWICK

We have audited the financial statements on pages 8 to 21 which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and the accounting policies set out on pages 6 to 7.

Respective responsibilities of the Council and Auditors

As described on page 4, the University's Council is responsible for ensuring that financial statements are prepared. It is our responsibility to form an independent opinion, based on our audit, on the financial 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. 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 group'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 and the group at 31 July 1997 and of the group's income and expenditure and cash flows for the year then ended and have been properly prepared in accordance with the the Statement of Recommended Practice on Accounting in Higher Education Institutions and with the University's Charter of Incorporation;
- (ii) income from the Higher Education Funding Council for England grants, income from 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 have been received;
- (iii) 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 dated July 1996 with the Teacher Training Agency.

Price Waterhouse
Chartered Accountants
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

12 December 1997

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. During the year the University undertook a review of the analysis and disclosures of its Endowment Funds. As a result of this review the prior year figures have been adjusted to reflect a more appropriate analysis between University and Endowment Assets and Investments in accordance with the SORP definitions. The impact of these adjustments was a £33,000 charge to the prior year Income and Expenditure Account.

2. Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings, including the Foundation Fund, for the financial year to 31 July 1997. 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 1997

	<u>Note</u>	<u>1996/97</u> £000	<u>1995/96</u> £000
INCOME			
Higher Education Funding Council (England) & Teacher Training Agency Grants	1	40,618	41,241
Academic Fees and Support Grants	2	31,937	29,419
Research Grants and Contracts	3	21,508	19,724
Other Operating Income	4	43,096	41,289
Endowment Income and Interest Receivable	5	1,547	2,625
Total Income		<u>138,706</u>	<u>134,298</u>
EXPENDITURE			
Staff Costs	6	71,865	68,522
Depreciation	12	4,018	3,490
Other Operating Expenses	7	57,653	57,017
Interest Payable	8	1,276	1,181
Total Expenditure	10	<u>134,812</u>	<u>130,210</u>
Surplus after Depreciation of Assets at Cost and before Tax		3,894	4,088
Taxation	11	0	0
Surplus after Depreciation of Assets at Cost and Tax		<u>3,894</u>	<u>4,088</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

For the Year Ended 31 July 1997

		<u>1996/97</u> £000	<u>1995/96</u> £000
Surplus after Depreciation of Assets at Cost and Tax		3,894	4,088
Difference between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year calculated on the Revalued amount.	21	6	6
Historical Cost Surplus after Tax		<u>3,900</u>	<u>4,094</u>

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

BALANCE SHEET AS AT 31 JULY 1997

	Note	Consolidated		University	
		1997 £000	1996 £000	1997 £000	1996 £000
FIXED ASSETS					
Tangible Assets	12	90,377	80,615	79,991	71,469
Investments	13	132	126	176	176
		90,509	80,741	80,167	71,645
ENDOWMENT ASSET INVESTMENTS	14	1,843	1,971	0	0
CURRENT ASSETS					
Stocks		485	542	447	505
Debtors	15	19,657	16,460	20,281	16,052
Short Term Deposits		11,629	18,881	11,627	18,879
Cash at Bank and in Hand		643	2,140	281	336
		32,414	38,023	32,636	35,772
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(22,793)	(25,862)	(23,344)	(22,875)
NET CURRENT ASSETS		9,621	12,161	9,292	12,897
TOTAL ASSETS LESS CURRENT LIABILITIES		101,973	94,873	89,459	84,542
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(11,383)	(10,999)	(10,441)	(11,006)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(2,614)	(2,687)	(2,701)	(2,687)
TOTAL ASSETS LESS LIABILITIES		87,976	81,187	76,317	70,849
DEFERRED CAPITAL GRANTS	19	(24,663)	(21,640)	(21,149)	(19,374)
TOTAL NET ASSETS		63,313	59,547	55,168	51,475
Represented by:					
ENDOWMENTS					
Specific	20	1,826	1,971	0	0
General	20	17	0	0	0
		1,843	1,971	0	0
RESERVES					
Revaluation Reserve	21	290	296	0	0
Income and Expenditure Account	22	61,180	57,280	55,168	51,475
		61,470	57,576	55,168	51,475
TOTAL FUNDS		63,313	59,547	55,168	51,475

The financial statements on pages 8 to 21 were approved by the Council on 12 December 1997, 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 1997**

	Note	<u>1996/97</u> £000	<u>1995/96</u> £000
Net Cash Inflow/(Outflow) from Operating Activities	26	3,010	3,416
Returns on Investments and Servicing of Finance	27	323	672
Taxation	11	0	0
Capital Expenditure and Financial Investment	28	(9,062)	(10,629)
Cash Inflow/(Outflow) before Use of Liquid Resources and Financing		(5,729)	(6,541)
Management of Liquid Resources(net withdrawals from short term investments)		11,994	4,448
Financing	29	(990)	(937)
Increase/(Decrease) in Cash		5,275	(3,030)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	<u>1996/97</u> £000	<u>1995/96</u> £000
Increase/(Decrease) in Cash in the Period	5,275	(3,030)
Increase/(Decrease) in Short Term Deposits	(11,994)	(4,448)
Repayment of Debt	990	937
Change in Net Funds	(5,729)	(6,541)
Net Funds at 1 August	5,406	11,947
Net Funds at 31 July	(323)	5,406

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES**For the Year Ended 31 July 1997**

	Note	<u>1996/97</u> £000	<u>1995/96</u> £000
Surplus after Depreciation of Assets at Valuation and Tax		3,894	4,088
Appreciation of Endowment Asset Investments	20	99	28
Endowment Income Retained for Year	20	(244)	(895)
New Endowments	20	17	993
Unrealised Surplus on Revaluation of Properties		0	302
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		3,766	4,516

NOTES TO THE ACCOUNTS
1. HIGHER EDUCATION FUNDING COUNCIL (ENGLAND)
& TEACHER TRAINING AGENCY GRANTS

	<u>1996/97</u>	<u>1995/96</u>
	£000	£000
Recurrent Grants		
Higher Education Funding Council:		
Teaching	19,158	19,302
Research	14,565	14,618
Teacher Training Agency	3,436	3,499
Specific Grants:		
Formula Capital Funding	1,869	2,272
Joint Research Equipment Initiative	4	0
Specialised Research Collection in the Humanities	25	25
Biotechnology	0	12
C.V.E. Development	300	358
Minority Subject	22	21
Development of Teaching and Learning	60	0
Teaching and Learning Technology Programme	0	60
Backlog Maintenance	0	0
C.T.I. Centre	50	50
Joint Information Systems Committee	533	588
Others	4	4
Deferred Capital Grants Released in Year		
Buildings (Note 19)	288	286
Equipment (Note 19)	304	146
	40,618	41,241

2. ACADEMIC FEES AND SUPPORT GRANTS

	<u>1996/97</u>	<u>1995/96</u>
	£000	£000
Full-time Students	10,062	10,081
Full-time Students charged overseas fees	8,296	7,521
Part-time fees	727	714
Research Training Support Grants	467	458
Short Course Fees	12,226	10,480
Other Fees	159	165
	31,937	29,419

3. RESEARCH GRANTS AND CONTRACTS

	<u>1996/97</u>	<u>1995/96</u>
	£000	£000
Income		
Research Councils	9,662	8,647
Central Government, Local Authorities and Public Corporations	3,581	3,469
Industry and Commerce	3,238	3,570
Charitable Bodies	1,779	1,403
European Union	2,615	2,213
Overseas	423	204
Others	176	176
Endowments	34	42
	21,508	19,724
Expenditure		
Research Councils	7,678	6,827
Central Government, Local Authorities and Public Corporations	2,821	2,688
Industry and Commerce	2,747	2,854
Charitable Bodies	1,758	1,395
European Union	2,361	1,929
Overseas	373	177
Others	129	114
Endowments	34	42
	17,901	16,026

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

4. OTHER OPERATING INCOME		1996/97	1995/96
		£000	£000
Residences, Catering and Conferences		13,446	12,281
Other Services Rendered		5,498	6,325
Released from Deferred Capital Grants (Note 19)		302	251
Retail Operations		9,067	8,868
Post-Experience Centres		8,930	8,435
Other Income		5,853	5,129
		43,096	41,289
5. ENDOWMENT INCOME AND INTEREST RECEIVABLE		1996/97	1995/96
		£000	£000
Chairs and Lectureships		44	72
Fellowships, Scholarships and Prizes		126	151
General		148	735
Income from Short Term Investments		1,229	1,667
		1,547	2,625
6. STAFF		1996/97	1995/96
		£000	£000
Staff Costs:			
Wages and Salaries		59,838	56,429
Social Security Costs		4,891	4,596
Other Pension Costs		7,136	7,497
		71,865	68,522
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 £15,945 (1995/96 - £17,800). 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).		£103,134	£98,354
£100,000 - £109,999	3	0	
£90,000 - £99,999	0	1	
£80,000 - £89,999	0	0	
£70,000 - £79,999	6	2	
£60,000 - £69,999	12	8	
£50,000 - £59,999	29	22	
There were no amounts paid as compensation for loss of office to higher paid staff.			
7. OTHER OPERATING EXPENSES		1996/97	1995/96
		£000	£000
Residences, Catering and Conferences Operating Expenses		5,725	6,736
Consumables and Laboratory Expenditure		15,908	15,879
Books, Periodicals and Binding		1,262	1,396
Fellowships, Scholarships and Prizes		514	529
Heat, Light, Water and Power		1,662	1,690
Repairs and General Maintenance		4,181	3,324
Provision for Long-Term Maintenance		1,314	1,289
Grants to University of Warwick Students' Union		811	773
Rents, Rates and Insurance		706	679
Auditors' Remuneration		23	30
Auditors' Remuneration in respect of Non-Audit Services		44	74
Retail Operations		7,157	6,995
Post - Experience Centres		2,812	2,797
Other Expenses		15,534	14,826
		57,653	57,017

8. INTEREST PAYABLE

	<u>1996/97</u> £000	<u>1995/96</u> £000
Bank and other loans wholly repayable within five years	0	0
Loans not wholly repayable within five years	1,191	1,056
Finance Leases	85	125
	<u>1,276</u>	<u>1,181</u>

9. RESTRUCTURING COSTS

	<u>1996/97</u> £000	<u>1995/96</u> £000
Premature Retirement Compensation Scheme	1,071	793

10. ANALYSIS OF 1996/97 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	40,448	344	15,908	0	56,700
Academic Services	3,434	68	3,065	0	6,567
Research Grants and Contracts	10,185	913	6,803	0	17,901
Residences, Catering and Conferences	4,325	654	5,725	1,147	11,851
Premises 3,173	1,423	7,287	0	11,883	
Administration	5,390	195	3,946	0	9,531
Retail Operations	1,849	0	7,157	27	9,033
Post-Experience Centres	2,166	384	3,135	86	5,771
Other Expenses	895	37	4,627	16	5,575
Total per Income and Expenditure Account	<u>71,865</u>	<u>4,018</u>	<u>57,653</u>	<u>1,276</u>	<u>134,812</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 19)	1,807
Revaluation Reserve Released (Note 21)	6
General Income	2,205
	<u>4,018</u>

11. TAXATION

	<u>1996/97</u> £000	<u>1995/96</u> £000
UK Corporation Tax payable on the Profits of University of Warwick Training Ltd. and University of Warwick Services Ltd.	0	0

12. TANGIBLE ASSETS

Consolidated

	Land & Buildings		Leased		Total
	Freehold £000	Long Leasehold £000	Equipment £000	Equipment £000	£000
Cost					
At 1 August 1996	93,991	0	5,753	3,709	103,453
Additions at Cost	10,814	0	2,966	0	13,780
At 31 July 1997	104,805	0	8,719	3,709	117,233
Depreciation					
At 1 August 1996	18,780	0	1,501	2,557	22,838
Charge for Year	2,048	0	1,740	230	4,018
At 31 July 1997	20,828	0	3,241	2,787	26,856
Net Book Value at 31 July 1997	83,977	0	5,478	922	90,377
Net Book Value at 1 August 1996	75,211	0	4,252	1,152	80,615

Included within Fixed Assets is land relating to the site of Scarman House, a post-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.

The consolidated expenditure on Land and Buildings in 1996/97 was :-

	£000
Student Residences	3,398
International Manufacturing Centre	2,814
Social Studies	1,683
Medical Research Institute	1,159
East Site Development	943
Retail Services/Student Union	485
Other	332
	<u>10,814</u>

University

	Land & Buildings		Leased		Total
	Freehold £000	Long Leasehold £000	Equipment £000	Equipment £000	£000
Cost					
At 1 August 1996	85,400	0	5,179	0	90,579
Additions at Cost	9,254	0	2,731	0	11,985
At 31 July 1997	94,654	0	7,910	0	102,564
Depreciation					
At 1 August 1996	17,874	0	1,236	0	19,110
Charge for Year	1,881	0	1,582	0	3,463
At 31 July 1997	19,755	0	2,818	0	22,573
Net Book Value at 31 July 1997	74,899	0	5,092	0	79,991
Net Book Value at 1 August 1996	67,526	0	3,943	0	71,469

13. INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	1997 £000	1996 £000	1997 £000	1996 £000
Fixed Interest and Equities at Market Value	81	75	0	0
Investment in Subsidiary Companies at Cost	0	0	125	125
Investment in CVCP Properties PLC at Cost	51	51	51	51
	<u>132</u>	<u>126</u>	<u>176</u>	<u>176</u>

14. ENDOWMENT ASSET INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	<u>1997</u> £000	<u>1996</u> £000	<u>1997</u> £000	<u>1996</u> £000
Balance at 1 August	1,971	1,845	0	0
Additions	228	48	0	0
Disposals	(203)	(52)	0	0
Appreciation/Depreciation on Disposals/Revaluation	99	28	0	0
Increase/(Decrease) in Cash Balances	(252)	102	0	0
	1,843	1,971	0	0
Composed of :-				
Fixed Interest Stocks	70	75	0	0
Equities	550	421	0	0
Bank Balances	1,223	1,475	0	0
Total Endowment Asset Investments	1,843	1,971	0	0
Fixed Interest and Equities at Cost	491	423	0	0

15. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	<u>1997</u> £000	<u>1996</u> £000	<u>1997</u> £000	<u>1996</u> £000
Amounts falling due within one year:				
Debtors	12,195	9,676	11,269	8,126
Prepayments and accrued Income	5,691	6,784	7,485	7,926
Amounts falling due after one year:	0	0	0	0
Debtors and prepayment	1,771	0	1,527	0
	19,657	16,460	20,281	16,052

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	<u>1997</u> £000	<u>1996</u> £000	<u>1997</u> £000	<u>1996</u> £000
Bank Overdraft	2,914	5,191	1,982	4,374
Mortgages and Unsecured Loans	438	419	562	535
Obligations Under Finance Leases (Note 24)	273	601	0	0
Payments Received on Account	5,453	4,843	5,254	4,843
Creditors	4,994	4,802	6,736	4,738
Social Security and Other Taxation Payable	1,712	1,558	1,712	1,558
Accruals and Deferred Income	7,009	8,448	7,098	6,827
	22,793	25,862	23,344	22,875

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

	<u>Consolidated</u>		<u>University</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£000	£000	£000	£000
Mortgages secured on residential and other property	6,199	6,463	6,199	6,463
Unsecured loans	2,932	3,105	4,242	4,543
Payments received on account	1,110	0	0	0
	10,241	9,568	10,441	11,006
Accruals (Operating Leases)	0	44	0	0
Obligations Under Finance Leases (Note 24)	1,142	1,387	0	0
	1,142	1,431	0	0
	11,383	10,999	10,441	11,006

18. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Consolidated</u>		
	Long Term Maintenance	Other	Total
	£000	£000	£000
At 1 August 1996	2,422	265	2,687
Utilised in Year	(2,206)	(248)	(2,454)
Transfer from Income & Expenditure Account	1,315	1,066	2,381
At 31 July 1997	1,531	1,083	2,614
	<u>University</u>		
	Long Term Maintenance	Other	Total
	£000	£000	£000
At 1 August 1996	2,422	265	2,687
Utilised in Year	(2,119)	(248)	(2,367)
Transfer from Income & Expenditure Account	1,315	1,066	2,381
At 31 July 1997	1,618	1,083	2,701

19. DEFERRED CAPITAL GRANTS

	<u>University</u>		<u>Consolidated</u>		<u>Consolidated</u>
	Funding Council & £000	Other Grants Benefactions £000	Funding Council & £000	Other Grants Benefactions £000	Total £000
At 1 August 1996	7,174	9,176	7,174	11,442	18,616
Buildings	528	2,496	528	2,496	3,024
Equipment	7,702	11,672	7,702	13,938	21,640
Total					
Cash Received	98	1,238	98	2,522	2,620
Buildings	791	1,419	791	1,419	2,210
Equipment	889	2,657	889	3,941	4,830
Total					
Released to Income and Expenditure	288	265	288	301	589
Buildings (Notes 1,3, & 4)	304	914	304	914	1,218
Equipment (Notes 1,3, & 4)	592	1,179	592	1,215	1,807
Total (Note 10)					
At 31 July 1997	6,984	10,149	6,984	13,663	20,647
Buildings	1,015	3,001	1,015	3,001	4,016
Equipment	7,999	13,150	7,999	16,664	24,663
Total					

20. ENDOWMENTS

	<u>Consolidated</u>		
	Specific £000	General £000	Total £000
At 1 August 1996	1,971	0	1,971
Additions	0	17	17
Appreciation of Endowment Asset Investments	99	0	99
Income for Year	108	0	108
Transferred to Income and Expenditure Account (Notes 3 & 5)	(352)	(0)	(352)
At 31 July 1997	1,826	17	1,843

21. REVALUATION RESERVE

	<u>Consolidated</u>		<u>University</u>	
	<u>1997</u> £000	<u>1996</u> £000	<u>1997</u> £000	<u>1996</u> £000
Revaluations				
At 1 August	302	0	0	0
Revaluation in Year	0	302	0	0
At 31 July	302	302	0	0
Contributions to Depreciation				
At 1st August	6	0	0	0
Released in Year (Note 10)	6	6	0	0
At 31st July	12	6	0	0
Net Revaluation Amount				
At 31 July	290	296	0	0
At 1 August	296	0	0	0

22. INCOME AND EXPENDITURE ACCOUNT

	<u>Consolidated</u> £000	<u>University</u> £000
Surplus/(Deficit) after Depreciation of Assets at Valuation and Tax	3,894	3,693
Released from Revaluation Reserve	6	0
Historical Cost Surplus/(Deficit) after Tax	3,900	3,693
Balance at 1st August	57,280	51,475
Balance at 31st July	61,180	55,168

23. INCOME AND EXPENDITURE ACCOUNT RESERVES

	<u>1997</u> £000	<u>1996</u> £000
Committed Reserves:		
Research and Teaching Innovations	237	87
Study Leave	4	13
Catering and Conferences	525	33
Residential Renewals and Improvements	1,907	1,069
Other Renewals	1,066	1,176
Premature Retirement Compensation Scheme	35	40
Departmental Expenses	3,153	3,603
Departmental Funds	2,938	3,758
Others	797	997
	10,662	10,776
Other Reserves:	50,518	46,504
	61,180	57,280

24. LEASE OBLIGATIONS

Obligations under finance leases fall due as follows:

Between one and five years
Over five years

Total over one year (Note 17)

Within one year (Note 16)

Operating lease commitments in respect of equipment for the 1997 financial year, on leases expiring:

Within one year
Between one and five years
Over five years

	<u>Consolidated</u>		<u>University</u>	
	<u>1997</u> £000	<u>1996</u> £000	<u>1997</u> £000	<u>1996</u> £000
Between one and five years	1,142	1,078	0	0
Over five years	0	309	0	0
Total over one year (Note 17)	1,142	1,387	0	0
Within one year (Note 16)	273	601	0	0
	1,415	1,988	0	0
Operating lease commitments in respect of equipment for the 1997 financial year, on leases expiring:				
Within one year	0	0	0	0
Between one and five years	0	0	0	0
Over five years	915	579	0	0
	915	579	0	0

25. CAPITAL COMMITMENTS

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

	<u>Consolidated</u>		<u>University</u>	
	<u>1997</u> £000	<u>1996</u> £000	<u>1997</u> £000	<u>1996</u> £000
Commitments contracted at 31 July	14,129	8,811	14,129	8,811
Authorised but not contracted at 31 July	4,951	4,693	4,951	4,693
	19,080	13,504	19,080	13,504

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

Surplus before tax
Depreciation (Note 12)
Deferred Capital Grants Released to Income (Note 19)
Investment Income
Interest Payable
Decrease Stocks
Decrease/(Increase) in Debtors
Increase/(Decrease) in Creditors
Increase in Provisions

<u>1996/97</u> £000	<u>1995/96</u> £000
3,894	4,088
4,018	3,490
(1,807)	(1,313)
(1,582)	(2,667)
1,276	1,181
58	(27)
(3,256)	(3,805)
482	2,293
(73)	176

Net Cash Inflow from Operating Activities

3,010	3,416
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27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

Income from Endowments (Note 20)
Income from Short Term Investments
Interest Paid

<u>1996/97</u> £000	<u>1995/96</u> £000
108	105
1,531	1,752
(1,316)	(1,185)
323	672

28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	1996/97 £000	1995/96 £000
Tangible Assets Acquired (Other than Leased Equipment)	(13,884)	(15,366)
Endowment Asset Investments Acquired (Note 14)	(228)	(48)
Total Fixed and Endowment Asset Investments Acquired	(14,112)	(15,414)
Long Term Investments Acquired	0	(51)
Receipts from Sales of Endowment Assets (Note 14)	203	52
Receipts from Disposal of Fixed Assets	0	3
Deferred Capital Grants Received (Note 19)	4,830	3,788
Endowments Received (Note 20)	17	993
	(9,062)	(10,629)

29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Total £000	Finance Leases £000	Mortgages & Loans £000
Balances at 1 August 1995	12,912	2,503	10,409
New Leases/Loans	0	0	0
Capital Repayments	(937)	(515)	(422)
Net Amount Acquired in Year	(937)	(515)	(422)
Balances at 31 July 1996	11,975	1,988	9,987
New Leases/Loans	0	0	0
Capital Repayments	(990)	(573)	(417)
Net Amount Acquired in Year	(990)	(573)	(417)
Balances at 31 July 1997	10,985	1,415	9,570

30. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1 August £000	Cash Flows £000	At 31 July £000
Cash at Bank and in Hand			
Endowment Assets	1,475	(252)	1,223
Others	2,141	(1,498)	643
	3,616	(1,750)	1,866
Short-Term Deposits	18,956	(7,246)	11,710
Bank Overdrafts	(5,191)	2,277	(2,914)
Debt due within one year	(1,021)	309	(712)
Debt due after one year	(10,954)	681	(10,273)
	5,406	(5,729)	(323)

31. PENSION SCHEMES

- (a.) The latest actuarial valuation available at the time of these accounts of the Universities Superannuation Scheme was at 31 March 1996.
- 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 £12,087 million and the actuarial value of the assets was sufficient to cover 108% 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 was 18.55% of pensionable salaries to 31 December 1996, and 14% thereafter.
- (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 1997 was £35,111,626.

The University's contributions to the various schemes in the years 1995/96 and 1996/97 were:

	<u>1996/97</u>	<u>1995/96</u>
	£000	£000
Universities Superannuation Scheme	6,161	5,913
University of Warwick Pension Scheme	794	480
Local Government Superannuation Scheme	28	32
Others	10	9
	<u>6,993</u>	<u>6,434</u>

32. SUBSIDIARY COMPANIES

The University owns 100% of the issued share capital of 4 £1 ordinary shares of Warwick University Training Ltd. and 100% of the 125000 £1 ordinary shares of Warwick University Services Ltd., companies registered in England and operating post-experience centres in the UK. The University also 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 share in Microbial Systems Limited, a biotechnology company, whose activities have been excluded from the consolidated accounts on the grounds of immateriality.

33. 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.

34. ACCESS FUNDS

	<u>1996/97</u> £000	<u>1995/96</u> £000
Funding Council Grants	190	190
Interest Earned	0	1
	190	191
Disbursed to Students	(190)	(191)
Audit Fees	0	0
Balance Unspent at 31 July	0	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.

35. SUBSEQUENT EVENTS

On 19 August 1997 the University entered into a loan agreement of £12.35m. The loan is secured on certain student residences and is repayable in equal quarterly instalments over 25 years. On 21 August 1997 the University repaid £2.09m of 3 secured mortgages

36. RELATED PARTIES

The University has no related party transactions requiring disclosure under FRS 8.

INDICATORS OF FINANCIAL HEALTH

INDICATORS RELATING TO SOURCES OF INCOME

	<u>1996/97</u>	<u>1995/96</u>	<u>1994/95</u>	<u>1993/94</u>
(a) % Ratio of Total HEFC & TTA Grants to Total Income	29.28%	30.71%	33.69%	29.30%
(b) % Ratio of Total Full-time Home & EC Fees to Total Income	7.25%	7.51%	7.75%	10.91%
(c) % Ratio of Total Overseas Student Fees to Total Income	5.98%	5.60%	5.54%	5.14%
(d) % Ratio of Total Research Grant and Contract Income to Total Income	15.51%	14.69%	13.95%	14.69%
(e) % Ratio of Total Other Services Rendered Income to Total Income	3.96%	4.71%	4.38%	4.09%
(f) % Ratio of Total Residences and Catering Income to Total Income	9.69%	9.14%	8.89%	8.51%
(g) % Ratio of Total all Other Income to Total Income	28.32%	27.64%	25.80%	27.35%
(h) % Ratio of Surplus/(Deficit) to Total Income	2.81%	3.04%	4.25%	7.20%

INDICATORS RELATING TO FINANCIAL STRENGTH

(i) Days Ratio of General Funds to Total Expenditure	165.69	160.56	162.07	155.90
(j) % Ratio of Long Term Liabilities to Total General Funds	19.76%	20.98%	24.44%	20.05%

INDICATORS RELATING TO SHORT TERM LIQUIDITY AND SOLVENCY

(k) Ratio of Liquid Assets to Current Liabilities	0.54	0.81	1.32	1.21
(l) Days Ratio of Net Liquid Assets to Total Expenditure	25.33	44.37	75.73	53.61
(m) Ratio of Current Assets to Current Liabilities	1.42	1.47	1.92	2.08
(n) Days Ratio of Increase/(Decrease) in Cash & Liquid Resources to Total Expenditure	(18.19)	(20.96)	25.61	1.98
(o) Days of Total Income represented by Debtors	51.73	44.74	37.31	41.87