Warwick University Training Limited

Directors' report and financial statements

for the year ended 31 July 2001

Registered number 2446501

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Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 July 2001.

Principal activities

The Company's principal activity is the operation of Scarman House, a post-experience management training centre.

During the year ended 31 July 2001, the company made a profit of £1,367,724 (2000 – £1,247,642) which, after Deed of Covenant payments, resulted in a retained (loss) of £(77,381) [2000 (loss) – £(21,077)].

Deed of covenant

By deed of covenant dated 8 July 1998, the company covenanted to pay the University of Warwick a sum equal to taxable profit for corporation tax purposes.

Dividend

The directors do not recommend the payment of a dividend.

Directors and their interests

The directors of the company during the period were as follows:

B K Follett (resigned 30 April 2001)

H J Hunt

J Rushton

R J Williams

A Steele

R G Dyson

J D M Hearth

J W Nicholls

V D VandeLinde (appointed 6 November 2001)

None of the directors of the company held any beneficial interest in the company's share capital at 31 July 2001 or at any time during the year then ended.

Fixed assets

Movements in the fixed assets of the company are shown in note 6 to the financial statements.

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

HJHunt

H J HUNT
Secretary

Date: 4 December 2001

kpmg

2 Cornwall Street
Birmingham

B3 2DL

Report of the independent auditors to the members of Warwick University Training Limited

We have audited the financial statements on pages 3 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 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 the financial statements give a true and fair view of the state of affairs of the company as at 31 July 2001 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

Date: 4 December 2001

Profit and loss account
for the year ended 31 July 2001

	Note	2001	2000
		£	£
TURNOVER	2	**6,022,875**	5,181,778
Cost of sales		**(2,317,048)**	(1,929,466)
GROSS PROFIT		**3,705,827**	3,252,312
Distribution costs		**(207,617)**	(127,955)
Administrative expenses		**(2,165,258)**	(1,883,875)
OPERATING PROFIT		**1,332,952**	1,240,482
Interest receivable		**78,435**	66,740
Finance lease interest		**(43,663)**	(59,580)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**1,367,724**	1,247,642
Taxation	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**1,367,724**	1,247,642
Deed of covenant payable		**(1,445,105)**	(1,268,719)
(LOSS) FOR THE FINANCIAL YEAR	13	**(77,381)**	(21,077)

Statement of total recognised gains and losses	**2001**	2000
	£	£
(Loss) for the financial year	**(77,381)**	(21,077)
Total recognised gains and losses relating to the year	**(77,381)**	(21,077)
Prior year adjustment	-	(1,004,454)
Total gains and losses recognised since last financial accounts	**(77,381)**	(1,025,531)

The prior year adjustment results from a change in the accounting method used to calculate the operating lease charges to the profit and loss account. Previously these were calculated by reference to the net present value of total lease payments over the period of the lease. This method has been amended to charging the lease payments to the profit and loss account on the accruals basis, as this provides a fairer presentation of the results and financial position of the company.

There is no material difference between the results as disclosed and results on an unmodified historical cost basis.

Notes to the financial statements are shown on pages 7 to 11.

All activities during the year are continuing.

Balance sheet
at 31 July 2001

	Note		**2001**		2000
			£		£
Tangible fixed assets	*6*		**628,536**		737,822
Current assets					
Stock		28,798		26,263	
Debtors (amounts falling due within one year)	*7*	1,199,798		1,373,560	
Cash at bank		1,999,409		1,884,675	
		3,228,005		3,284,498	
Creditors: amounts falling due within one year	*8*	(3,237,051)		(3,002,214)	
Net Current (Liabilities)/Assets			**(9,046)**		282,284
Total Assets less current liabilities			**619,490**		1,020,106
Creditors: amounts falling due after more than one year	*9*		**-**		(323,235)
Net assets			**619,490**		696,871
Capital & reserves					
Called up share capital	*12*		**4**		4
Profit and loss account	*13*		**619,486**		696,867
			619,490		696,871

These financial statements were approved by the board of directors on 4 December 2001 and were signed on its behalf by:

H J HUNT
Director

Cash Flow Statement
for the year ended 31 July 2001

	Note	2001	2000
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	*(i)*	**2,109,100**	1,076,439
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	*(ii)*	**(1,311,501)**	(1,288,246)
TAXATION		-	-
CAPITAL EXPENDITURE	*(ii)*	**(379,474)**	(344,613)
		418,125	(556,420)
FINANCING	*(ii)*	**(303,391)**	(265,369)
INCREASE/(DECREASE) IN CASH		**114,734**	(821,789)

Reconciliation of net cash flow to movement in net debt *(note iii)*

	2001	2000
Increase/(decrease) in cash in period	**114,734**	(821,789)
Capital element of finance lease repayments	**303,391**	265,369
	418,125	(556,420)
Net funds at start of year	**1,253,044**	1,809,464
Net funds at year end	**1,671,169**	1,253,044

Notes to the Cash Flow Statement

(i) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2001	2000
	£	£
Operating Profit	**1,332,952**	1,240,482
Depreciation charge	**489,390**	447,371
(Increase) in stocks	**(2,535)**	(287)
Decrease/(Increase) in debtors	**185,399**	(585,905)
Increase/(Decrease)in creditors	**104,524**	(13,322)
Profit on disposal of fixed assets	**(630)**	(11,900)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**2,109,100**	1,076,439

(ii) Gross Cash Flows

	2001	2000
	£	£
Returns on investments and servicing of finance		
Interest received	**66,798**	55,950
Interest paid	**(59,580)**	(78,489)
Deed of covenant payments	**(1,318,719)**	(1,265,707)
Deed of covenant repayments	-	-
	(1,311,501)	(1,288,246)
Capital expenditure		
Payment to acquire tangible assets	**(380,104)**	(356,513)
Receipts from sales of tangible assets	**630**	11,900
	(379,474)	(344,613)
Financing		
Capital element of finance lease rental payments	**(303,391)**	(265,369)

(iii) Analysis of changes in net debt

	At 1 August 2000	**Cash flows**	**Non-cash changes**	**At 31 July 2001**
	£	£	£	£
Cash in bank and at hand	1,884,675	114,734		1,999,409
Debt due within one year	(308,396)	303,391	(323,235)	(328,240)
Debt due after one year	(323,235)	-	323,235	-
	1,253,044	418,125	-	1,671,169

NOTES
(forming part of the financial statements)

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on leased and owned assets so as to write off their cost over their estimated useful lives, in equal annual instalments, which in the case of leased assets equates to the primary lease period.

The appropriate rates are:

Plant and equipment under finance leases	10% per annum
Fixtures and fittings under finance leases	20% per annum
Owned fixtures and fittings	10-20% per annum

Leased assets

Assets used by the Company which have been funded through finance leases are capitalised and the resulting lease obligations are included in creditors net of finance charges. Finance lease interest is charged to the profit and loss account on a consistent basis to reflect a constant periodic rate of return to the lessor.

Payments in respect of operating leases are charged directly to the profit and loss account on an accruals basis.

Pensions

Pensions costs are recognised in the financial statements as recharged by the University of Warwick.

Stock

Stock represents food and bar stock and is stated at the lower of cost and net realisable value.

Deferred Tax

No provision has been made for deferred tax on the grounds that the company transfers its taxable profits by deed of covenant to the University of Warwick and therefore no deferred tax asset or liability will be realised in the company.

2 Turnover

Turnover arises from continuing activities in the United Kingdom, and is attributable to a single class of business – the operation of a post-experience management training centre.

3 Operating Profit

This has been arrived at after charging:

	2001	2000
	£	£
Auditor's remuneration - audit	**5,000**	5,000
- non audit	**750**	750
Depreciation – owned assets	**258,946**	216,927
- leased assets	**230,444**	230,444
Operating lease payments - Land and buildings	**878,892**	848,151
- Plant and machinery	**13,982**	13,982

NOTES *(continued)*

4. Staff Costs

Employees' remuneration and related costs during the year amounted to:

	2001	2000
	£	£
The total cost of their remuneration was:		
Wages and salaries	**1,018,383**	1,021,549
Social security costs	**61,262**	63,071
Other pension costs	**68,893**	64,563
Total employees' remuneration	**1,148,538**	1,149,183

The average number of persons (including directors) employed during the year was 71 (2000 - 77). No directors have received any fee or remuneration for their services during the year (2000 - £nil). Directors' and officers' liability insurance amounting to £649 (2000 - £625) has been paid by the University of Warwick on behalf of the Directors. Under company law, the remuneration of all directors falls to be disclosed within the band £nil-5,000.

5 Taxation

The tax charge for the period is £nil (2000 - £nil).

6 Tangible fixed assets

	Held under finance leases		*Owned*	
	Plant and equipment	**Fixtures and Fittings**	**Fixtures and Fittings**	**Total**
Cost	**£**	**£**	**£**	**£**
At 1 August 2000	2,304,435	1,405,000	1,475,377	5,184,812
Additions	-	-	380,104	380,104
Disposals	-	-	(5,000)	(5,000)
At 31 July 2001	2,304,435	1,405,000	1,850,481	5,559,916
Depreciation				
At 1 August 2000	2,073,782	1,405,000	968,208	4,446,990
Charge for the year	230,444	-	258,946	489,390
Eliminated on disposal	-	-	(5,000)	(5,000)
At 31 July 2001	2,304,226	1,405,000	1,222,154	4,931,380
Net book value				
At 31 July 2001	209	-	628,327	628,536
Net book value				
At 31 July 2000	230,653	-	507,169	737,822

NOTES *(continued)*

7 Debtors (amounts falling due within one year)

	2001	2000
	£	£
Trade debtors	**1,041,467**	967,000
Other debtors	**21,055**	24,944
Amount due from the University of Warwick	**85,206**	178,751
Amount due from fellow subsidiaries	**52,070**	202,865
	1,199,798	1,373,560

8 Creditors: amounts falling due within one year

	2001	2000
	£	£
Trade creditors	**294,896**	180,666
VAT payable	**146,032**	152,103
Accruals	**919,795**	869,450
Finance leases	**328,240**	308,396
Finance lease interest	**57,645**	73,562
Amount due to the University of Warwick	**1,487,248**	1,406,999
Amount due to fellow subsidiaries	**-**	10,733
Payment on account	**3,195**	305
	3,237,051	3,002,214

9 Creditors: amounts falling due after more than one year

	2001	2000
	£	£
Finance lease	**-**	323,235
	-	323,235

10 Obligations under finance leases

	2001	2000
	£	£
Amounts payable under finance leases (net of finance charges allocated to future periods):		
Within one year	**328,240**	308,396
Between one and five years	**-**	323,235
	328,240	631,631

11 Deferred Taxation

As explained in the accounting policies note, no provision has been made for deferred tax on the grounds that the company transfers its taxable profits by deed of covenant to the University of Warwick and therefore no deferred tax asset or liability will be realised in the company.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2001	2000
	£	£
Profit on ordinary activities before tax	**1,367,724**	1,247,642
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2000 - 30%)	**410,317**	374,293
Expenses not deductible	**2,380**	2,687
Depreciation in excess of capital allowance	**90,157**	76,339
Depreciation on finance lease	**(69,133)**	(69,133)
Profit on sale of fixed assets	**(189)**	(3,570)
Deed of covenant	**(433,532)**	(380,616)
Current tax charge for period	**0**	0

12 Share Capital

	2001	2000
	£	£
Authorised:		
100 Ordinary Shares of £1 each	**100**	100
Issued and fully paid	4	4

13 Profit and Loss Account

	Profit and Loss
	£
At 31 July 2000	696,867
Retained loss for the year	(77,381)
At 31 July 2001	619,486

14 Reconciliation of movement in shareholders' funds

	2001	2000
	£	£
Retained (loss) for the year	**(77,381)**	(21,077)
Net (deduction from) shareholders' funds	**(77,381)**	(21,077)
Opening shareholders' funds	**696,871**	717,948
Closing shareholders' funds	**619,490**	696,871

NOTES *(continued)*

15 Pensions

The company belongs to the defined benefit pension schemes of the University of Warwick.

The pension costs charged to the profit and loss account during the year under review were £68,893 (2000– £64,563) and represents the amount recharged by the University of Warwick.

Details of the latest actuarial valuations and disclosures required by FRS17 are included in the report and accounts of the University of Warwick.

16 Financial Commitments

At 31 July 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	2001		2000	
	Land and Buildings	Other	Land and Buildings	Other
Operating leases which expire:				
Between one and five years		13,982		13,962
Over five years	878,892		848,151	

17 Ultimate Parent Entity

The ultimate parent entity and controlling party is the University of Warwick, which is the parent undertaking which consolidates the group accounts. The consolidated parent accounts can be obtained from the principal place of business at University of Warwick, Coventry, CV4 7AL.

18 Related Party Disclosures

The company is a wholly owned subsidiary of the University of Warwick, and is included in the consolidated accounts of the University, which are publicly available. As such, the company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the University of Warwick group.