

THE UNIVERSITY OF HUDDERSFIELD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2004

THE UNIVERSITY OF HUDDERSFIELD
FINANCIAL STATEMENTS
For the Year ended 31 July 2004

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THE UNIVERSITY OF HUDDERSFIELD REPORT OF THE UNIVERSITY COUNCIL

The Council of the University of Huddersfield hereby submits its fifteenth annual report together with the audited financial statements for the year to 31 July 2004.

CONSTITUTION AND POWERS

The Polytechnic of Huddersfield was incorporated as a Higher Education Corporation on 21 November 1988 as a result of the Education Reform Act 1988. The Education Reform Act also granted the Polytechnic the status of an exempt charity under the Charities Act 1960.

The Education Reform Act lays down the powers and duties of the Corporation as being the provision of education, training and research, together with associated activities.

The Further and Higher Education Act 1992 enabled the Polytechnic to become a University and on 16 June 1992 the Privy Council gave its consent to the new name of the Corporation, The University of Huddersfield.

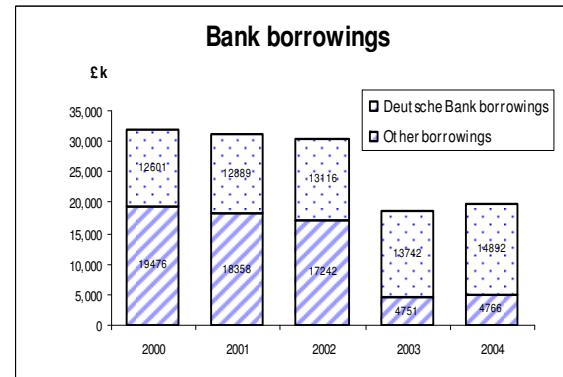
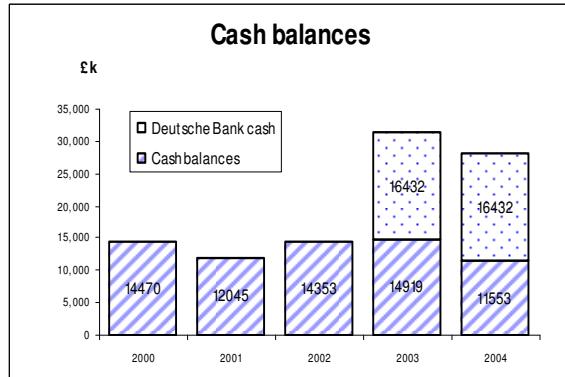
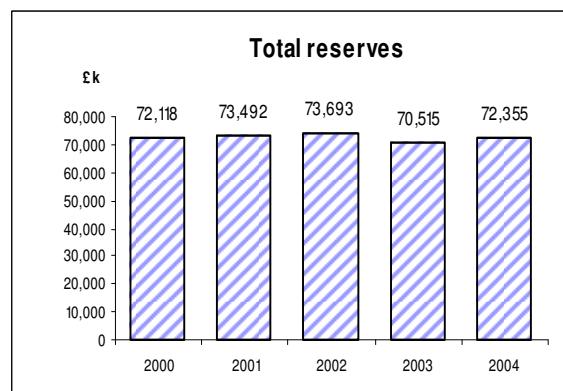
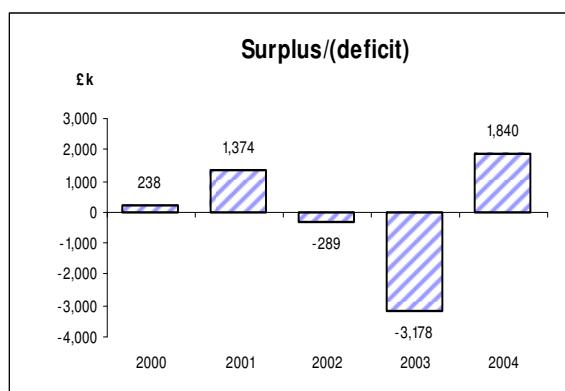
The Vice-Chancellor is the Chief Executive of the University.

SCOPE OF THE FINANCIAL STATEMENTS

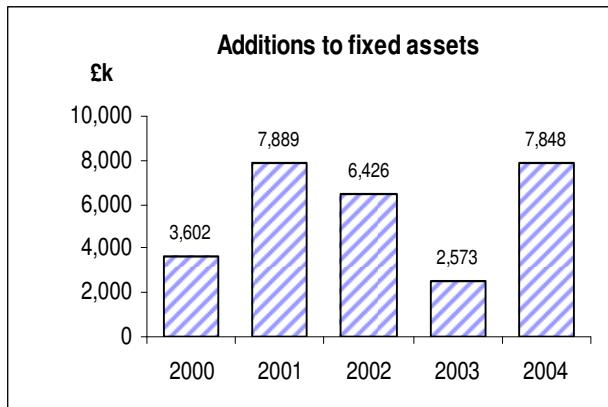
The Financial Statements comprise the consolidated results for the University and its subsidiary undertakings which are detailed in Note 12 on page 24. The principal wholly owned subsidiary is The University of Huddersfield Enterprises Limited, which has continued to trade satisfactorily during the year. The purpose of this company is to conduct those commercial activities of the University which are not compatible with the University's charitable status and may be subject to corporation tax on profits generated. The profits of the company are paid by gift aid to the University annually.

FIVE YEAR TRENDS

Comparative results for the last five years show the following trends:



THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)



This analysis shows that a small surplus has been added to reserves over the period which, together with the disposal of assets superfluous to the University's corporate strategy, has enabled continuing investment in the estate at the same time as maintaining cash balances, reducing bank debt and mitigating risks to the future financial strength of the University.

RESULTS FOR THE YEAR

The University's consolidated income, expenditure and results for the year to 31 July are summarised as follows:

	<u>2004</u> £'000	<u>2003</u> £'000
Income	80,315	74,090
Expenditure	78,475	74,891
Surplus/(deficit) after depreciation of tangible fixed assets at valuation and before tax	1,840	(801)
Loss on disposal of fixed assets	-	(2,377)
Surplus/(deficit) after depreciation of assets at valuation, disposal of assets and before and after taxation	1,840	(3,178)
Transfers from revaluation reserve	894	1,661
Historical cost surplus/(deficit) for the year	2,734	(1,517)

The University is pleased to record a healthy operating surplus for the year particularly at a challenging time for the recruitment and retention of students. This year total student numbers increased from 16,124 to 18,700; the full time equivalent decreased from 12,355 to 12,107.

Total income increased by 8.4% to £80.3m with growth in all areas including 6.3% in HEFCE teaching and capital grants.

Total expenditure increased by 4.8% to £78.4m. This included an increase of 4.6% in payroll costs (excluding restructuring costs) although staffing expenditure as a percentage of total income fell from 58.9% in 2003 to 56.8% in 2004. Other operating expenses only increased by 3.5%.

Capital Investment

Over 60% of the total capital spend of £7.8m in the year was invested in the University's estate, principally into a major refurbishment of the Milton building for the Drama department and new buildings for the department of Media Studies and for the Students' Union. 45% of the estate is now classified as "new buildings" compared with 14% in 1997, demonstrating the University's continuing commitment to maintain the best facilities for its students.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

Cash Flow

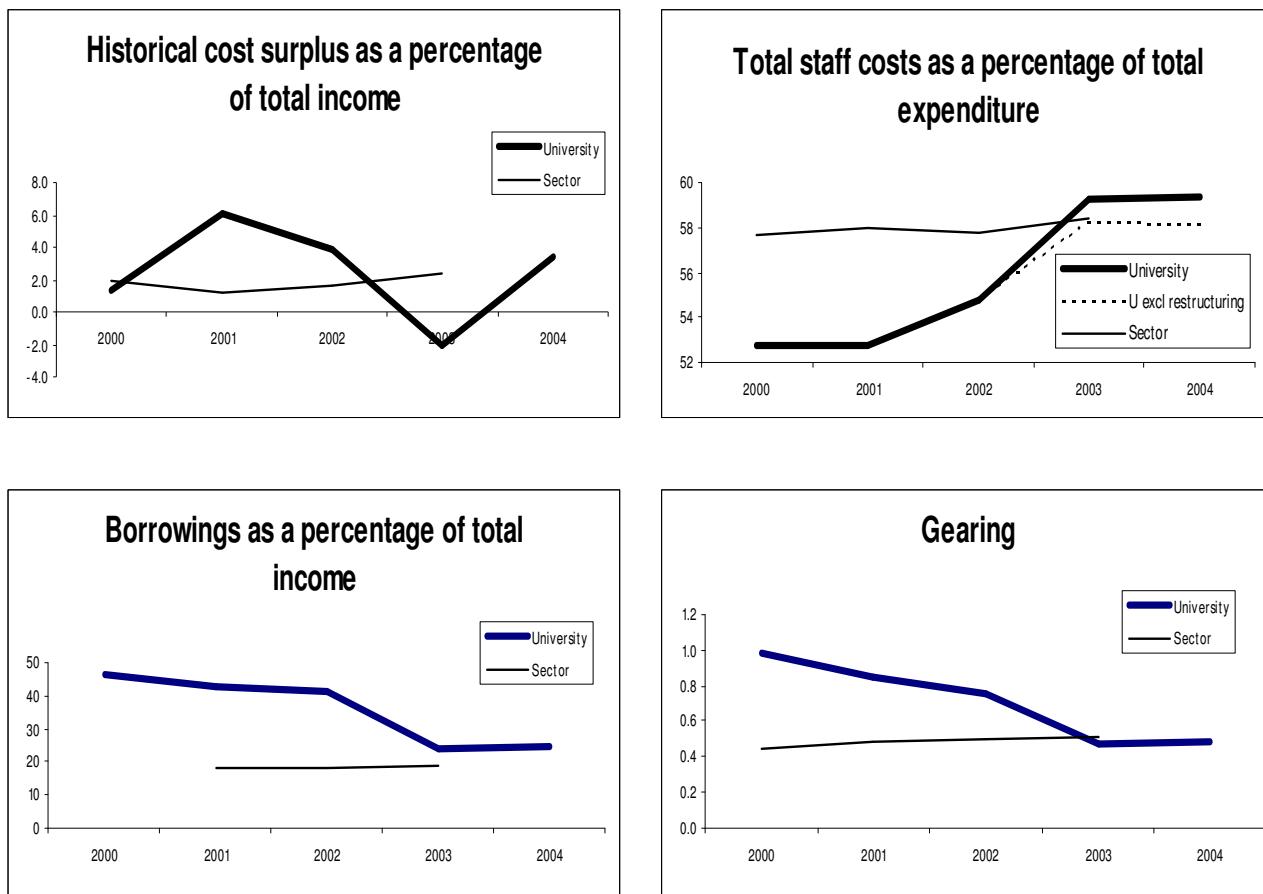
The consolidated cashflow statement shows a reduction in cash balances for the year of £3.4m. This was largely the result of investment in fixed assets net of mortgage loans acquired.

Key Performance Indicators

The following ratios represent some of the Key Financial Performance Indicators which are recognised across the Higher Education Sector and can indicate the financial health of a University relative to its peers. They are shown for the University against the latest published median figures for the sector¹.

The University's aim is to be better than the median measure for the sector against each indicator when these statistics are published.

Comparative results for the last five years show the following trends:



ACCOUNTING POLICIES

The principal accounting policies of the University, which are set out on pages 11 to 13, have been applied consistently throughout the period since incorporation.

PAYMENT OF CREDITORS

The University is fully committed to the prompt payment of its suppliers' bills and supports the Confederation of British Industry's Prompt Payment Code. The University aims to pay bills in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid notice, whichever is the later.

¹ Source : HEFCE Financial Management Statistics 2002/03. NB At the date of publication of these Financial Statements there were no sector figures available for 2003/04 or sector borrowings as a percentage of total income available for 1999/2000.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

MISSION

The University of Huddersfield will offer high quality learning, enriched by research and engagement with our business and cultural communities, to all who can benefit.

The University is a teaching and learning led institution that places students' needs first. Teaching is within the distinctive context of excellent facilities where students are taught by academic staff who are active scholars and add value to the learning process through their links with industry, business and the community. Those links may involve research or reach-out. The former is concerned with generating knowledge whilst the latter is focused on the transfer of knowledge and technology, contributing to cultural richness and supporting the maintenance of professional standards.

By widening access the University intends to make a significant contribution to achievement of the government's target of fifty per cent of young people between 18 and 30 participating in higher education by the end of the decade. Access will be increased by providing opportunities within areas where participation is low. Taking education to students will become as important as bringing students to education.

High Quality Teaching and Learning

The University's prime focus is on teaching and learning. Implementation of the teaching and learning strategy will ensure students become competent in their chosen discipline, develop their intellectual capabilities and personal aspirations, are encouraged to be responsible and questioning members of society and develop a commitment to lifelong learning. Alongside discipline-based learning the emphasis in all programmes will be to develop a portfolio of skills for employment.

Research and Reach-out - the Essential Vitalisers of Teaching

Research and reach-out activities will be encouraged to develop and sustain a committed and dynamic university community, primarily focused on excellence in teaching. Involvement in research and reach-out will attract and retain the best staff, provide opportunities for them to remain professionally engaged and up to date, create opportunities for graduate study, disseminate knowledge for the benefit of society, produce case study material for the undergraduate curriculum and provide project and placement opportunities for students. Collaboration with universities and other organisations will be encouraged where it assists the University in achieving its objectives. Research and reach-out will be school and service specific and reflect their aims, objectives and expertise.

Financial Security - a Pre-requisite for Teaching Excellence

A secure financial position is essential for the University's continued academic excellence. All aspects of the financial strategy will be directed at maximising the investment of human and physical resources devoted to teaching and learning. The University's success in recruiting and retaining students depends on this investment. To enrich teaching and learning, in addition to providing funds for investment, the University will diversify its sources of income and its student population.

The Estates Strategy - Providing High Quality Accommodation for Teaching and Learning

The aim of the estates strategy is to develop and maintain the best possible teaching and learning environment for students and staff. The University will complete the process of concentration of its current teaching and learning facilities on the single campus at Queensgate.

Future success in widening access to higher education depends on providing opportunities within areas where participation is low. Taking education to students will become as important as bringing students to education. In partnership with further education colleges and with employers, the University will implement policies to provide higher education close to the students' homes.

Human Resources - the Key to Success

As with financial and physical resources the University's human capital will be focused on providing an excellent student learning experience. This will be the priority in recruitment, professional development, promotion and reward schemes for all staff. Where staff are engaged in research and reach-out activity the human resources emphasis will be on establishing and taking advantage of the links between that activity and the student learning experience.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

CORPORATE GOVERNANCE

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to institutions of higher education which has been provided by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland.

The University is an independent corporation, established as a Higher Education Corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Instrument and Articles of Government which were adopted by the University Council on 20 December 1996. The current version of the Articles was approved by the Privy Council in their letter to the University of 4 November 1996.

The Articles require the University to have a Council and a Senate each with clearly defined functions and responsibilities, to oversee and manage its activities.

The University Council is the executive governing body, responsible for the finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its general strategic direction.

The Council has a majority of independent members, chosen in line with strict criteria contained in the legislation. It is customary for the Chair of the Council to be elected from the independent members. There is also provision for the appointment of co-opted members, some of whom may be members of the staff of the University, and for representatives of the staff and of the student body. Members of the Council do not receive any reimbursement for the work which they do for the Council.

Subject to the overall responsibility of the University Council, the Senate has responsibility for the academic affairs of the University and draws its membership entirely from the staff and the students of the University. It is particularly concerned with issues relating to the teaching and research work of the University.

The Chief Executive Officer is the Vice-Chancellor who has responsibility to the University Council for the organisation, direction and management of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

Although the Council meets at least four times each year, much of its detailed work is initially handled by committees, in particular the Planning and Resources Committee (and its sub-committee the Estates Committee), the Finance Committee, the Human Resources Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee. The decisions of these Committees are formally reported to the Council.

A significant proportion of the membership of these committees consists of independent and co-opted members of the Council, other than student and staff members, who are not eligible to serve on these committees, with the exception of the Planning and Resources, Human Resources and Nominations Committees.

As Chief Executive, the Vice-Chancellor exercises considerable influence upon the development of University strategy, the identification and planning of new developments and the shaping of the University ethos. The Deputy Vice-Chancellor, the Pro Vice-Chancellors and the senior administrative and academic officers all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor.

The University maintains a Register of Interests of members of the Council and the University's Senior Management Team which may be consulted by arrangement with the University Secretary.

In accordance with the Articles of Government of the University the University Secretary acts as Clerk to the Council and in that capacity provides independent advice on matters of governance to all Council members.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

STATEMENT OF INTERNAL CONTROL

As the governing body of the University, the University Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2004 and up to the date of approval of the financial statements and accords with HEFCE guidance.

The University's objectives, its internal organisation and the environment in which it operates are continually evolving and, as a result, the risks it faces are continually changing, although the current key risks (foremost of which is the achievement of recruitment targets) are likely to remain the major causes of concern. The University's internal control systems (on finance, planning, resource management etc) have to enable managers to manage and appropriately to control the risks. However, if progress is to be made in an increasingly competitive environment, then the University cannot expect to be risk-free.

The University's internal control systems (e.g. for strategic planning, financial and resource management) and their associated procedures are aimed at:

- safeguarding the University's assets, limiting its liabilities and ensuring the appropriate use of public funds;
- facilitating effective and efficient operation of the University by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the University's objectives;
- ensuring the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the University (all of which are features of the approved University General Information Strategy); and
- ensuring compliance with applicable laws and regulations and also with internal policies with respect to the conduct of business.

The internal control system provides the framework in which the University operates. It includes:

- mechanisms for the control of activities;
- appropriate information and communication processes; and
- processes for monitoring the continuing effectiveness of the University's control of its activities.

The internal control system used to manage risk will continue:

- to be embedded within the operation of the University, forming an integral part of its culture. It should be viewed as a continuum, a constant checking of the radar for trouble ahead.
- to be capable of responding quickly to evolving risks to the University arising from factors within the University and to changes in the external environment.
- to include a reporting culture in which any failings or weaknesses in the control systems are reported to appropriate levels of management and corrective action duly taken - i.e. embedding a culture in which the second person to know about a failure is the line manager of the discoverer.
- to be the ultimate responsibility of the Vice-Chancellor with operational responsibility devolved to the University's Planning and Resource Group (PRG) chaired by the Deputy Vice-Chancellor.

As the governing body, Council has the responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- a) Council meets regularly to consider the plans and strategic direction of the University.
- b) Council receives feedback from the Audit Committee on matters of internal control considered and debated by the Audit Committee. Council is routinely informed and consulted on key business

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

- decisions, the risks associated with them and the proposed management approach. Systems have been established to more explicitly report risk to Council in the form of the corporate risk register and as part of the financial forecasts.
- c) Council has established the Planning and Resources Group as the University's risk committee, charged with reviewing and updating the corporate risk register. The Audit Committee provides oversight of the processes involved.
 - d) The Audit Committee receives regular reports from the internal audit service, which includes its independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
 - e) At a corporate level, risks are identified and discussed by the Planning and Resources Group, informed by formal and informal information flows between management, groups, committees and staff. The Planning and Resources Group reviews and where appropriate updates the corporate risk register. Guidance has been issued to Schools and Services which encourages their management teams to consider the key risks their areas face. The Planning and Resources Group explores and considers the risks identified by Schools and Services as part of the annual planning round.
 - f) Risk awareness is raised through:
 - Risk being incorporated within the Management Development Programme and staff induction courses.
 - The planning and contextual documentation which is provided to Deans and Directors offering risk management guidance and being supplemented by discussions during the planning round.
 - Deans and Directors discussing risk with their management teams during the planning round.
 - g) Risks are linked to the key corporate objectives for which detailed key performance indicators have been derived.
 - h) Risks have been prioritised on the basis of likelihood and impact. This assessment has been made both before and after considering the internal controls in place. The Planning and Resources Group has considered the risk priorities in order to distil the corporate risk register.
 - i) An organisation-wide risk register is now maintained. This is further informed by the risk registers completed by Schools and Services which are presented to Planning and Resources Group as part of the planning round.
 - j) Council receives reports and updates on key risks and their management as part of routinely scheduled Council and Committee business.

The University Council's review of the effectiveness of the system of internal control is informed by the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.

Council's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The HEFCE Assurance Service makes an annual assessment of the relative risk attaching to each institution. This is based upon any audit work they have done in the year and upon information supplied and returns made to comply with the Audit Code of Practice. For the period ended 31 July 2003 which was reported on 31 March 2004 (including any issues of significance arising during the intervening period), the Assurance Service concluded that there were no significant outstanding issues that it needed to address with the University.

The University Council is firmly of the view that risk assessment and risk management are inherent features of the University's processes.

RESPONSIBILITIES OF THE UNIVERSITY COUNCIL

In accordance with the University's Articles of Government, the Council of the University 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 University Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Government, the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions, guidance issued by the

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

Higher Education Funding Council for England 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 University Council, the latter, 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, the University Council has to ensure 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 University 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;
- to ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- to safeguard the assets of the University and prevent and detect fraud;
- to 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 controls, 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 annual budgets;
- regular reviews of business risks and 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 capital expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the University Council;
- an independent Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the University Council and whose head provides the University Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable but not absolute assurance against material mis-statement or loss.

GOING CONCERN

After making appropriate enquiries the University Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

AUDITORS

A resolution to re-appoint KPMG LLP as auditors will be put to the University Council Meeting on 16 December 2004.

MR C J BROWN
Chairman
16 December 2004

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE AUDITORS
TO THE COUNCIL OF THE UNIVERSITY OF HUDDERSFIELD

We have audited the financial statements on pages 11 to 38, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 11 to 13.

This report is made solely to the University Council, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Council for our audit work, for this report or for the opinions we have formed.

Respective Responsibilities of the University Council and Auditors

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

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

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

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

Basis of Opinion

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

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

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE AUDITORS
TO THE COUNCIL OF THE UNIVERSITY OF HUDDERSFIELD (continued)

Opinion

In our opinion:

- a. the financial statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2004 and of the surplus of income over expenditure and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- b. in all material respects income for the year ended 31 July 2004 from the Higher Education Funding Council for England, the Learning and Skills Council and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- c. in all material respects income for the year ended 31 July 2004 has been applied in accordance with the University's Instrument and Articles of Government, Financial Regulations and, where appropriate, with the Financial Memoranda dated August 2000 and October 2003 with the Higher Education Funding Council for England and the Terms and Conditions of Funding with the Learning and Skills Council and the Teacher Training Agency.

KPMG LLP
Chartered Accountants
and Registered Auditors
Leeds

16 December 2004

The maintenance and integrity of the University of Huddersfield web site is the responsibility of the Council; the work carried out by KPMG in relation to the Financial Statements does not involve consideration of these matters and, accordingly, KPMG accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on this web site.

THE UNIVERSITY OF HUDDERSFIELD
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education Institutions* and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for England.

Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

Basis of consolidation

The consolidated financial statements consolidate the results of the University and its subsidiary undertakings as shown in Note 12. The results of subsidiaries acquired or disposed of during the period are included in the income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the Students' Union have not been consolidated because the University does not control those activities.

Recognition of income

Income from specific Funding Council grants, specific endowments and donations for specific purposes, research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Maintenance of premises

The University has a ten-year rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

Foreign currency translation

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 at year end rates and the resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Pension schemes

Retirement benefits for most employees of the University are provided by the Teachers' Pension Scheme (TPS) and the West Yorkshire Pension Fund (WYPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining working lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries using the aggregate method on the basis of triennial valuations for the WYPF and on the basis of quinquennial valuations for the TPS.

THE UNIVERSITY OF HUDDERSFIELD
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Tangible fixed assets

a. Land and buildings

The University's land and buildings are stated at cost or valuation. The University adopts a revaluation policy in relation to freehold and long leasehold land and buildings in accordance with Financial Reporting Standard (FRS) 15. Freehold and long leasehold land is not depreciated as it is considered to have an indefinite useful life. Freehold and long leasehold buildings are depreciated over their expected useful economic lives to the University of 50 years. (In 2003 the policy was for new buildings to have a useful economic life of 60 years.) Short leasehold land is depreciated over the lives of leases.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the acquisition/construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

b. Equipment

Equipment costing less than £4,000 (2003: £3,000) per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Computer equipment	Three Years
Motor vehicles	Four Years
General equipment	Seven Years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

THE UNIVERSITY OF HUDDERSFIELD
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Investments that form part of Endowment Assets are included in the balance sheet at market value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Taxation

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 Income and Corporation Taxes Act (ICTA) 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 ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax and all non-recoverable Value Added Tax on purchases is included within the appropriate expenditure headings.

The University's subsidiary companies are subject to corporation tax and Value Added Tax in the same way as any commercial organisation.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

THE UNIVERSITY OF HUDDERSFIELD
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the Year ended 31 July 2004

	Note	<u>Year Ended 31 July 2004</u> £'000	<u>Restated Year Ended 31 July 2003</u> £'000
INCOME			
Funding council grants	1	38,876	36,760
Tuition fees and education contracts	2	17,868	16,393
Research grants and contracts	3	1,908	1,834
Other income	4	20,207	18,136
Endowment and investment income	5	1,456	967
Total Income		80,315	74,090
EXPENDITURE			
Staff costs	6	45,593	43,585
Staff restructuring	6	1,002	767
Other operating expenses	7	25,200	24,343
Depreciation	11	3,883	3,459
Interest and finance charges payable	8	2,797	2,737
Total Expenditure	9	78,475	74,891
Surplus/(deficit) after depreciation of tangible fixed assets at valuation and before taxation		1,840	(801)
Loss on disposal of fixed assets		-	(2,377)
Surplus/(deficit) after depreciation of tangible fixed assets at valuation and disposal of assets but before taxation	10	1,840	(3,178)
Taxation		-	-
Surplus/(deficit) after depreciation of tangible fixed assets at valuation, disposal of assets and taxation	10	1,840	(3,178)

The income and expenditure account for the year ended 31 July 2004 is in respect of continuing activities.

THE UNIVERSITY OF HUDDERSFIELD
CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
For the Year ended 31 July 2004

	<u>Note</u>	<u>Year Ended 31 July 2004</u> £'000	<u>Year Ended 31 July 2003</u> £'000
Surplus/(deficit) before and after taxation		1,840	(3,178)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	24	894	594
Realisation of property revaluation gains of previous years	24	-	1,067
Historical cost surplus/(deficit) for the period before and after taxation		2,734	(1,517)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2004

	<u>Note</u>	<u>Year Ended 31 July 2004</u> £'000	<u>Year Ended 31 July 2003</u> £'000
Surplus/(deficit) after depreciation of assets at valuation, disposal of assets and taxation		1,840	(3,178)
Movement on endowments	22	4	17
Total recognised gains and losses relating to the year		1,844	(3,161)

RECONCILIATION OF MOVEMENTS ON RESERVES AND ENDOWMENTS

	<u>2004</u> £'000	<u>2003</u> £'000
Reserves and endowments at 1 August	70,765	73,926
Total recognised gains and losses for the year	1,844	(3,161)
Reserves and endowments at 31 July	72,609	70,765

THE UNIVERSITY OF HUDDERSFIELD
BALANCE SHEETS
As at 31 July 2004

	Note	Group 2004 £'000	University 2004 £'000	Group Restated 2003 £'000	University Restated 2003 £'000
FIXED ASSETS					
Tangible assets	11	73,755	73,752	69,790	69,783
Investments	12	32	82	32	82
		73,787	73,834	69,822	69,865
ENDOWMENT ASSET INVESTMENTS					
	13	254	254	250	250
CURRENT ASSETS					
Stocks and stores in hand		121	115	129	120
Debtors	14	13,731	12,891	9,858	8,593
Investments	15	2,018	2,018	1,924	1,924
Cash at bank and in hand	16	27,985	27,979	31,351	31,323
		43,855	43,003	43,262	41,960
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR					
	17	(17,132)	(16,221)	(18,328)	(16,909)
NET CURRENT ASSETS					
		26,723	26,782	24,934	25,051
TOTAL ASSETS LESS CURRENT LIABILITIES					
		100,764	100,870	95,006	95,166
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	18	(19,284)	(19,284)	(17,500)	(17,500)
PROVISIONS FOR LIABILITIES AND CHARGES					
	20	(300)	(300)	(275)	(269)
NET ASSETS					
		81,180	81,286	77,231	77,397
Represented by:					
DEFERRED CAPITAL GRANTS	21	8,571	8,571	6,466	6,466
SPECIFIC ENDOWMENTS					
	22	254	254	250	250
RESERVES					
Revaluation reserve	23	31,520	31,520	32,414	32,414
Income and expenditure account	24	40,835	40,941	38,101	38,267
		72,355	72,461	70,515	70,681
TOTAL RESERVES					
		81,180	81,286	77,231	77,397

The financial statements on pages 11 to 38 were approved by the University Council on 16 December 2004 and were signed on its behalf by:

PROFESSOR J R TARRANT

Vice-Chancellor

MR C J BROWN

Chairman

THE UNIVERSITY OF HUDDERSFIELD
CONSOLIDATED CASH FLOW STATEMENT
For the Year ended 31 July 2004

	<u>Note</u>	<u>Year Ended 31 July 2004</u>	<u>Year Ended 31 July 2003</u>
		<u>£'000</u>	<u>£'000</u>
Cash flow from operating activities	25	(138)	8,468
Returns on investments and servicing of finance	26	(983)	(1,799)
Capital expenditure and financial investment	27	(4,032)	22,837
Financing	28	1,791	(12,491)
(Decrease)/increase in cash in the year	29	<u>(3,362)</u>	<u>17,015</u>

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

	<u>Note</u>	<u>Year Ended 31 July 2004</u>	<u>Year Ended 31 July 2003</u>
		<u>£'000</u>	<u>£'000</u>
(Decrease)/increase in cash in the year	29	(3,362)	17,015
Increase in liquid resources		94	67
(Increase)/decrease in debt		<u>(1,791)</u>	<u>12,491</u>
Movement in net funds in the year		(5,059)	29,573
Net funds/(debt) at 1 August		<u>15,658</u>	<u>(13,915)</u>
Net funds at 31 July	29	<u>10,599</u>	<u>15,658</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004

1. FUNDING COUNCIL GRANTS

	<u>Year Ended 31 July 2004</u>				<u>Year Ended 31 July 2003</u>
	<u>HEFCE</u>	<u>TTA</u>	<u>LSC</u>	<u>Total</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Recurrent grant	32,213	953	83	33,249	33,525
Adjustment relating to previous years	-	-	-	-	(632)
	32,213	953	83	33,249	32,893
Specific grants:					
Rewarding and developing staff	1,270	-	-	1,270	1,152
Teachers' pensions	899	-	-	899	300
HEROBC/HEIF Funding	503	-	-	503	154
Restructuring and collaboration funds	319	-	-	319	400
Learning and Teaching Strategy	186	-	-	186	85
Active community funding	117	-	-	117	91
Foundation for success	95	-	-	95	84
Development of teaching and learning	50	-	-	50	48
Widening Disabled Access	38	-	-	38	36
INSET	-	36	-	36	50
Secondary partnership arrangements	-	-	-	-	112
Widening Participation	-	-	-	-	29
Other	139	68	334	541	374
Deferred capital grants released in the year:					
Buildings (Note 21)	132	-	-	132	75
Equipment (Note 21)	1,441	-	-	1,441	877
	37,402	1,057	417	38,876	36,760

2. TUITION FEES AND EDUCATION CONTRACTS

	<u>Restated</u>	
	<u>Year Ended 31 July 2004</u>	<u>Year Ended 31 July 2003</u>
	<u>£'000</u>	<u>£'000</u>
UK and EU Higher Education Students	12,058	11,972
Non-EU Students	3,366	2,527
Total fees paid by or on behalf of individual students	15,424	14,499
Short Course Fees	205	128
Registration and Examination Fees	103	99
Education contracts	2,136	1,667
	17,868	16,393

The 2003 figures have been restated because Research Training Support Grants have been reclassified as Research Council Grants (see Note 3).

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

3. RESEARCH GRANTS AND CONTRACTS

	<i>Restated</i>	
	<u>Year</u>	<u>Year</u>
	<u>Ended</u>	<u>Ended</u>
	<u>31 July</u>	<u>31 July</u>
	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
Research councils	781	791
UK based charities	203	190
European commission	186	54
Other grants and contracts	678	694
Release from deferred capital grants (Note 21)	60	82
	1,908	1,834

The 2003 figures have been restated because Research Training Support Grants have been reclassified as Research Council Grants (see Note 2) and certain costs centres have been regrouped for full economic costing purposes.

4. OTHER INCOME

	<u>Year</u>	<u>Year</u>
	<u>Ended</u>	<u>Ended</u>
	<u>31 July</u>	<u>31 July</u>
	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
Residences, catering and conferences	599	2,067
Health authorities	9,952	9,490
Other income-generating activities	3,004	3,021
Other grant income	2,241	2,135
Discretionary Trust income		
- accrued service charges	765	-
- over provision of VAT	709	-
Release of performance bond	841	-
Release from deferred capital grants (Note 21)	74	11
Other income	2,022	1,412
	20,207	18,136

5. ENDOWMENT AND INVESTMENT INCOME

	<u>Year</u>	<u>Year</u>
	<u>Ended</u>	<u>Ended</u>
	<u>31 July</u>	<u>31 July</u>
	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
Transferred from specific endowments (Note 22)	3	11
Other interest receivable	1,453	956
	1,456	967

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

6. STAFF COSTS

Average number of persons employed by the Group

	<u>Year Ended 31 July 2004</u>	<u>Year Ended 31 July 2003</u>
	<u>Number</u>	<u>Number</u>
Teaching departments	902	921
Teaching support services	130	141
Administration and central services	156	158
Premises	138	145
Other	65	52
	1,391	1,417

Staff costs for the above persons:

	<u>Year Ended 31 July 2004</u>	<u>Year Ended 31 July 2003</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	38,349	37,348
Social security costs	3,041	2,769
Other pension costs (Note 30)	4,203	3,468
	45,593	43,585
Exceptional restructuring costs	1,002	767
	46,595	44,352

Emoluments of the Vice-Chancellor, Professor J R Tarrant

	<u>Year Ended 31 July 2004</u>	<u>Year Ended 31 July 2003</u>
	<u>£'000</u>	<u>£'000</u>
Salary	147	142
Benefits	12	11
Pension	14	14
	173	167

Senior post-holder emoluments

The number of staff excluding the Vice-Chancellor who received emoluments in the following ranges was:

	<u>2004 Number</u>	<u>2003 Number</u>
£70,000 - £79,999	4	2
£80,000 - £89,999	5	4
£90,000 - £99,999	1	1

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

7. OTHER OPERATING EXPENSES

	<u>Year Ended 31 July 2004 £'000</u>	<u>Year Ended 31 July 2003 £'000</u>
Consumables and laboratory expenditure	5,038	4,389
Franchise centre payments	2,060	2,283
Repairs and general maintenance	2,006	1,423
Hired lecturers and consultancy payments	1,893	1,579
Rents	1,251	1,214
Books and periodicals	1,004	799
Publicity	955	926
Student related expenses	925	1,018
Transport	921	771
Staff development	860	844
Strategic maintenance	714	556
Student bursaries	708	941
Heat, light, water and power	688	719
Grants to University of Huddersfield Student Union	631	725
Other property costs	615	652
Subscriptions	525	469
Professional charges	478	237
Recharged servicing costs	430	348
Staff recruitment	328	203
Hire of plant and machinery - operating leases	305	257
Examination and registration fees	302	292
Telephones	295	354
Insurance	272	288
Residences, catering and conferences	261	971
Hired services	229	426
External temporary staff	218	238
Internal auditors remuneration	83	66
NHS bursaries	7	15
Bad debts provision	(42)	165
External auditors remuneration	33	29
External auditors remuneration in respect of non-audit services	112	88
Other expenses	1,095	1,058
	25,200	24,343

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

8. INTEREST AND FINANCE CHARGES PAYABLE

	<u>Year Ended 31 July 2004 £'000</u>	<u>Year Ended 31 July 2003 £'000</u>
On bank loans, overdrafts and other loans:		
Repayable within five years not by instalments	40	40
Repayable within five years by instalments	2,451	530
Repayable wholly or partly in more than five years	306	2,167
	<u>2,797</u>	<u>2,737</u>

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

	<u>Staff Costs £'000</u>	<u>Other Operating Expenses £'000</u>	<u>Dep'n £'000</u>	<u>Interest and Finance Charges Payable £'000</u>	<u>Year Ended 31 July 2004 £'000</u>	<u>Year Ended 31 July 2003 £'000</u>
Academic departments	31,931	8,858	1,179	-	41,968	39,982
Academic services	3,005	2,377	675	-	6,057	5,448
Research grants and contracts	816	591	125	-	1,532	1,810
Residences, catering and conferences	318	261	47	-	626	2,132
Premises	2,811	5,533	1,611	2,797	12,752	10,419
Administration and Central Services	5,751	4,551	242	-	10,544	10,403
Other expenses	961	3,029	4	-	3,994	3,930
Staff restructuring	45,593	25,200	3,883	2,797	77,473	74,124
Total per income and expenditure account	1,002	-	-	-	1,002	767
	<u>46,595</u>	<u>25,200</u>	<u>3,883</u>	<u>2,797</u>	<u>78,475</u>	<u>74,891</u>

10. SURPLUS FOR THE PERIOD

	<u>Year Ended 31 July 2004 £'000</u>	<u>Year Ended 31 July 2003 £'000</u>
University's surplus/(deficit) before gift aid payments from subsidiaries	1,817	(3,030)
Surplus from subsidiaries paid up by gift aid	-	-
Profit/(loss) in subsidiary undertakings	23	(148)
	<u>1,840</u>	<u>(3,178)</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

11. TANGIBLE FIXED ASSETS
Group

	Freehold land and buildings	Long leasehold land and buildings	Short leasehold land and buildings	Equipment	Total
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost or valuation					
At 1 August 2003	69,015	523	44	14,173	83,755
Additions	4,938	-	-	2,910	7,848
Disposals	-	-	-	(2,159)	(2,159)
At 31 July 2004	73,953	523	44	14,924	89,444
Depreciation					
At 1 August 2003	3,290	22	10	10,643	13,965
Charge for year	1,542	7	1	2,333	3,883
Eliminated in Respect of Disposals	-	-	-	(2,159)	(2,159)
At 31 July 2004	4,832	29	11	10,817	15,689
Net book value					
At 31 July 2004	69,121	494	33	4,107	73,755
Net book value At 1 August 2003	65,725	501	34	3,530	69,790
Financed by capital grant	6,123	-	-	2,448	8,571
Other	62,998	494	33	1,659	65,184
	69,121	494	33	4,107	73,755

Buildings with a cost or valuation of £36,829,000 and a net book value of £34,595,000 have been partially funded from Treasury sources. Should these particular buildings be sold, the University would either have to surrender all or part of the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the HEFCE.

Included in the cost or valuation of freehold land and buildings is £4,725,000 (2003 : £127,000) and in the cost or valuation of equipment is nil (2003 : £38,000) being the cost of assets in the course of construction which have not yet been depreciated.

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

University

	Freehold land and buildings	Long leasehold land and buildings	Short leasehold land and buildings	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2003	69,015	523	44	14,116	83,698
Additions	4,938	-	-	2,910	7,848
Disposals	-	-	-	(2,146)	(2,146)
At 31 July 2004	73,953	523	44	14,880	89,400
Depreciation					
At 1 August 2003	3,290	22	10	10,593	13,915
Charge for year	1,542	7	1	2,329	3,879
Eliminated in Respect of Disposals	-	-	-	(2,146)	(2,146)
At 31 July 2004	4,832	29	11	10,776	15,648
Net book value					
At 31 July 2004	69,121	494	33	4,104	73,752
Net Book Value					
At 1 August 2003	65,725	501	34	3,523	69,783
Financed by capital grant	6,123	-	-	2,448	8,571
Other	62,998	494	33	1,656	65,181
	69,121	494	33	4,104	73,752

The freehold and long leasehold land and buildings of the Group and the University were revalued as at 31 July 2000 by Knight Frank Grubb and Ellis, Chartered Surveyors at depreciated replacement cost for existing use, open market value for existing use or open market value with vacant possession. An interim valuation was undertaken at 31 July 2003 by a qualified member of the University staff.

Of the cost or valuation of the property owned at 31 July 2004, £57.9m (2003 : £57.9m) related to property which had been revalued.

12. FIXED ASSET INVESTMENTS

	Group 2004 £'000	University 2004 £'000	Group 2003 £'000	University 2003 £'000
Subsidiary companies	-	50	-	50
Associate company	-	-	-	-
Participating interest	32	32	32	32
	32	82	32	82

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

Subsidiary Companies

At 31 July 2004 The University owned 100% of the issued share capital of The University of Huddersfield Enterprises Limited (UHEL), Storthes Hall Facilities Limited (SHFL), The University of Huddersfield Properties Limited (UHPL) and Wetlands & Natural Resources Development Limited (WNRDL). The University owned 51% of BioScrub Limited. All the companies are registered in England and Wales. UHEL operates in the UK and its primary purpose is providing higher education courses for nurses and midwives. BioScrub Limited operated in the UK and its primary purpose was to market technology related to the clean up of waste water and waste gases. It ceased trading in May 2004. UHPL and WNRDL are dormant. SHFL was dissolved on 31 August 2004.

Associate Companies

The University owns 25% of Calderdale and Kirklees Careers Service Partnership Limited, a company limited by guarantee. During the year the University reduced its shareholding in TDL Sensors Ltd to 12% which means that it is no longer counted as an associated company.

Participating Interest

The participating interest represents a minority shareholding in CVCP Properties plc.

13. ENDOWMENT ASSET INVESTMENTS
Group and University

	<u>2004</u> <u>£'000</u>
Balance at 1 August 2003	250
Additions	4
	<hr/>
Balance at 31 July 2004	254
	<hr/>
Represented by:	
Cash balances	254
	<hr/>

14. DEBTORS

	Group 2004 £'000	University 2004 £'000	Group 2003 £'000	University 2003 £'000
Amounts falling due within one year:				
Debtors	3,119	1,217	1,650	986
Amounts owed by group undertakings				
Subsidiary undertakings	-	1,871	-	-
Associate undertakings	-	-	17	-
Prepayments and accrued income	9,912	9,103	7,291	6,707
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts falling due after more than one year:				
Debtors	700	700	900	900
	<hr/>	<hr/>	<hr/>	<hr/>
	13,731	12,891	9,858	8,593

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

15. CURRENT ASSET INVESTMENTS

The University has invested £2m in a portfolio of fixed interest bonds and stocks, investment trusts and unit trusts. The portfolio had a current market value of £2.018m at 31 July 2004 (2003 : £1.924m).

16. CASH AT BANK AND IN HAND

Group

Cash balances are made up as follows:

	<u>2004</u> £'000	<u>2003</u> £'000
Bank deposit account held as security for Deutsche Bank loan (see Note 18)	16,432	16,432
Current and investment accounts	11,553	14,919
	27,985	31,351

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	University	Group	University
	<u>2004</u> £'000	<u>2004</u> £'000	<u>Restated</u> <u>2003</u> £'000	<u>Restated</u> <u>2003</u> £'000
Bank loans and overdrafts	374	367	367	367
Payments received in advance	4,464	4,363	4,237	3,808
Trade creditors	1,458	1,458	4,149	4,090
Amounts owed to subsidiary undertakings	-	-	-	211
Other taxation and social security	245	245	1,313	1,313
Accruals	10,382	9,577	8,042	6,918
Other creditors	209	211	220	202
	17,132	16,221	18,328	16,909

The 2003 figures have been restated because a loan repayment instalment had been shown as falling due within one year when it actually fell due after more than one year (see Notes 18, 19 and 29).

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

Group and University

	<u>2004</u> £'000	<u>Restated</u> <u>2003</u> £'000
<u>Deutsche Bank loan</u>		
Liability to Deutsche Bank at 1 August (2003 at 10 January)	13,742	13,212
Provision for repayment of Deutsche Bank loan for year/(2003 period) to 31 July	1,150	530
Deutsche Bank loan	14,892	13,742
Mortgages secured on property	4,392	3,758
	19,284	17,500

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

In 2003 the University took the opportunity presented by the sale of its residences at Storthes Hall and Ashenhurst to repay its loan of £12.4m from Lloyds TSB and to put in place arrangements to repay its loan of £13.2m from Deutsche Bank in 2008 which is the earliest contractual repayment date available.

Cash of £16.4m has been placed in a bank deposit account (see Note 16). This account bears interest at 4.3% pa at a fixed rate. During the period up to the date of the loan maturity, the account will generate interest of £4.0m, resulting in a total account balance of £20.4m. The cash provides alternative security to Deutsche Bank following the sale of Storthes Hall. The University bears the credit risk and the ultimate economic benefit in repaying the loan in 2008 or in making instalment payments in the event of default. This cash cannot be used by the University for any purpose other than payments to Deutsche Bank.

The loan liability is included in the financial statements as at 31 July 2004 at £14.9m (2003 : £13.7m). The total amount to be repaid in 2008 will be £20.4m.

Between now and 2008 the University will continue to pay interest on the Deutsche Bank loan at a fixed rate of 10.185% and an approximate annual cost of £1.2m together with a finance charge.

Exposure to risk

The University's management has fully considered the University's exposure to interest rate and liquidity risk and has taken this course of action in order to minimise these risks. The sum due in settlement of this loan in 2008 is determined as a function of interest rates at the time and interest rates which may pertain over the previously remaining outstanding period of the loan to 2025. Because these rates are unknown now, the University has entered into an interest rate swap agreement with Lloyds TSB Bank plc such that its exposure to adverse interest rate movement is capped. In addition, a secured guarantee of £5.75m has been entered into with Lloyds TSB Bank plc so that continuing payments against the loan between now and 2008 are protected in the event of default.

The University continues in its firm belief that this was a sound business decision.

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

19. BORROWINGS

Group and University

	<i>Restated</i>	
	<i>2004</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>
Bank loans and overdrafts are repayable:		
In one year or less	374	367
Between one and two years	367	367
Between two and five years	15,259	14,109
In five years or more	3,658	3,024
	<hr/>	<hr/>
	19,658	17,867

Bank loans of £4.758m are repayable by instalments falling due between 1 August 2004 and 30 April 2030. At 31 July 2004 a facility existed to draw down a further loan of £4m and by 30 November 2004 it had been drawn down.

A fixed term loan of £14.892m (see Note 18) is repayable on maturity in 2008.

20. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	<u>Enhanced Pensions</u>	<u>Other</u>	<u>Total</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 August 2003	269	6	275
Transferred from/(to) income and expenditure account	31	(6)	25
	<hr/>	<hr/>	<hr/>
At 31 July 2004	300	-	300

University

	<u>Enhanced Pensions</u>
	<i>£'000</i>
At 1 August 2003	269
Transferred from income and expenditure account	<hr/>
At 31 July 2004	300

The enhanced pensions provision is in respect of enhanced pensions payable to staff who have accepted early retirement prior to 1994.

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

21. DEFERRED CAPITAL GRANTS
Group and University

	<u>HEFCE</u> £'000	<u>Other Grants</u> £'000	<u>Total</u> £'000
At 1 August 2003			
Land and buildings	5,092	155	5,247
Equipment	1,017	202	1,219
Cash received	6,109	357	6,466
Land and buildings	1,011	-	1,011
Equipment	2,558	243	2,801
Released to income and expenditure account			
Land and buildings (Notes 1 and 4)	(132)	(3)	(135)
Equipment (Notes 1 and 3)	(1,441)	(131)	(1,572)
At 31 July 2004			
Land and buildings	5,971	152	6,123
Equipment	2,134	314	2,448
Total	8,105	466	8,571

22. SPECIFIC ENDOWMENTS
Group and University

	<u>£'000</u>
At 1 August 2003	
Additions	250
Income for year	2
Transferred to income and expenditure account (Note 5)	5
	(3)
At 31 July 2004	
	254
Representing:	
Prize funds	201
Chemical sciences special fund	53
	254

23. REVALUATION RESERVE
Group and University

	<u>2004</u> £'000	<u>2003</u> £'000
At 1 August		34,075
Transfer from revaluation reserve to general reserve in respect of:	32,414	
Disposals	-	(1,067)
Depreciation of revalued assets	(894)	(594)
At 31 July		32,414
	31,520	

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

24. MOVEMENT ON GENERAL RESERVES

	Group 2004 £'000	University 2004 £'000	Group 2003 £'000	University 2003 £'000
Income and Expenditure Account Reserve				
At 1 August	38,101	38,267	39,618	39,636
Surplus/(deficit) on continuing operations before transfer from revaluation reserve	1,840	1,780	(3,178)	(3,030)
Transfer from revaluation reserve	894	894	594	594
Realised revaluation gain on disposal of property	-	-	1,067	1,067
At 31 July	40,835	40,941	38,101	38,267

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

	Year Ended 31 July 2004 £'000	Year Ended 31 July 2003 £'000
Surplus/(deficit) after depreciation of assets at valuation	1,840	(3,178)
Depreciation	3,883	3,459
Deferred capital grants released to income (Notes 1, 3 & 4)	(1,707)	(1,045)
Loss on disposal of tangible assets	-	6,619
Interest payable (Note 8)	2,797	2,737
Decrease/(increase) in stocks	8	(3)
Increase in debtors	(3,098)	(1,291)
(Decrease)/increase in creditors	(2,336)	2,206
Increase/(decrease) in provisions	25	(2)
Increase in current asset investments	(94)	(67)
Interest receivable (Note 5)	(1,456)	(967)
Net cash (outflow)/inflow from operating activities	(138)	8,468

26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Year Ended 31 July 2004 £'000	Year Ended 31 July 2003 £'000
Income from endowments	3	11
Other interest received	678	522
Interest paid	(1,664)	(2,332)
Net cash outflow from returns on investments and servicing of finance	(983)	(1,799)

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	<u>Year Ended</u> <u>31 July</u> <u>2004</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>
Purchase of tangible fixed assets	(7,848)	(1,754)
Sales of tangible fixed assets	-	22,699
Deferred capital grants received	3,812	1,875
Movement on endowments	4	17
Net cash (outflow)/inflow from capital expenditure and financial investment	(4,032)	22,837

28. FINANCING

	<u>Year Ended</u> <u>31 July</u> <u>2004</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>
Additions to new and existing loans	2,158	1,165
Repayment of amounts borrowed	(367)	(13,656)
Net cash inflow/(outflow) from financing	1,791	(12,491)

29. ANALYSIS OF CHANGES IN NET FUNDS/DEBT

	<u>Restated At 1 August 2003</u> <u>£'000</u>	<u>Cashflows</u> <u>£'000</u>	<u>Other Changes</u> <u>£'000</u>	<u>At 31 July 2004</u> <u>£'000</u>
Cash in hand and at bank	31,351	(3,366)	-	27,985
Endowment asset investments	250	4	-	254
	31,601	(3,362)	-	28,239
Current asset investments	1,924	-	94	2,018
Debt due within 1 year	(367)	360	(367)	(374)
Debt due after 1 year	(17,500)	(2,151)	367	(19,284)
	15,658	(5,153)	94	10,599

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

30. PENSION AND SIMILAR OBLIGATIONS

The University's employees belong to three principal pension schemes: the Teachers' Pension Scheme, the Universities Superannuation Scheme and the West Yorkshire Pension Fund. The total pension cost for the year was £4,203,000 (2003 : £3,468,000).

Teachers' Pension Scheme (TPS)

The TPS is an unfunded defined benefit scheme. Contributions made on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purpose of determining contribution rates.

SSAP24

The pension cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are:

Latest actuarial valuation	31 March 2001
Actuarial method	Prospective benefits
Investment return per annum	7.0%
Salary scale increases per annum	5.0%
Notional value of assets at date of last valuation	£142.9 billion
Proportion of members' accrued benefits covered by the notional value of the assets	87%

The contributions payable by the University throughout the year were equal to 13.5% of total pensionable salaries.

FRS 17

The TPS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University will therefore account for its pension costs on a defined contribution basis as permitted by FRS 17.

Universities Superannuation Scheme (USS)

The USS is a funded defined benefit scheme. Contributions are held in trust separately from the University.

SSAP 24

The assumptions and other data that have the most significant effect on the determination of the contribution levels are:

Latest actuarial valuation	31 March 2002
Actuarial method	Projected unit
Investment return per annum	5.5%
Salary scale increases per annum	3.5%
Pension increases per annum	2.5%

THE UNIVERSITY OF HUDDERSFIELD
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For the Year ended 31 July 2004 (continued)

Notional value of assets at last date of valuation £18.9 billion

Proportion of members' accrued benefits covered by the notional value of the assets 108%

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

FRS 17

The USS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University will therefore account for its pension costs on a defined contribution basis as permitted by FRS 17.

West Yorkshire Pension Fund (WYPF)

The WYPF is a funded defined benefit pension scheme with the assets held in separate trustee administered funds. The total contribution for the year ended 31 July 2004 was £2,523,000 of which employer's contributions totalled £1,740,000 and employees' contributions totalled £783,000. The latest agreed contribution rates for future years are 11.4% for employers and 6% for employees. The 2004 actuarial valuation was still in progress at the date of completion of these financial statements.

SSAP24

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are:

Latest actuarial valuation	31 March 2001
Actuarial method	Projected unit
Investment return per annum	5.6% to 6.5%
Pension increases per annum	1.7%
Salary scale increases per annum	4.2% to 4.5%
Market value of assets at date of last valuation	£4.7 billion
Proportion of members' accrued benefits covered by the actuarial value of the assets	107%

FRS 17

This information is based upon a full actuarial valuation of the Fund at 31 March 2001 updated to 31 July 2004 by a qualified independent actuary.

	<u>Year Ended 31 July 2004</u>	<u>Year Ended 31 July 2003</u>	<u>Year Ended 31 July 2002</u>
Actuarial assumptions			
Rate of inflation	2.8%	2.5%	2.5%
Rate of increase in salaries	4.3%	4.0%	4.0%
Rate of increase for pensions	2.8%	2.5%	2.5%
Discount rate for liabilities	5.7%	5.5%	6.0%

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

The assets in the scheme (of which the University's share is estimated at 0.83%) and the expected rates of return were:

	<u>2004</u>		<u>2003</u>	
	<u>Long term rate of return expected at 31 July 2004</u>	<u>Value at 31 July 2004</u>	<u>Long term rate of return expected at 31 July 2003</u>	<u>Value at 31 July 2003</u>
		£m		£m
Equities	7.5%	3,452	7.5%	2,896
Government Bonds	5.0%	520	4.7%	486
Other Bonds	5.7%	102	5.5%	119
Property	6.5%	242	6.5%	208
Cash	4.5%	330	3.8%	376
Total market value of assets		<u>4,646</u>		<u>4,085</u>
	<u>Year Ended 31 July 2004</u>	<u>Year Ended 31 July 2003</u>	<u>Year Ended 31 July 2002</u>	
	£'000	£'000	£'000	
University's estimated asset share	38,793	34,067	30,828	
Present value of scheme liabilities	(50,415)	(45,059)	(36,905)	
Deficit in scheme	<u>(11,622)</u>	<u>(10,992)</u>	<u>(6,077)</u>	

Under the transitional arrangements of FRS17, no provision has been made by the University for the institution's share of the deficit in the scheme. If provision were made the following entries would be necessary:

Balance Sheet presentation
Group

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
Net assets excluding FRS17 pension liability	81,180	77,231	79,562
Net pension liability	(11,622)	(10,992)	(6,077))
Net assets including FRS17 pension liability	<u>69,558</u>	<u>66,239</u>	<u>73,485</u>

Reserves note

Income and expenditure account excluding FRS17 liability	40,493	38,101	39,618
Pension deficit	(11,622)	(10,992)	(6,077))
Income and expenditure account including FRS17 pension liability	<u>28,871</u>	<u>27,109</u>	<u>33,541</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

University

	<u>2004</u> £'000	<u>2003</u> £'000	<u>2002</u> £'000
Net assets excluding FRS17 pension liability	81,286	77,397	79,580
Net pension liability	(11,622)	(10,992)	(6,077)
Net assets including FRS17 pension liability	69,664	66,405	73,503

Reserves note

Income and expenditure account excluding FRS17 liability	40,941	38,267	39,636
Pension deficit	(11,622)	(10,992)	(6,077)
Income and expenditure account including FRS17 pension liability	29,319	27,275	33,559

Under the transitional arrangements of FRS17, the University's pension charge for the year calculated under FRS17 assumptions is not included in the financial statements (as this is currently calculated on a SSAP24 basis). If the charge had been included on an FRS17 basis, the following entries would be made:

	<u>Year Ended</u> <u>31 July 2004</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2003</u> <u>£'000</u>
Analysis of the amount charged to the income and expenditure account		
Current service cost	2,008	1,693
Curtailment cost	259	159
Total operating charge	2,267	1,852
Analysis of net return on pension scheme		
Expected return on pension scheme assets	2,333	2,317
Interest on pension liabilities	(2,523)	(2,264)
Net (loss)/return	(190)	53
Amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	1,034	(678)
Changes in assumptions	(947)	(4,073)
Actuarial gain/(loss) recognised in STRGL	87	(4,751)

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

	<u>Year Ended 31 July 2004 £'000</u>	<u>Year Ended 31 July 2003 £'000</u>
Movement in deficit in the year		
Deficit in scheme at 1 August	(10,992)	(6,077)
Movement in year:		
Current service charge	(2,008)	(1,693)
Contributions	1,740	1,635
Past service curtailment cost	(259)	(159)
Net return on assets	(190)	53
Actuarial gain/(loss)	87	(4,751)
Deficit in scheme at 31 July	(11,622)	(10,992)

The total pension cost for the institution and its subsidiaries was:

	<u>Year Ended 31 July 2004 £'000</u>	<u>Year Ended 31 July 2003 £'000</u>
Contributions to TPS	2,675	1,980
Contributions to WYPF	1,506	1,474
Contributions to USS	22	14
Total pension cost (Note 6)	4,203	3,468

31. POST BALANCE SHEET EVENTS

The Storthes Hall upper site was sold on 24 August 2004 for its net book value. The St Peter's building was sold on 30 September 2004 for a profit of £1,415,000.

32. CAPITAL COMMITMENTS

	<u>Group and University 2004 £'000</u>	<u>2003 £'000</u>
Commitments contracted for at 31 July	5,155	220

33. FINANCIAL COMMITMENTS

Group and University

At 31 July the University had annual commitments under non-cancellable operating leases as follows:

	<u>2004 £'000</u>	<u>2003 £'000</u>
Fixtures, fittings and general equipment		
Expiring within one year	-	-
Expiring between two and five years inclusive	257	257
Expiring in more than five years	-	-
	257	257

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

34. CONTINGENT LIABILITIES
Group and University

As a result of a ruling by the European Court of Justice (ECJ) in the Preston case relating to indirect sex discrimination, the employer has an obligation to provide pension scheme benefits for part-time employees. There is a potential liability to provide additional benefits for service before the pension scheme rules were changed to allow access for part-time employees.

The extent of the liability will depend on the service completed by those part-time employees who have registered a valid claim for benefits within the necessary timescales. It is not currently known with certainty how many part-time employees have registered and whether any financial impact that may materialise will be significant. No provision has been made, but the accounts include this disclosure as a prudent approach to the potential liability.

35. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the University Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the University Council may have an interest. All transactions involving organisations in which a member of the University Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

36. ACCESS FUNDS

	<u>Year Ended 31 July 2004</u> £'000	<u>Year Ended 31 July 2003</u> £'000
Balance at 1 August	23	3
HEFCE grants	800	887
Interest earned	14	14
	837	904
Disbursed to students	(742)	(881)
Refundable to HEFCE	(15)	-
	80	23
Balance unspent at 31 July		

HEFCE grants are available solely for students: the University acts only as paying agent. The grant and related disbursements are therefore excluded from the income and expenditure account.

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2004 (continued)

37. TRAINING BURSARIES

	<u>Year Ended 31 July 2004</u> £'000	<u>Year Ended 31 July 2003</u> £'000
HEFCE, Teacher Training Agency and Yorkshire Forward grants	2,700	2,249
Disbursed to students	<u>(2,700)</u>	<u>(2,249)</u>
	-	-

HEFCE, Teacher Training Agency and Yorkshire Forward grants are available solely for students: the University acts only as paying agent. The grant and related disbursements are therefore excluded from the income and expenditure account.

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