

***THE UNIVERSITY OF HUDDERSFIELD***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED***

***31 JULY 2003***

**THE UNIVERSITY OF HUDDERSFIELD**  
**FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003**

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**THE UNIVERSITY OF HUDDERSFIELD**  
**FINANCIAL HIGHLIGHTS**  
**For the Year ended 31 July 2003**

**RESULTS FOR THE YEAR**

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

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Income	74,090	73,649
Expenditure	<u>74,891</u>	<u>74,154</u>
Deficit after depreciation of tangible fixed assets at valuation and before tax	(801)	(505)
(Loss)/profit on disposal of fixed assets	<u>(2,377)</u>	<u>216</u>
Deficit after depreciation of assets at valuation, disposal of assets and before and after taxation	<u>(3,178)</u>	<u>(289)</u>
(Deficit)/surplus for the year on a historical cost basis	<u>(1,517)</u>	<u>2,817</u>

This year total student numbers decreased from 17,155 to 16,124; the full time equivalent decreased from 12,671 to 12,355.

**THE UNIVERSITY OF HUDDERSFIELD**  
**REPORT OF THE UNIVERSITY COUNCIL**  
**For the Year ended 31 July 2003 (continued)**

The Council of the University of Huddersfield hereby submits its fourteenth annual report together with the audited financial statements for the year to 31 July 2003.

## **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.

The University of Huddersfield Enterprises Limited, a wholly owned subsidiary company, has continued to trade satisfactorily during the year. The purpose of the 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.

## **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.

## **Introduction**

The University of Huddersfield 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.

**THE UNIVERSITY OF HUDDERSFIELD**  
**REPORT OF THE UNIVERSITY COUNCIL**  
**For the Year ended 31 July 2003 (continued)**

**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.

**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.

## **THE UNIVERSITY OF HUDDERSFIELD** **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**  
**FINAL INTERIM 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 system had been established by July 2003 so that a full statement on internal control can be provided for the whole of the financial year 2003-04, which 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.

**THE UNIVERSITY OF HUDDERSFIELD**  
**FINAL INTERIM STATEMENT OF INTERNAL CONTROL (continued)**

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 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 to be issued to Schools and Services will encourage their management teams to consider the key risks their areas face. The Planning and Resources Group will then explore and consider the risks identified by Schools and Services as part of the annual planning round.
- f) Risk awareness is being raised through:
  - Risk being incorporated within the Management Development Programme and staff induction courses.
  - The planning and contextual documentation which will be 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 will be further informed by the risk registers completed by Schools and Services which will be 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 and which was last reviewed for effectiveness by the HEFCE Audit Service in March 2000. 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 University Council is firmly of the view that risk assessment and risk management are inherent features of the University's processes.



## **THE UNIVERSITY OF HUDDERSFIELD** **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 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.

**THE UNIVERSITY OF HUDDERSFIELD**  
**RESPONSIBILITIES OF THE UNIVERSITY COUNCIL**

**AUDITORS**

A resolution to re-appoint KPMG LLP as auditors will be put to the University Council Meeting on 18 December 2003.

MR B R HILL  
Chairman  
18 December 2003

**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 University Council's Report 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 Members' Report (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 2003 and of the deficit 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 2003 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 2003 has been applied in accordance with the University's Instrument and Articles of Government, Financial Regulations and, where appropriate, with the Financial Memorandum dated 1 August 2000 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

18 December 2003

**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 13. 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.

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

**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.

**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 except for newly constructed buildings which are depreciated over their expected useful lives 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 or where the estimated useful economic life of a tangible fixed asset exceeds 50 years.

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 £3,000 (2002: £2,000) 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.

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

**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.

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 2003**

		<u>Continuing</u> <u>Operations</u> <u>Year Ended</u> <u>31 July 2003</u>	<u>Discontinued</u> <u>Operations</u> <u>Year Ended</u> <u>31 July 2003</u>	<u>Year Ended</u> <u>31 July 2003</u>	<u>Restated</u> <u>Year Ended</u> <u>31 July 2002</u>
	<u>Note</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>INCOME</b>					
Funding council grants	1	36,760	-	36,760	35,197
Tuition fees and education contracts	2	16,465	-	16,465	15,554
Research grants and contracts	3	1,762	-	1,762	2,062
Other income	4	16,675	1,461	18,136	20,114
Endowment and investment income	5	967	-	967	722
Total Income		<u>72,629</u>	<u>1,461</u>	<u>74,090</u>	<u>73,649</u>
<b>EXPENDITURE</b>					
Staff costs	6	43,585	-	43,585	40,605
Staff restructuring	6	767	-	767	-
Other operating expenses	7	23,709	634	24,343	25,356
Depreciation	12	3,459	-	3,459	5,472
Interest and finance charges payable	8	1,903	834	2,737	2,721
Total Expenditure	9	<u>73,423</u>	<u>1,468</u>	<u>74,891</u>	<u>74,154</u>
Deficit after depreciation of tangible fixed assets at valuation and before taxation		(794)	(7)	(801)	(505)
(Loss)/profit on disposal of fixed assets	10	<u>(1,239)</u>	<u>(1,138)</u>	<u>(2,377)</u>	<u>216</u>
Deficit after depreciation of tangible fixed assets at valuation and disposal of assets but before taxation	11	(2,033)	(1,145)	(3,178)	(289)
Taxation		-	-	-	-
Deficit after depreciation of tangible fixed assets at valuation, disposal of assets and taxation	11	<u>(2,033)</u>	<u>(1,145)</u>	<u>(3,178)</u>	<u>(289)</u>



**THE UNIVERSITY OF HUDDERSFIELD**  
**CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS**  
**For the Year ended 31 July 2003**

	<u>Note</u>	<u>Continuing Operations Year Ended 31 July 2003 £'000</u>	<u>Discontinued Operations Year Ended 31 July 2003 £'000</u>	<u>Year Ended 31 July 2003 £'000</u>	<u>Restated Year Ended 31 July 2002 £'000</u>
Deficit before and after taxation		(2,033)	(1,145)	(3,178)	(289)
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	25	594	-	594	639
Realisation of property revaluation gains of previous years	25	789	278	1,067	2,467
<b>Historical cost (deficit)/surplus for the period before and after taxation</b>		<b>(650)</b>	<b>(867)</b>	<b>(1,517)</b>	<b>2,817</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 July 2003**

	<u>Note</u>	<u>Year Ended 31 July 2003 £'000</u>	<u>Year Ended 31 July 2002 £'000</u>
Deficit after depreciation of assets at valuation, disposal of assets and taxation		(3,178)	(289)
Revalued assets	24	-	490
New endowments	23	17	4
<b>Total recognised gains and losses relating to the year</b>		<b>(3,161)</b>	<b>205</b>

**RECONCILIATION OF MOVEMENTS ON RESERVES AND ENDOWMENTS**

	<u>£'000</u>
Reserves and endowments at 1 August 2002	73,926
Total recognised gains and losses for the year	<u>(3,161)</u>
Reserves and endowments at 31 July 2003	<u><u>70,765</u></u>

**THE UNIVERSITY OF HUDDERSFIELD**  
**BALANCE SHEETS**  
**As at 31 July 2003**

		<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
		<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	<u>Note</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>FIXED ASSETS</b>					
Tangible assets	12	69,790	69,783	99,994	99,979
Investments	13	32	82	32	82
		<hr/> 69,822	<hr/> 69,865	<hr/> 100,026	<hr/> 100,061
<b>ENDOWMENT ASSET INVESTMENTS</b>	14	<hr/> 250	<hr/> 250	<hr/> 233	<hr/> 233
<b>CURRENT ASSETS</b>					
Stocks and stores in hand		129	120	126	114
Debtors	15	9,858	8,593	8,133	6,541
Investments	16	1,924	1,924	1,857	1,857
Cash at bank and in hand	17	31,351	31,323	14,353	14,319
		<hr/> 43,262	<hr/> 41,960	<hr/> 24,469	<hr/> 22,831
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	18	<hr/> (19,450)	<hr/> (18,031)	<hr/> (15,648)	<hr/> (14,027)
<b>NET CURRENT ASSETS</b>		<hr/> 23,812	<hr/> 23,929	<hr/> 8,821	<hr/> 8,804
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> 93,884	<hr/> 94,044	<hr/> 109,080	<hr/> 109,098
<b>CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	19	<hr/> (16,378)	<hr/> (16,378)	<hr/> (29,241)	<hr/> (29,241)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	21	<hr/> (275)	<hr/> (269)	<hr/> (277)	<hr/> (277)
<b>NET ASSETS</b>		<hr/> 77,231	<hr/> 77,397	<hr/> 79,562	<hr/> 79,580
Represented by:					
<b>DEFERRED CAPITAL GRANTS</b>	22	<hr/> 6,466	<hr/> 6,466	<hr/> 5,636	<hr/> 5,636
<b>SPECIFIC ENDOWMENTS</b>	23	<hr/> 250	<hr/> 250	<hr/> 233	<hr/> 233
<b>RESERVES</b>					
Revaluation reserve	24	32,414	32,414	34,075	34,075
Income and expenditure account	25	38,101	38,267	39,618	39,636
<b>TOTAL RESERVES</b>		<hr/> 70,515	<hr/> 70,681	<hr/> 73,693	<hr/> 73,711
<b>TOTAL FUNDS</b>		<hr/> 77,231	<hr/> 77,397	<hr/> 79,562	<hr/> 79,580

The financial statements on pages 11 to 38 were approved by the University Council on 18 December 2003 and were signed on its behalf by:

PROFESSOR J R TARRANT

Vice-Chancellor

MR B R HILL

Chairman

**THE UNIVERSITY OF HUDDERSFIELD**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**For the Year ended 31 July 2003**

	<u>Note</u>	<u>Year</u> <u>Ended 31</u> <u>July 2003</u> <u>£'000</u>	<u>Year</u> <u>Ended 31</u> <u>July 2002</u> <u>£'000</u>
Cash flow from operating activities	26	8,468	8,884
Returns on investments and servicing of finance	27	(1,799)	(1,685)
Capital expenditure and financial investment	28	22,837	(3,998)
Financing	29	(12,491)	(889)
		<hr/>	<hr/>
Increase in cash in the year	30	17,015	2,312
		<hr/> <hr/>	<hr/> <hr/>

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

	<u>Note</u>	<u>Year</u> <u>Ended 31</u> <u>July 2003</u> <u>£'000</u>	<u>Year</u> <u>Ended 31</u> <u>July 2002</u> <u>£'000</u>
Increase in cash in the year	30	17,015	2,312
Cash used to increase liquid resources		67	1,857
Decrease in debt		12,491	889
		<hr/>	<hr/>
Movement in net funds in the year		29,573	5,058
Net debt at 1 August		(13,915)	(18,973)
		<hr/>	<hr/>
Net funds/(debt) at 31 July	30	15,658	(13,915)
		<hr/> <hr/>	<hr/> <hr/>

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003**

**1. FUNDING COUNCIL GRANTS**

	<u>Year Ended 31 July 2003</u>				<u>Year</u>
	<u>HEFCE</u>	<u>TTA</u>	<u>LSC</u>	<u>Total</u>	<u>Ended</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>31 July</u>
					<u>2002</u>
					<u>£'000</u>
Recurrent grant	32,401	994	130	33,525	32,800
Adjustment relating to previous years	(632)	-	-	(632)	-
	31,769	994	130	32,893	32,800
Specific grants:					
Rewarding and developing staff	1,120	32	-	1,152	512
Restructuring and collaboration funds	400	-	-	400	-
Teachers pension	300	-	-	300	-
HEROBC/HEIF Funding	154	-	-	154	116
Secondary partnership arrangements	-	112	-	112	130
Learning and Teaching Strategy	85	-	-	85	202
INSET	-	50	-	50	33
Active community funding	91	-	-	91	-
Foundation for success	84	-	-	84	-
Development of teaching and learning	48	-	-	48	-
Widening Disabled Access	36	-	-	36	67
Widening Participation	29	-	-	29	34
Non-Formula Funded Developmental Research	-	-	-	-	662
Other	116	97	161	374	221
Deferred capital grants released in the year:					
Buildings (Note 22)	75	-	-	75	186
Equipment (Note 22)	877	-	-	877	234
	35,184	1,285	291	36,760	35,197

Teacher training bursaries and their associated grants are no longer included in the income and expenditure account and the comparative figures have been restated to reflect this.

**2. TUITION FEES AND EDUCATION CONTRACTS**

	<u>Year</u>	<u>Year</u>
	<u>Ended</u>	<u>Ended</u>
	<u>31 July</u>	<u>31 July</u>
	<u>2003</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>
UK and EU Higher Education Students	11,972	11,791
Non-EU Students	2,527	1,902
Total fees paid by or on behalf of individual students	14,499	13,693
Research Training Support Grants	72	46
Short Course Fees	128	265
Registration and Examination Fees	99	100
Education contracts	1,667	1,450
	16,465	15,554

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**3. RESEARCH GRANTS AND CONTRACTS**

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
Research councils	419	489
UK based charities	190	222
European commission	54	152
Other grants and contracts	1,017	1,118
Release from deferred capital grants (Note 22)	82	81
	<u>1,762</u>	<u>2,062</u>

**4. OTHER INCOME**

	<u>Continuing</u> <u>Operations</u> <u>Year</u> <u>Ended 31</u> <u>July 2003</u> <u>£'000</u>	<u>Discontinued</u> <u>Operations</u> <u>Year Ended</u> <u>31 July 2003</u> <u>£'000</u>	<u>Total</u> <u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Continuing</u> <u>Operations</u> <u>Year</u> <u>Ended 31</u> <u>July 2002</u> <u>£'000</u>	<u>Discontinued</u> <u>Operations</u> <u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>	<u>Total</u> <u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
Residences, catering and conferences	606	1,461	2,067	526	4,074	4,600
Health authorities	9,490	-	9,490	9,143	-	9,143
Other income-generating activities	3,021	-	3,021	2,446	-	2,446
Other grant income	2,135	-	2,135	2,176	-	2,176
Release from deferred capital grants (Note 22)	11	-	11	4	-	4
Other income	1,412	-	1,412	1,745	-	1,745
	<u>16,675</u>	<u>1,461</u>	<u>18,136</u>	<u>16,040</u>	<u>4,074</u>	<u>20,114</u>

**5. ENDOWMENT AND INVESTMENT INCOME**

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
Transferred from specific endowments (Note 23)	11	4
Other interest receivable	956	718
	<u>967</u>	<u>722</u>

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**6. STAFF COSTS**

Average number of persons employed by the Group

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>Number</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>Number</u>
Teaching departments	921	916
Teaching support services	141	138
Administration and central services	158	167
Premises	145	154
Other	52	55
	<hr/> 1,417	<hr/> 1,430

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
Staff costs for the above persons:		
Wages and salaries	37,348	35,292
Social security costs	2,769	2,541
Other pension costs (Note 31)	3,468	2,772
	<hr/> 43,585	<hr/> 40,605
Exceptional restructuring costs	767	-
	<hr/> 44,352	<hr/> 40,605

Emoluments of the Vice-Chancellor, Professor J R Tarrant

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
Salary	142	135
Benefits	11	10
Pension	14	14
	<hr/> 167	<hr/> 159

Senior post-holder emoluments

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

£70,000 - £79,999	4	1
£80,000 - £89,999	1	1

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**7. OTHER OPERATING EXPENSES**

	<u>Continuing</u> <u>Operations</u> <u>Year</u> <u>Ended 31</u> <u>July 2003</u> <u>£'000</u>	<u>Discontinued</u> <u>Operations</u> <u>Year Ended</u> <u>31 July 2003</u> <u>£'000</u>	<u>Total</u> <u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Continuing</u> <u>Operations</u> <u>Year</u> <u>Ended 31</u> <u>July 2002</u> <u>£'000</u>	<u>Discontinued</u> <u>Operations</u> <u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
Consumables and laboratory expenditure	4,389	-	4,389	4,415	-	4,415
Franchise centre payments	2,283	-	2,283	1,904	-	1,904
Hired lecturers and consultancy payments	1,579	-	1,579	1,266	-	1,266
Repairs and general maintenance	1,423	-	1,423	1,713	-	1,713
Rents	1,214	-	1,214	1,204	-	1,204
Student related expenses	1,018	-	1,018	859	-	859
Residences, catering and conferences	337	634	971	311	1,838	2,149
Student bursaries	941	-	941	1,203	-	1,203
Publicity	926	-	926	795	-	795
Staff development	844	-	844	794	-	794
Books and periodicals	799	-	799	863	-	863
Transport	771	-	771	811	-	811
Grants to University of Huddersfield Student Union	725	-	725	733	-	733
Heat, light, water and power	719	-	719	759	-	759
Other property costs	652	-	652	657	-	657
Strategic maintenance	556	-	556	802	-	802
Subscriptions	469	-	469	502	-	502
Hired services	426	-	426	524	-	524
Servicing of residences	348	-	348	-	-	-
Professional charges	237	-	237	348	-	348
Insurance	288	-	288	222	-	222
Examination and registration fees	292	-	292	236	-	236
Telephones	354	-	354	301	-	301
Hire of plant and machinery - operating leases	257	-	257	268	-	268
Internal auditors remuneration	66	-	66	63	-	63
Bad debts provision	165	-	165	290	-	290
External temporary staff	238	-	238	240	-	240
Staff recruitment	203	-	203	176	-	176
NHS bursaries	15	-	15	252	-	252
External auditors remuneration	29	-	29	26	-	26
External auditors remuneration in respect of non-audit services	88	-	88	86	-	86
Other expenses	1,058	-	1,058	895	-	895
	<u>23,709</u>	<u>634</u>	<u>24,343</u>	<u>23,518</u>	<u>1,838</u>	<u>25,356</u>

Teacher training bursaries and their associated grants are no longer included in the income and expenditure account and the comparative figures have been restated to reflect this.

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**8. INTEREST AND FINANCE CHARGES PAYABLE**

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
On bank loans, overdrafts and other loans:		
Repayable within five years not by instalments	40	18
Repayable within five years by instalments	530	-
Repayable wholly or partly in more than five years	2,167	2,703
	<u>2,737</u>	<u>2,721</u>

**9. ANALYSIS OF EXPENDITURE BY ACTIVITY**

	<u>Staff</u> <u>Costs</u>  <u>£'000</u>	<u>Other</u> <u>Operating</u> <u>Expenses</u>  <u>£'000</u>	<u>Dep'n</u>  <u>£'000</u>	<u>Interest</u> <u>and</u> <u>Finance</u> <u>Charges</u> <u>Payable</u>  <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>Total</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>Total</u> <u>£'000</u>
Academic departments	30,426	8,279	1,277	-	39,982	37,670
Academic services	2,861	2,091	496	-	5,448	5,726
Research grants and contracts	998	728	84	-	1,810	2,009
Residences, catering and conferences	279	971	48	834	2,132	6,067
Premises	2,771	4,556	1,189	1,903	10,419	9,466
Administration and Central Services	5,503	4,571	329	-	10,403	10,754
Other expenses	747	3,147	36	-	3,930	2,462
	<u>43,585</u>	<u>24,343</u>	<u>3,459</u>	<u>2,737</u>	<u>74,124</u>	<u>74,154</u>
Staff restructuring	767	-	-	-	767	-
Total per income and expenditure account	<u>44,352</u>	<u>24,343</u>	<u>3,459</u>	<u>2,737</u>	<u>74,891</u>	<u>74,154</u>



**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**10. LOSS ON DISPOSAL OF FIXED ASSETS**

**Continuing Operations**

The charge of £1,239,000 in 2002/03 relates to the net book value of the Great Hall which is due to be demolished in December 2003.

**Discontinued Operations**

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
Amount receivable on disposal of properties	28,360	2,756
Net book value of disposed properties	(28,360)	(2,467)
Attributable professional fees	(629)	(73)
Other attributable costs	(509)	-
	<u>(1,138)</u>	<u>216</u>

The disposal in 2003 consisted of the sale of the University's Storthes Hall and Ashenhurst student residences comprising 1,713 bed spaces to Ubrique Investments Limited. This company is now operating and managing the halls.

**11. DEFICIT ON CONTINUING OPERATIONS FOR THE PERIOD**

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
University's deficit before gift aid payments from subsidiaries	(1,885)	(391)
Surplus from subsidiaries paid up by gift aid	-	85
(Loss)/surplus in subsidiary undertakings	(148)	17
	<u>(2,033)</u>	<u>(289)</u>

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**12. 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>
<b>Cost or valuation</b>					
At 1 August 2002	99,812	607	44	14,502	114,965
Additions	643	-	-	1,930	2,573
Disposals	(31,440)	(84)	-	(2,259)	(33,783)
At 31 July 2003	69,015	523	44	14,173	83,755
<b>Depreciation</b>					
At 1 August 2002	4,358	18	9	10,586	14,971
Charge for year	1,176	7	1	2,275	3,459
Eliminated in Respect of Disposals	(2,244)	(3)	-	(2,218)	(4,465)
At 31 July 2003	3,290	22	10	10,643	13,965
<b>Net book value</b>					
<b>At 31 July 2003</b>	<b>65,725</b>	<b>501</b>	<b>34</b>	<b>3,530</b>	<b>69,790</b>
Net book value At 1 August 2002	95,454	589	35	3,916	99,994
Financed by capital grant	5,247	-	-	1,219	6,466
Other	60,478	501	34	2,311	63,324
	65,725	501	34	3,530	69,790

Buildings with a cost or valuation of £11,414,000 and a net book value of £10,804,000 have been 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 £127,000 (2002 : £1,453,000) and in the cost or valuation of equipment is £38,000 (2002 : nil) 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 2003 (continued)**

**University**

	Freehold land and buildings	Long leasehold land and buildings	Short leasehold land and buildings	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2002	99,812	607	44	14,434	114,897
Additions	643	-	-	1,930	2,573
Disposals	(31,440)	(84)	-	(2,248)	(33,772)
At 31 July 2003	69,015	523	44	14,116	83,698
<b>Depreciation</b>					
At 1 August 2002	4,358	18	9	10,533	14,918
Charge for year	1,176	7	1	2,268	3,452
Eliminated in Respect of Disposals	(2,244)	(3)	-	(2,208)	(4,455)
At 31 July 2003	3,290	22	10	10,593	13,915
<b>Net book value</b>					
<b>At 31 July 2003</b>	<b>65,725</b>	<b>501</b>	<b>34</b>	<b>3,523</b>	<b>69,783</b>
Net Book Value At 1 August 2002	95,454	589	35	3,901	99,979
Financed by capital grant	5,247	-	-	1,219	6,466
Other	60,478	501	34	2,304	63,317
	65,725	501	34	3,523	69,783

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.

Of the cost or valuation of the property owned at 31 July 2003, £57.9m (2002 : £91.2m) related to property which had been revalued.

**13. FIXED ASSET INVESTMENTS**

	<b>Group</b> <b>2003</b> <b>£'000</b>	<b>University</b> <b>2003</b> <b>£'000</b>	<b>Group</b> <b>2002</b> <b>£'000</b>	<b>University</b> <b>2002</b> <b>£'000</b>
Subsidiary companies	-	50	-	50
Associate company	-	-	-	-
Participating interest	32	32	32	32
	32	82	32	82

**THE UNIVERSITY OF HUDDERSFIELD**  
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Subsidiary Companies

The University owns 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). On 6 September 2002 the University bought 51% of BioScrubb 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. BioScrubb Limited operates in the UK and its primary purpose is to market technology related to the clean up of waste water and waste gases. SHFL, UHPL and WNRDL are dormant.

Associate Companies

The University owns 24% of the issued ordinary shares of TDL Sensors Limited and 25% of Calderdale and Kirklees Careers Service Partnership Limited, a company limited by guarantee.

Participating Interest

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

**14. ENDOWMENT ASSET INVESTMENTS**

**Group and University**

	<u>2003</u> <u>£'000</u>
Balance at 1 August 2002	233
Additions	<u>17</u>
Balance at 31 July 2003	<u><u>250</u></u>
Represented by:	
Cash balances	<u><u>250</u></u>

**15. DEBTORS**

	<b>Group</b> <u>2003</u> <u>£'000</u>	<b>University</b> <u>2003</u> <u>£'000</u>	<b>Group</b> <u>2002</u> <u>£'000</u>	<b>University</b> <u>2002</u> <u>£'000</u>
Amounts falling due within one year:				
Debtors	1,650	986	2,766	1,292
Amounts owed by group undertakings				
Subsidiary undertakings	-	-	-	558
Associate undertakings	17	-	16	-
Prepayments and accrued income	<u>7,291</u>	<u>6,707</u>	<u>5,351</u>	<u>4,691</u>
	8,958	7,693	8,133	6,541
Amounts falling due after more than one year:				
Debtors	<u>900</u>	<u>900</u>	-	-
	<u><u>9,858</u></u>	<u><u>8,593</u></u>	<u><u>8,133</u></u>	<u><u>6,541</u></u>

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**16. 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 £1.924m at 31 July 2003 (2002 : £1.857m).

**17. CASH AT BANK AND IN HAND**

Cash balances are made up as follows:

	<u>£'000</u>
Bank deposit account held as security for Deutsche Bank loan (See Note 19)	16,432
Current and investment accounts	<u>14,919</u>
	<u><u>31,351</u></u>

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>Group</u> <u>2003</u> <u>£'000</u>	<u>University</u> <u>2003</u> <u>£'000</u>	<u>Group</u> <u>2002</u> <u>£'000</u>	<u>University</u> <u>2002</u> <u>£'000</u>
Mortgages and other loans	1,489	1,489	1,117	1,117
Payments received in advance	4,237	3,808	3,385	2,829
Trade creditors	4,149	4,090	3,259	3,259
Amounts owed to subsidiary undertakings	-	211	-	-
Other taxation and social security	1,313	1,313	282	282
Accruals	8,042	6,918	7,375	6,325
Other creditors	220	202	230	215
	<u>19,450</u>	<u>18,031</u>	<u>15,648</u>	<u>14,027</u>

**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**  
**Group and University**

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
<u>Deutsche Bank loan</u>		
Liability to Deutsche Bank at 10 January 2003	13,212	-
Provision for repayment of Deutsche Bank loan for period to 31 July 2003	<u>530</u>	-
Liability to Deutsche Bank at 31 July 2003	13,742	-
Less amount transferred to creditors falling due within one year	<u>(1,122)</u>	-
Deutsche Bank loan	12,620	-
Mortgage secured on property	<u>3,758</u>	<u>29,241</u>
	<u><u>16,378</u></u>	<u><u>29,241</u></u>

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 was the earliest contractual repayment date available.

Cash of £16.4m has been placed in a bank deposit account (See Note 17). 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 2003 at £13.7m (2002 : £13.2m). 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 those 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 OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**20. MORTGAGES AND LOAN DEBT**  
**Group and University**

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Mortgages and loan debt are repayable as follows:		
In one year or less	1,489	1,117
Between one and two years	1,531	1,117
Between two and five years	12,557	3,351
In five years or more	2,290	24,773
	<u>17,867</u>	<u>30,358</u>

A mortgage of £4,125,000 at a fixed interest rate of 7.7% repayable by equal instalments falling due between 1 August 2003 and 30 September 2014 is secured on the Harold Wilson building.

The Deutsche Bank loan of £13.7m (see Note 19) is at a fixed rate of 10.185% repayable on maturity in 2008.

**21. PROVISIONS FOR LIABILITIES AND CHARGES**  
**Group**

	<u>Enhanced</u> <u>Pensions</u> <u>£'000</u>	<u>Other</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 August 2002	277	-	277
Transferred (to)/from income and expenditure account	(8)	6	(2)
At 31 July 2003	<u>269</u>	<u>6</u>	<u>275</u>

**University**

	<u>Enhanced</u> <u>Pensions</u> <u>£'000</u>
At 1 August 2002	277
Transferred to income and expenditure account	(8)
At 31 July 2003	<u>269</u>

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 2003 (continued)**

**22. DEFERRED CAPITAL GRANTS**  
**Group and University**

	<u>HEFCE</u>	<u>Other</u>	<u>Total</u>
	<u>£'000</u>	<u>Grants</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>At 1 August 2002</b>			
Land and buildings	4,706	158	4,864
Equipment	594	178	772
	<hr/>	<hr/>	<hr/>
	5,300	336	5,636
Cash received			
Land and buildings	461	-	461
Equipment	1,300	114	1,414
Released to income and expenditure account			
Land and buildings (Notes 1 and 4)	(75)	(3)	(78)
Equipment (Notes 1 and 3)	(877)	(90)	(967)
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2003</b>			
Land and buildings	5,092	155	5,247
Equipment	1,017	202	1,219
	<hr/>	<hr/>	<hr/>
Total	6,109	357	6,466
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**23. SPECIFIC ENDOWMENTS**  
**Group and University**

	<u>£'000</u>
<b>At 1 August 2002</b>	233
Additions	22
Income for year	6
Transferred to income and expenditure account (Note 5)	(11)
	<hr/>
<b>At 31 July 2003</b>	250
	<hr/> <hr/>
<b>Representing:</b>	
Prize funds	197
Chemical sciences special fund	53
	<hr/>
	250
	<hr/> <hr/>

**24. REVALUATION RESERVE**  
**Group and University**

	<u>2003</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>
<b>At 1 August</b>	34,075	36,691
Value attributed to equipment donated in the period	-	490
Transfer from revaluation reserve to general reserve in respect of:		
Disposals	(1,067)	(2,467)
Depreciation of revalued assets	(594)	(639)
	<hr/>	<hr/>
<b>At 31 July</b>	32,414	34,075
	<hr/> <hr/>	<hr/> <hr/>



**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**25. MOVEMENT ON GENERAL RESERVES**

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Income and Expenditure Account Reserve</b>				
<b>At 1 August</b>	39,618	39,636	36,801	36,836
Deficit on continuing operations before transfer from revaluation reserve	(3,178)	(3,030)	(289)	(306)
Transfer from revaluation reserve	594	594	639	639
Realised revaluation gain on disposal of property	1,067	1,067	2,467	2,467
<b>At 31 July</b>	<u>38,101</u>	<u>38,267</u>	<u>39,618</u>	<u>39,636</u>

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

	<u>Year</u>	<u>Year</u>
	<u>Ended</u>	<u>Ended</u>
	<u>31 July</u>	<u>31 July</u>
	<u>2003</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>
Deficit after depreciation of assets at valuation	(3,178)	(289)
Depreciation	3,459	5,472
Deferred capital grants released to income (Notes 1, 3 & 4)	(1,045)	(505)
Loss/(profit) on disposal of tangible assets	6,619	(216)
Interest payable (Note 8)	2,737	2,721
(Increase)/decrease in stocks	(3)	1
(Increase)/decrease in debtors	(1,291)	760
Increase in creditors	2,206	1,525
Decrease in provisions	(2)	(6)
(Increase)/decrease in current asset investments	(67)	143
Interest receivable (Note 5)	(967)	(722)
<b>Net cash inflow from operating activities</b>	<u>8,468</u>	<u>8,884</u>

**27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	<u>Year</u>	<u>Year</u>
	<u>Ended</u>	<u>Ended</u>
	<u>31 July</u>	<u>31 July</u>
	<u>2003</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>
Income from endowments	11	4
Other interest received	522	707
Interest paid	(2,332)	(2,396)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(1,799)</u>	<u>(1,685)</u>

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
Purchase of tangible fixed assets	(1,754)	(5,877)
Purchase of current asset investments	-	(2,000)
Sales of tangible fixed assets	22,699	2,709
Deferred capital grants received	1,875	1,166
Endowments received	17	4
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>22,837</b>	<b>(3,998)</b>
	<hr/> <hr/>	<hr/> <hr/>

**29. FINANCING**

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>
Additions to existing mortgages	1,165	228
Repayment of amounts borrowed	(13,656)	(1,117)
	<hr/>	<hr/>
Net cash outflow from financing	(12,491)	(889)
	<hr/> <hr/>	<hr/> <hr/>

**30. ANALYSIS OF CHANGES IN NET FUNDS/DEBT**

	<u>At 1 August 2002</u> <u>£'000</u>	<u>Cashflows</u> <u>£'000</u>	<u>Other</u> <u>Changes</u> <u>£'000</u>	<u>At 31 July 2003</u> <u>£'000</u>
Cash in hand and at bank	14,353	16,998	-	31,351
Endowment asset investments	233	17	-	250
	<hr/>	<hr/>	<hr/>	<hr/>
	14,586	17,015	-	31,601
Current asset investments	1,857	-	67	1,924
Debt due within 1 year	(1,117)	1,117	(1,489)	(1,489)
Debt due after 1 year	(29,241)	11,374	1,489	(16,378)
	<hr/>	<hr/>	<hr/>	<hr/>
	(13,915)	29,506	67	15,658
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

**31. PENSION AND SIMILAR OBLIGATIONS**

**Teachers' Pension Scheme (TPS)**

The University participates in the TPS, which is an unfunded defined benefit pension scheme where contributions payable are credited to the Exchequer and a notional set of investments is maintained. The pension cost is assessed every five years by the Government Actuary. The main results and assumptions of the most recent valuation of the TPS are as follows:

Valuation date	31 March 2001
Valuation method	Prospective benefits
Market value of assets at last valuation	£142.9 billion
Funding level for accrued benefits	86.6%
Investment return per annum	7.0%
Salary scale increases per annum	5.0%

Proportion of members' accrued benefits covered by the actuarial value of the assets

The contributions payable by the University to March 2003 were equal to 8.35% of total pensionable salaries. This contribution rate increased by 5.15% to 13.5% from April 2003 to make up the deficiency in funding level. The latest actuarial valuation of the scheme was as at 31 March 2001.

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. This will include the additional 5.15% contributions payable from April 2003 disclosed above.

**Universities Superannuation Scheme (USS)**

The University participates in the USS, which is a funded defined benefit pension scheme where contributions are held in trust separately from the University. The main results and assumptions of the most recent valuation of the USS are as follows:-

Valuation date	31 March 2002
Valuation method	Projected Unit
Value of notional assets	£18.9 billion
Funding level for accrued benefits	108%
Investment return per annum	5.5%
Salary increases per annum	3.5%
Pension increases per annum	2.5%

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.

**THE UNIVERSITY OF HUDDERSFIELD**  
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**For the Year ended 31 July 2003 (continued)**

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 University participates in the WYPF, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the University. The main results and assumptions of the most recent valuation of the WYPF are as follows:

Valuation date	31 March 2001
Valuation method	Projected Unit
Market value of assets	£4.7 billion
Funding level for accrued benefits	107%
Investment return per annum	5.6% to 6.5%
Salary scale increases per annum	4.2% to 4.5%
Pension increases per annum	1.7%

The University paid contributions of 11.4% throughout the year. Surpluses and deficits are spread over employees' future service lives and the pensions charge recorded by the University during the accounting period was equal to the contributions payable.

**FRS 17**

Under the transitional requirements of FRS 17, the University is required to disclose further information on its share of assets and liabilities of the WYPF on an FRS 17 market value basis at the end of the accounting period. This information is set out below:

	<u>Year Ended</u> <u>31 July 2003</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>
<b>Actuarial assumptions</b>		
Discount rate	5.5%	6.0%
Salary increase rate	4.0%	4.0%
Pension increase rate	2.5%	2.5%
Rate of inflation	2.5%	2.5%

**The assets/(liabilities) in the scheme and the expected rates of return were:**

	<u>2003</u>		<u>2002</u>	
	<u>Long term rate</u> <u>of return</u> <u>expected at 31</u> <u>July 2003</u>	<u>Value at</u> <u>31 July</u> <u>2003</u> <u>£'000</u>	<u>Long term</u> <u>rate of return</u> <u>expected at</u> <u>31 July 2002</u>	<u>Value at 31</u> <u>July 2002</u> <u>£'000</u>
Equities	7.5%	24,154	8.0%	22,659
Other Bonds	5.5%	4,054	} 6.0%	3,884
Government Bonds	4.7%	988		
Property	6.5%	1,737	7.0%	1,387
Other	3.8%	3,134	4.0%	2,898
Total market value of the University's Assets		<u>34,067</u>		<u>30,828</u>
Value of liabilities		<u>(45,059)</u>		<u>(36,905)</u>
Deficit in scheme		<u>(10,992)</u>		<u>(6,077)</u>

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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**

	<u>Group</u> <u>2003</u> <u>£'000</u>	<u>University</u> <u>2003</u> <u>£'000</u>	<u>Group</u> <u>2002</u> <u>£'000</u>	<u>University</u> <u>2002</u> <u>£'000</u>
Net assets excluding FRS17 pension liability	74,182	74,497	79,562	79,580
Net pension liability	(10,992)	(10,992)	(6,077)	(6,077)
Net assets including FRS17 pension liability	<u>63,190</u>	<u>63,505</u>	<u>73,485</u>	<u>73,503</u>

**Reserves note**

Income and expenditure account excluding FRS17 liability	35,052	35,367	39,618	39,636
Pension deficit	(10,992)	(10,992)	(6,077)	(6,077)
Income and expenditure account including FRS17 pension liability	<u>24,060</u>	<u>24,375</u>	<u>33,541</u>	<u>33,559</u>

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 2003</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>
<b>Analysis of amounts charged to operating surplus</b>		
Current service cost	1,693	1,613
Past service cost	-	9
Curtailment cost	159	-
<b>Total operating charge</b>	<u>1,852</u>	<u>1,622</u>
<b>Analysis of amounts credited to other finance income</b>		
Expected return on pension scheme assets	2,317	2,530
Interest on pension scheme liabilities	(2,264)	(2,044)
<b>Net return</b>	<u>53</u>	<u>486</u>
<b>Analysis of amounts recognised in statement of total recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	(678)	(7,653)
Changes in assumptions	(4,073)	-
<b>Actuarial loss recognised in STRGL</b>	<u>(4,751)</u>	<u>(7,653)</u>

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (continued)**

	<u>Year Ended</u> <u>31 July 2003</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>
<b>Movement in deficit in the year</b>		
Surplus in scheme at beginning of year	(6,077)	1,394
Movement in year:		
Current service cost	(1,693)	(1,613)
Contributions	1,635	1,318
Past service curtailment cost	(159)	(9)
Net return on assets	53	486
Actuarial loss	(4,751)	(7,653)
	<hr/>	<hr/>
<b>Deficit in scheme at end of year</b>	<b>(10,992)</b>	<b>(6,077)</b>

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

	<u>Year Ended</u> <u>31 July 2003</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>
Contributions to TPS	1,980	1,436
Contributions to WYPF	1,474	1,318
Contributions to USS	14	13
Contributions to other pension schemes	-	5
	<hr/>	<hr/>
Total pension cost (Note 6)	<b>3,468</b>	<b>2,772</b>

**32. CAPITAL COMMITMENTS**

	<b>Group and University</b>	
	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Commitments contracted for at 31 July	<hr/>	<hr/>
	220	250

**33. FINANCIAL COMMITMENTS**  
**Group and University**

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

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
<b>Fixtures, fittings and general equipment</b>		
Expiring within one year	-	-
Expiring between two and five years inclusive	257	-
Expiring in more than five years	-	257
	<hr/>	<hr/>
	257	257

**THE UNIVERSITY OF HUDDERSFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year ended 31 July 2003 (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.

It is likely that the University's total teaching funds from HEFCE for the year ended 31 July 2003 will be reduced by way of clawback during 2003/04, as a result of falling outside the contract range which is a permissible range of percentage differences between assumed and standard resource levels. A reliable estimate is not possible at this stage but discussions between the University and HEFCE indicate that clawback is unlikely to be in excess of £533,000. HEFCE will be able to provide an exact figure in mid-February 2004.

**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</u> <u>31 July 2003</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>
Balance at 1 August	3	120
HEFCE grants	887	780
Interest earned	14	14
	<hr/>	<hr/>
	904	914
Disbursed to students	(880)	(910)
Audit fees	(1)	(1)
	<hr/>	<hr/>
Balance unspent at 31 July	<u>23</u>	<u>3</u>

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**  
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**For the Year ended 31 July 2003 (continued)**

**37. TRAINING BURSARIES**

	<u>Year Ended</u> <u>31 July 2003</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>
HEFCE and Teacher Training Agency grants	2,249	2,266
Disbursed to students	<u>(2,249)</u>	<u>(2,266)</u>
	<u>-</u>	<u>-</u>

HEFCE and Teacher Training Agency 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.

*finapub(FNST03)*