

THE UNIVERSITY OF HUDDERSFIELD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2002

THE UNIVERSITY OF HUDDERSFIELD
FINANCIAL STATEMENTS
For the Year ended 31 July 2002

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THE UNIVERSITY OF HUDDERSFIELD
FINANCIAL HIGHLIGHTS
For the Year ended 31 July 2002

CONSOLIDATED SURPLUS

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

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Income	76,131	73,940
Expenditure	<u>76,420</u>	<u>72,566</u>
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before taxation	(289)	1,374
Taxation	<u>-</u>	<u>-</u>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation	<u>(289)</u>	<u>1,374</u>
Surplus for the year on a historical cost basis	<u>2,817</u>	<u>4,500</u>

The Higher Education Funding Council for England (HEFCE) has suggested that institutions should aim to produce an annual surplus of 3% of their income. Such a surplus should enable institutions to provide for future capital expenditure out of revenue income and to ensure that their long term commitments to students can be maintained.

This year total student numbers increased from 17,010 to 17,155 ; the full time equivalent decreased from 13,012 to 12,671.

A DECADE OF DEVELOPMENT

In celebrating its tenth year The University of Huddersfield enrolled over 17,100 students, its highest intake yet. Student numbers have grown dramatically over the ten-year period. There were approximately 10,000 students when Huddersfield moved from polytechnic to university status in 1992.

Over the same 10 year period the University has gained higher than ever ratings for the quality of its teaching and research.

No Huddersfield academic department has received less than an 'Excellent' rating from the Government's Quality Assurance Agency in the last five years. Top mark subjects included Politics, Electrical and Electronic Engineering, Design and Technology, Biosciences, Mathematics, Hospitality Management, Transport and Logistics, Education, Nursing and Other Subjects Allied to Medicine.

The University also received its highest grades ever in a major assessment of academic research. The University improved its overall results in the national Research Assessment Exercise (RAE) by a wide margin - five subjects increasing their tally by two grades or more with a further 15 improving their scores by a single grade. The scores are some of the highest among the 'new' universities and over a quarter of research staff are deemed to carry out world-class research. Equally, up to a third of research staff are now judged to be internationally excellent and three-quarters to be carrying out work of national standing. History, Social Work and Music gained Grade 5s, indicating that they are carrying out work of international importance. Mechanical Engineering and Metallurgy and Materials (Chemistry) all gained Grade 4s.

THE UNIVERSITY OF HUDDERSFIELD
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The University's vocational emphasis will continue to be reinforced by encouraging applied research and consultancy activities on both a national and international basis.

The University has continued to develop the attractive Queensgate Campus. In September 2001, the new Lockside Building opened to house the School of Education and Professional Development. The opening completed the final phase of the University's Canalside development involving the regeneration of three historic textile mills alongside the Huddersfield Narrow Canal. September 2002 saw the start of building work on the Great Hall, which is being renovated to accommodate the academic divisions of Media Studies and Drama.

The University has entered into negotiations to dispose of its student residences at Storthes Hall and Ashenhurst.

The University has a strong commitment to its region of Pennine West Yorkshire in which it provides a focus for lifetime learning, research, support and advice. It will furnish this area with a window onto national and international progress in higher education and research.

The University is a community of staff and students and is committed to equal opportunities, to encouraging continuing professional development and lifetime learning of all its staff and to transparency and participation in its governance.

The University will continue to approach all its diverse activities in a spirit of partnership and collaboration with external public and private bodies.

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL
For the Year ended 31 July 2002

The Council of the University of Huddersfield hereby submits its thirteenth annual report together with the audited financial statements for the year to 31 July 2002.

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 enable its students to reach their full potential by equipping them with the knowledge, skills and attitudes to meet the requirements of work and society in the 21st century.

To achieve its mission the University has strategic aims in four areas. These are:

- **teaching and learning**
- **research and scholarship**
- **relationships**
- **resources**

There are four major aims within the strategy for teaching and learning. These are:

- raising quality
- increasing the effectiveness of teaching, learning and assessment
- widening participation by under-represented groups and increasing accessibility
- increasing the employability of students

The four major aims of the strategy for research and scholarship are:

- raising the quality of the research and scholarship carried out in the University
- increasing the proportion of research active staff, research output and the income generated from externally funded research and consultancy
- providing effective supervision and training of researchers
- underpinning teaching and learning

There are two major areas within the strategy for relationships. These are:

- partnerships
- communications

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL
For the Year ended 31 July 2002 (continued)

Each major area has its own set of strategic aims.

1. Partnerships

Partnerships of many types are fundamental to the existence and success of the University. The four most important partnerships are targeted at:

- governance and management, where the aim is to increase effectiveness and efficiency
- staff, where the aim is to create an environment in which people wish to work for, rather than at, the University
- students, where the aim is to improve the quality of the learning experience
- other institutions, industry, business and the community, where the aim is to enhance the economic and social development of the region and surrounding areas

2. Communications

The University aims to:

- provide excellent vertical and horizontal communication within the University
- be pro-active in communicating with the media and other external bodies

Within the resources strategy there are three major areas:

- human
- physical
- financial

and each has its own set of strategic aims.

1. Human resources

The University aims to:

- provide a healthy and safe working environment
- improve the range of skills and expertise of its staff
- ensure equality of opportunity

2. Physical resources

The University aims to:

- increase effectiveness and efficiency in the use of resources
- increase the attractiveness of the estate
- provide fit for purpose accommodation

3. Financial resources

The University aims to:

- maintain its financial viability
- integrate academic and financial planning
- invest in infrastructure

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL
For the Year ended 31 July 2002 (continued)

ACCOUNTING POLICIES

The principal accounting policies of the University, which are set out on pages 12 to 14, 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.

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

KPMG were re-appointed auditors on 13 December 2001. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 3 May 2002 and the University Council thereupon appointed KPMG LLP to fill the vacancy arising. A resolution to re-appoint KPMG LLP as auditors will be put to the University Council Meeting on 12 December 2002.

ON BEHALF OF THE UNIVERSITY COUNCIL
MR A E MEARS
University Secretary
12 December 2002

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 **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. Procedures were in place in August 2002 that are necessary to provide a full statement on internal control for the whole of the financial year 2002-03. This takes account of the time needed fully to embed the processes which the University Council and management have agreed should be established and to improve their robustness.

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).
- 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 University assesses and manages risk at all levels. Arguably the best example of risk management is the implementation of the University's Health and Safety Policy. It uses an embedded approach with local managers taking responsibility for the implementation.

At a more strategic level the annual operational cycle in schools and services is, by its very nature, a risk managed process in which success in achieving objectives is only possible through the careful assessment and effective management of the risks.

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

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

The University Council has ensured that its meeting calendar and agenda enable risk management and internal control to be considered on a regular basis during the year so that there will be a full risk and control assessment before reporting on the year ending 31 July 2003. Risk management has been incorporated more fully into the corporate planning and decision-making processes of the institution.

Periodic reports from the chairman of the Audit Committee concerning internal control and regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects, are received.

Following the initial publication of the institution's risk framework, further work has been done to widen the basis of the framework and to bring about more consistency in the way in which the University treats risks.

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 employs an internal audit consortium, UNIAC, 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 the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the University 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 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 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;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial 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.

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

We have audited the financial statements on pages 12 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 12 to 14.

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 have also, at the request of the University Council, reviewed whether the statement on pages 7 and 8 reflects the University's compliance with the relevant provisions of the Combined Code specified for our review in so far as they apply to the Higher Education Sector, and we report if it does not. We are not required to consider whether the statements in internal control cover all risks and controls, or form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

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 institution'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 2002 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 2002 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 2002 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

12 December 2002

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 Student Union have not been consolidated because the University does not control those activities.

Recognition of income

Income from 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 life 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.

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 £2,000 (2001: £1,600) 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 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 2002

	Note	Year Ended 31 July 2002 £'000	Year Ended 31 July 2001 £'000
INCOME			
Funding council grants	1	37,463	35,122
Tuition fees and education contracts	2	15,554	14,608
Research grants and contracts	3	2,062	2,191
Other income	4	20,330	21,072
Endowment and investment income	5	722	947
Total Income		<u>76,131</u>	<u>73,940</u>
EXPENDITURE			
Staff costs	6	40,605	38,290
Other operating expenses	7	27,622	27,283
Depreciation	11	5,472	4,011
Interest payable	8	2,721	2,982
Total Expenditure	9	<u>76,420</u>	<u>72,566</u>
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before taxation		(289)	1,374
Taxation		-	-
(Deficit)/surplus on continuing operations after depreciation of tangible fixed assets at valuation, disposal of assets and taxation	10	<u>(289)</u>	<u>1,374</u>

The income and expenditure account is in respect of continuing activities.

THE UNIVERSITY OF HUDDERSFIELD
CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
For the Year ended 31 July 2002

	<u>Note</u>	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2001</u> <u>£'000</u>
(Deficit)/surplus on continuing operations before taxation		(289)	1,374
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	22	639	443
Realisation of property revaluation gains of previous years	22	2,467	2,683
Historical cost surplus for the period before taxation		<u>2,817</u>	<u>4,500</u>
Historical cost surplus for the period after taxation		<u>2,817</u>	<u>4,500</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2002

	<u>Note</u>	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2001</u> <u>£'000</u>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		(289)	1,374
Revalued assets	22	490	-
New endowments	21	4	2
Total recognised gains and losses relating to the year		<u>205</u>	<u>1,376</u>

RECONCILIATION OF MOVEMENTS ON RESERVES AND ENDOWMENTS

	<u>£'000</u>
Reserves and endowments at 1 August 2001	73,721
Total recognised gains and losses for the year	<u>205</u>
Reserves and endowments at 31 July 2002	<u>73,926</u>

THE UNIVERSITY OF HUDDERSFIELD
BALANCE SHEETS
As at 31 July 2002

		Group	University	Group	University
		<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	<u>Note</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
FIXED ASSETS					
Tangible assets	11	99,994	99,979	101,533	101,508
Investments	12	32	82	32	32
		<hr/>	<hr/>	<hr/>	<hr/>
		100,026	100,061	101,565	101,540
ENDOWMENT ASSET INVESTMENTS					
	13	233	233	229	229
CURRENT ASSETS					
Stocks and stores in hand		126	114	127	119
Debtors	14	8,133	6,541	8,882	8,444
Investments	15	1,857	1,857	-	-
Cash at bank and in hand		14,353	14,319	12,045	11,984
		<hr/>	<hr/>	<hr/>	<hr/>
		24,469	22,831	21,054	20,547
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR					
	16	(15,648)	(14,027)	(13,739)	(13,172)
NET CURRENT ASSETS					
		<hr/>	<hr/>	<hr/>	<hr/>
		8,821	8,804	7,315	7,375
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<hr/>	<hr/>	<hr/>	<hr/>
		109,080	109,098	109,109	109,144
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	17	(29,241)	(29,241)	(30,130)	(30,130)
PROVISIONS FOR LIABILITIES AND CHARGES					
	19	(277)	(277)	(283)	(283)
NET ASSETS					
		<hr/>	<hr/>	<hr/>	<hr/>
		79,562	79,580	78,696	78,731

THE UNIVERSITY OF HUDDERSFIELD
BALANCE SHEETS
As at 31 July 2002 (continued)

	Note	Group 2002 £'000	University 2002 £'000	Group 2001 £'000	University 2001 £'000
Represented by:					
DEFERRED CAPITAL GRANTS	20	5,636	5,636	4,975	4,975
SPECIFIC ENDOWMENTS	21	233	233	229	229
RESERVES					
Revaluation reserve	22	34,075	34,075	36,691	36,691
Income and expenditure account	23	39,618	39,636	36,801	36,836
TOTAL RESERVES		<u>73,693</u>	<u>73,711</u>	<u>73,492</u>	<u>73,527</u>
TOTAL FUNDS		<u>79,562</u>	<u>79,580</u>	<u>78,696</u>	<u>78,731</u>

The financial statements on pages 12 to 38 were approved by the University Council on 12 December 2002 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 2002

		<u>Year</u> <u>Ended 31</u> <u>July 2002</u> <u>£'000</u>	<u>Year</u> <u>Ended 31</u> <u>July 2001</u> <u>£'000</u>
	<u>Note</u>		
Cash flow from operating activities	24	8,884	2,581
Returns on investments and servicing of finance	25	(1,685)	(1,710)
Capital expenditure and financial investment	26	(3,998)	(2,464)
Financing	27	(889)	(830)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year	28	2,312	(2,423)
		<hr/> <hr/>	<hr/> <hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		<u>Year</u> <u>Ended 31</u> <u>July 2002</u> <u>£'000</u>	<u>Year</u> <u>Ended 31</u> <u>July 2001</u> <u>£'000</u>
	<u>Note</u>		
Increase/(decrease) in cash in the year	28	2,312	(2,423)
Cash used to increase liquid resources		1,857	-
Decrease in debt		889	830
		<hr/>	<hr/>
Movement in net funds in the year		5,058	(1,593)
Net debt at 1 August		(18,973)	(17,380)
		<hr/>	<hr/>
Net debt at 31 July	28	(13,915)	(18,973)
		<hr/> <hr/>	<hr/> <hr/>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002

1. FUNDING COUNCIL GRANTS

	<u>Year Ended 31 July 2002</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>
Recurrent grant	31,725	925	150	32,800	31,547
Specific grants:					
Learning and Teaching Strategy	202	-	-	202	208
Non-Formula Funded Developmental Research	662	-	-	662	647
HEROBC Funding	116	-	-	116	56
Widening Disabled Access	67	-	-	67	10
Teacher Training Salaries	1,439	876	-	2,315	1,878
Widening Participation	34	-	-	34	25
INSET	-	33	-	33	42
Rewarding & developing staff	492	20	-	512	-
Secondary partnership arrangements co-Mentor (formerly Visual Multi-User Discussion)	-	130	-	130	57
Other	86	86	-	172	134
Deferred capital grants released in the year:					
Buildings (Note 20)	186	-	-	186	150
Equipment (Note 20)	234	-	-	234	275
	<u>35,243</u>	<u>2,070</u>	<u>150</u>	<u>37,463</u>	<u>35,122</u>

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>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
UK and EU Higher Education Students	11,791	12,426
Non-EU Students	1,902	1,528
Total fees paid by or on behalf of individual students	13,693	13,954
Research Training Support Grants	46	57
Short Course Fees	265	142
Registration and Examination Fees	100	107
Education contracts	1,450	348
	<u>15,554</u>	<u>14,608</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

3. RESEARCH GRANTS AND CONTRACTS

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
Research councils	489	378
UK based charities	222	180
European commission	152	335
Other grants and contracts	1,118	1,209
Release from deferred capital grants (Note 20)	81	89
	<hr/> <u>2,062</u>	<hr/> <u>2,191</u>

4. OTHER INCOME

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
Residences, catering and conferences	4,600	5,004
Health authorities	9,143	9,575
Other income-generating activities	2,446	1,967
Other grant income	2,176	1,442
Release from deferred capital grants (Note 20)	4	34
Profit on disposal of fixed assets	216	269
Other income	1,745	2,781
	<hr/> <u>20,330</u>	<hr/> <u>21,072</u>

5. ENDOWMENT AND INVESTMENT INCOME

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
Transferred from specific endowments (Note 21)	4	5
Other interest receivable	718	942
	<hr/> <u>722</u>	<hr/> <u>947</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

6. STAFF COSTS

Average number of persons employed by the Group

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>Number</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>Number</u>
Teaching departments	916	903
Teaching support services	138	108
Administration and central services	167	184
Premises	154	166
Other	55	56
	<u>1,430</u>	<u>1,417</u>

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
Staff costs for the above persons:		
Wages and salaries	35,292	33,231
Social security costs	2,541	2,501
Other pension costs (Note 29)	2,772	2,558
	<u>40,605</u>	<u>38,290</u>

Emoluments of the Vice-Chancellor, Professor J R Tarrant

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
Salary	135	129
Benefits	8	8
Pension	14	13
	<u>157</u>	<u>150</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
<u>Senior post-holder emoluments</u>		
The number of staff excluding the Vice-Chancellor who received emoluments in the following ranges was:		
£50,000 - £59,999	26	9
£60,000 - £69,999	4	4
£70,000 - £79,999	1	1
£80,000 - £89,999	1	-

7. OTHER OPERATING EXPENSES

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
Consumables and laboratory expenditure	4,415	3,934
Repairs and general maintenance	1,713	2,097
Heat, light, water and power	759	695
Rents	1,204	1,166
Long term maintenance	802	380
Other property costs	657	532
Residences, catering and conferences	2,149	2,125
NHS bursaries	252	1,235
Teacher Training Salaries	2,178	1,878
Franchise centre payments	1,904	2,059
Student bursaries	1,203	993
Student related expenses	859	1,014
Grants to University of Huddersfield Student Union	733	711
Books and periodicals	863	836
Hired lecturers and consultancy payments	1,266	1,197
Hired services	524	697
Professional charges	348	451
Publicity	795	753
Insurance	222	236
Staff development	794	513
Subscriptions	502	385
Examination and registration fees	236	289
Telephones	301	352
Transport	811	776
Hire of plant and machinery - operating leases	268	248
External auditors remuneration	26	28
External auditors remuneration in respect of non-audit services	86	28
Internal auditors remuneration	63	55
Bad debts provision	290	310
External temporary staff	240	237
Staff recruitment	176	166
Other expenses	983	907
	<u>27,622</u>	<u>27,283</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

8. INTEREST PAYABLE

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
On bank loans, overdrafts and other loans:		
Repayable within five years not by instalments	18	86
Repayable wholly or partly in more than five years	2,703	2,896
	<hr/>	<hr/>
	2,721	2,982
	<hr/> <hr/>	<hr/> <hr/>

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

	<u>Staff</u> <u>Costs</u>	<u>Other</u> <u>Operating</u> <u>Expenses</u>	<u>Dep'n</u>	<u>Interest</u> <u>Payable</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>Total</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>Total</u> <u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Academic departments	28,104	10,200	1,632	-	39,936	38,887
Academic services	2,870	2,354	502	-	5,726	4,966
Research grants and contracts	1,041	880	88	-	2,009	1,887
Residences, catering and conferences	312	2,149	1,689	1,917	6,067	5,021
Premises	2,695	5,501	1,270	-	9,466	9,813
Administration and Central Services	5,044	4,627	279	804	10,754	9,304
Other expenses	539	1,911	12	-	2,462	2,688
Total per income and expenditure account	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	40,605	27,622	5,472	2,721	76,420	72,566

10. DEFICIT ON CONTINUING OPERATIONS FOR THE PERIOD

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
University's (deficit)/surplus before gift aid payments from subsidiaries	(374)	1,356
Surplus from subsidiaries paid up by gift aid	85	18
	<hr/>	<hr/>
	(289)	1,374
	<hr/> <hr/>	<hr/> <hr/>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (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 2001	98,798	607	44	13,771	113,220
Additions	3,481	-	-	2,945	6,426
Disposals	(2,467)	-	-	(2,214)	(4,681)
At 31 July 2002	99,812	607	44	14,502	114,965
Depreciation					
At 1 August 2001	1,485	9	7	10,186	11,687
Charge for year	2,873	9	2	2,588	5,472
Eliminated in Respect of Disposals	-	-	-	(2,188)	(2,188)
At 31 July 2002	4,358	18	9	10,586	14,971
Net book value					
At 31 July 2002	95,454	589	35	3,916	99,994
Net book value At 1 August 2001	97,313	598	37	3,585	101,533
Financed by capital grant	4,864	-	-	772	5,636
Other	90,590	589	35	3,144	94,358
	95,454	589	35	3,916	99,994

Buildings with a cost or valuation of £11,414,000 and a net book value of £11,065,000 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 £1,453,000 (2001 : £4,062,000) being the cost of assets in the course of construction which have not yet been depreciated.

The depreciation charge for the year for freehold land and buildings includes an impairment writedown of £1,284,000 in respect of Storthes Hall.

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

11. TANGIBLE FIXED ASSETS
University

	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 2001	98,798	607	44	13,667	113,116
Additions	3,481	-	-	2,945	6,426
Disposals	(2,467)	-	-	(2,178)	(4,645)
At 31 July 2002	99,812	607	44	14,434	114,897
Depreciation					
At 1 August 2001	1,485	9	7	10,107	11,608
Charge for year	2,873	9	2	2,578	5,462
Eliminated in Respect of Disposals	-	-	-	(2,152)	(2,152)
At 31 July 2002	4,358	18	9	10,533	14,918
Net book value					
At 31 July 2002	95,454	589	35	3,901	99,979
Net Book Value At 1 August 2001	97,313	598	37	3,560	101,508
Financed by capital grant	4,864	-	-	772	5,636
Other	90,590	589	35	3,129	94,343
	95,454	589	35	3,901	99,979

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.

The valuation relating to property owned at 31 July 2002 was £91.2m.

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

12. FIXED ASSET INVESTMENTS

	Group	University	Group	University
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Subsidiary companies	-	50	-	-
Associate company	-	-	-	-
Participating interest	32	32	32	32
	<hr/>	<hr/>	<hr/>	<hr/>
	32	82	32	32
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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). All are companies registered in England and Wales. UHEL operates in the UK and its primary purpose is providing higher education courses for nurses and midwives. On 3 October 2001 the University's investment in UHEL was increased by £49,998. 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.

13. ENDOWMENT ASSET INVESTMENTS

Group and University

	<u>2002</u>
	<u>£'000</u>
Balance at 1 August 2001	229
Additions	4
	<hr/>
Balance at 31 July 2002	233
	<hr/> <hr/>
Represented by:	
Cash balances	233
	<hr/> <hr/>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

14. DEBTORS

	Group	University	Group	University
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:				
Debtors	2,766	1,292	3,283	3,234
Amounts owed by group undertakings				
Subsidiary undertakings	-	558	-	28
Associate undertakings	16	-	17	3
Prepayments and accrued income	5,351	4,691	5,582	5,179
	<u>8,133</u>	<u>6,541</u>	<u>8,882</u>	<u>8,444</u>

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 £1.857m at 31 July 2002.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	University	Group	University
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Mortgages secured on residential and other property	1,117	1,117	1,117	1,117
Payments received in advance	3,385	2,829	4,094	3,393
Trade creditors	3,259	3,259	140	140
Amounts owed to subsidiary undertakings	-	-	-	1,016
Other taxation and social security	282	282	413	306
Accruals	7,375	6,325	7,756	6,996
Other creditors	230	215	219	204
	<u>15,648</u>	<u>14,027</u>	<u>13,739</u>	<u>13,172</u>

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

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Mortgages secured on residential and other property	29,241	30,130
	<u>29,241</u>	<u>30,130</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

18. MORTGAGES
Group and University

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Mortgages are repayable as follows:		
In one year or less	1,117	1,117
Between one and two years	1,117	1,117
Between two and five years	3,351	3,351
In five years or more	24,773	25,662
	<u>30,358</u>	<u>31,247</u>

Mortgages at fixed and variable interest rates ranging from 5.75% to 10.185% repayable by instalments falling due between 1 August 2002 and 15 July 2025 totalling £30,358,000 are secured on a portion of the freehold land and buildings of the University.

19. PROVISIONS FOR LIABILITIES AND CHARGES
Group and University

	<u>Enhanced</u> <u>Pensions</u> <u>£'000</u>
At 1 August 2001	283
Transferred to income and expenditure account	<u>(6)</u>
At 31 July 2002	<u>277</u>

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

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

20. DEFERRED CAPITAL GRANTS
Group and University

	<u>HEFCE</u>	<u>Other</u> <u>Grants</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1 August 2001			
Land and buildings	4,207	162	4,369
Equipment	333	273	606
Cash received/(repaid)			
Land and buildings	685	-	685
Equipment	495	(14)	481
Released to income and expenditure account			
Land and buildings (Notes 1 and 4)	(186)	(4)	(190)
Equipment (Notes 1 and 3)	(234)	(81)	(315)
	<hr/>	<hr/>	<hr/>
At 31 July 2002			
Land and buildings	4,706	158	4,864
Equipment	594	178	772
	<hr/>	<hr/>	<hr/>
Total	<u>5,300</u>	<u>336</u>	<u>5,636</u>

21. SPECIFIC ENDOWMENTS
Group and University

	<u>£'000</u>
At 1 August 2001	229
Additions	6
Income for year	2
Transferred to income and expenditure account (Note 5)	(4)
	<hr/>
At 31 July 2002	<u>233</u>
Representing:	
Prize funds	181
Chemical sciences special fund	52
	<hr/>
	<u>233</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

22. REVALUATION RESERVE
Group and University

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
At 1 August	36,691	39,817
Value attributed to equipment donated in the period	490	-
Transfer from revaluation reserve to general reserve in respect of:		
Disposals	(2,467)	(2,683)
Depreciation of revalued assets	(639)	(443)
At 31 July	<u>34,075</u>	<u>36,691</u>

23. MOVEMENT ON GENERAL RESERVES

	<u>Group</u> <u>2002</u> <u>£'000</u>	<u>University</u> <u>2002</u> <u>£'000</u>	<u>Group</u> <u>2001</u> <u>£'000</u>	<u>University</u> <u>2001</u> <u>£'000</u>
Income and Expenditure Account Reserve				
At 1 August	36,801	36,836	32,301	32,340
(Deficit)/surplus on continuing operations before transfer from revaluation reserve	(289)	(306)	1,374	1,370
Transfer from revaluation reserve	639	639	443	443
Realised revaluation gain on disposal of property	2,467	2,467	2,683	2,683
At 31 July	<u>39,618</u>	<u>39,636</u>	<u>36,801</u>	<u>36,836</u>

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

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation	(289)	1,374
Depreciation	5,472	4,011
Deferred capital grants released to income (Notes 1, 3 & 4)	(505)	(548)
Profit on disposal of tangible assets	(216)	(269)
Interest payable (Note 9)	2,721	2,982
Decrease in stocks	1	29
Decrease/(Increase) in debtors	760	(1,421)
Increase/(Decrease) in creditors	1,525	(2,618)
Decrease in provisions	(6)	(6)
Decrease in current asset investments	143	-
Increase in fixed asset investments	-	(6)
Interest receivable (Note 5)	(722)	(947)
Net cash inflow from operating activities	<u>8,884</u>	<u>2,581</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2002</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
Income from endowments	4	6
Other interest received	707	927
Interest paid	(2,396)	(2,643)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(1,685)	(1,710)
	<hr/> <hr/>	<hr/> <hr/>

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2001</u> <u>£'000</u>
Purchase of tangible fixed assets	(5,877)	(7,467)
Purchase of current asset investments	(2,000)	-
Sales of tangible fixed assets	2,709	2,754
Deferred capital grants received	1,166	2,247
Endowments received	4	2
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	(3,998)	(2,464)
	<hr/> <hr/>	<hr/> <hr/>

27. FINANCING

	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2001</u> <u>£'000</u>
Additions to existing mortgages	228	287
Repayment of amounts borrowed	(1,117)	(1,117)
	<hr/>	<hr/>
Net cash outflow from financing	(889)	(830)
	<hr/> <hr/>	<hr/> <hr/>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

28. ANALYSIS OF CHANGES IN NET DEBT

	<u>At 1 August</u> 2001 £'000	<u>Cashflows</u> £'000	<u>Other Changes</u> £'000	<u>At 31 July</u> 2002 £'000
Cash in hand and at bank	12,045	2,308	-	14,353
Endowment asset investments	229	4	-	233
	12,274	2,312	-	14,586
Current asset investments	-	2,000	(143)	1,857
Debt due within 1 year	(1,117)	1,117	(1,117)	(1,117)
Debt due after 1 year	(30,130)	(228)	1,117	(29,241)
	(18,973)	5,201	(143)	(13,915)

29. 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 1996
Valuation method	Prospective benefits
Value of notional assets	£38.4 billion
Funding level for accrued benefits	86.6%
Investment return per annum	8.5%
Salary scale increases per annum	6.5%
Pension increases per annum	5.0%

The contributions payable by the University to March 2002 were equal to 7.4% of total pensionable salaries. This contribution rate increased by 0.95% to 8.35% from April 2002. The contribution rate and the cost of index-linked pension increases which is currently met from the Government's supplementary credit will be reviewed as part of the actuarial valuation being carried out as at 31 March 2001. The Government Actuary will produce a report on the 2001 scheme valuation at the end of 2002. The contribution rate set at the valuation will, for the first time since the 1996 valuation, include the cost of pension increases, as well as taking account of developments such as changes in mortality assumptions. The employer contribution rate, applicable from 1 April 2003, is likely to be in the 13 - 14% range. The pensions charge recorded by the University during the accounting period was equal to the contributions payable.

THE UNIVERSITY OF HUDDERSFIELD
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For the Year ended 31 July 2002 (continued)

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 0.95% contributions payable from April 2002 to make up the deficiency in funding level 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 1999
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 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 10.4% to March 2002. From April 2002 the rate increased by 1% to 11.4%. 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.

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For the Year ended 31 July 2002 (continued)

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 2002</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2001</u> <u>£'000</u>
Actuarial assumptions		
Discount rate	6.0%	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>2002</u>	<u>2001</u>
	<u>Long term</u> <u>rate of return</u> <u>expected at</u> <u>31 July 2002</u>	<u>Long term</u> <u>rate of return</u> <u>expected at</u> <u>31 July 2001</u>
	<u>Value at 31</u> <u>July 2002</u> <u>£'000</u>	<u>Value at</u> <u>31 July</u> <u>2001</u> <u>£'000</u>
Equities	8.00%	22,659
Bonds	6.00%	3,884
Property	7.00%	1,387
Other	4.00%	2,898
Total market value of the University's assets	30,828	34,707
Value of liabilities	<u>36,905</u>	<u>33,313</u>
(Deficit)/surplus in scheme	<u>(6,077)</u>	<u>1,394</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

	<u>Group</u> <u>2002</u> <u>£'000</u>	<u>University</u> <u>2002</u> <u>£'000</u>	<u>Group</u> <u>2001</u> <u>£'000</u>	<u>University</u> <u>2001</u> <u>£'000</u>
Net assets excluding FRS17 pension (liability)/asset	79,562	79,580	78,696	78,731
Net pension (liability)/asset	<u>(6,077)</u>	<u>(6,077)</u>	<u>1,394</u>	<u>1,394</u>
Net assets including FRS17 pension (liability)/asset	<u>73,485</u>	<u>73,503</u>	<u>80,090</u>	<u>80,125</u>

Reserves note

Income and expenditure account excluding FRS17 (liability)/asset	39,618	39,636	36,801	36,836
Pension (deficit)/reserve	<u>(6,077)</u>	<u>(6,077)</u>	<u>1,394</u>	<u>1,394</u>
Income and expenditure account including FRS17 pension (liability)/asset	<u>33,541</u>	<u>33,559</u>	<u>38,195</u>	<u>38,230</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

THE UNIVERSITY OF HUDDERSFIELD
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For the Year ended 31 July 2002 (continued)

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 2002</u> <u>£'000</u>
Analysis of amounts charged to operating surplus	
Current service cost	1,613
Past service cost	9
	<hr/>
Total operating charge	1,622
Analysis of amounts credited to other finance income	
Expected return on pension scheme assets	2,530
Interest on pension scheme liabilities	(2,044)
	<hr/>
Net return	486
Analysis of amounts recognised in statement of total recognised gains and losses	
Actual return less expected return on pension scheme assets	(7,653)
	<hr/>
Actuarial loss recognised in STRGL	(7,653)

	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>
Movement in surplus in the year	
Surplus in scheme at beginning of year	1,394
Movement in year:	
Current service cost	(1,613)
Contributions	1,318
Past service cost	(9)
Net return on assets	486
Actuarial loss	(7,653)
	<hr/>
Surplus in scheme at end of year	(6,077)

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

	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2001</u> <u>£'000</u>
Contributions to TPS	1,436	1,311
Contributions to WYPF	1,318	1,228
Contributions to USS	13	13
Contributions to other pension schemes	5	6
	<hr/>	<hr/>
Total pension cost (Note 6)	2,772	2,558

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

30. CAPITAL COMMITMENTS

	Group and University	
	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Commitments contracted for at 31 July	250	1,008

31. FINANCIAL COMMITMENTS
Group and University

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

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Fixtures, fittings and general equipment		
Expiring within one year	-	-
Expiring between two and five years inclusive	-	-
Expiring in more than five years	257	257
	<u>257</u>	<u>257</u>

32. CONTINGENT LIABILITIES
Group and University

Recent decisions handed down by the European Court of Justice (ECJ) may increase the liability for pension provision of UK employers, including institutions such as The University of Huddersfield. The implications of the ECJ decisions are, however, unclear and clarification is now awaited from the UK courts. In view of this uncertainty, no financial provision has been made in these accounts in relation to this matter.

33. 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.

34. POST BALANCE SHEET EVENTS

The University has entered into negotiations to dispose of the Storthes Hall and Ashenhurst residences.

The University is exploring options for increased collaboration with Doncaster College.

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2002 (continued)

35. ACCESS FUNDS

	<u>Year Ended</u> <u>31 July 2002</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2001</u> <u>£'000</u>
Balance at 1 August	120	79
Refunded to HEFCE	-	(36)
HEFCE grants	780	814
Interest earned	14	24
	<hr/>	<hr/>
	914	881
Disbursed to students	(910)	(760)
Audit fees	(1)	(1)
	<hr/>	<hr/>
Balance unspent at 31 July	<u>3</u>	<u>120</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.

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