

THE UNIVERSITY OF HUDDERSFIELD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008

THE UNIVERSITY OF HUDDERSFIELD
FINANCIAL STATEMENTS
For the Year ended 31 July 2008

<u>C O N T E N T S</u>	<u>P A G E S</u>
Professional advisors	2
Report of the University Council: Operating and Financial Review	3
Statement of Corporate Governance and Internal Control	8
Report of the auditors	15
Statement of principal accounting policies	17
Group income and expenditure account	21
Group statement of historical cost surpluses and deficits	22
Statement of total recognised gains and losses	22
Reconciliation of movements on reserves and endowments	22
Balance sheets	23
Group cash flow statement	24
Reconciliation of net cash flow to movement in net funds/debt	24
Notes to the financial statements	25

THE UNIVERSITY OF HUDDERSFIELD
FINANCIAL STATEMENTS
For the Year ended 31 July 2008

PROFESSIONAL ADVISORS

Financial statements and regularity auditors:

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Internal auditors:

UNIAC
Suite 1D
Armstrong House
Oxford Road
Manchester
M1 7ED

Bankers:

Lloyds TSB Group plc
1 Westgate
Huddersfield
HD1 2DN

Solicitors:

Pinsent Masons
1 Park Row
Leeds
LS1 5AB

THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL

OPERATING AND FINANCIAL REVIEW

The Council of the University of Huddersfield hereby submits its eighteenth annual report together with the audited financial statements for the year to 31 July 2008. The Financial Statements comprise the consolidated results for the University and its subsidiary undertakings. The principal wholly owned subsidiary is The University of Huddersfield Enterprises Limited, which has continued to trade satisfactorily during the year. The purpose of this company is to conduct those commercial activities of the University which are not compatible with the University's charitable status and may be subject to corporation tax on profits generated. The profits of the company are paid by deed of covenant to the University annually.

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.

VISION

To be an inspiring, innovative University of international renown.

MISSION

To deliver an accessible and inspirational learning experience; to undertake pioneering research and professional practice; and to engage fully with employers and the community.

STAKEHOLDER EXPECTATIONS

Our students can expect:

- an education that challenges and creates excellent career opportunities;
- to learn from staff at the leading edge of knowledge and application; and
- high quality physical and supportive learning environments.

Our partners can expect:

- a responsive and flexible University that delivers;
- to deal with leading experts in their field; and
- high quality work delivered efficiently and effectively.

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

STRATEGIC AIMS

In December 2007 the University adopted a new strategic plan for the period 2008-2013.

Our strategic aims are:

- to deliver inspirational learning and teaching;
- to provide opportunities to all who can benefit;
- to enrich teaching through research and innovation excellence;
- to contribute to economic, social and cultural development;
- to enhance our standing;
- to produce employable and enterprising graduates;
- to develop our identity and raise our profile;
- to become one of the UK's 30 largest providers of Higher Education; and
- to grow international and postgraduate recruitment.

KEY ENABLERS

We shall achieve our aims through valuing and developing our staff, financial sustainability and improving our effectiveness. We shall monitor our progress against a basket of Key Performance Indicators.

ACHIEVEMENT OF OBJECTIVES

Our achievement of these strategic aims is measured against 20 Key Performance Indicators which are underpinned by specific targets. Progress is assessed by the use of a traffic light system. At the end of 2007/08, 8 indicators were Green (on target), 9 were Amber (some risk that the KPI might not be achieved) and 3 were Red (significant risk that the KPI might not be achieved). Progress is reported bi-annually to the Governing Council and is monitored by the Audit Committee.

Key achievements in 2007/08 were as follows;

- recruitment of full time and part time Home and EU undergraduate students was to target;
- student retention was better than our benchmark;
- in the 2008 National Student Survey we recorded an overall satisfaction rate of 77%. We were placed top nationally in 2 subjects – Tourism and Transport and Initial Teacher Training; and in the top 5 nationally in a further 7 subjects – Physiotherapy, Podiatry, History, Building, Accountancy, Human Resources Management, Food Science.
- our collaborative provision audit by the QAA received “broad confidence” (the highest rating) in academic standards and learning opportunities;
- the University's Library Service was the first in the country to receive the new government Customer Service Excellence Award. The Student Services department was granted the Matrix Standard award – the nationally recognised quality standard for information, advice and guidance services which ranks them among the top 20 universities in the country for quality of service.
- financial sustainability was maintained (see below); and
- the volume of estate rated as being in condition A or B increased to 76%.

Key priorities for improving our performance are as follows:

- the appointment of a new Director of International Strategy has led to a reorganisation of the International Office and a new strategic plan for this area;
- the appointment of a new PVC for Research and Enterprise has led to a restructuring of the Research and Enterprise Office and a target of recruiting 20 world class Research Professors;
- specific targets for research capability, overseas and postgraduate student recruitment; and
- a thorough analysis of our brand position using outside consultants.

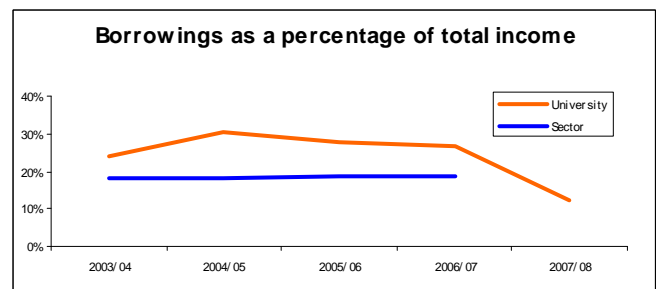
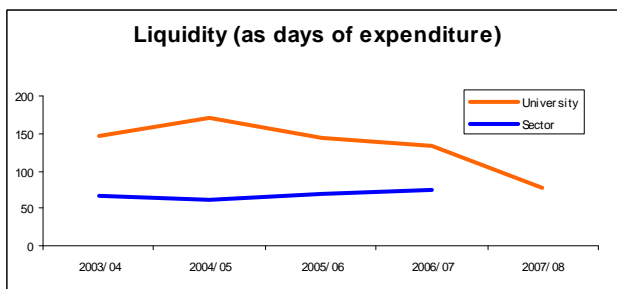
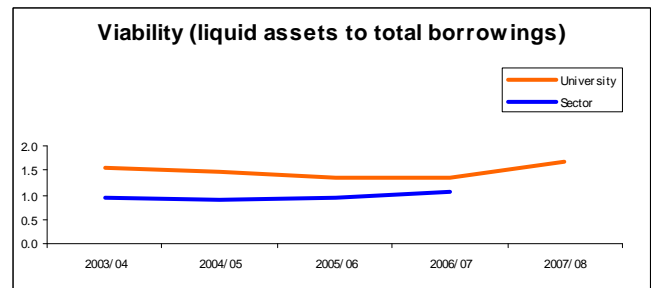
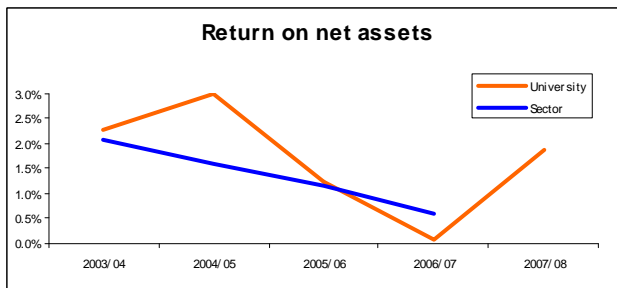
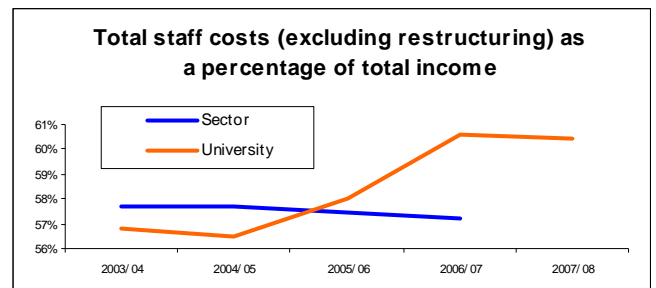
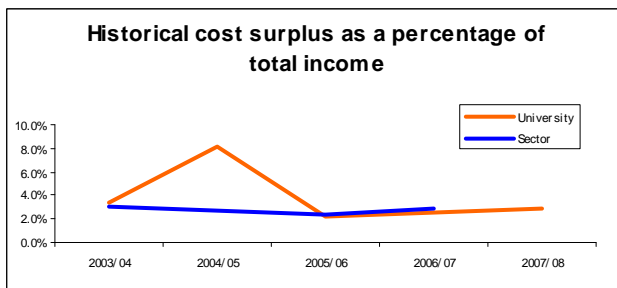
**THE UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)**

FINANCIAL SUSTAINABILITY

3 of our 20 KPIs relate directly to financial performance. 2 were rated Green – to ensure all Schools generate surpluses for re-investment and to align investment to strategic priorities; 1 was rated Amber – to ensure value for money.

The following ratios represent some of the Key Financial Indicators which are recognised across the Higher Education Sector and can indicate the financial health of a university relative to its peers. They are shown for the University against the latest published median figures for the sector. The University's aim is to be better than the median against each indicator when these statistics are published.

Comparative results for the last 5 years show the following trends:



The University's performance continues to be better than the sector average in most areas, particularly now that the Deutsche Bank debt has been repaid from funds made available for the purpose. Only one area gives cause for concern which is total staff costs as a percentage of income. Two years ago the University made a deliberate policy of investing the increased income from higher tuition fees into additional staff numbers. As this increase in income stabilises after 2009 and there is pressure on staffing costs from the 2006 pay award, the University is monitoring this ratio carefully and expects to see it fall below 60% next year. In 2007/08 there was a specific charge of 1% representing an increase in Past Service Costs as part of the FRS 17 charge for pension costs (see note 31).

The University is financially strong and is generating sufficient cash to meet its strategic objectives.

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

ACCOUNTING POLICIES

The principal accounting policies of the University have been applied consistently throughout the period since incorporation.

RESULTS FOR THE YEAR

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

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Income	111,764	102,276
Expenditure	<u>(109,577)</u>	<u>(102,187)</u>
Surplus after depreciation of assets at valuation, disposal of assets and before and after taxation	2,187	89
Transfers from revaluation reserve	<u>1,116</u>	<u>2,530</u>
Historical cost surplus for the year	<u><u>3,303</u></u>	<u><u>2,619</u></u>

The University is pleased to record a healthy operating surplus for the year.

Total student numbers increased from 19,822 to 20,622; the full time equivalent increased from 14,152 to 15,798.

Total income increased by 9.3% to £112m with growth in most areas including 5.7% in funding council income and 23.9% in tuition fees.

Total expenditure increased by 7.2% to £110m. This included an increase of 9.2% in payroll costs; and staffing expenditure as a percentage of total income remained at 61.0% (2007 : 61.0%). Other operating expenses increased by 9.2% due largely to an increase in student bursaries.

The University was hit particularly hard with a charge of £1.8m for FRS 17 adjusted pension costs. £1.0m of this represented an unforeseen Past Service Cost in relation to improved benefits.

The underlying historical surplus prior to the FRS 17 charge for pension costs was £5.1m or 4.6% of total income (2007 : £3.9m or 3.8%).

Capital Investment

Over 93% of the total capital spend of £16.6m in the year was invested in the University's estate, principally into the new Creative Arts Building and the University Centre Oldham. 76% of the estate is now classified as "new or sound" compared with 21% in 1997, demonstrating our continuing commitment to maintain the best facilities for our students.

Cash Flow

The consolidated cashflow statement shows an increase in cash balances of £9.7m before capital expenditure and repayment of debt, which was largely the result of cash generated from operating activities. During the year a loan of £20.4m was repaid from funds retained for this purpose. Liquidity at the year end represented 80 days of expenditure, above the average for the sector. Borrowings represented 12% of total income, well below the average for the sector.

The University has a target for generating sufficient cash to fund its estates and other strategic objectives which was achieved in 2007/08.

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

Financial Outlook

The University's financial forecast for the period to 2012 demonstrates the sustainability of our strategy to retain sufficient surpluses to invest in improving the estate; at the same time as maintaining liquidity, securing borrowings and managing risks to our future financial strength.

Our planned performance is as follows:

	2009 £'000	2010 £'000	2011 £'000	2012 £'000
Income	122,995	125,307	131,515	137,407
Expenditure	(119,287)	(122,051)	(127,571)	(133,286)
Operating Surplus	3,708	3,256	3,944	4,121

KEY RISKS

Our risk management processes continue to identify and manage the major strategic and financial risks to the University. These can be broadly categorised as follows:

- student recruitment and retention; particularly in the overseas market;
- government funding in the face of a Comprehensive Spending Review; our vulnerability to NHS income streams; and a new funding methodology for teaching;
- our ability to recover the full economic cost of our key activities;
- pay awards increasing at a faster pace than our income;
- the uncertainty around future tuition fee levels following the government's review next year; and
- current economic difficulties and the impact they may have on individual spending behaviour and borrowing costs.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

The University is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, able-bodiedness, belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The University's Equal Opportunities Policy and Diversity Statement is published on the University's internet site.

The University considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the University continues. The University's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

DISABILITY STATEMENT

The University seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Educational Needs and Disabilities Act 2001.

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

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The University takes seriously our responsibilities for its impact on the environment and we were pleased to see this recognised when we improved to 8th place in the “Green” League Table.

We have an Environmental Policy and an annual report is produced to demonstrate the extent to which the University’s targets have been achieved.

During the last 12 months:

- we launched a new sustainable travel plan;
- energy and water consumption was reduced in comparison with the previous year;
- 44% of our waste products were recycled;
- we offered Fairtrade products in all our outlets; and
- we formalised our ethical investment policy for the University’s surplus funds.

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University’s auditors are unaware; and each member has taken all the steps that he or she ought to have reasonably taken to be aware of any relevant audit information and to establish that the University’s auditors are aware of that information.

INSURANCE FOR OFFICERS

During the year the University maintained liability insurance for the members of the University Council.

POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no political or charitable contributions during the year.

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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange. The University complies with the guide for members of the Governing Bodies of Universities and Colleges in England and Wales which was issued by the Committee of University Chairmen in November 2004. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Members of Council, the University complies with all the provisions of the Combined Code in so far as they apply to the Higher Education Sector and it has complied throughout the year ended 31 July 2008.

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

COUNCIL

The members who served on the Council during the year are listed in the Table below:-

	Date of Appointment	Date of Retirement or End of Initial Term of Office	Committees Served
Independent Members			
Mr C J Brown	1 May 1996	31 August 2010	Chair of Council Employment & Finance Committee Estates Development Committee Governance & Membership Committee Honorary Awards Committee Remuneration Committee
Mr E L F Nicholls	1 April 1999	31 August 2009	Vice-Chair of Council Chair: Employment & Finance Committee Estates Development Committee Governance & Membership Committee Remuneration Committee
Mr I Adam	11 April 2002	31 August 2008	Employment & Finance Committee
Mr A Ahmed	17 October 2002	31 August 2010	Chair: Estates Development Committee Employment & Finance Committee
Professor J Crampton	5 April 2007	31 August 2010	
Mr M Fisher	30 March 2006	31 August 2009	Employment & Finance Committee
Ms M Kennedy	17 July 2003	31 August 2009	Honorary Awards Committee
Mr S S Khela	1 January 2002	31 August 2008	Audit Committee
Mrs A Le Pla	1 August 2001	31 August 2010	Chair: Student Council Audit Committee Governance & Membership Committee Remuneration Committee
Rt Revd S Platten	18 December 2003	31 August 2009	Honorary Awards Committee
Mr J Sommerville	1 September 2004	31 August 2010	
Mr J Thornton	20 July 2006	31 August 2009	Audit Committee
Mr M Woodhead	17 July 2003	31 August 2009	Chair: Audit Committee Governance & Membership Committee Honorary Awards Committee Remuneration Committee
Co-opted Members			
Professor M I Page	22 July 2004		Employment & Finance Committee Estates Development Committee Governance & Membership Committee
Councillor J R Smithson	5 April 2007	31 August 2010	
Mr B Swan	18 October 2007	31 August 2010	
Ms D Whittingham	19 July 2007	31 August 2010	
Members Nominated by Senate (Teaching Staff)			
Mr K Hickling	15 October 2003	31 August 2009	Student Council
Professor R Smith	1 September 2006	31 August 2008	Governance & Membership Committee
Members Nominated by Senate (Admin Staff)			
Ms D Ogden	15 October 2003	31 August 2009	
Student Member			
Ms E Moore	4 July 2007	3 July 2008	Student Council
Vice-Chancellor and Principal			
Professor R A Cryan	1 January 2007		Chair: Honorary Awards Committee Employment & Finance Committee Estates Development Committee Governance & Membership Committee Remuneration Committee Student Council

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 OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

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 remuneration 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.

It is the Council's responsibility to bring independent judgement to bear on issues of strategy, performance resources and standards of conduct.

The Council is provided with regular and timely information on the overall financial performance of the University together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues.

Although the Council meets at least four times each year, much of its detailed work is initially handled by committees, in particular the Employment and Finance Committee, the Governance and Membership Committee, the Remuneration Committee and the Audit Committee. The decisions of these Committees are formally reported to the Council. A brief description of their responsibilities is set out below:

The Employment and Finance Committee ensures the effectiveness of employment matters and the governance of the finances of the University.

The Governance and Membership Committee makes recommendations for effective governance arrangements and the appointment of University Council and Committee members.

The Remuneration Committee's responsibilities are to review the process of the remuneration of the salaries of senior staff and to determine the salaries of the Vice-Chancellor and University Secretary.

The Audit Committee meets four times a year with the University's external and internal auditors in attendance. It establishes and reviews procedures for auditing the University's activities. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plan. It provides oversight of the University's risk management procedures. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. Once a year the Committee meets the internal and external auditors on their own for independent discussions.

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 staff members on the Governance and Membership Committee.

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

All Council members are able to take independent professional advice in furtherance of their duties at the University's expense. In accordance with the Articles of Government of the University, Council members have access to the University Secretary who acts as Clerk to the Council. He is responsible to the Council for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Secretary are matters for the University Council as a whole.

Formal agendas, papers and reports are supplied to Council members in a timely manner, prior to Council meetings. Briefings on a wide-range of topics are also provided on an ad-hoc basis.

The University Council has a strong and independent non-executive element and no individual or group dominates its decision making processes. The Council considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interface with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Vice-Chancellor are separate.

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. Full minutes of all meetings, except those deemed to be confidential by the University, are available from the University Secretary at The University of Huddersfield, Queensgate, Huddersfield, HD1 3DH.

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 to eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2008 and up to the date of approval of the financial statements and accords with HEFCE guidance.

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

The University's internal control systems 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 UNIVERSITY OF HUDDERSFIELD
REPORT OF THE UNIVERSITY COUNCIL (continued)

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; and
- to be the ultimate responsibility of the Vice-Chancellor with operational responsibility devolved to the University's Senior Management Team.

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 report risk to Council more explicitly in the form of the corporate risk register and as part of the financial forecasts.
- c) Council has established the University's Senior Management Team 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 Senior Management Team, informed by formal and informal information flows between management, groups, committees and staff. The Senior Management Team reviews and where appropriate updates the corporate risk register. Guidance has been issued to Schools and Services which encourages their management teams to consider the key risks their areas face. The Senior Management Team explores and considers the risks identified by Schools and Services as part of the annual planning round.
- f) Risk awareness is raised through:
 - Risk being incorporated within the Management Development Programme and staff induction courses.
 - The planning and contextual documentation which is provided to Deans and Directors offering risk management guidance and being supplemented by discussions during the planning round.
 - Deans and Directors discussing risk with their management teams during the planning round.
- g) Risks are linked to the key corporate objectives for which detailed key performance indicators have been derived.
- h) Risks have been prioritised on the basis of likelihood and impact. This assessment has been made both before and after considering the internal controls in place. The Senior Management Team has considered the risk priorities in order to distil the corporate risk register.
- i) An organisation-wide risk register is maintained. This is further informed by the risk registers completed by Schools and Services which are presented to Senior Management Team as part of the planning round.
- j) Council receives reports and updates on key risks and their management as part of routinely scheduled Council and Committee business.

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

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

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

The HEFCE Assurance Service makes an annual assessment of the relative risk attaching to each institution being either "at higher risk" or "not at higher risk". This is based upon any audit work they have done in the year and upon information supplied and returns made to comply with the Audit Code of Practice. On 31 March 2008 the Assurance Service concluded that the University is not at higher risk and is meeting its accountability obligations set out in the Financial Memorandum and Accountability and Audit Code of Practice.

The University Council has reviewed the key risks to which the University is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2008 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the University Council and that it accords with the internal control guidance for directors in the Combined Code as deemed appropriate for Higher Education.

STATEMENT OF 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 is also required to prepare an Operating Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the University. 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 which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation and other relevant accounting standards.

The University Council has taken reasonable steps:

- to ensure that expenditure and income are applied for the purposes intended by parliament and that the financial transactions conform to the authorities that govern them;
- to ensure that funds from the Higher Education Funding Council for England (HEFCE), the Teacher Development Agency (TDA) and the Learning and Skills Council (LSC) are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other conditions which the HEFCE, TDA or LSC 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 and to ensure that they are used properly;
- to safeguard the assets of the Group and to prevent and detect fraud and other irregularities; and

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

- 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 quarterly 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; and
- 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.

AUDITORS

A resolution to re-appoint KPMG LLP as auditors will be put to the University Council Meeting on 28 November 2008.

MR C J BROWN
Chairman
28 November 2008

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

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

Independent auditor's report to the Council of the University of Huddersfield

We have audited the Group and University financial statements (the "financial statements") of The University of Huddersfield for the year ended 31 July 2008 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements 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 therein.

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 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 Council, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Council and Auditors

The University Council is responsible for preparing the Operating and Financial Review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) as set out in the Statement of Council's responsibilities on pages 13 and 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 2007 Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether 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 Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements. In addition we report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the University's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

THE UNIVERSITY OF HUDDERSFIELD
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31 July 2008 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2008 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Financial Memorandum with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

KPMG LLP
Chartered Accountants
and Registered Auditor

28 November 2008

THE UNIVERSITY OF HUDDERSFIELD
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements except as noted below.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education 2007 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. 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. All financial statements are made up to 31 July 2008.

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.

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.

Tuition fees represent student fees received and receivable attributable to the current accounting period.

Income from investments is accrued up to the balance sheet date. Income from short term deposits is credited to the income and expenditure account in the period in which it is earned.

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 TPS 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 on the basis of quinquennial valuations using a prospective benefit method.

The assets of the WYPF are measured using closing market values. WYPF liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Further details of the pension schemes are given in Note 31.

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. 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 £25,000 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)

c. Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

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 (based on valuation by the investment manager at mid market price on 31 July 2008).

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

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

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
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Agency arrangements

Funds the institution receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the university annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the university's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the LSC.

Accounting for charitable donations

a. Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

b. Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution.
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the institution can convert the donated sum into income.
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

c. Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

THE UNIVERSITY OF HUDDERSFIELD
GROUP INCOME AND EXPENDITURE ACCOUNT
For the Year ended 31 July 2008

		<u>Year Ended</u> <u>31 July 2008</u>	<u>Year Ended</u> <u>31 July 2007</u>
	<u>Note</u>	<u>£'000</u>	<u>£'000</u>
INCOME			
Funding council income	1	56,100	53,077
Tuition fees and education contracts	2	44,623	37,999
Research grants and contracts	3	1,655	1,624
Other income	4	7,694	7,615
Endowment and investment income	5	1,692	1,961
		<hr/>	<hr/>
Total Income		111,764	102,276
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	6	68,145	62,413
Other operating expenses	7	35,619	32,632
Depreciation	12	3,252	3,571
Interest and finance charges payable	8	2,561	3,571
		<hr/>	<hr/>
Total Expenditure	9	109,577	102,187
		<hr/>	<hr/>
Surplus after depreciation of tangible fixed assets at valuation and disposal of assets but before taxation		2,187	89
		<hr/>	<hr/>
Taxation	10	-	-
		<hr/>	<hr/>
Surplus after depreciation of tangible fixed assets at valuation, disposal of assets and taxation	11	2,187	89
		<hr/> <hr/>	<hr/> <hr/>

The income and expenditure account for the year ended 31 July 2008 is in respect of continuing activities.

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2008

GROUP STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

	<u>Note</u>	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>
Surplus before and after taxation		2,187	89
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	24	1,100	830
Realisation of property revaluation gains of previous years	24	16	1,700
Historical cost surplus for the period before and after taxation		<u>3,303</u>	<u>2,619</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2008

	<u>Note</u>	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>
Surplus after depreciation of assets at valuation, disposal of assets and taxation		2,187	89
Actuarial (loss)/gain in respect of pension scheme	31	(22,703)	3,961
Movement on endowments	23	9	11
Total recognised gains and losses relating to the year		<u>(20,507)</u>	<u>4,061</u>

RECONCILIATION OF MOVEMENTS ON RESERVES AND ENDOWMENTS

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Opening reserves and endowments at 1 August	80,317	76,256
Total recognised gains and losses for the year	<u>(20,507)</u>	<u>4,061</u>
Closing reserves and endowments at 31 July	<u>59,810</u>	<u>80,317</u>

THE UNIVERSITY OF HUDDERSFIELD
BALANCE SHEETS
For the Year ended 31 July 2008

	Note	Group 2008 £'000	University 2008 £'000	Group 2007 £'000	University 2007 £'000
FIXED ASSETS					
Tangible assets	12	111,268	111,268	97,934	97,934
Investments	13	32	82	32	82
		111,300	111,350	97,966	98,016
ENDOWMENT ASSETS					
	14	293	293	284	284
CURRENT ASSETS					
Debtors	15	12,909	12,365	14,898	14,987
Investments	16	3,563	3,563	3,711	3,711
Cash at bank and in hand	17	19,323	19,292	32,552	32,509
TOTAL CURRENT ASSETS		35,795	35,220	51,161	51,207
LESS: CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	18	(17,413)	(16,672)	(33,592)	(33,474)
NET CURRENT ASSETS		18,382	18,548	17,569	17,733
TOTAL ASSETS LESS CURRENT LIABILITIES		129,975	130,191	115,819	116,033
LESS: CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	19	(12,883)	(12,883)	(7,292)	(7,292)
LESS: PROVISIONS FOR LIABILITIES AND CHARGES	21	(324)	(324)	(311)	(311)
NET ASSETS EXCLUDING PENSION LIABILITY		116,768	116,984	108,216	108,430
PENSION LIABILITY	31	(38,087)	(38,087)	(13,559)	(13,559)
NET ASSETS INCLUDING PENSION LIABILITY		78,681	78,897	94,657	94,871
Represented by:					
DEFERRED CAPITAL GRANTS	22	18,871	18,871	14,340	14,340
Expendable endowments		227	227	219	219
Permanent endowments		66	66	65	65
TOTAL ENDOWMENTS	23	293	293	284	284
RESERVES					
Income and expenditure account excluding pension reserve		58,725	58,941	53,597	53,811
Pension reserve	31	(38,087)	(38,087)	(13,559)	(13,559)
Income and expenditure account including pension reserve	25	20,638	20,854	40,038	40,252
Revaluation reserve	24	38,879	38,879	39,995	39,995
TOTAL RESERVES		59,517	59,733	80,033	80,247
TOTAL FUNDS		78,681	78,897	94,657	94,871

The financial statements on pages 17 to 45 were approved by the University Council on 28 November 2008 and were signed on its behalf by:

PROFESSOR R A CRYAN

Vice-Chancellor

MR C J BROWN

Chairman

THE UNIVERSITY OF HUDDERSFIELD
For the Year ended 31 July 2008

GROUP CASH FLOW STATEMENT

	<u>Note</u>	<u>Year Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
Cash flow from operating activities	26	10,369	2,474
Returns on investments and servicing of finance	27	(717)	(542)
Capital expenditure and financial investment	28	(9,547)	(1,669)
Financing	29	(13,325)	1,314
		<hr/>	<hr/>
(Decrease)/increase in cash in the year	30	(13,220)	1,577
		<hr/> <hr/>	<hr/> <hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<u>Note</u>	<u>Year Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
(Decrease)/increase in cash in the year	30	(13,220)	1,577
Cash (outflow)/inflow from liquid resources	30	(148)	289
Cash outflow/(inflow) from debt	30	13,325	(1,314)
		<hr/>	<hr/>
Movement in net funds in the year	30	(43)	552
Net funds at 1 August	30	9,539	8,987
		<hr/>	<hr/>
Net funds at 31 July	30	9,496	9,539
		<hr/> <hr/>	<hr/> <hr/>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008

1. FUNDING COUNCIL INCOME

	Year Ended 31 July 2008				Year
	HEFCE	TDA	LSC	Total	Ended
	£'000	£'000	£'000	£'000	31 July
					2007
					£'000
Recurrent grant	49,320	1,292	27	50,639	47,539
Specific grants:					
Learning and Teaching Strategy	687	-	-	687	558
HEIF Funding	667	-	-	667	661
Life Long Learning Networks	554	-	-	554	122
Aim Higher	360	-	-	360	357
Priority Subject	289	-	-	289	-
Strategic Development Fund	139	-	-	139	187
Widening Disabled Access	125	-	-	125	477
Postgraduate professional development	-	82	-	82	72
Development of teaching and learning	59	-	-	59	159
Other	54	9	12	75	171
Rewarding and developing staff	22	-	-	22	190
Active community funding	-	-	-	-	27
Deferred capital grants released in the year:					
Equipment (Note 22)	2,043	-	-	2,043	1,847
Buildings (Note 22)	359	-	-	359	710
	54,678	1,383	39	56,100	53,077

2. TUITION FEES AND EDUCATION CONTRACTS

	Year	Year
	Ended	Ended
	31 July	31 July
	2008	2007
	£'000	£'000
UK and EU Higher Education Students	26,766	20,902
Non-EU Students	3,920	3,867
Total fees paid by or on behalf of individual students	30,686	24,769
NHS Workforce Development Confederation Contracts	11,404	11,475
Short Course Fees	110	14
Registration and Examination Fees	64	103
Research Training Support Grant	55	78
Education contracts	2,304	1,560
	44,623	37,999

Included within the above amounts are tuition fees funded by bursaries of £72,949 (2006/07 nil).

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

3. RESEARCH GRANTS AND CONTRACTS

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
Research councils	437	453
UK based charities	327	329
European commission	66	5
Other grants and contracts	795	799
Release from deferred capital grants (Note 22)	30	38
	<hr/>	<hr/>
	1,655	1,624
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER INCOME

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
Other grant income	2,397	2,143
Other income-generating activities	1,991	1,470
Catering and conferences	826	719
Release from deferred capital grants (Note 22)	86	651
Other income	2,394	2,632
	<hr/>	<hr/>
	7,694	7,615
	<hr/> <hr/>	<hr/> <hr/>

5. ENDOWMENT AND INVESTMENT INCOME

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
Income from restricted expendable asset investments (Note 23)	6	4
Other interest receivable	1,678	1,957
	<hr/>	<hr/>
	1,684	1,961
Pension finance income (Note 31)	8	-
	<hr/>	<hr/>
	1,692	1,961
	<hr/> <hr/>	<hr/> <hr/>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

6. STAFF COSTS

Average number of persons employed by the Group

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>Number</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>Number</u>
Teaching departments	1,139	1,064
Teaching support services	174	155
Administration and central services	153	186
Premises	164	155
Other	34	40
	<u>1,664</u>	<u>1,600</u>

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
Staff costs for the above persons:		
Wages and salaries	54,012	50,026
Social security costs	4,258	3,997
Other pension costs (including FRS17 adjustments of £1,833,000 - 2008 £1,181,000 - 2007)	8,595	7,238
Pension enhancements	14	-
Payroll Sub Total	<u>66,879</u>	<u>61,261</u>
Contracted out Staffing Services	697	675
	<u>67,576</u>	<u>61,936</u>
Restructuring costs	569	477
	<u>68,145</u>	<u>62,413</u>

Emoluments of the Vice-Chancellor, Professor R A Cryan

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
Salary	171	159
Benefits	24	18
Standard rated employer pension contributions	24	22
	<u>219</u>	<u>199</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

Senior post-holder emoluments

The number of staff excluding the Vice-Chancellor who received emoluments, including pension contributions and benefits in kind in the following ranges was:-

	2008 Number <u>£'000</u>	2007 Number <u>£'000</u>
£100,000 - £110,000	3	2
£110,000 - £120,000	1	1
£120,000 - £130,000	-	-
£130,000 - £140,000	1	-
	<hr/>	<hr/>
	5	3
	<hr/> <hr/>	<hr/> <hr/>

7. OTHER OPERATING EXPENSES

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
Consumables and other equipment	8,466	8,366
Student bursaries	3,827	2,309
Repairs and general maintenance	2,941	3,132
Franchise centre payments	2,509	2,443
Student related expenses	1,643	995
Publicity	1,446	1,263
Heat, light, water and power	1,445	1,297
Transport	1,444	1,264
Consultancy payments	1,438	1,374
Grants to University of Huddersfield Students' Union	1,207	1,113
Books and periodicals	1,176	1,197
Staff development	863	1,023
Subscriptions	720	695
Strategic maintenance	679	621
Rents	662	691
Other property costs	579	539
Staff recruitment	477	410
Professional charges	351	491
Hired services	346	346
Insurance	332	369
Telephones	319	317
Examination and registration fees	258	269
Catering and conferences	224	288
Bad debts provision	220	(30)
Hire of plant and machinery - operating leases	200	307
Internal auditors remuneration	111	89
External auditors remuneration in respect of non-audit services	38	35
External auditors remuneration	42	44
Recharged servicing costs	29	12
Other expenses	1,627	1,363
	<hr/>	<hr/>
	35,619	32,632
	<hr/> <hr/>	<hr/> <hr/>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

8. INTEREST AND FINANCE CHARGES PAYABLE

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u>
	<u>£'000</u>	<u>£'000</u>
On bank loans, overdrafts and other loans:		
Repayable within five years not by instalments	49	45
Repayable within five years by instalments	1,846	2,937
Repayable wholly or partly in more than five years	666	511
	<hr/>	<hr/>
	2,561	3,493
Pension finance costs (Note 31)	-	78
	<hr/>	<hr/>
	2,561	3,571

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>and</u> <u>Finance</u> <u>Charges</u> <u>Payable</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>Total</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Academic departments	43,166	13,178	813	-	57,157	53,972
Academic services	8,435	6,735	116	-	15,286	13,508
Research grants and contracts	770	423	57	-	1,250	1,324
Catering and conferences	533	371	32	-	936	720
Premises	3,540	6,367	2,175	2,561	14,643	15,869
Administration and Central Services	8,018	7,130	59	-	15,207	13,628
Other expenses	3,114	1,415	-	-	4,529	2,689
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	67,576	35,619	3,252	2,561	109,008	101,710
Staff restructuring	569	-	-	-	569	477
Total per income and expenditure account	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	68,145	35,619	3,252	2,561	109,577	102,187

10. TAXATION

	2008 £'000	2007 £'000
United Kingdom corporation tax at 20.33% (2007 19%)	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
	<hr/>	<hr/>
Total	-	-

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

11. SURPLUS FOR THE PERIOD

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
University's surplus before deed of covenant payments from subsidiaries	2,099	75
Surplus from subsidiaries paid up by deed of covenant	20	100
Profit/(loss) in subsidiary undertakings	68	(86)
	<u>2,187</u>	<u>89</u>

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>
Cost or valuation					
At 1 August 2007	97,865	1,000	44	12,176	111,085
Additions	15,524	-	-	1,081	16,605
Disposals	(220)	-	-	(1,115)	(1,335)
At 31 July 2008	<u>113,169</u>	<u>1,000</u>	<u>44</u>	<u>12,142</u>	<u>126,355</u>
Depreciation					
At 1 August 2007	3,741	20	14	9,376	13,151
Charge for year	1,788	10	2	1,135	2,935
Impairment write-down	317	-	-	-	317
Eliminated in respect of disposals	(201)	-	-	(1,115)	(1,316)
At 31 July 2008	<u>5,645</u>	<u>30</u>	<u>16</u>	<u>9,396</u>	<u>15,087</u>
Net book value					
At 31 July 2008	<u>107,524</u>	<u>970</u>	<u>28</u>	<u>2,746</u>	<u>111,268</u>
Net book value					
At 1 August 2007	<u>94,124</u>	<u>980</u>	<u>30</u>	<u>2,800</u>	<u>97,934</u>
Financed by capital grant					
Other	16,730	-	-	2,141	18,871
	90,794	970	28	605	92,397
	<u>107,524</u>	<u>970</u>	<u>28</u>	<u>2,746</u>	<u>111,268</u>

Buildings with a cost or valuation of £56,264,000 and a net book value of £54,192,000 have been partially funded from Treasury sources. Should these particular buildings be sold, the University would either have to surrender all or part of the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the HEFCE.

Included in the cost or valuation of freehold land and buildings is £18,107,000 (2007 : £3,986,000) being the cost of assets in the course of construction which have not yet been depreciated.

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

Included in additions is a musical organ donated to the university with a valuation of £250,000, based on current market value. There are no assets held under finance leases.

The impairment write-down relates to the remaining net book value of the two redundant buildings which are to be demolished after 31 July 2008.

University

	Freehold land and buildings	Long leasehold land and buildings	Short leasehold land and buildings	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2007	97,865	1,000	44	12,174	111,083
Additions	15,524	-	-	1,081	16,605
Disposals	(220)	-	-	(1,113)	(1,333)
At 31 July 2008	113,169	1,000	44	12,142	126,355
Depreciation					
At 1 August 2007	3,741	20	14	9,374	13,149
Charge for year	1,788	10	2	1,135	2,935
Impairment write-down	317	-	-	-	317
Eliminated in Respect of Disposals	(201)	-	-	(1,113)	(1,314)
At 31 July 2008	5,645	30	16	9,396	15,087
Net book value					
At 31 July 2008	107,524	970	28	2,746	111,268
Net Book Value					
At 1 August 2007	94,124	980	30	2,800	97,934
Financed by capital grant	16,730	-	-	2,141	18,871
Other	90,794	970	28	605	92,397
	107,524	970	28	2,746	111,268

The freehold and long leasehold land and buildings of the Group and the University were revalued as at 31 July 2005 by GVA Grimley, Chartered Surveyors at depreciated replacement cost for existing use, open market value for existing use or open market value with vacant possession. This is in accordance with the RICS Appraisal and Valuation Manual.

13. FIXED ASSET INVESTMENTS

	Group 2008 £'000	University 2008 £'000	Group 2007 £'000	University 2007 £'000
Subsidiary companies	-	50	-	50
Participating interest	32	32	32	32
	32	82	32	82

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

Subsidiary Companies

At 31 July 2008 The University owned 100% of the issued share capital of The University of Huddersfield Enterprises Limited (UHEL), The University of Huddersfield Properties Limited (UHPL) and Wetlands & Natural Resources Development Limited (WNRDL). All the companies are registered in England and Wales and are included in the consolidated results. UHEL operates in the UK and its primary purpose is providing healthcare, professional pre- and post-registration training and education programmes in nursing, physiotherapy, midwifery, podiatry and occupational therapy. UHPL and WNRDL are dormant.

Participating Interests

The University has a 25% interest in Calderdale and Kirklees Careers Service Partnership Limited, a company limited by guarantee.

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

14. ENDOWMENT ASSET

	<u>2008</u>	<u>2007</u>
	<u>£,000</u>	<u>£'000</u>
Balance at 1 August 2007	284	273
Additions	2	3
Disposals	-	-
Appreciation on disposals/revaluation	-	-
Increase in cash balances held at fund managers	7	8
Balance at 31 July 2008	293	284

15. DEBTORS

	<u>Group</u>	<u>University</u>	<u>Group</u>	<u>University</u>
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:				
Debtors	5,744	1,121	3,454	1,685
Amounts owed by subsidiary undertakings	-	1,176	-	517
Prepayments and accrued income	7,097	10,000	10,723	12,064
Amounts owed by HEFCE	68	68	721	721
	12,909	12,365	14,898	14,987
Amounts falling due after more than one year:				
Debtors	-	-	-	-
	12,909	12,365	14,898	14,987

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

16. INVESTMENTS

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Deposits maturing:		
In one year or less	3,563	3,711
Between one and two years	-	-
	<hr/> 3,563	<hr/> 3,711

Deposits are held with investment managers, HSBC and Tilney with more than 24 hours maturity at the balance sheet date.

17. CASH AT BANK AND IN HAND

Cash balances are made up as follows:

	Group <u>2008</u> <u>£,000</u>	University <u>2008</u> <u>£'000</u>	Group <u>2007</u> <u>£'000</u>	University <u>2007</u> <u>£'000</u>
Bank deposit account held as security for Deutsche Bank loan (See Note 19)	-	-	16,432	16,432
Current and investment accounts	19,323	19,292	16,120	16,077
	<hr/> 19,323	<hr/> 19,292	<hr/> 32,552	<hr/> 32,509

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group <u>2008</u> <u>£'000</u>	University <u>2008</u> <u>£'000</u>	Group <u>2007</u> <u>£'000</u>	University <u>2007</u> <u>£'000</u>
Bank loans	800	800	19,716	19,716
Payments received in advance	5,118	4,421	3,739	3,647
Trade creditors	2,141	2,141	1,830	1,823
Other taxation and social security	533	533	513	513
Accruals	8,793	8,749	7,742	7,723
Other creditors	28	28	52	52
	<hr/> 17,413	<hr/> 16,672	<hr/> 33,592	<hr/> 33,474

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Liability to Deutsche Bank at 1 August (see note below)	-	17,669
Provision for repayment of Deutsche Bank loan for year to 31 July	-	1,680
Transfer to creditors falling due within one year	-	<u>(19,349)</u>
Deutsche Bank loan at 31 July	-	-
Mortgages secured on property	<hr/> 12,883	<hr/> 7,292
	<hr/> 12,883	<hr/> 7,292

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

20. BORROWINGS

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Bank loans and overdrafts are repayable:		
In one year or less	800	19,716
Between one and two years	1,050	367
Between two and five years	3,150	1,851
In five years or more	8,683	5,074
	<u>13,683</u>	<u>27,008</u>

Bank loans at both variable and fixed rates of £13.683m are repayable by instalments falling due between 1 August 2008 and 30 April 2030. The loans are secured on various University properties on the Queensgate campus.

The outstanding balance on the Deutsche Bank loan, at a fixed rate of interest at 10.185% was repaid in February 2008 from funds set aside for this purpose. The loan liability was included in the financial statements as at 31 July 2007 at £19.3m and the total amount repaid in 2008 was £20.4m.

In February 2008 a loan of £6.5m was drawn down in respect of the new Creative Arts Building. Interest is calculated for 3 month periods at Libor plus margin and costs (6.08% at 31 July 2008) and the loan is repaid in 60 consecutive quarterly instalments. At 31 July 2008 £6.4m was outstanding. Other loans outstanding at 31 July 2008 were £2.3m for the Harold Wilson building at a fixed interest rate of 7.7% and £5.0m for the Eden/Milton, Media and Student Union buildings. Half of this loan is at a fixed interest rate of 6.275% and half at a variable rate plus margin and costs.

21. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Enhanced</u> <u>Pensions</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 August 2007	311	311
Transferred from income and expenditure account	13	13
	<u>324</u>	<u>324</u>
At 31 July 2008	<u>324</u>	<u>324</u>

The enhanced pensions provision is in respect of enhanced pensions payable to staff who accepted early retirement prior to 1994. The principal assumptions for this calculation are:-

	<u>2008</u>	<u>2007</u>
Price inflation	3.8%	3.2%
Discount rate	5.9%	5.8%

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

22. DEFERRED CAPITAL GRANTS

	<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>
At 1 August 2007			
Land and buildings	10,505	1,795	12,300
Equipment	1,914	126	2,040
	<hr/>	<hr/>	<hr/>
	12,419	1,921	14,340
Cash received			
Land and buildings	4,462	361	4,823
Equipment	1,926	50	1,976
Donated Asset (Note 28)	-	250	250
Released to income and expenditure account			
Land and buildings (Notes 1 and 4)	(359)	(34)	(393)
Equipment (Notes 1 and 3)	(2,043)	(82)	(2,125)
	<hr/>	<hr/>	<hr/>
	16,405	2,466	18,871
At 31 July 2008			
Land and buildings	14,608	2,122	16,730
Equipment	1,797	344	2,141
	<hr/>	<hr/>	<hr/>
Total	16,405	2,466	18,871

23. SPECIFIC ENDOWMENTS

	<u>Restricted</u>	<u>Restricted</u>	<u>2008</u>	<u>2007</u>
	<u>Permanent</u>	<u>Expendable</u>	<u>Total</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Capital	59	219	278	269
Accumulated income	6	-	6	4
	<hr/>	<hr/>	<hr/>	<hr/>
	65	219	284	273
New endowments	-	-	-	2
New endowments non capital	-	2	2	1
Expenditure non capital	-	(2)	(2)	(1)
Investment income	1	12	13	12
Expenditure	-	(4)	(4)	(3)
	<hr/>	<hr/>	<hr/>	<hr/>
	1	8	9	9
At 31 July 2008	<hr/>	<hr/>	<hr/>	<hr/>
	66	227	293	284
Represented by:				
Capital	59	227	286	278
Accumulated income	7	-	7	6
	<hr/>	<hr/>	<hr/>	<hr/>
	66	227	293	284

In previous years endowments were analysed as general endowments and specific endowments. The revised headings above reflect the requirements of the SORP and the institution's accounting policies.

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

24. REVALUATION RESERVE

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
At 1 August	39,995	42,525
Transfer from revaluation reserve to general reserve in respect of:		
Disposals	(16)	(1,700)
Depreciation of revalued assets	<u>(1,100)</u>	<u>(830)</u>
At 31 July	<u>38,879</u>	<u>39,995</u>

25. MOVEMENT ON GENERAL RESERVES

	Group <u>2008</u> <u>£'000</u>	University <u>2008</u> <u>£'000</u>	Group <u>2007</u> <u>£'000</u>	University <u>2007</u> <u>£'000</u>
Income and Expenditure Account Reserve				
At 1 August	40,038	40,252	33,458	33,586
Surplus retained for the year	2,187	2,189	89	175
Transfer from revaluation reserve	1,100	1,100	830	830
Realised revaluation gain on disposal of property	16	16	1,700	1,700
Prior year actuarial (loss) in respect of pension scheme	(161)	(161)		
Actuarial (loss)/gain in respect of pension scheme	<u>(22,542)</u>	<u>(22,542)</u>	<u>3,961</u>	<u>3,961</u>
At 31 July	<u>20,638</u>	<u>20,854</u>	<u>40,038</u>	<u>40,252</u>
Balance represented by:				
Pension reserve	(38,087)	(38,087)	(13,559)	(13,559)
Income and expenditure account reserve excluding pension reserve	<u>58,725</u>	<u>58,941</u>	<u>53,597</u>	<u>53,811</u>
At 31 July	<u>20,638</u>	<u>20,854</u>	<u>40,038</u>	<u>40,252</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

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

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Surplus after depreciation of assets at valuation	2,187	89
Depreciation and impairment	3,252	3,571
Deferred capital grants released to income (Notes 1, 3 & 4)	(2,518)	(3,246)
FRS17 Pension costs less contributions payable (Notes 6, 31)	1,833	1,259
FRS17 Pension finance income (Note 5)	(8)	-
Loss on disposal of tangible assets	19	-
Interest payable (Note 8)	2,561	3,571
Interest receivable (Note 5)	(1,678)	(1,957)
Decrease in stocks	-	107
(Increase)/decrease in debtors	1,933	1,904
Increase/(decrease) in creditors	2,627	(2,535)
Increase in provisions	13	-
Decrease/(increase) in current asset investments	148	(289)
Net cash inflow from operating activities	10,369	2,474

27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Income from endowments	6	4
Other interest received	1,728	1,298
Interest paid	(2,451)	(1,844)
Net cash (outflow) from returns on investments and servicing of finance	(717)	(542)

28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Purchase of tangible fixed assets	(16,355)	(8,334)
Payments to acquire endowment assets	2	3
Sales of tangible fixed assets	-	1,704
Deferred capital grants received	6,799	4,950
Endowments received	7	8
Net cash (outflow) from capital expenditure and financial investment	(9,547)	(1,669)

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

29. FINANCING

	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2008</u> <u>£'000</u>	<u>Year</u> <u>Ended</u> <u>31 July</u> <u>2007</u> <u>£'000</u>
Additions to new and existing loans	6,391	1,681
Repayment of amounts borrowed	(19,716)	(367)
Net cash (outflow)/inflow from financing	<u>(13,325)</u>	<u>1,314</u>

30. ANALYSIS OF CHANGES IN NET FUNDS/DEBT

	<u>At 1 August 2007</u> <u>£'000</u>	<u>Cashflows</u> <u>£'000</u>	<u>Other</u> <u>Changes</u> <u>£'000</u>	<u>At 31 July 2008</u> <u>£'000</u>
Cash in hand and at bank	32,552	(13,229)	-	19,323
Endowment asset investments	284	9	-	293
	32,836	(13,220)	-	19,616
Current asset investments	3,711	-	(148)	3,563
Debt due within 1 year	(19,716)	19,716	(800)	(800)
Debt due after 1 year	(7,292)	(6,391)	800	(12,883)
	<u>9,539</u>	<u>105</u>	<u>(148)</u>	<u>9,496</u>

31. PENSION AND SIMILAR OBLIGATIONS

The University's employees belong to three principal pension schemes: the Teachers' Pension Scheme, the Universities Superannuation Scheme and the West Yorkshire Pension Fund. The total pension cost for the year was £8,595,000 (2007 : £7,238,000).

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

Teachers' Pension Scheme (TPS)

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

SSAP 24

The pension cost is assessed no less than every four years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefits
Investment return per annum	6.5%
Salary scale increases per annum	5.0%
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88%

Following the implementation of Teacher's Pension (Employers' Supplementary contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions.

For the period from 1 August 2007 to 31 July 2008 the contribution rates are 14.1% for employers and 6.4% for employees. 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. An appropriate provision in respect of unfunded pensioners benefits is included in provisions.

FRS 17

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

Universities Superannuation Scheme (USS)

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

SSAP 24

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

Latest actuarial valuation	31 March 2005
Actuarial method	Projected unit
Investment return per annum - past service	4.5%
- future service	6.2%
Salary scale increases per annum	3.9%
Pension increases per annum	2.9%

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

Notional value of assets at last date of valuation £21.7 billion

Proportion of members' accrued benefits covered by the notional value of the assets 126%

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

FRS 17

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

West Yorkshire Pension Fund (WYPF)

The WYPF is a funded defined benefit pension scheme with the assets held in separate trustee administered funds. The total contribution for the year ended 31 July 2008 was £3,911,000 of which employer's contributions totalled £2,668,000 and employees' contributions totalled £1,243,000. The latest agreed contribution rates for future years are 13.4% and banded contributions of 5.5% to 7% for employees.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2008	At 31 July 2007
Retiring today		
Males	20.3	19.7
Females	24.0	22.6
Retiring in 20 years		
Males	21.3	22.2
Females	25.0	25.0

FRS 17

This information is based upon a full actuarial valuation of the Fund at 31 March 2007 updated to 31 July 2008 by a qualified independent actuary.

	<u>Year Ended</u> <u>31 July 2008</u>	<u>Year Ended</u> <u>31 July 2007</u>	<u>Year Ended</u> <u>31 July 2006</u>
Actuarial assumptions			
Rate of inflation	3.8%	3.2%	3.0%
Rate of increase in salaries	5.6%	5.0%	4.8%
Rate of increase for pensions	3.8%	3.2%	3.0%
Discount rate for liabilities	5.9%	5.8%	5.1%

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

The assets in the scheme (of which the University's share is estimated at 0.87%) and the expected rates of return were:

	<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>Long term</u> <u>rate of</u> <u>return</u> <u>expected at</u> <u>31 July</u> <u>2008</u>	<u>Value at</u> <u>31 July</u> <u>2008</u> <u>£m</u>	<u>Long term</u> <u>rate of</u> <u>return</u> <u>expected at</u> <u>31 July</u> <u>2007</u>	<u>Value at</u> <u>31 July</u> <u>2007</u> <u>£m</u>	<u>Long term</u> <u>rate of</u> <u>return</u> <u>expected at</u> <u>31 July</u> <u>2006</u>	<u>Value at</u> <u>31 July</u> <u>2006</u> <u>£m</u>
Equities	7.5%	4,911	7.5%	5,620	7.0%	4,773
Government Bonds	4.8%	714	4.9%	608	4.4%	462
Other Bonds	5.9%	332	5.8%	296	5.1%	273
Property	6.5%	332	6.5%	395	6.0%	345
Cash	5.0%	324	5.8%	273	4.5%	404
Other	7.5%	598	7.5%	402	7.0%	254
Total market value of assets		<u>7,211</u>		<u>7,594</u>		<u>6,511</u>

Asset values are bid value for 2008 while prior year figures are reported at mid market value. This adjustment has been made in year as the value is not material (£161,000).

	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2006</u> <u>£'000</u>
University's estimated asset share	65,798	66,388	57,156
Present value of scheme liabilities	(103,885)	(79,947)	(73,417)
Deficit in scheme	<u>(38,087)</u>	<u>(13,559)</u>	<u>(16,261)</u>

	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>
Analysis of the amount charged to the income and expenditure account:		
Employer service cost (net of employee contributions)	(672)	(1,069)
Past service (cost)	(1,161)	(112)
Total operating charge	<u>(1,833)</u>	<u>(1,181)</u>

	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>
Analysis of pension finance (costs)/income:		
Expected return on pension scheme assets	4,734	3,746
Interest on pension liabilities	(4,726)	(3,824)
Pension finance income/(costs)	<u>8</u>	<u>(78)</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>
Amount recognised in the statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	(7,564)	3,423
Prior year adjustment	(161)	-
Experience gains and losses arising on the scheme liabilities	(14,978)	-
Change in financial and demographic assumptions underlying the scheme liabilities	-	538
	<hr/>	<hr/>
Actuarial (loss)/gain recognised in STRGL	(22,703)	3,961

	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>
Movement in deficit in the year:		
Deficit in scheme at 1 August	(13,559)	(16,261)
Movement in year:		
Current service cost	(3,340)	(3,400)
Employer contributions	2,668	2,331
Past service/curtailment (cost)	(1,161)	(112)
Net (loss)/return on assets	8	(78)
Prior year actuarial (loss)	(161)	-
Actuarial (loss)/gain	(22,542)	3,961
	<hr/>	<hr/>
Deficit in scheme at 31 July	(38,087)	(13,559)

Asset and Liability Reconciliation

Reconciliation of Liabilities

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Liabilities at start of period	79,947	73,417
Service cost	3,340	3,400
Interest cost	4,726	3,824
Employee contributions	1,243	1,087
Actuarial loss/(gain)	14,978	(538)
Benefits paid	(1,510)	(1,355)
Past Service cost	1,012	-
Curtailments and settlements	149	112
	<hr/>	<hr/>
Liabilities at end of period	103,885	79,947

Reconciliation of Assets

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Assets at start of period	66,388	57,156
Expected return on assets	4,734	3,746
Actuarial (loss)/gain	(7,725)	3,423
Employer contributions	2,668	2,331
Employee contributions	1,243	1,087
Benefits paid	(1,510)	(1,355)
	<hr/>	<hr/>
Assets at end of period	65,798	66,388

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

History of experience gains and losses

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Difference between the expected and actual return on assets:					
Amount £000	(7,564)	3,423	3,969	5,884	1,034
% of scheme assets	12	5	7	12	3
Experience gains and losses on scheme liabilities:					
Amount £000	(14,978)	-	(1,976)	(1,147)	(947)
% of scheme liabilities	14	-	3	2	2
Total amount recognised in STRGL:					
Amount £000	(22,703)	3,961	(684)	(3,574)	87
% of scheme liabilities	22	5	1	6	-

Total pension cost for the Group

	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>
Contributions to TPS	3,991	3,686
Contributions to WYPF	4,371	3,410
Contributions to USS	233	142
Total pension cost (Note 6)	<u>8,595</u>	<u>7,238</u>

32. POST BALANCE SHEET EVENTS

There have been no post balance sheet events.

33. CAPITAL COMMITMENTS

Group and University

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Commitments contracted for at 31 July	<u>2,419</u>	<u>9,159</u>
Authorised but not contracted by 31 July	<u>-</u>	<u>-</u>

34. FINANCIAL COMMITMENTS

Group and University

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

	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Fixtures, fittings and general equipment		
Expiring within one year	-	66
Expiring between two and five years inclusive	-	-
Expiring in more than five years	-	-
	<u>-</u>	<u>66</u>

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

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>31 July 2008</u> <u>£'000</u>	<u>31 July 2007</u> <u>£'000</u>
Balance at 1 August	28	29
HEFCE grants	839	1,079
Interest earned	8	18
	<hr/>	<hr/>
Disbursed to students	875 (860)	1,126 (1,098)
	<hr/>	<hr/>
Balance unspent at 31 July	<u>15</u>	<u>28</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.

37. TRAINING BURSARIES

	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>
HEFCE, Teacher Training Agency and Yorkshire Forward grants	2,507	2,443
Disbursed to students	(2,507)	(2,443)
	<hr/>	<hr/>
	<u>-</u>	<u>-</u>

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

THE UNIVERSITY OF HUDDERSFIELD
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended 31 July 2008 (continued)

39. AGENCY ARRANGEMENTS

The University receives and disburses funds as an accountable body on behalf of the European Commission and HEFCE.

	<u>Year Ended</u> <u>31 July 2008</u> <u>£'000</u>	<u>Year Ended</u> <u>31 July 2007</u> <u>£'000</u>
HEFCE - Aim Higher	3,738	3,925
Disbursed to the University	(360)	(361)
Disbursed to Partners	(3,378)	(3,564)
	<u>-</u>	<u>-</u>
HEFCE - West Yorkshire Lifelong Learning Network	1,205	120
Disbursed to the University	(553)	(120)
Disbursed to Partners	(652)	-
	<u>-</u>	<u>-</u>
HEFCE - West Yorkshire Knowledge Exchange	298	127
Disbursed to the University	(140)	(106)
Disbursed to Partners	(158)	(21)
	<u>-</u>	<u>-</u>
European Commission - Non Timber Forest Products - Phase 2	292	-
Disbursed to the University	(53)	-
Disbursed to Partners	(239)	-
	<u>-</u>	<u>-</u>

L:\AAFinance\FINAPUB\fnst08(with front sheet).doc