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Report of the Board of Governors

For the Year Ended 31st July 2004

Constitution and Activities

The University is an independent higher education corporation, its legal status and powers having been established by the Education Reform Act 1988 as amended by the Further and Higher Education Act 1992. In accordance with the terms of the Act the Corporation is also a charity. The University exists primarily to provide higher education, to carry out research and to engage with business and industry. There have been no changes in these objectives during the year.

Background and History

The University is a multi-disciplinary higher education institution which is funded by the Higher Education Funding Council for England, (HEFCE). It is active in 15 of the cost centres designated by the Higher Education Statistics Agency, (HESA), with a higher presence in the science and technology subjects than is typical within the sector. There are two main campuses, both located close to the town centre and one which contains over 300 of the University's 700 owned residences. The remaining residences are located on a single site within easy walking distance of both campuses.

Students are drawn predominantly from the local region but there is significant national and international activity. International activity is an increasing element of the business, both taught in Bolton and taught overseas, particularly in the Far East. Part of the distinctiveness of the University arises from that more than half of its students are over the age of 25 and around half are part-time, most of the latter being sponsored by employers. The University's engagement with business and industry, relative to turnover, is high for the sector, particularly in the generation of research income compared with HEFCE research grants. The vast majority of the students study higher level programmes. The educational ethos of the University is very strongly work related and its activities are exceptionally well matched within the sector to the government's key educational priorities.

Just after incorporation in late 1988, the government decided to increase the higher education participation rate and the University's response was a programme of controlled expansion. The completion of this, in the mid to late 1990s, coincided with the cessation of the government's expansion programme and the capping of the higher education student numbers nationally. The University's expansion programme involved the development of an additional 20,000 m² of teaching space and the building of new residences. The capital developments were funded by a combination of leases, borrowing, grant, and surplus cash. More recently, 2001-02, a major refurbishment programme of our campuses commenced.

During the last 4 years the government has again attempted to increase participation in HE, resulting in a relaxation of capping and an increase in the number of funded places. However, this has not been matched by a commensurate increase in demand either locally or nationally, (probably, because many potential students are discouraged by the prospect of incurring heavy personal debt), and has had the unfortunate effect of financially destabilising those institutions most likely to deliver the government's objectives. This problem has been compounded by the government's historical failure to address the funding of escalating staff costs, caused partly by employee expectations relative to the private sector and partly by the effect of the government policy on employer's costs of National Insurance and Superannuation contributions. The Higher Education Act 2004, that has arisen from the national review of funding of HE and student support, does not offer significantly increased levels of funding until 2006-07 and only then by way of institutional top up fees on a phased basis over a three year period.

During the year the academic work of the University was based on 13 academic departments :

- Art & Design
- Business Logistics & Information Systems
- Education
- Management
- Sport & Leisure Tourism Management
- Built Environment
- Computing & Electronic Technology
- Engineering & Safety
- Product Design & Development
- Business Studies
- Cultural & Creative Studies
- Health & Social Studies
- Psychology & Life Studies

Industrial support, consultancy and research activities are delivered through a small number of additional 'enterprise' departments, the most notable of which, having an international reputation, is the Centre for Materials Research and Innovation.

A full range of academic and administrative support services underpinned these activities. Whilst the University operates most of its services internally, the provision of catering, grounds' maintenance, security and internal audit are contracted out.

In July 2003 the University approved a new six-year Strategic Plan which clearly states our position within UK higher education as a ground-breaking and distinctive provider and sets out a number of key strategies for our continued development and prosperity.

Scope of the Financial Statements

For 2003-04 the period of account was 1 August 2003 to 31 July 2004. During this period the University maintained a 100% shareholding in Bolton Institute Enterprises Ltd, a company established for the purpose of commercial exploitation of intellectual property rights and know-how. Bolton Institute Enterprises Ltd has a 50% shareholding in I-Zone Incubation Ltd, a company jointly owned with Campus Ventures Ltd. These financial statements comprise the whole of the activities of the group. Under the terms of the Financial Memoranda between institutions and HEFCE, financial statements are to be prepared in accordance with the Statement of Recommended Practice (SORP) on Accounting for Further and Higher Education Institutions.

Results for the Year

The Group's income, expenditure and results for the period 1 August 2003 to 31 July 2004 is summarised as follows: -

| | £000 |
|--|---------------|
| Income | 33,585 |
| Expenditure | <u>34,214</u> |
| Deficit on continuing operations | (629) |
| Difference between historical costs depreciation charge and actual depreciation charge | 662 |
| Historical cost surplus carried to Income and Expenditure Reserve | <u>33</u> |

Despite the difficulties of under funding within the higher education sector, the University has returned an operating deficit of £629k but a historical surplus of £33k. This is after charging staffing restructuring costs of £278k and an exceptional contribution to the Pension Enhancement Provision of £216k consequent upon its revaluation. Much of the increase in academic fees is as a consequence of higher overseas student numbers taught in Bolton and in their home countries. There has also been a steady increase in the value of enterprise activity, resulting both from an increase in the level of activity and in the price charged, reflecting the University's policy of full cost recovery.

The University has further developed its costing and pricing model and expects to be fully compliant with UK Research Council Requirements by the due date of September 2005. During 2003-04 the model was used for various aspects of pricing and it is pleasing to note the instruction by HM Treasury to Government departments requiring them to pay full economic costs when contracting with HE Institutions. However, despite the requirements by HEFCE for institutions to recover full economic costs when contracting with third parties it is extremely disappointing to note that the Joint Information Systems Committee (JISC), which is partly owned by HEFCE, refuses to accept this principle. Had JISC paid full economic costs for its contracts with the University there would have been an additional £1M of income. HEFCE have undertaken to resolve this issue but they have failed to meet a number of deadlines for so doing.

Capital Projects

The University plans the complete refurbishment of the Deane Campus over the next few years. The programme will reduce overall space owned by the University but that which remains will be lifted to modern, flexible standards and utilisation will be significantly increased. There is also an intention to bring relevant partners on site. The total programme cost is likely to be in the region of £20M and external funding of over £7M has already been confirmed. During 2001-02 new wet laboratories and a student centre were created at a combined cost of over £1.3M. These projects, together with some additional minor works, enabled the evacuation of a 1960s tower which was partially demolished during 2002-03 to make way for a new Design Studio that opened in October 2004. A fully refurbished Main Lecture Theatre and seminar suite also opened in 2004.

At the initial stage in the refurbishment programme only spend on new build was capitalised, all other works being charged directly to the Income and Expenditure Account. The reason for this is that the areas to be refurbished were inherited from Bolton Metropolitan Borough Council and were included in the balance sheet at depreciated replacement value, based on a valuation that took place some 14 years ago. In recognition that this valuation may no longer be accurate it was considered prudent not to increase book values by the capitalisation of refurbishment work until it could be verified. Spend during 2002-03 and 2003-04, which is predominantly new build, has been capitalised. All property has now been revalued as at July 2004 and this has resulted in an increase in book value of around £18M.

Cashflow

The Cash flow Statement for the period indicates a net cash outflow of £506k, but there is an increase in short-term deposits of £935k.

Future Developments

The University is continuing to plan for its estate renewal which will take a number of years to complete. Changes in how and where students are taught, our increasing involvement with the economic regeneration of the sub region and changing property values have caused us to commission a new Estates Strategy for publication during 2004-05. There is also a change in the way that space will be managed in order to drive greater flexibility and utilisation. Like activities are being zoned into shared space with the concept

of 'owned' space being abolished. A model for the costing, pricing and management of these zones is being prepared for implementation in 2004-05

Information on the University's policies on top up fees and bursaries will be available when they have been approved by the Office for Fair Access.

University Status

For a number of years the University has awarded its own taught degrees and in October 1995 the Privy Council extended these powers to include research degrees. According to the last Quality Assurance Agency Bi-Annual Review, there were only ten institutions in the UK that matched the number of teaching quality assessment grade 24s (the highest possible) achieved by the University, and a further three that exceeded them. All of these were pre 1992 research based universities. The University's subject review grades, as determined by the Quality Assurance Agency, continue to demonstrate an institution of excellence.

In April 2004 the Privy Council confirmed that an application to use a university title would be approved. After a statutory consultation process the title of 'The University of Bolton' was submitted for approval and *a response is expected in December 2004*. As a university, Bolton Institute will continue to focus on developing its students in a challenging academic environment that prepares them for real jobs in a real world. University status will strengthen the Institute's reputation in research and development and support Institute plans to expand enterprise activity. It will support the Institute's international standing and help create new partnerships around the world. It also gives official and much deserved recognised for all the hard work of staff and students.

.....
Mrs L Brannan
Acting Chair of the Board

Audit Committee

It is a requirement of funding that the Board maintains an effective Audit Committee. The Committee meets at least three times a year and, among other things, advises the Board on the effectiveness of the University's internal control systems. The majority of the information which is presented to the Audit Committee is derived from reports by the Internal and External Providers. The Committee itself presents an annual report to the Board in which it summarises its activities and expresses an opinion on the effectiveness of the internal controls. The External Auditor is also obliged to produce for the Board and the HEFCE a Management letter which sets out findings and recommendations arising from each year-end audit. The management letter is considered to be a public document and copies can be obtained from :

Colin F Hubbard BA(Econ), CPFA, DMA
Director of Finance and Estates
The University of Bolton
Deane Road
Bolton
BL3 5AB

Members of the Board of Governors
1 August 2003 to 31 July 2004

| Name | Category | Note |
|--------------------|--------------------|--|
| Mrs L Brannan | Independent | Deputy, and Acting, Chair of the Board from January 2005 |
| Prof R Campbell | Academic Board | |
| Mr J Entwistle | Independent | To November 2003 |
| Ms F Hulbert | Statutory Co-opted | |
| Prof I Memon | Independent | Chair of the Board to January 2005 |
| Mr C Minta | Staff Co-opted | To July 2004 |
| Mr A Auchterlounie | Staff Co-opted | From August 2004 |
| Lord Adam Patel | Independent | |
| Mr M Sheen | Independent | Chair of the Audit Committee from November 2004 |
| Dr J Stoddart | Independent | Deputy Chair of the Board to January 2005 |
| Mr W Taylor | Student Co-opted | To July 2004 |
| Ms K Wilkes | Student Co-opted | To July 2005 |
| Mrs M Temple | Vice - Chancellor | |
| Dr B Tomkins | Independent | Acting Deputy Chair of the Board from January 2005 |
| Mr J Waters | Independent | Chair of the Audit Committee to November 2004 |
| Prof B Toft | Independent | From December 2003 |
| Mr D Page | Independent | From December 2004 |

Principal Advisers to the University

Bankers

Co-operative Bank plc, PO Box 101, 1 Balloon Street Manchester, M60 4EP

Solicitors

Cyril Morris Arkwright, Churchgate House, 30 Churchgate, Bolton BL1 1HS
DLA LLP, India Buildings, Water Street, Liverpool, L2 0NH

External Auditors

KPMG LLP, St James Square, Manchester, M2 6DS

Internal Audit

UNIAC, 3rd Floor Suite 2, 90 Deansgate, Manchester, M3 2GP

External Valuers

Eddisons Chartered Surveyors, Oak House, New North Road, Huddersfield, HD1 5LG

Corporate Governance Statement

Statement of Internal Control

- 1 The University is committed to exhibiting best practice in all aspects of corporate governance although this objective was not fully achieved in 2003-04 as detailed in paragraph 7 below. This summary describes the manner in which we have applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.
- 2 The Board of Governors is responsible for the University's system of internal control and for reviewing its effectiveness. The system of internal control is based on an ongoing process designed to identify risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them effectively and economically. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.
- 3 The Board of Governors 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 2004 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board of Governors, but that it does not fully accord with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education or with the essence of HEFCE guidance.
- 4 The following processes have been established :
 - 4.1 The Board of Governors met eight times in the year. At their meetings the Board consider plans and the strategic direction of the University. The March agenda incorporates a half yearly review of the operation of the business including income and expenditure forecasts, projected student numbers, performance against corporate objectives and a review of the key risks.
 - 4.2 The Board of Governors receives reports, including the annual report, from the Audit Committee. Reports are received from managers of key activities and projects. For example in the last year the Board has received reports on the operations of two academic departments, management of debt from overseas teaching operations, the impact of changing taxation laws on subsidiary companies, and progress on costing and pricing of all activities. Implicitly these documents consider risk and internal control.
 - 4.3 The Board of Governors takes responsibility for overseeing risk management, as stated in the Risk Management policy. The Audit Committee report to the Board of Governors on aspects of risk management. The Executive Team takes operational responsibility for risk management within the University.
 - 4.4 The Audit Committee receives an annual report from internal audit on their opinion of the adequacy and effectiveness of the system of internal control. In addition at each Audit Committee meeting internal audit deliver reports on specific areas, along with recommendations for improvement. At each meeting there is an update on risk management and for 2003-04 topics have included an example of the local plan of an academic department and the risk register for a major construction project. The purpose of these was to demonstrate that risk management is embedded at all levels of our planning and operations. The committee also reviewed the University's crisis planning arrangements.
 - 4.5 The University has a Senior Management Group of about 40 individuals that comprises all academic and support managers. An initial facilitated risk management workshop was held with this Group. Following this workshop, a number of mechanisms are in use to identify new risks and to keep the record of risks facing the university up to date.
 - As part of the planning process the risks associated with new initiatives have to be considered and documented. Progress against departmental plans is discussed with Planning Group three or four times a year.
 - The Executive Group regularly reviews the key business risks and their relative priority. After these reviews the priorities are amended to reflect the ongoing nature of the risks. This process is supported by the Planning Officer.
 - The Planning Officer sits on the Executive Group and other key committees and is therefore able to update the risk register where appropriate.
 - New risks, which are not picked up by any of the mechanisms above, are fed to the Planning Officer when they become apparent.
 - 4.6 A risk matrix is required as part of each departmental annual operating statement and for all significant projects. Guidance on how to complete the matrix is circulated to departmental heads. Help is also available from the Planning Officer when identifying risks or completing the risk matrix. As part of the planning process, the Planning Group meet with Heads of Departments to discuss progress and where appropriate these discussions will include risk management. A revised Risk Management Strategy was agreed by the Audit Committee on 13 November 2003. This committee also received a verbal update on the Risk Register on 4 March 2004, and, on 17 June 2004, considered two examples of how the consideration of risk is embedded into operational activities. The Board of Governors reviewed the high level risks on 19 March 2004 and requested that risk should be on their agenda at least twice each year. In addition a governor who is a member of the Audit Committee is a high-level risk management professional. As such the Governors have received an explanation of HEFCE's requirements and the university's response.

Corporate Governance Statement (*continued*)

- 4.7 Risk management reporting to the Board of Governors uses clear risk indicators identifying where :
- Risks are no longer an issue;
 - Risks are under control;
 - Risks are under control and the risk score has reduced; and
 - Where the risk has materialised.
- 4.8 Risk prioritisation is based upon impact and likelihood. Key risks to the university (those with the highest rating) are brought out of the general risk register into a separate section so they can be more easily monitored. The Executive Team is actively involved in risk prioritisation, the information from these discussions being reported to the Board of Governors.
- 4.9 An organisation wide risk register is in place. Documents include institutional Annual Operating Statement risks. Local annual operating statement risks are held within separate documents for clarity. These are available to all staff and governors on the University's intranet
- 4.10 Where appropriate the Board of Governors receives reports on internal control activities through the University's senior management.
- 5 Our review of the effectiveness of the system of internal control is informed by internal audit,(Uniac) which operates to standards defined in the HEFCE Audit Code of Practice. In February 2004 Uniac underwent a provider based review of their services by HEFCEAS. The review concluded that 'we are able to provide our Chief Executive with a high level of assurance concerning Uniac's internal provision to the HEIs they serve'.
- 6 Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the university, who have responsibility for the development and maintenance of the internal control framework, and by comments made by external auditors in their management letter and other reports.
- 7 During August and September 2004 Internal Audit undertook a review of the University's Governance arrangements and concluded that aspects of expectations, roles and responsibilities between the Board and the Executive were ineffective during the year. On 26 November 2004 there was a Board meeting to which the full Executive was invited, and at which the corporate governance issues were fully considered. An action plan for addressing them was agreed and collectively owned by all parties.
- 8 For the reasons given in paragraph 7 above, the University is returning to a partial Corporate Governance Statement for 2003-04.

Responsibilities of the Board of Governors

In accordance with the Education Reform Act 1988 the Board of Governors is responsible for the administration and management of the University's affairs, including an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors 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 Education Reform Act 1988 (as amended by the Further and Higher Education Act 1992), the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant standards. In addition, within the terms and conditions of Financial Memoranda agreed between the Higher Education Funding Council for England and the University's Board of Governors, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the University's state of affairs and of the surplus or deficits and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured 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 Board of Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to :

- ensure that funds from the Higher Education Council for England, and the Learning and Skills Council are used only for the purposes for which they have been given and in accordance with the Financial Memoranda with the relevant Funding Council and any other conditions which the Funding Councils may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economic, efficient and effective management of the University's resources and expenditure.

Report of the Auditors, KPMG LLP to the Members of The University of Bolton

Independent Auditors' report to the Board of Governors of The University of Bolton

We have audited the financial statements on pages 10 to 30 which have been prepared under the historic cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 10 to 11.

This report is made solely to the Board of Governors, 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 Board of Governors 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 Board of Governors, for our audit work, for this report or for opinions we have formed.

Respective responsibilities of the University's Board of Governors and the auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether 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 income has been applied in accordance with Financial Regulations and, where appropriate, with the Financial Memoranda with the Higher Education Funding Council for England, the Teacher Training Agency, and the Learning and Skills Council.

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

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

Basis of our Opinion

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

We planned and performed our audit so as to obtain all the information and explanations 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 :

- ◆ In our opinion the financial statements give a true and fair view of the state of the affairs of the University and the group as at 31 July 2004 and of the deficit of expenditure over income and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions.
- ◆ In all material aspects, income from the Higher Education Funding Council for England, the Teacher Training Agency, and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received.
- ◆ In all material aspects, income during the year ended 31 July 2004 has been applied in accordance with the University's Financial Regulations and, where appropriate, with the financial memoranda (00/25 and 03/54) with the Higher Education Funding Council for England, the funding arrangement with the Teacher Training Agency, and the funding agreement with the Learning and Skills Council

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KPMG LLP
Chartered Accountants, Registered Auditor
27 January 2005

KPMG LLP
St James Square
Manchester
M2 6DS

Statement of Principal Accounting Policies

a) Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and in accordance with both the Statement of Recommended Practice: Accounting: for Further and Higher Education (SORP) and applicable Accounting Standards.

b) Scope of the Accounts

The University has one subsidiary company, Bolton Institute Enterprises Ltd which in turn has an associated company (I-Zone Incubation Ltd.). The losses of these companies are included within 'Other Operating Expenses' in the consolidated Income and Expenditure Account, and are fully consolidated within the Balance Sheet.

c) Tangible Fixed Assets

(i) Land and Buildings

Land and buildings inherited from Bolton MBC and buildings acquired since incorporation are stated in the balance sheet at valuation as at 31 July 2004 on the basis of depreciated replacement cost, with exception of Cubaran House and the I-Zone which were valued on a market value basis because of their potential and actual commercial usage respectively.

The depreciation charged in 2003-04 (Note 13) is based upon the following economic lives : -

| Building | Economic Life (Years) |
|---|------------------------------|
| Chadwick 'C' Block | 6 |
| Eagle Building | 100 |
| Chadwick and Orlando Halls of Residence | 100 |
| All Other Buildings | 31 |

Freehold land is not depreciated. Freehold buildings will be depreciated over their expected useful economic life to the University of up to 50 years. The University has a policy of depreciating major adaptations to buildings over the period of their useful economic life of up to 50 years.

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 life of the related asset on a basis consistent with the depreciation policy.

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

Assets whilst in the course of construction are not depreciated.

(ii) Equipment

On 1 April 1989 the University acquired unrestricted title to all assets then in use. Because accurate inventories were not available valuation of transferred equipment for balance sheet purposes has been agreed with the auditor on the basis of one half of insured value. Purchases greater than £10,000 since 1 April 1989 have been capitalised at purchase price and will be written down over the period indicated as follows : -

| Equipment | Economic Life (Years) |
|--|------------------------------|
| Equipment acquired after 1 August 1998 | 3 |
| Telephone Equipment | 5 |
| Halls of Residence Furniture | 10 |

d) HEFCE Grants

HEFCE grant income is accounted for in accordance with the purpose of the grant. Recurrent and other revenue grants are credited directly to the Income and Expenditure Account. Grants, which are applied to acquire tangible fixed assets, are credited to the Income and Expenditure account over the estimated useful life of the assets. Grants received from HEFCE, which are attributable to future years, are included in creditors as deferred credits.

e) Other Grants

Certain grants are received for specific purposes. Income from continuing research grants and contracts has been included in the financial statements to the extent that it is due.

f) 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 Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within the categories covered by section 505 of the Taxes Act 1988 or section 256 of the Chargeable Gains Act, to the extent that such income or gains are applied exclusively to charitable purposes.

The University receives no such similar exemption in respect of Value Added Tax.

g) Voluntary Severance and Early Retirement Costs.

The University has a voluntary severance and early retirement scheme. Costs are provided for in full from the date applications to the scheme are formally approved.

h) Stocks

The University does not hold any stocks.

i) Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

j) Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased asset at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges, which are amortised over each term to give a constant charge on the remaining balance of the obligations.

k) Foreign Currency

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are transferred to the Income and Expenditure Account.

l) Pension Schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Greater Manchester Pension Fund (GMPF). The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The TPS is valued every five years by the Government Actuary, and the GMPF every three years by the actuaries using the retained age method.

Contributions are paid by the University at the rate specified by the actuary. Pension costs are assessed on the latest actuarial valuation of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employee's services. Variations from regular cost are spread over the expected average remaining lifetime of members of the schemes after making allowances for future withdrawals.

m) Repairs and Maintenance.

In accordance with FRS12 all maintenance costs are charged to the Income and Expenditure account as incurred.

n) Research and Development

Costs of Research and Development are charged to the Income and Expenditure Account in the year in which they are incurred.

**Consolidated Income and Expenditure Account
For the Year ended 31 July 2004**

| | Note | 2003-04 £000 | 2002-03 £000 |
|---|------|-----------------|-----------------|
| Income | | | |
| Funding Council Grants | 1 | 19,569 | 17,692 |
| Academic Fees and Support Grants | 2 | 8,523 | 7,810 |
| Research Grants and Contracts | 3 | 1,452 | 1,224 |
| Other Operating Income | 4 | 3,867 | 3,765 |
| Endowment Income and Interest Receivable | 5 | 174 | 148 |
| Total Income | | <u>33,585</u> | <u>30,639</u> |
| Expenditure | | | |
| Staff Costs | 6 | 20,835 | 18,413 |
| Other Operating Expenses | 9 | 11,501 | 9,841 |
| Depreciation | 13 | 1,048 | 1,044 |
| Interest Payable | 10 | 830 | 881 |
| Total Expenditure | | <u>34,214</u> | <u>30,179</u> |
| (Deficit)/Surplus After Depreciation of Assets at Valuation | | <u>(629)</u> | <u>460</u> |

**Consolidated Statement of Historical Cost Surpluses and Deficits
For the Year Ended 31 July 2004**

| | Note | 2003-04 £000 | 2002-03 £000 |
|--|------|-----------------|-----------------|
| (Deficit)/Surplus After Depreciation of Assets at Valuation | | (629) | 460 |
| Difference between Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount | 24 | 662 | 362 |
| Historical Cost Surplus | | <u>33</u> | <u>822</u> |

The income and expenditure of the Group relates wholly to continuing operations.

**Balance Sheets
As at 31 July 2004**

| | Note | Consolidated 2003-04 £000 | University 2003-04 £000 | Consolidated 2002-03 £000 | University 2002-03 £000 |
|--|------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Fixed Assets | | | | | |
| Tangible Assets | 13 | 52,710 | 52,709 | 27,241 | 27,241 |
| Investments | 14 | <u>1</u> | <u>0</u> | <u>1</u> | <u>0</u> |
| | | 52,711 | 52,709 | 27,242 | 27,241 |
| Endowment Asset Investments | 15 | 101 | 101 | 100 | 100 |
| Current Assets | | | | | |
| Debtors | 16 | 2,827 | 2,810 | 3,151 | 3,143 |
| Investments | 17 | 0 | 0 | 300 | 300 |
| Short Term Deposits | 18 | 4,185 | 4,185 | 3,250 | 3,250 |
| Cash at Bank and in Hand | | <u>150</u> | <u>146</u> | <u>656</u> | <u>654</u> |
| | | 7,162 | 7,141 | 7,357 | 7,347 |
| Creditors: Amounts Falling Due within one Year | 19 | 6,046 | 6,000 | 4,360 | 4,340 |
| Net Current Assets | | <u>1,116</u> | <u>1,141</u> | <u>2,997</u> | <u>3,007</u> |
| Total Assets Less Current Liabilities | | <u>53,928</u> | <u>53,951</u> | <u>30,339</u> | <u>30,348</u> |
| Creditors: Amounts Falling Due after more than one Year | 20 | 8,212 | 8,212 | 8,364 | 8,364 |
| Provisions for Liabilities and Charges | 21 | 2,242 | 2,242 | 2,029 | 2,029 |
| Total Net Assets | | <u>43,474</u> | <u>43,497</u> | <u>19,946</u> | <u>19,955</u> |
| Represented by: | | | | | |
| Deferred Capital Grants | 22 | 9,038 | 9,038 | 5,451 | 5,451 |
| Endowments | | | | | |
| Specific | 23 | 101 | 101 | 100 | 100 |
| Reserves | | | | | |
| Revaluation Reserve | 24 | 29,626 | 29,626 | 9,719 | 9,719 |
| Income and Expenditure Account | 25 | <u>4,709</u> | <u>4,732</u> | <u>4,676</u> | <u>4,685</u> |
| Total Reserves | | 34,335 | 34,358 | 14,395 | 14,404 |
| Total Funds | | <u>43,474</u> | <u>43,497</u> | <u>19,946</u> | <u>19,955</u> |

The financial statements on pages 10 to 30 were approved by the Governors on 27th January 2005, and signed on its behalf by :

Mrs L Brannan, Acting Chair of the Board of Governors

Mrs M Temple, Vice – Chancellor

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**Consolidated Cash Flow Statement
For the Year Ended 31 July 2004**

| | Note | 2003-04 £000 | 2002-03 £000 |
|--|------|-----------------|-----------------|
| Net Cash Inflow from Operating Activities | 28 | 2,866 | 1,078 |
| Returns on Investments and Servicing of Finance | 29 | (655) | (731) |
| Capital Expenditure and Financial Investment | 30 | (1,659) | (193) |
| Cash Inflow before use of Liquid Resources & Financing | | 552 | 154 |
| Management of Liquid Resources (Short-term Deposits) | 32 | (935) | 696 |
| Financing | 31 | (123) | (121) |
| (Decrease)/Increase in Cash | 32 | (506) | 729 |

Reconciliation of Net Cash Flow to Movement in Net Debt

| | Note | 2003-04 £000 | 2002-03 £000 |
|--|------|-----------------|-----------------|
| (Decrease)/Increase in Cash in the Period | | (506) | 729 |
| Increase/(Decrease) in Short Term Deposits | 32 | 935 | (696) |
| Repayment of Debt | 31 | 123 | 121 |
| Change in Net Debt | | 552 | 154 |
| Net Debt at 1st August | | (4,583) | (4,737) |
| Net Debt at 31st July | 32 | (4,031) | (4,583) |

**Statement of Consolidated Total Recognised Gains and Losses
For the Year Ended 31 July 2004**

| | Note | 2003-04 £000 | 2002-03 £000 |
|---|------|-----------------|-----------------|
| (Deficit)/Surplus after Depreciation of Assets at Valuation and Tax | | (629) | 460 |
| Revaluation of Property | 24 | 20,569 | 0 |
| Endowment Income | 23 | 1 | 2 |
| Total Recognised Gains relating to the Year | | 19,941 | 462 |
| Reconciliation | | | |
| Opening Reserves and Endowments | | 14,495 | 14,033 |
| Total Recognised Gains relating to the Year | | 19,941 | 462 |
| Closing Reserves and Endowments | | 34,436 | 14,495 |

Notes to the Accounts

1. Funding Council Grants

| | 2003-04 | | | Total £000 | 2002-03 Total £000 |
|---|---------------|-------------|-------------|---------------|--------------------------|
| | HEFCE £000 | LSC £000 | TTA £000 | | |
| Recurrent Grant | | | | | |
| Teaching | 14,439 | 341 | 0 | 14,780 | 15,364 |
| Research | 226 | 0 | 0 | 226 | 242 |
| Widening Access | 1,820 | 0 | 0 | 1,820 | 315 |
| Total Recurrent Grants | 16,485 | 341 | 0 | 16,826 | 15,921 |
| Specific Grants | | | | | |
| Rewarding and Developing Staff | 472 | 0 | 0 | 472 | 284 |
| Restructuring and Collaboration - Strategic | 73 | 0 | 0 | 73 | 508 |
| HE Reach Out to Business and the Community Fund | 93 | 0 | 0 | 93 | 150 |
| HE Innovations Fund | 243 | 0 | 0 | 243 | 41 |
| Widening Participation | 171 | 0 | 0 | 171 | 45 |
| Poor Estates | 15 | 0 | 0 | 15 | 219 |
| Project Capital | 578 | 0 | 0 | 578 | 0 |
| Restructuring and Collaboration | 76 | 0 | 0 | 76 | 36 |
| Science Research Investment Fund | 4 | 0 | 0 | 4 | 0 |
| Other | 616 | 2 | 74 | 692 | 269 |
| Total Specific Grants | 2,341 | 2 | 74 | 2,417 | 1,552 |
| Releases of Deferred Capital Grants (Note 22) | 326 | 0 | 0 | 326 | 219 |
| | 19,152 | 343 | 74 | 19,569 | 17,692 |

2. Academic Fees and Support Grants

| | 2003-04 £000 | 2002-03 £000 |
|--|-----------------|-----------------|
| Fees paid by or on behalf of individual students | | |
| UK Higher Education Students | 3,334 | 3,257 |
| European Union (excluding UK) Students | 121 | 144 |
| Non-EU Students | 2,799 | 2,278 |
| UK Further Education Students | 178 | 196 |
| Part-time Fees | 1,659 | 1,537 |
| Other Fees and Grants | 66 | 59 |
| Total fees paid by or on behalf of individual students | 8,157 | 7,471 |
| NHS Contracts | 366 | 339 |
| Total Fees | 8,523 | 7,810 |

Notes to the Accounts

| 3. Research Grants and Contracts | 2003-04 | 2002-03 |
|---|----------------|----------------|
| | £000 | £000 |
| Research Councils | 170 | 74 |
| UK Based Charities | 21 | 30 |
| EU Government Bodies | 136 | 40 |
| Other Grants and Contracts | 1,120 | 1,075 |
| Releases from Deferred Grants (Note 22) | 5 | 5 |
| | <u>1,452</u> | <u>1,224</u> |

| 4. Other Operating Income | 2003-04 | 2002-03 |
|---|----------------|----------------|
| | £000 | £000 |
| Residences, Catering and Conferences | 1,480 | 1,384 |
| Other Income Generating Activities | 1,766 | 1,702 |
| Releases from Deferred Capital Grants (Note 22) | 72 | 101 |
| EU Government Bodies | 218 | 208 |
| Other Income | 331 | 370 |
| | <u>3,867</u> | <u>3,765</u> |

| 5. Endowment Income and Interest Receivable | 2003-04 | 2002-03 |
|--|----------------|----------------|
| | £000 | £000 |
| Income from Short Term Investments | <u>174</u> | <u>148</u> |

Notes to the Accounts

6. Staff Costs

| | 2003-04 £000 | 2002-03 £000 |
|---|-----------------|-----------------|
| Staff Costs: | | |
| Wages & Salaries | 16,827 | 15,465 |
| Social Security Costs | 1,341 | 1,143 |
| Other Pension Costs (Note 33) | 2,036 | 1,520 |
| | <u>20,204</u> | <u>18,128</u> |
| Contribution to Pension Provision (Note 21) | 353 | 155 |
| Restructuring Costs | 278 | 130 |
| | <u>20,835</u> | <u>18,413</u> |

The average pay award during 2003-04 for academic and support staff was 3.44% (2002-03, 3.4%); and, 3.77% (2002-03, 3.5%) for, locally reviewed, management salaries.

Analysis of Staff by Major Category

| | 2003-04 | | 2002-03 | |
|------------------------------|---------------|------------|---------------|------------|
| | £000 | FTE | £000 | FTE |
| Academic | 10,478 | 307 | 9,086 | 276 |
| Support | 7,279 | 329 | 6,565 | 320 |
| Locally Reviewed, Management | 2,447 | 44 | 2,477 | 47 |
| | <u>20,204</u> | <u>680</u> | <u>18,128</u> | <u>643</u> |

7. Higher Paid Staff Emoluments.

The number of staff, including the principal, who received emoluments, including pension contributions, in the following ranges was :

| | No. | No. |
|---------------------|----------|----------|
| £70,000 - £79,999 | 1 | 2 |
| £80,000 - £109,999 | 0 | 0 |
| £110,000 - £119,999 | 1 | 1 |
| | <u>2</u> | <u>3</u> |

The emoluments of the higher paid staff include contributions to the Teachers' Pension Scheme, paid at the same rates as for other academic staff.

No compensation was paid for loss of office in respect of higher paid staff during the year.

8. Emoluments of the Principal

| | 2003-04 £ | 2002-03 £ |
|---|----------------|----------------|
| Salary | 104,700 | 100,500 |
| Benefits in Kind (Medical Insurance) | 700 | 600 |
| Employer's Pension Contribution to Teachers' Pension Scheme | 14,100 | 10,100 |
| Total Emoluments | <u>119,500</u> | <u>111,200</u> |

The Governors' Remuneration Committee approved an increase in the Principal's salary from £101,000 pa to £105,000 pa effective from 1 September 2003.

The pension contributions in respect of the Principal are employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other academic staff.

Notes to the Accounts

| 9. Other Operating Expenses | 2003-04 | 2002-03 |
|--|---------------|--------------|
| | £000 | £000 |
| Residences, Catering and Conference Operating Expenses | 695 | 568 |
| Consumables and Laboratory Expenditure | 436 | 488 |
| Books and Periodicals | 542 | 493 |
| Equipment | 890 | 791 |
| Travel and Conference Expenses | 509 | 455 |
| Advertising | 791 | 586 |
| Studentships | 501 | 376 |
| Heat, Light, Water and Power | 383 | 324 |
| Repairs and General Maintenance | 455 | 212 |
| Refurbishment | 763 | 793 |
| Non-contracted Staff | 328 | 439 |
| Grants to Bolton Institute Students Union | 246 | 257 |
| Franchising | 821 | 496 |
| Payments to Partners | 883 | 750 |
| Rents | 9 | 7 |
| External Auditor's Remuneration | 25 | 26 |
| External Auditor's Remuneration for Non-audit work | 44 | 19 |
| Internal Auditor's Remuneration | 51 | 36 |
| Equipment Operating Lease Rentals | 7 | 47 |
| Other Expenses | 3,122 | 2,678 |
| | <u>11,501</u> | <u>9,841</u> |

| 10. Interest Payable | 2003-04 | 2002-03 |
|--|------------|------------|
| | £000 | £000 |
| Loans not wholly repayable within five years | 40 | 44 |
| Finance Leases | 790 | 837 |
| | <u>830</u> | <u>881</u> |

Notes to the Accounts

11. Analysis of 2003/04 Expenditure by Activity

| | Staff Costs £000 | Operating Expenses £000 | 2003-04 Dep'n £000 | Interest Payable £000 | 2002-03 Total £000 | Total £000 |
|--|------------------------|-------------------------------|--------------------------|-----------------------------|--------------------------|---------------|
| Academic Departments | 12,856 | 2,766 | 87 | 0 | 15,709 | 13,472 |
| Academic Services | 1,154 | 715 | 82 | 0 | 1,951 | 2,204 |
| Administration and Central Services | 3,644 | 3,335 | 42 | 0 | 7,021 | 6,306 |
| Premises | 993 | 2,418 | 755 | 40 | 4,206 | 3,711 |
| Residences and Catering | 156 | 695 | 71 | 790 | 1,712 | 1,682 |
| Research Grants and Contracts | 498 | 786 | 11 | 0 | 1,295 | 1,120 |
| Other Expenditure | 1,534 | 786 | 0 | 0 | 2,320 | 1,684 |
| Total per Income and Expenditure Account | <u>20,835</u> | <u>11,501</u> | <u>1,048</u> | <u>830</u> | <u>34,214</u> | <u>30,179</u> |

The depreciation charge has been funded by:

| | | |
|--|--------------|--------------|
| Deferred Capital Grants Released (Note 22) | 403 | 210 |
| Revaluation Reserve Released (Note 24) | 362 | 362 |
| General Income | 283 | 472 |
| | <u>1,048</u> | <u>1,044</u> |

12. (Deficit)/Surplus on Continuing Operations for the Year

The (deficit)/surplus on continuing operations for the year is made up as follows:

| | 2003-04 £000 | 2002-03 £000 |
|--|-----------------|-----------------|
| University's (deficit)/surplus for the year | (629) | 460 |
| Surplus generated by subsidiary undertakings and transferred to the University under Gift Aid | 0 | 0 |
| Total | <u>(629)</u> | <u>460</u> |

Notes to the Accounts

13. Tangible Assets

| | Group and University | | | | Total £000 |
|---|---|---------------------------------------|-------------------|-----------------------------|---------------|
| | Land & Buildings Freehold £000 | Land & Buildings Leased £000 | Equipment £000 | Leased Equipment £000 | |
| Valuation or Cost | | | | | |
| At 1st August 2003 - Valuation | 14,617 | 0 | 0 | 0 | 14,617 |
| - Cost | 11,638 | 7,514 | 11,355 | 599 | 31,106 |
| At 1st August 2003 | <u>26,255</u> | <u>7,514</u> | <u>11,355</u> | <u>599</u> | <u>45,723</u> |
| Disposals | (279) | 0 | 0 | 0 | (279) |
| Additions at Cost | 204 | 0 | 744 | 0 | 948 |
| Building in the Course of Construction | 5,000 | 0 | 0 | 0 | 5,000 |
| Revaluation of Land and Buildings (Note 24) | 6,672 | 6,686 | 0 | 0 | 13,358 |
| | <u>11,597</u> | <u>6,686</u> | <u>744</u> | <u>0</u> | <u>19,027</u> |
| At 31 July 2004 | <u>37,852</u> | <u>14,200</u> | <u>12,099</u> | <u>599</u> | <u>64,750</u> |
| Depreciation | | | | | |
| At 1st August 2003 - Valuation | 5,224 | 0 | 0 | 0 | 5,224 |
| - Cost | 992 | 702 | 10,965 | 599 | 13,258 |
| At 1st August 2003 | <u>6,216</u> | <u>702</u> | <u>10,965</u> | <u>599</u> | <u>18,482</u> |
| Disposals | (279) | 0 | 0 | 0 | (279) |
| Charge for year - Valuation | 362 | 0 | 0 | 0 | 362 |
| Charge for year - Cost | 140 | 70 | 476 | 0 | 686 |
| | <u>223</u> | <u>70</u> | <u>476</u> | <u>0</u> | <u>769</u> |
| Transfer to Revaluation Reserve (Note 24) | (6,439) | (772) | 0 | 0 | (7,211) |
| At 31st July 2004 - Valuation | <u>0</u> | <u>0</u> | <u>11,441</u> | <u>599</u> | <u>12,040</u> |
| Net Book Value | | | | | |
| At 31st July 2004 | <u>37,852</u> | <u>14,200</u> | <u>658</u> | <u>0</u> | <u>52,710</u> |
| At 1st August 2003 | <u>20,039</u> | <u>6,812</u> | <u>390</u> | <u>0</u> | <u>27,241</u> |
| Inherited | 9,389 | 0 | 0 | 0 | 9,389 |
| Financed by Capital Grant | 8,616 | 0 | 422 | 0 | 9,038 |
| Finance Lease | 0 | 6,742 | 0 | 0 | 6,742 |
| Other | 19,847 | 7,458 | 236 | 0 | 27,541 |
| Net Book Value at 31st July 2004 | <u>37,852</u> | <u>14,200</u> | <u>658</u> | <u>0</u> | <u>52,710</u> |

Under the requirements of FRS15 a valuation of all the University's Land and Buildings was carried out in accordance with the RICS Appraisal and Valuation Manual on 31st July 2004 by the University's External Valuer :

Eddisons Chartered Surveyors
Oak House
New North Road
Huddersfield
HD1 5LG

Notes to the Accounts

The valuation was made upon the basis of depreciated replacement cost for all land and buildings with the exceptions of Cubaran House and the I-Zone which were based on market values (£750,000 and £150,000 respectively).

Land and Buildings with a net book value of £22,500,000 and cost of £14,207,000 have been funded from Treasury sources: should these particular buildings be sold, the University would have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memoranda with the Higher Education Funding Council.

Included within land and buildings is land valued at £4,780,000 (freehold) and £1,350,000 (leased) which is not depreciated.

Notes to the Accounts

14. Investments

The University owns 100 £1 Ordinary Shares in Bolton Institute Enterprises Ltd, a wholly owned subsidiary of the University. Bolton Institute Enterprises Ltd holds 30,000 £1 Ordinary shares, valued at £1,456, in c-Lect medical Ltd; and 1 £1 Ordinary Share in I-Zone Incubation Ltd. I-Zone Incubation Ltd was incorporated and started trading on 4th October 2002 to develop intellectual property and manage the I-Zone building. The investment in I-Zone Incubation Ltd represented 50% of its issued capital, with the other 50% being held by Campus Ventures Ltd. However, since the University did not have control of I-Zone Incubation Ltd, it was treated as an associate, and its results to 31st July 2004 were consolidated with the University's at the 24% share of its equity. On 12th January 2005 I-Zone Incubation Ltd was declared insolvent as a consequence of the insolvency of Campus Ventures Ltd.

15. Endowment Asset Investments

| | Consolidated 2003-04 £000 | University 2003-04 £000 | Consolidated 2002-03 £000 | University 2002-03 £000 |
|-----------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Balance at 1st August | 100 | 100 | 98 | 98 |
| Movement | 1 | 1 | 2 | 2 |
| Balance at 31st July | <u>101</u> | <u>101</u> | <u>100</u> | <u>100</u> |
| Represented by: | | | | |
| Short Term Deposits | <u>101</u> | <u>101</u> | <u>100</u> | <u>100</u> |

16. Debtors

| | Consolidated 2003-04 £000 | University 2003-04 £000 | Consolidated 2002-03 £000 | University 2002-03 £000 |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Debtors | 1,709 | 1,709 | 1,871 | 1,871 |
| Prepayments | 534 | 517 | 515 | 507 |
| Government Grant | 386 | 386 | 590 | 590 |
| VAT | 52 | 52 | 0 | 0 |
| BISU Loan, principal repayable within one year | 81 | 81 | 65 | 65 |
| Amounts falling due within one year | <u>2,762</u> | <u>2,745</u> | <u>3,041</u> | <u>3,033</u> |
| BISU Loan | <u>65</u> | <u>65</u> | <u>110</u> | <u>110</u> |
| | <u>2,827</u> | <u>2,810</u> | <u>3,151</u> | <u>3,143</u> |

17. Investments

| | Consolidated 2003-04 £000 | University 2003-04 £000 | Consolidated 2002-03 £000 | University 2002-03 £000 |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Surplus properties held for future sale | | | | |
| Balance at 1st August | 300 | 300 | 300 | 300 |
| Disposals | (300) | (300) | 0 | 0 |
| Balance at 31st July | <u>0</u> | <u>0</u> | <u>300</u> | <u>300</u> |

18. Short Term Deposits

In accordance with the policy of the Board all surplus cash is invested on the sterling money market via the University's own banker. No other investments are permitted.

Notes to the Accounts

19. Creditors: Amounts Falling Due Within One Year

| | Consolidated 2003-04 £000 | University 2003-04 £000 | Consolidated 2002-03 £000 | University 2002-03 £000 |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Mortgages and Unsecured Loans (Note 26) | 50 | 50 | 50 | 50 |
| Obligations Under Finance Leases (Note 26) | 104 | 104 | 75 | 75 |
| Payments Received on Account | 529 | 529 | 508 | 508 |
| Creditors | 2,661 | 2,615 | 1,605 | 1,585 |
| Social Security and Other Taxation Payable | 744 | 744 | 681 | 681 |
| Accruals and Deferred Income | 63 | 63 | 97 | 97 |
| Government Grants | 1,895 | 1,895 | 1,344 | 1,344 |
| | <u>6,046</u> | <u>6,000</u> | <u>4,360</u> | <u>4,340</u> |

20. Creditors: Amounts Falling Due After More Than One Year

| | Consolidated 2003-04 £000 | University 2003-04 £000 | Consolidated 2002-03 £000 | University 2002-03 £000 |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Mortgages secured on residential and other properties repayable by 2009 | 425 | 425 | 475 | 475 |
| Obligations under Finance Leases (Note 26) | 7,787 | 7,787 | 7,889 | 7,889 |
| | <u>8,212</u> | <u>8,212</u> | <u>8,364</u> | <u>8,364</u> |

The mortgage is a secured loan upon Chadwick Campus, repayable by equal instalments of principal of £50,000 pa, and at an effective annual interest rate of 7¼%.

The leases are repayable by rentals (covering principal and interest), and both expire in June 2018.

The rentals on the Hollins residence escalate at 3% pa; the effective annual interest rate is 11¼%.

The rentals on Orlando residence are variable, based on the 3 month London Inter Bank Offered Rate (LIBOR).

21. Provision for Liabilities and Charges

| | Consolidated 2003-04 £000 | University 2003-04 £000 | Consolidated 2002-03 £000 | University 2002-03 £000 |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Pension Enhancement: | | | | |
| Balance at 1st August | 2,029 | 2,029 | 2,012 | 2,012 |
| Utilised in Year | (140) | (140) | (138) | (138) |
| Transfer from Income and Expenditure Account | 353 | 353 | 155 | 155 |
| Balance at 31st July | <u>2,242</u> | <u>2,242</u> | <u>2,029</u> | <u>2,029</u> |

The Pension Enhancement Provision was revalued as at 31st July 2004, £216,000 required to top-up the provision has been charged to the Income and Expenditure Account under Staff Costs.

Notes to the Accounts

22. Deferred Capital Grants

| | Group and University | | |
|---|----------------------|---------------|---------------|
| | HEFCE £000 | Other £000 | Total £000 |
| Balance at 1st August | | | |
| Buildings | 3,836 | 1,355 | 5,191 |
| Equipment | 254 | 6 | 260 |
| | <u>4,090</u> | <u>1,361</u> | <u>5,451</u> |
| Cash Received | | | |
| Buildings | 2,149 | 1,369 | 3,518 |
| Equipment | 428 | 44 | 472 |
| | <u>2,577</u> | <u>1,413</u> | <u>3,990</u> |
| Released to Income and Expenditure - Depreciation | | | |
| Buildings (Notes 1, 3 & 4) | 36 | 57 | 93 |
| Equipment (Notes 1, 3 & 4) | 290 | 20 | 310 |
| Total (Note11) | <u>326</u> | <u>77</u> | <u>403</u> |
| Balance at 31st July | | | |
| Buildings | 5,949 | 2,667 | 8,616 |
| Equipment | 392 | 30 | 422 |
| Total | <u>6,341</u> | <u>2,697</u> | <u>9,038</u> |

23. Specific Endowments

| | Group and University | |
|----------------------------------|----------------------|-----------------|
| | 2003-04 £000 | 2002-03 £000 |
| Balance at 1st August | 100 | 98 |
| Income for the year | 1 | 2 |
| Balance at 31st July | <u>101</u> | <u>100</u> |
| Represented by: | | |
| Fellowship and Scholarship Funds | 34 | 34 |
| Prize Funds | 42 | 41 |
| Other Funds | 25 | 25 |
| | <u>101</u> | <u>100</u> |

24. Revaluation Reserve

| | Group and University | |
|---------------------------------------|----------------------|-----------------|
| | 2003-04 £000 | 2002-03 £000 |
| Balance at 1st August | 9,719 | 10,081 |
| Released in Year (Depreciation) | (362) | (362) |
| Realised in Year (upon Disposal) | (300) | 0 |
| Revaluation of Fixed Assets (Note 13) | 20,569 | 0 |
| Balance at 31st July | <u>29,626</u> | <u>9,719</u> |

Notes to the Accounts

| 25. Income and Expenditure Account | Consolidated 2003-04 £000 | University 2003-04 £000 | Consolidated 2002-03 £000 | University 2002-03 £000 |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| (Deficit)/Surplus after Depreciation of Assets at Valuation | (629) | (615) | 460 | 469 |
| Release from Revaluation Reserve (Note 24) | 662 | 662 | 362 | 362 |
| Historical Cost Surplus after Tax. | 33 | 47 | 822 | 831 |
| Balance at 1st August | 4,676 | 4,685 | 3,854 | 3,854 |
| Balance at 31st July | 4,709 | 4,732 | 4,676 | 4,685 |

| 26. Financing Obligations | Group and University | | | |
|--|-------------------------|--------------------------|--------------------------|--------------------------|
| | Loan 2003-04 £000 | Lease 2003-04 £000 | Total 2003-04 £000 | Total 2002-03 £000 |
| Financing Obligations fall due as follows: | | | | |
| Between two and five years | 200 | 897 | 1,097 | 905 |
| Over five years | 225 | 6,890 | 7,115 | 7,459 |
| Total over one year (Note 20) | 425 | 7,787 | 8,212 | 8,364 |
| Within one year (Note 19) | 50 | 104 | 154 | 125 |
| | 475 | 7,891 | 8,366 | 8,489 |
| Payments for capital and interest due within one year* | 86 | 885 | 971 | 994 |

*Rentals due on Orlando Residences Lease are geared to 3 month LIBOR, the amount included here is based upon the assumption that this rate remains at that prevailing as at 31st July 2004.

| 27. Capital Commitments | Group and University | |
|--|----------------------|-----------------|
| | 2003-04 £000 | 2002-03 £000 |
| Committed contracts at 31st July | 432 | 586 |
| Authorised but not contracted at 31st July | 1,925 | 606 |
| | 2,357 | 1,192 |

| 28. Reconciliation of Consolidated Operating Deficit/Surplus to Net Cash from Operating Activities | 2003-04 £000 | 2002-03 £000 |
|--|-----------------|-----------------|
| (Deficit)/Surplus before tax | (629) | 460 |
| Depreciation (Note 13) | 1,048 | 1,044 |
| Deferred capital Grants Released to Income (Note 22) | (403) | (325) |
| Investment income (Note 5) | (174) | (148) |
| Interest Payable (Note 10) | 830 | 881 |
| Decrease/(Increase) in Debtors | 324 | (659) |
| Increase/(Decrease) in Creditors | 1,657 | (192) |
| Increase in Provisions | 213 | 17 |
| Net Cash Inflow from Operating Activities | 2,866 | 1,078 |

Notes to the Accounts

29. Returns on Investments and Servicing of Finance

| | 2003-04 £000 | 2002-03 £000 |
|---|-----------------|-----------------|
| Income from Endowments (Note 23) | 1 | 2 |
| Income from Short Term Investments (Note 5) | 174 | 148 |
| Interest Paid (Note 10) | (40) | (44) |
| Leasing Finance Charge (Note 32) | (790) | (837) |
| | <u>(655)</u> | <u>(731)</u> |

30. Capital Expenditure and Financial Investment

| | 2003-04 £000 | 2002-03 £000 |
|--|-----------------|-----------------|
| Tangible Assets Acquired (other than leased equipment) (Note 13) | (5,948) | (1,644) |
| Endowment Asset Investments Acquired (Note 15) | (1) | (2) |
| Total Fixed and Endowment Asset Investments Acquired | <u>(5,949)</u> | <u>(1,646)</u> |
| Receipts from the sale of assets | 300 | 0 |
| Deferred Capital Grants Received (Note 22) | 3,990 | 1,453 |
| | <u>(1,659)</u> | <u>(193)</u> |

31. Analysis of Changes in Consolidated Financing During the Year

| | Mortgages & Loans £000 | Finance Leases £000 | Total £000 |
|----------------------------|------------------------------|---------------------------|---------------|
| Balance at 1st August 2002 | 575 | 8,035 | 8,610 |
| Capital Repayments | (50) | (71) | (121) |
| Balance at 31st July 2003 | <u>525</u> | <u>7,964</u> | <u>8,489</u> |
| Capital Repayments | (50) | (73) | (123) |
| Balance at 31st July 2004 | <u>475</u> | <u>7,891</u> | <u>8,366</u> |

32. Analysis of Changes in Net Debt

| | At 1 August 2003 £000 | Cash Flows £000 | Other Changes £000 | At 31 July 2004 £000 |
|--------------------------|--------------------------------|-----------------------|--------------------------|-------------------------------|
| Cash at Bank and in hand | 656 | (506) | 0 | 150 |
| Short Term deposits | 3,250 | 935 | 0 | 4,185 |
| Debt due within one year | (125) | 123 | (152) | (154) |
| Debt due after one year | (8,364) | 790 | (638) | (8,212) |
| | <u>(4,583)</u> | <u>1,342</u> | <u>(790)</u> | <u>(4,031)</u> |

Notes to the Accounts

33. Pension Schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), for academic staff and the Greater Manchester Pension Fund (GMPF) for those staff not included as academic. Details on each scheme and the assumptions, plus other data that have the most significant effect on the determination on the contribution level are as follows :

Teachers' Pension Scheme (TPS)

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

The contributions payable by the University during the accounting period were equal to 9.1% of total pensionable salaries, amounting to £1,243,000 (£852,000 2002-03). This contribution rate has remained at 13.5% for the year of account. The pensions charge recorded by the University during the accounting period was equal to the contributions payable.

FRS17

The TPS is a multi-employer scheme where the share of the 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 FRS17. This will include the additional 5.15% contribution payable from April 2003 to make up the deficiency in funding level disclosed above.

TPS

| | |
|---|----------------------|
| Latest actuarial valuations | 31st March 2001 |
| Actuarial method | Prospective Benefits |
| Gross Rate of returns per annum | 7.0% |
| Real Earnings growth per annum | 1.5% |
| Real Rate of Return in excess of Prices per annum | 3.5% |
| Market values of assets at date of last valuation | £102,010 million |
| Proportion of members accrued benefits covered by the actuarial value of the assets | 100.0% |

The funding of the scheme is such that the employer's contribution has risen from 8.3% in 2001-02, to 13.5% from 1st April 2003.

Greater Manchester Pension Fund (GMPF)

The University participates in the GMPF, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the University.

The University paid contributions averaging 13.2%, amounting to £793,000 (£668,000 2002-03) for the accounting period as recommended by the actuary. Surpluses and deficits are spread over employees' future service lives, and the pension charge recorded by the University during the accounting period was equal to the contributions payable. The contribution rate rose in April 2004 from 12.9% to 13.9%.

FRS17

The University participates in the GMPF, a defined benefit scheme operating in the UK.

Under the transitional requirements of FRS17 the University is required to disclose further information on its share of assets and liabilities of the GMPF on an FRS17 market value basis at the end of the accounting period.

Whilst the Actuary is in the middle of the 2004 valuation exercise, the results are not yet available (although early indications are to expect a minimum 1% annual increase throughout the valuation period beginning April 2005).

Accordingly the University's FRS17 valuation as at 31st July 2004 has been based on rolling forward the data from the full fund actuarial valuation carried out at 31st March 2001 by a qualified independent actuary. The main assumptions used by the actuary were :

Major Actuarial Assumptions

| | 2003-04 | 2002-03 | 2001-02 |
|------------------------------|----------------|----------------|----------------|
| Rate of Increase in Pensions | 2.9% | 2.6% | 2.4% |
| Rate of Increase in Salaries | 4.4% | 4.1% | 3.9% |
| Discount Rate | 5.8% | 5.5% | 6.0% |
| Inflation Assumption | 2.9% | 2.6% | 2.4% |

Notes to the Accounts

33. Pension Schemes (continued)

The assets in the scheme and the expected rate return were :

Scheme Assets

| | Long term Return | | Long term Return | | Long term Return | |
|----------|------------------|---------------|------------------|---------------|------------------|---------------|
| | Expected | Value at | Expected | Value at | Expected | Value at |
| | 2003-04 | 2003-04 | 2002-03 | 2002-03 | 2001-02 | 2001-02 |
| | % | £000 | % | £000 | % | £000 |
| Equities | 7.9% | 11,980 | 8.0% | 10,455 | 8.0% | 8,725 |
| Bonds | 5.4% | 2,913 | 5.0% | 2,183 | 5.5% | 2,497 |
| Property | 6.7% | 1,769 | 6.0% | 1,501 | 6.0% | 1,245 |
| Cash | 4.5% | 1,028 | 3.5% | 1,009 | 4.0% | 883 |
| | | <u>17,690</u> | | <u>15,148</u> | | <u>13,350</u> |

The following amounts at 31st July were measured in accordance with the requirements of FRS17 :

Deficit in Scheme - Net Pension Liability

| | 2003-04 | 2002-03 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Total market value of assets | 17,690 | 15,148 |
| Present value of scheme liabilities | <u>(22,232)</u> | <u>(20,036)</u> |
| Deficit in Scheme - Net Pension Liability | <u>(4,542)</u> | <u>(4,888)</u> |

If the above amounts had been recognised in the financial statements, the University's Net Assets and General Reserve as at 31st July would be :

Recognition of Amounts

| | 2003-04 | 2002-03 |
|--|----------------|----------------|
| | £000 | £000 |
| Net Assets excluding pension liability | 43,474 | 19,946 |
| Pension Liability | <u>(4,542)</u> | <u>(4,888)</u> |
| Net assets including pension liability | <u>38,932</u> | <u>15,058</u> |
| General Reserve excluding Pension Liability | 4,709 | 4,676 |
| Pension Liability | <u>(4,542)</u> | <u>(4,888)</u> |
| General Reserve including Pension Liability | <u>167</u> | <u>(212)</u> |

Notes to the Accounts

33. Pension Schemes (continued)

Additionally, if the pension costs had been recognised in accordance with FRS17, the following components of the pensions charge would have been recognised in the Income and Expenditure Account and the Statement of Recognised Gains and Losses for the year ended 31st July 2004.

Analysis of Amounts Charged to Income and Expenditure Account

| | 2003-04 £000 | 2002-03 £000 |
|--|---------------------|-------------------|
| Current Service Cost | 998 | 713 |
| Past Service Cost | <u>0</u> | <u>76</u> |
| | 998 | 789 |
| Financing - Expected return on Scheme Assets | (1,105) | (967) |
| - Interest on Expected return on Scheme Liabilities | <u>1,132</u> | <u>938</u> |
| - Net Return | 27 | (29) |
| Total Amounts Charged to Income and Expenditure Account | <u>1,025</u> | <u>760</u> |

Analysis of Amounts Recognised in Statement of Total Recognised Gains and Losses

| | 2003-04 £000 | 2002-03 £000 |
|---|-------------------|-----------------------|
| Actual Return less Expected Return on Pension scheme Assets | 579 | 18 |
| Experience Gains and Losses arising on Scheme Liabilities | 2 | (153) |
| Changes in Assumptions Underlying the Present Value | | |
| - of Scheme Liabilities | (30) | (2,729) |
| Total Actuarial Gain Recognised | <u>551</u> | <u>(2,864)</u> |

The total, the movement in the University's share of the scheme's deficit during the year, is made up as follows :

Movement in the University's Share of the Scheme's Surplus/(Deficit)

| | 2003-04 £000 | 2002-03 £000 |
|---|-----------------------|-----------------------|
| Deficit on Scheme at August 1st | (4,888) | (1,956) |
| Movement in Year | | |
| Current Service Cost | (998) | (713) |
| Contributions | 814 | 692 |
| Contributions in respect of Unfunded Benefits | 7 | 0 |
| Past Service Costs | 0 | (76) |
| Other Finance Income | (28) | 29 |
| Actuarial Gain | <u>551</u> | <u>(2,864)</u> |
| Movement in Year | 346 | (2,932) |
| Deficit on Scheme at July 31st | <u>(4,542)</u> | <u>(4,888)</u> |

Notes to the Accounts

34. Access Funds and Mature Bursaries

| | Access £000 | 2003-04 Bursaries £000 | Total £000 | 2002-03 Total £000 |
|-----------------------|----------------|------------------------------|---------------|--------------------------|
| Balance at 1st August | 18 | 6 | 24 | 213 |
| Funding Council Grant | 544 | 68 | 612 | 739 |
| Interest Earned | 1 | - | 1 | 4 |
| | <u>545</u> | <u>68</u> | <u>613</u> | <u>743</u> |
| Disbursed to students | (526) | (63) | (589) | (914) |
| Audit Fees | (1) | - | (1) | (1) |
| Administration Costs | (11) | - | (11) | (17) |
| | <u>(538)</u> | <u>(63)</u> | <u>(601)</u> | <u>(932)</u> |
| Balance at 31st July | <u>25</u> | <u>11</u> | <u>36</u> | <u>24</u> |

Funding Council grants are available solely for students: the University acts as paying agents. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

35. Other Funds for which the University acts as Paying Agent

Group and University

| | 2003-04 £000 | 2002-03 £000 |
|---------------------------|-----------------|-----------------|
| Balance at 1st August | 129 | 111 |
| Funds Received in Year | 2,124 | 2,116 |
| Disbursements in the Year | (1,926) | (2,091) |
| Administration Costs | (42) | (7) |
| | <u>(1,968)</u> | <u>(2,098)</u> |
| Balance at 31st July | <u>285</u> | <u>129</u> |

The University acts as paying agent for bursaries under the Postgraduate Certificate in Education, and Sure Start schemes.

36. Related Party Transactions

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

The University maintains a Register of Interest and if a potential conflict of interest arises, the member of the Board would withdraw from a meeting of the Board of Governors.

The University has taken advantage of the exemption under FRS8 'Related Party Transactions' not to disclose transactions with group companies which are eliminated on consolidation.

37. Post Balance Sheet Events

See Note 14 regarding the insolvency of I-Zone Incubation Ltd.

If the University was to fail to find another partner to replace Campus Ventures Ltd, then there is a risk that the ownership of the I-Zone building would pass to the North West Development Agency. The risk of this is considered low.

Trust Fund Balances
As at 31st July 2004

Trust Funds

The University administers the following Trust Funds, but they do not form part of the University's Accounts.

| | 2003-04 | 2002-03 |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| Ryder Brothers "Beehive" Prize Fund | 1,212 | 1,195 |
| Samuel Crompton Prize Fund | 13,868 | 13,076 |
| BIHE Mechanical Engineering Fund | 968 | 955 |
| William McKinlay Prize Fund | 473 | 467 |
| J T Fielding Scholarship | 782 | 771 |
| Sydney Bannister Memorial Fund | 1,282 | 1,264 |
| F C Openshaw Memorial Fund | 16,827 | 17,140 |
| C H Booth Legacy | 528 | 521 |
| Mike Avis Prize Fund | 805 | 991 |
| Tom Garwood Prize Fund | 0 | 71 |
| Janis Williamson Prize Fund | 646 | 736 |
| Bob Williamson Prize Fund | 406 | 0 |
| | <u>37,797</u> | <u>37,187</u> |

I have examined the transactions of the above trust funds and certify that the balances as at 31st July 2004 are as stated.

.....
KPMG LLP

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27th January 2005