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Report of the Board of Governors

For the Year Ended 31st July 2005

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 the fact 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 expansion was accommodated by a number of capital developments which were funded by a combination of leases, borrowing, grant, and surplus cash. More recently a major programme commenced that will fully refurbish the entire estate.

During the last few 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 employers' 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. It is possible that the introduction of top up fees will further destabilise the sector.

During the year the academic work of the University was based on 12 academic departments :

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

Industrial support, consultancy and research activities are delivered through a small number of additional 'enterprise' departments. The two most notable of these are CMRI, (the Centre for Materials Research and Innovation), and e-Lab which, amongst other things, manages CETIS, (the Centre for Educational Technology Interoperability Standards) and represents UK Higher and Further Education on international educational standards initiatives. Both of these have international reputations.

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.

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 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 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. A new plan is currently under development for commencement in 2006-07.

Scope of the Financial Statements

For 2004-05 the period of account was 1 August 2004 to 31 July 2005. 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; and also took up a 24.9% holding in Auxetic Technologies Ltd. These financial statements comprise the whole of the activities of the group. Under the terms of the Financial Memorandum 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 2004 to 31 July 2005 is summarised as follows: -

	£000
Income	35,895
Expenditure	<u>38,844</u>
Deficit on continuing operations	(2,949)
University's share of associated companies trading losses	(9)
Difference between historical costs depreciation charge and actual depreciation charge	1,036
Historical cost deficit carried to Income and Expenditure Reserve	<u>(1,922)</u>

The group has returned an operating deficit of £2,958k and a historical deficit of £1,922k. This is after charging staffing restructuring costs of £976k, a depreciation increase of £1,429k from the previous year, which is principally due to a revaluation of the estate in the summer of 2004, and an impairment write down of £346k on a newly refurbished building. Without these three exceptional items of which only the first involves the movement of cash, there would have been an operating deficit of £207k. There has been an increase in teaching grants of over £1m and an increase in academic fees of £630k, the latter mainly 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.

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, refused to accept this principle during 2004-05. Had JISC paid full economic costs for its contracts with the University there would have been an additional £1m of income.

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. The total programme cost is likely to be in the region of £30m and external funding of over £13.7m has already been generated. 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, and in 2005 two high profile landscaping projects were completed. During 2005-06 a fully refurbished two storey building will be released providing offices for central services and flexible teaching space.

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 have been 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, 2003-04 and 2004-05, which was predominantly new build was capitalised. All property was 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 inflow of £178k, but there is a decrease in short-term deposits of £1,501k, which is principally due to continuing investment in the estate.

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 2005-06. 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.

Information on the University's policies on top up fees and bursaries is available on our web site. Broadly, full time home fees will be charged at the rate of £3,000 although bursaries and scholarships will be available to many of these students to a maximum of £1,000 (base price 2004-05).

University Title

In April 2004 the Privy Council confirmed that an application to use a University title would be approved and after a statutory consultation process the title of 'The University of Bolton' was submitted for approval, confirmation being received on 27 January 2005. As a University we continue to focus on developing our students in a challenging academic environment that prepares them for real jobs in a real world. University status has strengthened our reputation in research and development and supports our plans to expand enterprise activity. It also supports our international standing and will help to create new partnerships around the world. The Board of Governors recognises the hard work of staff and students but most particularly congratulates Mrs Temple for her tireless determination and tenacity in achieving this much deserved outcome.

Vice Chancellor

The University has appointed Dr George Holmes to the post of Vice Chancellor (designate) and, from 1 January 2006, the Accounting Officer, in anticipation of him taking over from its first Vice Chancellor, Mollie Temple, when she retires in March 2006. Dr Holmes was previously the Principal and Chief Executive of Doncaster College and University Centre. He was also Chief Executive of the Doncaster Education City Project, a bid to give the town its own University by 2010. Prior to joining Doncaster College four years ago, Dr Holmes was Deputy Vice Chancellor at The University of North London. He is warmly welcomed by the Board.

Mollie Temple

The Board takes this opportunity to record its thanks to the Vice Chancellor, Mrs Mollie Temple, for her seven years of service and dedication to the institution. Mrs Temple has managed the University with great care during a period of significant change within both the University and the higher education sector.

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Mrs L Brannan
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 2004 to 31 July 2005

Name	Category	Note
Mrs L Brannan	Independent	Chair of the Board from January 2005
Dr B Tomkins	Independent	Deputy Chair of the Board from January 2005
Mr E Henshaw	Independent	From February 2005
Mr A Horne	Independent	From February 2005
Mrs S Kay	Independent	From May 2005
Prof I Memon	Independent	Chair of the Board to January 2005
Ms M Neville-Rolfe	Independent	From February 2005
Mr D Page	Independent	From December 2004 Chair of Employment and Finance Committee
Lord A Patel	Independent	To March 2005
Mr R Ruia	Independent	From April 2005
Mr M Sheen	Independent	Chair of Audit Committee
Dr J Stoddart	Independent	To January 2005
Prof B Toft	Independent	To March 2005
Mr J Waters	Independent	To November 2004
Mrs M Temple	Vice Chancellor	
Ms F Hulbert	Statutory Co-opted	
Dr A Auchterlounie	Academic Co-opted	
Mrs S Ward	Support Staff Co-opted	From March 2005
Prof R Campbell	Academic Board	
Prof S Stern-Gillet	Academic Board	From February 2005
Mr H Litchfield	Students' Union President	From July 2005
Ms K Wilkes	Student Co-opted	To June 2005
Mr K Gregory	Student Member	From June 2005

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 2004-05 as detailed in paragraph 8 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 2005 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 Board of Governors meets at least six times a year and has the following committees :
 - Employment and Finance
 - Nominations
 - Remuneration, and
 - Audit
5. All of these committees are formally constituted with terms of reference. They comprise mainly lay members of the Governing Body, one of whom is the Chair. The Remuneration Committee determines the remuneration of the most senior staff, including the Vice Chancellor.
6. The following processes have been established :
 - 6.1. The Board of Governors met nine 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.
 - 6.2. In addition to the above meetings the Board members underwent two training days in 2004-05, (6 April and 13 July), and a further session on 18 October 2005. Topics covered included roles and responsibilities, strategic planning, CUC Guide, effectiveness reviews and risk management.
 - 6.3. 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 Investors in People post recognition review, future estates strategy, financial strategy, QAA major subject review, health and safety, business forecasts and TRAC costing. Implicitly these documents consider risk and internal control.
 - 6.4. The Board of Governors takes responsibility for overseeing risk management, as stated in the Risk Management policy. The Audit Committee reports to the Board of Governors on aspects of risk management. The Executive Team takes operational responsibility for risk management within the University.
 - 6.5. The Audit Committee met five times in the year, with the University's external and internal auditors in attendance. Two of these considered specific reports on risk management. The Committee considers detailed reports together with recommendations for improvements of the University's systems of internal control and management's responses and implementation plans. 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 and once a year the Committee meets the External and Internal Auditors on their own for independent discussions. Risk management is now a standing item on every agenda.
 - 6.6. The University has a Senior Management Group of about 40 individuals that comprises all academic and support managers. These people are responsible for ensuring that risk management is embedded within all of the University's activities. 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.

Corporate Governance Statement (*continued*)

- 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.
- 6.7. 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.
- 6.8. 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.
- 6.9. 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.
- In the latter case the report includes an action plan for managing the risk.
7. 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'.
8. A review of the University's Governance arrangements was conducted by internal audit in 2004 which concluded that certain aspects of expectations, roles and responsibilities between the Board and the Executive were ineffective during 2003-04. An action plan for addressing the issues was agreed and collectively owned by all parties and significant progress in its implementation was made during 2004-05, the only remaining issue being the appointment of a permanent Clerk to the Governors and University Secretary. In its annual opinion for 2004-05 internal audit concluded that by the year end the University's risk management, corporate governance and internal control environment were all operating effectively.
9. Because the governance arrangements were not fully effective for the whole of 2004-05, the process having started in November 2004, the University does not meet the terms of the Combined Code and is continuing to make a partial Corporate Governance Statement. However, for 2005-06 it is anticipated that there will be a return to a full statement.

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 Memorandum 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 Memorandum 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 hec

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

We have audited the financial statements on pages 10 to 32 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 12.

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 Memorandum with the Higher Education Funding Council for England, and with the funding agreement with the Training Development 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 :

- ◆ 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 2005 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 respects, income from the Higher Education Funding Council for England, the Training Development 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 respects, income during the year ended 31 July 2005 has been applied in accordance with the University's Financial Regulations and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England, the funding agreement with the Training Development Agency, and the funding agreement with the Learning and Skills Council

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KPMG LLP
Chartered Accountants, Registered Auditor
30 November 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.); and an associated company (Auxetic Technologies Ltd). The results of these companies are included within 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 building which were valued on a market value basis because of their potential and actual commercial usage respectively.

The depreciation charged in 2004-05 (Note 13) is based upon the following economic lives : -

Building	Economic Life (Years)
Deane Block A	33
Deane Block B	33
Deane Block C	33
Deane Block D	33
Deane Block E	50
Deane Block F	33
Deane Block G	33
Deane Block H	38
Deane Block M	33
Eagle Block S	40
Eagle Block T	15
Eagle Block Z	25
Eagle Block 15	20
Chadwick Block A	20
Chadwick Block C	10
Chadwick Block E	20
Chadwick Block F	20
Chadwick Block G	20
Chadwick Block H	20
Chadwick and Orlando Halls of Residence	38
I-Zone Building	38
Cubaran House	5
Derby Street	1
Landscaping	40

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.

Statement of Principal Accounting Policies (Continued)

(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, this has now been fully depreciated. 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) Restructuring and Early Retirement Costs.

The University has a voluntary restructuring 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.

Statement of Principal Accounting Policies (Continued)

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.

The University's provision for enhancing pensions is revalued every 3 years; it was last revalued 31 July 2004.

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 2005**

	Note	2004-05 £000	2003-04 £000
Income			
Funding Council Grants	1	20,798	19,569
Academic Fees and Support Grants	2	9,153	8,523
Research Grants and Contracts	3	1,734	1,452
Other Operating Income	4	3,993	3,867
Endowment Income and Interest Receivable	5	217	174
Total Income		<u>35,895</u>	<u>33,585</u>
Expenditure			
Staff Costs	6	21,790	20,557
Staff Costs -Restructuring Scheme	6	976	278
Other Operating Expenses	9	12,770	11,501
Depreciation	13	2,477	1,048
Interest Payable	10	831	830
Total Expenditure		<u>38,844</u>	<u>34,214</u>
(Deficit) After Depreciation of Assets at Valuation		<u>(2,949)</u>	<u>(629)</u>
University's share of (Losses) from Trading Associates		(9)	0
Group (Deficit) After Depreciation of Assets at Valuation		<u>(2,958)</u>	<u>(629)</u>

**Consolidated Statement of Historical Cost Deficits and Surpluses
For the Year Ended 31 July 2005**

	Note	2004-05 £000	2003-04 £000
(Deficit) After Depreciation of Assets at Valuation		(2,958)	(629)
Difference between Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	24	1,036	662
Historical Cost (Deficit)/Surplus		<u>(1,922)</u>	<u>33</u>

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

**Balance Sheets
As at 31 July 2005**

	Note	Consolidated 2004-05 £000	University 2004-05 £000	Consolidated 2003-04 £000	University 2003-04 £000
Fixed Assets					
Tangible Assets	13	52,705	52,705	52,710	52,709
Investments	14	<u>16</u>	<u>0</u>	<u>1</u>	<u>0</u>
		52,721	52,705	52,711	52,709
Endowment Asset Investments	15	103	103	101	101
Current Assets					
Debtors	16	2,478	2,479	2,827	2,810
Investments	17	0	0	0	0
Short Term Deposits	18	2,684	2,684	4,185	4,185
Cash at Bank and in Hand		<u>328</u>	<u>328</u>	<u>150</u>	<u>146</u>
		5,490	5,491	7,162	7,141
Creditors: Amounts Falling Due within one Year	19	5,744	5,744	6,046	6,000
Net Current (Liabilities)/Assets		<u>(254)</u>	<u>(253)</u>	<u>1,116</u>	<u>1,141</u>
Total Assets Less Current Liabilities		<u>52,570</u>	<u>52,555</u>	<u>53,928</u>	<u>53,951</u>
Creditors: Amounts Falling Due after more than one Year	20	8,009	8,009	8,212	8,212
Provisions for Liabilities and Charges	21	2,590	2,590	2,242	2,242
Total Net Assets		<u>41,971</u>	<u>41,956</u>	<u>43,474</u>	<u>43,497</u>
Represented by:					
Deferred Capital Grants	22	10,180	10,180	9,038	9,038
Endowments					
Specific	23	103	103	101	101
Reserves					
Revaluation Reserve	24	28,901	28,901	29,626	29,626
Income and Expenditure Account	25	<u>2,787</u>	<u>2,772</u>	<u>4,709</u>	<u>4,732</u>
Total Reserves		31,688	31,673	34,335	34,358
Total Funds		<u>41,971</u>	<u>41,956</u>	<u>43,474</u>	<u>43,497</u>

The financial statements on pages 10 to 32 were approved by the Governors on 30th November 2005, and signed on its behalf by :

Mrs L Brannan, Chair of the Board of Governors

Mrs M Temple, Vice Chancellor

**Consolidated Cash Flow Statement
For the Year Ended 31 July 2005**

	Note	2004-05 £000	2003-04 £000
Net Cash (Outflow)/Inflow from Operating Activities	28	0	2,866
Returns on Investments and Servicing of Finance	29	(612)	(655)
Capital Expenditure and Financial Investment	30	(554)	(1,659)
Cash (Outflow)/Inflow before use of Liquid Resources & Financing		<u>(1,166)</u>	<u>552</u>
Management of Liquid Resources (Short-term Deposits)	32	1,501	(935)
Financing	31	(157)	(123)
Increase/(Decrease) in Cash	32	<u>178</u>	<u>(506)</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	2004-05 £000	2003-04 £000
Increase/(Decrease) in Cash in the Period		178	(506)
(Decrease)/Increase in Short Term Deposits	32	(1,501)	935
Repayment of Debt	31	157	123
Change in Net Debt		<u>(1,166)</u>	<u>552</u>
Net Debt at 1st August		(4,031)	(4,583)
Net Debt at 31st July	32	<u>(5,197)</u>	<u>(4,031)</u>

**Statement of Consolidated Total Recognised Gains and Losses
For the Year Ended 31 July 2005**

	Note	2004-05 £000	2003-04 £000
(Deficit) after Depreciation of Assets at Valuation and Tax		(2,958)	(629)
Revaluation of Property	24	311	20,569
Endowment Income	23	2	1
Total Recognised (Losses)/Gains relating to the Year		<u>(2,645)</u>	<u>19,941</u>
Reconciliation			
Opening Reserves and Endowments		34,436	14,495
Total Recognised (Losses)/Gains relating to the Year		<u>(2,645)</u>	<u>19,941</u>
Closing Reserves and Endowments		<u>31,791</u>	<u>34,436</u>

Notes to the Accounts

1. Funding Council Grants

	2004-05			Total £000	2003-04 Total £000
	HEFCE £000	LSC £000	TDA £000		
Recurrent Grant					
Teaching	16,507	270	0	16,777	15,252
Research	163	0	0	163	226
Widening Access	1,535	0	0	1,535	1,820
Total Recurrent Grants	18,205	270	0	18,475	17,298
Specific Grants					
Foundation Degree Development	99	0	0	99	0
Knowledge Transfer Capability	155	0	0	155	0
Restructuring and Collaboration - Strategic	100	0	0	100	73
HE Reach Out to Business and the Community Fund	0	0	0	0	93
HE Innovations Fund	206	0	0	206	243
Widening Participation	0	0	0	0	171
Poor Estates	44	0	0	44	15
Project Capital	506	0	0	506	578
Restructuring and Collaboration	0	0	0	0	76
Science Research Investment Fund	97	0	0	97	4
Other	249	0	71	320	692
Total Specific Grants	1,456	0	71	1,527	1,945
Releases of Deferred Capital Grants (Note 22)	796	0	0	796	326
	20,457	270	71	20,798	19,569

2. Academic Fees and Support Grants

	2004-05 £000	2003-04 £000
Fees paid by or on behalf of individual students		
UK Higher Education Students	3,270	3,334
European Union (excluding UK) Students	97	121
Non-EU Students	3,357	2,799
UK Further Education Students	153	178
Part-time Fees	1,841	1,659
Other Fees and Grants	69	66
Total fees paid by or on behalf of individual students	8,787	8,157
NHS Contracts	366	366
Total Fees	9,153	8,523

Notes to the Accounts

3. Research Grants and Contracts

	2004-05 £000	2003-04 £000
Research Councils	223	170
UK Based Charities	41	21
EU Government Bodies	252	136
Other Grants and Contracts	1,218	1,120
Releases from Deferred Grants (Note 22)	0	5
	<u>1,734</u>	<u>1,452</u>

4. Other Operating Income

	2004-05 £000	2003-04 £000
Residences, Catering and Conferences	1,549	1,480
Other Income Generating Activities	1,532	1,766
Releases from Deferred Capital Grants (Note 22)	33	72
EU Government Bodies	407	218
Other Income	472	331
	<u>3,993</u>	<u>3,867</u>

5. Endowment Income and Interest Receivable

	2004-05 £000	2003-04 £000
Income from Short Term Investments	<u>217</u>	<u>174</u>

Notes to the Accounts

6. Staff Costs

	2004-05 £000	2003-04 £000
Staff Costs:		
Wages & Salaries	17,841	16,827
Social Security Costs	1,430	1,341
Other Pension Costs (Note 33)	2,198	2,036
	<u>21,469</u>	<u>20,204</u>
Contribution to Pension Provision (Note 21)	321	353
Restructuring Costs - Enhanced Pensions (Note 21)	169	0
Restructuring Costs - Cash	807	278
	<u>22,766</u>	<u>20,835</u>

The average pay award during 2004-05 for academic and support staff was 3.0% (2003-04, 3.44%); and, 4.78% (2003-04, 3.77%) for, locally reviewed, management salaries.

Analysis of Staff by Major Category

	2004-05		2003-04	
	£000	FTE	£000	FTE
Academic	10,712	307	10,478	307
Support	7,835	344	7,504	334
Locally Reviewed, Management	2,922	49	2,222	39
	<u>21,469</u>	<u>700</u>	<u>20,204</u>	<u>680</u>

7. Higher Paid Staff Emoluments.

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

	2004-05 No.	2003-04 No.
£70,000 - £79,999	4	1
£80,000 - £99,999	1	0
£100,000 - £109,999	0	0
£110,000 - £119,999	0	1
£120,000 ~ £169,999	1	0
	<u>6</u>	<u>2</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 Vice Chancellor

	2004-05 £	2003-04 £
Salary	133,000	104,700
Performance Bonus	10,000	0
Benefits in Kind (Medical Insurance)	800	700
Employer's Pension Contribution to Teachers' Pension Scheme	18,000	14,100
Total Emoluments	<u>161,800</u>	<u>119,500</u>

The Governors' Remuneration Committee, during 2004-05, has approved the Vice Chancellor's remuneration package in respect of pay awards dating from September 2003 and September 2004.

The pension contributions in respect of the Vice Chancellor 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	2004-05	2003-04
	£000	£000
Residences, Catering and Conference Operating Expenses	845	695
Consumables and Laboratory Expenditure	467	436
Books and Periodicals	542	542
Equipment	537	890
Travel and Conference Expenses	548	509
Advertising	896	791
Studentships	605	501
Heat, Light, Water and Power	448	383
Repairs and General Maintenance	459	455
Refurbishment	784	763
Revaluation of Design Centre (Notes 13 and 24)	347	0
Non-contracted Staff	404	328
Grants to Bolton University Students Union	305	246
Franchising	1,066	821
Payments to Partners	885	883
Rents	9	9
External Auditor's Remuneration	34	25
External Auditor's Remuneration for Non-audit work	42	44
Internal Auditor's Remuneration	35	51
Equipment Operating Lease Rentals	22	7
Other Expenses	3,490	3,122
	<u>12,770</u>	<u>11,501</u>

10. Interest Payable	2004-05	2003-04
	£000	£000
Loans not wholly repayable within five years	36	40
Finance Leases	795	790
	<u>831</u>	<u>830</u>

Notes to the Accounts

11. Analysis of 2004/05 Expenditure by Activity

	Staff Costs £000	Operating Expenses £000	2004-05 Dep'n £000	Interest Payable £000	Total £000	2003-04 Total £000
Academic Departments	13,571	2,815	48	0	16,434	15,709
Academic Services	1,136	684	160	0	1,980	1,951
Administration and Central Services	3,832	3,914	49	0	7,795	7,021
Premises	1,131	2,770	1,882	36	5,819	4,206
Residences and Catering	175	845	338	795	2,153	1,712
Research Grants and Contracts	586	961	0	0	1,547	1,295
Other Expenditure	2,335	781	0	0	3,116	2,320
Total per Income and Expenditure Account	<u>22,766</u>	<u>12,770</u>	<u>2,477</u>	<u>831</u>	<u>38,844</u>	<u>34,214</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 22)	829	403
Revaluation Reserve Released (Note 24)	1,036	362
General Income	612	283
	<u>2,477</u>	<u>1,048</u>

12. (Deficit) on Continuing Operations for the Year

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

	2004-05 £000	2003-04 £000
Group's (deficit) for the year	(2,958)	(629)
Surplus generated by subsidiary undertakings and transferred to the University under Gift Aid	0	0
Total	<u>(2,958)</u>	<u>(629)</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 2004 - Valuation	21,289	6,686	0	0	27,975
- Cost	16,563	7,514	12,099	599	36,775
At 1st August 2004	<u>37,852</u>	<u>14,200</u>	<u>12,099</u>	<u>599</u>	<u>64,750</u>
Reclassify	(26)	0	26	0	0
Written Out on Liquidation of Subsidiary	0	0	(1)	0	(1)
Additions at Cost	751	0	662	0	1,413
Building in the Course of Construction	1,096	0	0	0	1,096
Revaluation of Land and Buildings (Note 24)	139	0	0	0	139
Revaluation of Design Centre	(175)	0	0	0	(175)
	<u>1,785</u>	<u>0</u>	<u>687</u>	<u>0</u>	<u>2,472</u>
At 31 July 2005	<u>39,637</u>	<u>14,200</u>	<u>12,786</u>	<u>599</u>	<u>67,222</u>
Depreciation					
At 1st August 2004 - Valuation	0	0	0	0	0
- Cost	0	0	11,441	599	12,040
At 1st August 2004 - Valuation	<u>0</u>	<u>0</u>	<u>11,441</u>	<u>599</u>	<u>12,040</u>
Charge for year - Valuation	840	172	0	0	1,012
Charge for year - Cost	650	166	649	0	1,465
	<u>1,490</u>	<u>338</u>	<u>649</u>	<u>0</u>	<u>2,477</u>
At 31st July 2005 - Valuation	<u>1,490</u>	<u>338</u>	<u>12,090</u>	<u>599</u>	<u>14,517</u>
Net Book Value					
At 31st July 2005	<u>38,147</u>	<u>13,862</u>	<u>696</u>	<u>0</u>	<u>52,705</u>
At 1st August 2004	<u>37,852</u>	<u>14,200</u>	<u>658</u>	<u>0</u>	<u>52,710</u>
Financed by Capital Grant	9,536	0	644	0	10,180
Finance Lease	0	7,784	0	0	7,784
Other	28,611	6,078	52	0	34,741
Net Book Value at 31st July 2005	<u>38,147</u>	<u>13,862</u>	<u>696</u>	<u>0</u>	<u>52,705</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 building which were based on market values (£750,000 and £150,000 respectively).

The 31 July 2004 valuation of the land and buildings comprising the Design Centre was less than the cost of works, the shortfall amounting to £347,000 not covered by the Revaluation Reserve has been written off to the Income and Expenditure Account.

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 Memorandum 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; and 25% of Auxetic Technologies Ltd.

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, and it has now been written out of the consolidated accounts. Auxetic Technologies Ltd was set up in October 2004 to develop some of the University's intellectual property. The investment being 25% of its issued capital (with the remainder being held by Rising Stars Growth Fund 45%; the founders 25%, and others 5%). Since the University does not have control of Auxetic Technologies Ltd, it has been treated as an associate, and its results to 31st July 2005 have consolidated with the University's at the 25% share of its equity. Goodwill arising upon consolidation of the accounts (£24,193) has been fully written out to the Income and Expenditure account.

15. Endowment Asset Investments

	Consolidated 2004-05 £000	University 2004-05 £000	Consolidated 2003-04 £000	University 2003-04 £000
Balance at 1st August	101	101	100	100
Movement	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>
Balance at 31st July	<u>103</u>	<u>103</u>	<u>101</u>	<u>101</u>
Represented by:				
Short Term Deposits	<u>103</u>	<u>103</u>	<u>101</u>	<u>101</u>

16. Debtors

	Consolidated 2004-05 £000	University 2004-05 £000	Consolidated 2003-04 £000	University 2003-04 £000
Debtors	1,566	1,566	1,709	1,709
Prepayments	205	206	534	517
Government Grant	643	643	386	386
VAT	0	0	52	52
BISU Loan, principal repayable within one year	<u>64</u>	<u>64</u>	<u>81</u>	<u>81</u>
Amounts falling due within one year	<u>2,478</u>	<u>2,479</u>	<u>2,762</u>	<u>2,745</u>
BISU Loan	<u>0</u>	<u>0</u>	<u>65</u>	<u>65</u>
	<u>2,478</u>	<u>2,479</u>	<u>2,827</u>	<u>2,810</u>

17. Investments

	Consolidated 2004-05 £000	University 2004-05 £000	Consolidated 2003-04 £000	University 2003-04 £000
Surplus properties held for future sale				
Balance at 1st August	0	0	300	300
Disposals	<u>0</u>	<u>0</u>	<u>(300)</u>	<u>(300)</u>
Balance at 31st July	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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 2004-05 £000	University 2004-05 £000	Consolidated 2003-04 £000	University 2003-04 £000
Mortgages and Unsecured Loans (Note 26)	50	50	50	50
Obligations Under Finance Leases (Note 26)	150	150	104	104
Payments Received on Account	1,000	1,000	529	529
Creditors	2,241	2,241	2,661	2,615
Social Security and Other Taxation Payable	835	835	744	744
Accruals and Deferred Income	63	63	63	63
Government Grants	1,405	1,405	1,895	1,895
	<u>5,744</u>	<u>5,744</u>	<u>6,046</u>	<u>6,000</u>

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

	Consolidated 2004-05 £000	University 2004-05 £000	Consolidated 2003-04 £000	University 2003-04 £000
Mortgages secured on residential and other properties repayable by 2010	375	375	425	425
Obligations under Finance Leases (Note 26)	7,634	7,634	7,787	7,787
	<u>8,009</u>	<u>8,009</u>	<u>8,212</u>	<u>8,212</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 2004-05 £000	University 2004-05 £000	Consolidated 2003-04 £000	University 2003-04 £000
Pension Enhancement:				
Balance at 1st August	2,242	2,242	2,029	2,029
Utilised in Year	(142)	(142)	(140)	(140)
Transfer from Income and Expenditure Account	490	490	353	353
Balance at 31st July	<u>2,590</u>	<u>2,590</u>	<u>2,242</u>	<u>2,242</u>

Notes to the Accounts

22. Deferred Capital Grants

	Group and University		
	HEFCE £000	Other £000	Total £000
Balance at 1st August			
Buildings	5,949	2,667	8,616
Equipment	392	30	422
	<u>6,341</u>	<u>2,697</u>	<u>9,038</u>
Cash Received and Receivable			
Buildings	1,209	0	1,209
Equipment	762	0	762
	<u>1,971</u>	<u>0</u>	<u>1,971</u>
Released to Income and Expenditure - Depreciation			
Buildings (Notes 1, 3 & 4)	256	33	289
Equipment (Notes 1, 3 & 4)	540	0	540
Total (Note11)	<u>796</u>	<u>33</u>	<u>829</u>
Balance at 31st July			
Buildings	6,902	2,634	9,536
Equipment	614	30	644
Total	<u>7,516</u>	<u>2,664</u>	<u>10,180</u>

23. Specific Endowments

	Group and University	
	2004-05 £000	2003-04 £000
Balance at 1st August	101	100
Income for the year	2	1
Balance at 31st July	<u>103</u>	<u>101</u>
Represented by:		
Fellowship and Scholarship Funds	34	34
Prize Funds	44	42
Other Funds	25	25
	<u>103</u>	<u>101</u>

24. Revaluation Reserve

	Group and University	
	2004-05 £000	2003-04 £000
Balance at 1st August	29,626	9,719
Released in Year (Depreciation)	(1,036)	(362)
Realised in Year (upon Disposal)	0	(300)
Revaluation of Fixed Assets (Note 13)	139	20,569
Revaluation of Design Centre	172	0
Balance at 31st July	<u>28,901</u>	<u>29,626</u>

Notes to the Accounts

25. Income and Expenditure Account	Consolidated	University	Consolidated	University
	2004-05 £000	2004-05 £000	2003-04 £000	2003-04 £000
(Deficit) after Depreciation of Assets at Valuation	(2,958)	(2,996)	(629)	(615)
Release from Revaluation Reserve (Note 24)	1,036	1,036	662	662
Historical Cost (Deficit)/Surplus after Tax.	<u>(1,922)</u>	<u>(1,960)</u>	<u>33</u>	<u>47</u>
Balance at 1st August	4,709	4,732	4,676	4,685
Balance at 31st July	<u>2,787</u>	<u>2,772</u>	<u>4,709</u>	<u>4,732</u>

26. Financing Obligations	Group and University			
	Loan 2004-05 £000	Lease 2004-05 £000	Total 2004-05 £000	Total 2003-04 £000
Financing Obligations fall due as follows:				
Between two and five years	200	1,119	1,319	1,097
Over five years	175	6,515	6,690	7,115
Total over one year (Note 20)	<u>375</u>	<u>7,634</u>	<u>8,009</u>	<u>8,212</u>
Within one year (Note 19)	50	150	200	154
	<u>425</u>	<u>7,784</u>	<u>8,209</u>	<u>8,366</u>
Payments for capital and interest due within one year*	82	931	1,013	971

*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 2005.

27. Capital Commitments	Group and University	
	2004-05 £000	2003-04 £000
Committed contracts at 31st July	3,323	432
Authorised but not contracted at 31st July	1,730	1,925
	<u>5,053</u>	<u>2,357</u>

28. Reconciliation of Consolidated Operating (Deficit) to Net Cash from Operating Activities	2004-05 £000	2003-04 £000
	(Deficit) before tax	(2,958)
Depreciation (Note 13)	2,477	1,048
Deferred capital Grants Released to Income (Note 22)	(829)	(403)
Investment income (Note 5)	(217)	(174)
Interest Payable (Note 10)	831	830
Reduction on Revaluation (Note 9)	347	0
Decrease in Debtors	349	324
(Decrease)/Increase in Creditors	(348)	1,657
Increase in Provisions	348	213
Net Cash (Outflow)/Inflow from Operating Activities	<u>0</u>	<u>2,866</u>

Notes to the Accounts

29. Returns on Investments and Servicing of Finance

	2004-05 £000	2003-04 £000
Income from Endowments (Note 23)	2	1
Income from Short Term Investments (Note 5)	217	174
Interest Paid (Note 10)	(36)	(40)
Leasing Finance Charge (Note 32)	(795)	(790)
	<u>(612)</u>	<u>(655)</u>

30. Capital Expenditure and Financial Investment

	2004-05 £000	2003-04 £000
Investments in Associated Company	(15)	0
Tangible Assets Acquired (other than leased equipment) (Note 13)	(2,509)	(5,948)
Endowment Asset Investments Acquired (Note 15)	(2)	(1)
Total Fixed and Endowment Asset Investments Acquired	<u>(2,526)</u>	<u>(5,949)</u>
Receipts from the sale of assets	1	300
Deferred Capital Grants Received (Note 22)	1,971	3,990
	<u>(554)</u>	<u>(1,659)</u>

31. Analysis of Changes in Consolidated Financing During the Year

	Mortgages & Loans £000	Finance Leases £000	Total £000
Balance at 1st August 2003	525	7,964	8,489
Capital Repayments	(50)	(73)	(123)
Balance at 31st July 2004	<u>475</u>	<u>7,891</u>	<u>8,366</u>
Capital Repayments	(50)	(107)	(157)
Balance at 31st July 2005	<u>425</u>	<u>7,784</u>	<u>8,209</u>

32. Analysis of Changes in Net Debt

	At 1 August 2004 £000	Cash Flows £000	Other Changes £000	At 31 July 2005 £000
Cash at Bank and in hand	150	178	0	328
Short Term deposits	4,185	(1,501)	0	2,684
Debt due within one year	(154)	157	(203)	(200)
Debt due after one year	(8,212)	795	(592)	(8,009)
	<u>(4,031)</u>	<u>(371)</u>	<u>(795)</u>	<u>(5,197)</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 £1,314,000 (£1,243,000 2003-04). 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 includes 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 value 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 £884,000 (£793,000 2003-04) 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 2005 from 13.9% to 14.2% although following the 2004 valuation this rate will remain in operation until March 2008.

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.

The Actuary has now completed the 2004 valuation exercise, and accordingly the University's FRS17 valuation as at 31st July 2005 has been based on the data from the full fund actuarial valuation carried out at 31st March 2004 by a qualified independent actuary. The main assumptions used by the actuary were :

Major Actuarial Assumptions

	2004-05	2003-04	2002-03
Rate of Increase in Pensions	2.8%	2.9%	2.6%
Rate of Increase in Salaries	4.3%	4.4%	4.1%
Discount Rate	5.0%	5.8%	5.5%
Inflation Assumption	2.8%	2.9%	2.6%

Notes to the Accounts

33. Pension Schemes (continued)

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

Scheme Assets

	Long term Return Expected 2004-05 %	Value at 2004-05 £000	Long term Return Expected 2003-04 %	Value at 2003-04 £000	Long term Return Expected 2002-03 %	Value at 2002-03 £000	Long term Return Expected 2001-02 %	Value at 2001-02 £000
Equities	7.3%	14,643	7.9%	11,980	8.0%	10,455	8.0%	8,725
Bonds	4.7%	3,450	5.4%	2,913	5.0%	2,183	5.5%	2,497
Property	5.4%	1,986	6.7%	1,769	6.0%	1,501	6.0%	1,245
Cash	4.5%	1,729	4.5%	1,028	3.5%	1,009	4.0%	883
		<u>21,808</u>		<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

	2004-05 £000	2003-04 £000	2002-03 £000
Total market value of assets	21,808	17,690	15,148
Present value of scheme liabilities	<u>(27,766)</u>	<u>(22,232)</u>	<u>(20,036)</u>
Deficit in Scheme - Net Pension Liability	<u>(5,958)</u>	<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

	2004-05 £000	2003-04 £000	2002-03 £000
Net Assets excluding pension liability	41,971	43,474	19,946
Pension Liability	<u>(5,958)</u>	<u>(4,542)</u>	<u>(4,888)</u>
Net assets including pension liability	<u>36,013</u>	<u>38,932</u>	<u>15,058</u>
General Reserve excluding Pension Liability	2,787	4,709	4,676
Pension Liability	<u>(5,958)</u>	<u>(4,542)</u>	<u>(4,888)</u>
General Reserve including Pension Liability	<u>(3,171)</u>	<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 2005.

Analysis of Amounts Charged to Income and Expenditure Account

	2004-05 £000	2003-04 £000
Current Service Cost	958	998
Past Service Cost	68	0
	<u>1,026</u>	<u>998</u>
Financing - Expected return on Scheme Assets	(1,298)	(1,105)
- Interest on Expected return on Scheme Liabilities	1,317	1,132
- Net Return	19	27
	<u>1,045</u>	<u>1,025</u>

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

	2004-05 £000	2003-04 £000
Actual Return less Expected Return on Pension scheme Assets	2,520	579
Experience Gains and Losses arising on Scheme Liabilities	(245)	2
Changes in Assumptions Underlying the Present Value - of Scheme Liabilities	(3,560)	(30)
	<u>(1,285)</u>	<u>551</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 (Deficit)

	2004-05 £000	2003-04 £000
Deficit on Scheme at August 1st	(4,542)	(4,888)
Movement in Year		
Current Service Cost	(958)	(998)
Contributions	907	814
Contributions in respect of Unfunded Benefits	7	7
Past Service Costs	(68)	0
Other Finance Income	(19)	(28)
Actuarial Gain	(1,285)	551
Movement in Year	<u>(1,416)</u>	<u>346</u>
Deficit on Scheme at July 31st	<u>(5,958)</u>	<u>(4,542)</u>

Notes to the Accounts

33. Pension Schemes (continued)

History of Experience Gains and Losses

	2004-05 £000	2003-04 £000	2002-03 £000	2001-02 £000
Difference between the expected and actual return on assets	2,520	579	18	(2,463)
Value of Assets	21,808	17,690	15,148	13,350
Percentage of Assets	11.6%	3.3%	0.1%	(18.4%)
Experience Gains/(Losses) on Liabilities	(245)	2	(153)	894
Total Present Value of Liabilities	27,766	22,232	20,036	15,306
Percentage of the Total Present Value of Liabilities	(0.9%)	0	(0.8%)	5.8%
Actuarial Gains/Losses Recognised in STRGL	(1,285)	551	(2,864)	(145)
Total Present Value of Liabilities	27,766	22,232	20,036	15,306
Percentage of the Total Present Value of Liabilities	(4.6%)	2.5%	(14.3%)	(0.9%)

34. Access Funds and Mature Bursaries

	Access £000	2004-05 Bursaries £000	Total £000	2003-04 Total £000
Balance at 1st August	25	11	36	24
Funding Council Grant	535	39	574	612
Interest Earned	1	0	1	1
	<u>536</u>	<u>39</u>	<u>575</u>	<u>613</u>
Disbursed to students	(540)	(30)	(570)	(589)
Audit Fees	0	0	0	(1)
Administration Costs	(13)	0	(13)	(11)
	<u>(553)</u>	<u>(30)</u>	<u>(583)</u>	<u>(601)</u>
Balance at 31st July	<u>8</u>	<u>20</u>	<u>28</u>	<u>36</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

	2004-05 £000	2003-04 £000
Balance at 1st August	285	129
Funds Received in Year	1,728	2,124
Disbursements in the Year	(1,862)	(1,926)
Administration Costs	(36)	(42)
	<u>(1,898)</u>	<u>(1,968)</u>
Balance at 31st July	<u>115</u>	<u>285</u>

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

Note to the Accounts

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. Board of Governors' Expenses

No member of the Board of Governors received any remuneration in their capacity as a member. However, sundry expenses incurred are reimbursed, these totalled £2,389 during 2004-05 (£1,677 in 2003-04).

38. Contingent Liability

HM Revenue and Customs have issued a notice of assessment in respect of the University's election to waive exemption in respect of the I-Zone building. Discussions are still continuing with HMRC about the matter, and so accordingly no provision has been in the accounts.

Trust Fund Balances
As at 31st July 2005

Trust Funds

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

	2004-05	2003-04
	£	£
Ryder Brothers "Beehive" Prize Fund	1,234	1,212
Samuel Crompton Prize Fund	14,125	13,868
BIHE Mechanical Engineering Fund	986	968
William McKinlay Prize Fund	482	473
J T Fielding Scholarship	797	782
Sydney Bannister Memorial Fund	1,305	1,282
F C Openshaw Memorial Fund	16,654	16,827
C H Booth Legacy	538	528
Mike Avis Prize Fund	615	805
Janis Williamson Prize Fund	556	646
Bob Williamson Prize Fund	312	406
	<u>37,604</u>	<u>37,797</u>

I have examined the transactions of the above trust funds and certify that the balances as at 31st July 2005 are as stated.

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KPMG LLP

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30th November 2005