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Report of the Board of Governors

For the Year Ended 31st July 2006

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 and to the forthcoming employer led higher level skills initiatives envisaged within the Leitch Report.

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 and the University is seeking a combination of funding streams to support this major initiative.

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. There is some indication that the introduction of top up fees has further destabilised the sector, with national applications to HE reduced by around 4%, although Bolton has succeeded in attracting a 52% increase in applications on the back of a 35% increase in the previous year.

During the year the academic work of the University was based on 10 academic departments :

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

The former departments of Business Logistics & Information Systems, Management and Business Studies were brought together during the year to form the Bolton Business School.

Industrial support, consultancy and research activities are delivered through the Academic Departments and a small number of additional research and knowledge transfer centres. 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) which 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, demonstrate an institution committed to teaching excellence.

The University underwent an institutional audit by the Quality Assurance Agency in November 2005 and received a highly positive outcome, with broad confidence expressed in its ability to maintain academic standards and the quality of the student experience, six points of commendation and only four minor recommendations for possible improvement.

In July 2006 the University proposed a six-year Strategic Plan which clearly states our position within UK higher education as a university which develops outstanding professionals who themselves develop their professional and social communities for the better, and which set out a number of key strategies for our continued development and prosperity. This plan has subsequently been approved by the Board of Governors and submitted to HEFCE. The University is committed to being a community of professionals for the development of other professionals.

Scope of the Financial Statements

For 2005-06 the period of account was 1 August 2005 to 31 July 2006. 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; it also retained its 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 2005 to 31 July 2006 is summarised as follows:

| | 2005-06 | 2004-05 |
|--|----------------|--------------------------|
| | £000 | Restated £000 |
| Income | 37,892 | 35,540 |
| Expenditure | <u>39,048</u> | <u>38,620</u> |
| Deficit on continuing operations | (1,156) | (3,080) |
| Revaluation of Land & Buildings | | |
| Surplus after One-off Items | <u>(1,156)</u> | <u>(3,080)</u> |
| University's share of associated companies trading losses | (13) | (9) |
| Difference between historical costs depreciation charge and actual depreciation charge | 886 | 1,036 |
| Historical cost deficit carried to Income and Expenditure Reserve | <u>(283)</u> | <u>(2,053)</u> |

The group has returned an operating deficit of £1,169k and a historical deficit of £283k. This is after a charge of £320k required by FRS 17 in respect of the University's membership of the Local Government Pension Scheme. There has been an increase in teaching grants of £648k linked to improved recruitment and achievement of both base contract numbers and additional funded number targets and an increase in academic fees of £2M, mainly as a consequence of higher home student numbers together with higher overseas student numbers taught in Bolton and

in their home countries. Enterprise activity has remained largely static, with a small increase in Research activity offset by a decline in Other Operating Income.

Capital Projects

Following a detailed feasibility study report to the Board, the University plans consolidation onto a single academic campus by September 2008 and associated refurbishment of the main (Deane/Eagle) Campus over the next few years. The programme will reduce overall space owned by the University but that which remains will be more modern, flexible space and utilisation will be significantly increased. The total programme cost is likely to be in the region of £7M and comes after a programme of works on Deane/Eagle Campus which included receipt of external funding of over £13.7M. 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 was completed providing significantly enhanced and flexible teaching and social learning space.

The Challenge for the University now comes in financing the relocation and redevelopment of the Deane/Eagle campus, which will not be easy in the current operating climate.

Cashflow

The Cash flow Statement for the period indicates a net cash inflow of £91k, but there is a decrease in short-term deposits of £419k, which is principally due to continuing investment in the estate.

Future Developments

The new strategic plan depicts a University embedded with the concept of professionalism set in a modern, fit for purpose campus where committed students seek to study. The University recognises the significant investment required to achieve this strategic goal and has determined an estate strategy plan that goes some way to delivering this objective (i) within the financial resources available to the University (ii) and result in the focusing of all University activities on a single campus.

In order to align the University internally to meet the challenges of the professional model it is intended a re-structuring of the management of the University will take place in early 2007 giving greater identity to academic departments. Similarly, social learning space will be enhanced in order to increase student identity with the University's academic life and hence improve retention.

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 appointed Dr George Holmes to the post of Vice Chancellor (from 1 January 2006). Dr Holmes took over from the University's first Vice Chancellor, Mollie Temple, who retired 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.

Mrs L Brannan
Chair of the Board

Audit Committee

It is a requirement of funding that the Board of Governors maintains an effective Audit Committee. The Committee meets at least three times a year and, among other things, advises the Board of Governors 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 :

Sue Duncan, Solicitor
University Secretary and Clerk to the Governors
The University of Bolton
Deane Road
Bolton
BL3 5AB

Members of the Board of Governors
1 August 2005 to 31 July 2006

| Name | Category | Note |
|---------------------|---------------------------|---|
| Mrs L Brannan | Independent | Chair of the Board |
| Dr B Tomkins | Independent | Deputy Chair of the Board |
| Mr E Henshaw | Independent | |
| Mr A Horne | Independent | |
| Mrs S Kay | Independent | |
| Prof I Memon | Independent | |
| Ms M Neville-Rolfe | Independent | |
| Mr D Page | Independent | Chair of Employment and Finance Committee |
| Mr M Sheen | Independent | Chair of Audit Committee |
| Mr N Myerson | Independent | From 24 May 2006 |
| Mr R Ruia | Independent | To 21 April 2006 |
| Mrs M Temple | Vice Chancellor | To 31 December 2005 |
| Dr G Holmes | Vice Chancellor | From 1 January 2006 |
| Ms Fran Hulbert | Statutory Co-opted | |
| Dr A Auchterlounie | Academic Co-opted | To 31 July 2006 |
| Mrs S Ward | Support Staff Co-opted | From March 2005 |
| Prof R Campbell | Academic Board | |
| Prof S Stern-Gillet | Academic Board | To 1 March 2006 |
| Ms S Burkinshaw | Academic Board | From 24 May 2006 |
| Mr K Gregory | Student Member | |
| Mr D Sutherland | Students' Union President | From 1 July 2006 |
| Mr H Litchfield | Students' Union President | To December 2005 |
| Ms K Wilkes | Student Co-opted | From December 2005 To 30 June 2006 |

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
Eversheds LLP, Eversheds House, 70 Bridgewater Street, Manchester, M1 5ES

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

1. The University is committed to exhibiting best practice in all aspects of corporate governance and that was fully achieved in 2005-06. 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 2006 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board of Governors.
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, Pro Vice Chancellors and the University Secretary/Clerk to the Governors.
6. The following processes have been established :
 - 6.1. The Board of Governors met six 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 which includes 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 four training days in 2005-06, (18 October 2005, 30 November 2005, 29 March 2006 and 26 April 2006). Topics covered included roles and responsibilities, strategic planning, CUC Guide, effectiveness reviews and risk management, with three of the events led by external facilitators.
 - 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 future estates strategy, financial strategy, QAA major subject review, health and safety, business forecasts; patterns of HIE's in the UK – Bolton's position; Institutional Sustainability; Academic Review; Strategic Plan – the Professional Model, and University Research Profile. 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 three 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 the improvement 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 Auditors on their own for independent discussions. Risk management is now a standing item on every agenda.
 - 6.6. The University has an Executive Board of 28 individuals that comprises 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 local plans 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 Corporate Objective risks. Annual local plan risks are held within separate documents for clarity. These are available to all staff and governors on the University's intranet.
- Risk prioritisation is based upon impact and likelihood. Key strategic risks to the institution are brought out of the general risk register into a separate section so they can be more easily monitored with cross references to the more detailed Business Risks and Corporate Objectives. The Executive Board is actively involved in risk prioritisation, the information from these discussions being reported to the Board of Governors.
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 and, in its annual opinion for 2005-06 internal audit concluded that by the year end the University's risk management, corporate governance and internal control environment were all operating effectively.
8. Following the partial Corporate Governance Statement in 2004/05, all issues having been fully addressed relating to corporate governance and HEFCE's confirmation that arrangements were no longer of concern, the governance arrangements were fully effective for the whole of 2005-06. The University is therefore making a fully compliant Corporate Governance 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 (the "financial statements") of the University of Bolton group for the year ended 31 July 2006 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the statement of recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 responsibilities for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 9.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with 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 and Development Agency and the Learning and Skills Council.

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

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

Basis of our Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University's 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the affairs of the University and the group as at 31 July 2006 and of the deficit of expenditure over income for the year then ended;
- ◆ the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education
- ◆ in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency, and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2006 have been applied for the purposes for which they were received, and

Report of the Auditors, KPMG LLP to the Members of the University of Bolton hec (Continued)

- ◆ In all material respects, income during the year ended 31 July 2006 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
13 December 2006

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 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. Auxetic Technologies Ltd's financial year runs to 1 April to 31 March, accordingly its results have been consolidated on the basis of its filed accounts and its management accounts for the period 1 April to 31 July respectively. (See Note 14 Investments).

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 2005-06 (Note 13) is based upon the economic lives of the buildings as determined by the valuation made as at 31 July 2004. (The next valuation of the estate is due at 31 July 2007.)

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, 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.

Statement of Principal Accounting Policies (Continued)

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.

l) Pension Schemes

The pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Greater Manchester Pension Fund (GMPF), and the Universities' Superannuation Scheme (USS). 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, the GMPF every three years by the actuaries using the retained age method, and the USS every three years by the actuary using the projected unit method.

In the cases of the TPS and USS since it is not possible to identify the University's share of the underlying assets and liabilities FRS17 requires only that the University's position is disclosed by way of footnote. In the case of the GMPF the University's share is identifiable and hence FRS17 is fully applicable; accordingly its share in the scheme is fully incorporated in the accounts.

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 to 31 July 2006**

| | Note | 2005-06 £000 | 2004-05 Restated £000 |
|---|------|-----------------|-----------------------------|
| Income | | | |
| Funding Council Grants | 1 | 21,446 | 20,798 |
| Academic Fees and Support Grants | 2 | 11,157 | 9,153 |
| Research Grants and Contracts | 3 | 1,595 | 1,433 |
| Other Operating Income | 4 | 3,504 | 3,958 |
| Endowment Income and Interest Receivable | 5 | 190 | 198 |
| Total Income | | <u>37,892</u> | <u>35,540</u> |
| Expenditure | | | |
| Staff Costs | 6 | 22,298 | 21,902 |
| Staff Costs - Restructuring Scheme | 6 | 72 | 976 |
| Other Operating Expenses | 9 | 13,550 | 12,434 |
| Depreciation | 13 | 2,299 | 2,477 |
| Interest Payable | 10 | 829 | 831 |
| Total Expenditure | | <u>39,048</u> | <u>38,620</u> |
| (Deficit) After Depreciation of Assets at Valuation | | <u>(1,156)</u> | <u>(3,080)</u> |
| University's share of (Losses) from Trading Associates | | (13) | (9) |
| Group (Deficit) After Depreciation of Assets at Valuation | | <u>(1,169)</u> | <u>(3,089)</u> |

**Consolidated Statement of Historical Cost Deficits and Surpluses
For the Year to 31 July 2006**

| | Note | 2005-06 £000 | 2004-05 Restated £000 |
|--|------|-----------------|-----------------------------|
| (Deficit) After Depreciation of Assets at Valuation | | (1,169) | (3,089) |
| Difference between Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount | 23 | 886 | 1,036 |
| Historical Cost Surplus/(Deficit) | | <u>(283)</u> | <u>(2,053)</u> |

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

**Balance Sheets
As at 31 July 2006**

| | Note | Consolidated 2005-06 £000 | University 2005-06 £000 | Consolidated 2004-05 Restated £000 | University 2004-05 Restated £000 |
|--|------|---------------------------------|-------------------------------|---|---|
| Fixed Assets | | | | | |
| Tangible Assets | 13 | 53,381 | 53,381 | 52,705 | 52,705 |
| Investments | 14 | 12 | 0 | 16 | 0 |
| | | 53,393 | 53,381 | 52,721 | 52,705 |
| Endowment Asset Investments | 15 | 105 | 105 | 103 | 103 |
| Current Assets | | | | | |
| Debtors | 16 | 2,598 | 2,599 | 2,478 | 2,479 |
| Short Term Deposits | 17 | 2,265 | 2,265 | 2,684 | 2,684 |
| Cash at Bank and in Hand | | 419 | 419 | 328 | 328 |
| | | 5,282 | 5,283 | 5,490 | 5,491 |
| Creditors: Amounts Falling Due within one Year | 18 | 6,512 | 6,512 | 5,744 | 5,744 |
| | | (1,230) | (1,229) | (254) | (253) |
| Net Current (Liabilities)/Assets | | | | | |
| Total Assets Less Current Liabilities | | 52,268 | 52,257 | 52,570 | 52,555 |
| Creditors: Amounts Falling Due after more than one Year | 19 | 7,762 | 7,762 | 8,009 | 8,009 |
| Provisions for Liabilities and Charges | 20 | 2,557 | 2,557 | 2,590 | 2,590 |
| | | 41,949 | 41,938 | 41,971 | 41,956 |
| Net Assets excluding pension (liability) | | | | | |
| Net Pension (Liability) | 32d | (6,416) | (6,416) | (5,958) | (5,958) |
| | | 35,533 | 35,522 | 36,013 | 35,998 |
| Total Net Assets | | | | | |
| Represented by: | | | | | |
| Deferred Capital Grants | 21 | 11,005 | 11,005 | 10,180 | 10,180 |
| Endowments | | | | | |
| Specific | 22 | 105 | 105 | 103 | 103 |
| Reserves | | | | | |
| Income and Expenditure Account | 24 | 2,824 | 2,813 | 2,787 | 2,772 |
| Pension Reserve | 32d | (6,416) | (6,416) | (5,958) | (5,958) |
| Income and Expenditure Account | | (3,592) | (3,603) | (3,171) | (3,186) |
| Revaluation Reserve | 23 | 28,015 | 28,015 | 28,901 | 28,901 |
| Total Reserves | | 24,423 | 24,412 | 25,730 | 25,715 |
| | | 35,533 | 35,522 | 36,013 | 35,998 |
| Total Funds | | | | | |

The financial statements on pages 12 to 32 were approved by the Board of Governors on 13th December 2006, and signed on its behalf by :

Mrs L Brannan, Chair of the Board of Governors

Dr G Holmes, Vice Chancellor

**Consolidated Cash Flow Statement
For the Year to 31 July 2006**

| | Note | 2005-06 £000 | 2004-05 £000 |
|---|------|-----------------|-----------------|
| Net Cash Inflow from Operating Activities | 27 | 1,822 | 0 |
| Returns on Investments and Servicing of Finance | 28 | (662) | (612) |
| Capital Expenditure and Financial Investment | 29 | (1,286) | (554) |
| Cash (Outflow) before use of Liquid Resources & Financing | | <u>(126)</u> | <u>(1,166)</u> |
| Management of Liquid Resources (Short-term Deposits) | 31 | 419 | 1,501 |
| Financing | 30 | (202) | (157) |
| Increase/(Decrease) in Cash | 31 | <u>91</u> | <u>178</u> |

Reconciliation of Net Cash Flow to Movement in Net Debt

| | Note | 2005-06 £000 | 2004-05 £000 |
|--|------|-----------------|-----------------|
| Increase/(Decrease) in Cash in the Period | | 91 | 178 |
| (Decrease)/Increase in Short Term Deposits | 31 | (419) | (1,501) |
| Repayment of Debt | 30 | 202 | 157 |
| Change in Net Debt | | <u>(126)</u> | <u>(1,166)</u> |
| Net Debt at 1st August | | (5,197) | (4,031) |
| Net Debt at 31st July | 31 | <u>(5,323)</u> | <u>(5,197)</u> |

**Statement of Consolidated Total Recognised Gains and Losses
For the Year to 31 July 2006**

| | Note | 2005-06 £000 | 2004-05 Restated £000 |
|--|------|-----------------|-----------------------------|
| (Deficit) after Depreciation of Assets at Valuation and Tax | | (1,169) | (3,089) |
| Revaluation of Property | 23 | 0 | 311 |
| Endowment Income | 22 | 2 | 2 |
| Actuarial Loss in Respect of Pension Scheme | 32a | (138) | (1,285) |
| Total Recognised Loss for Year | | <u>(1,305)</u> | <u>(4,061)</u> |
| Prior Year Adjustment in respect of Pension Scheme | 32e | (4,542) | 0 |
| Total Recognised (Losses) Since Last Report | | <u>(5,847)</u> | <u>(4,061)</u> |
| Reconciliation | | | |
| Opening Reserves and Endowments | | 25,833 | 34,436 |
| Total Recognised (Losses)/Gains relating to the Year | | (1,305) | (4,061) |
| Prior Year Adjustment (Net Pension Liability at 1 August 2004) | 32 | 0 | (4,542) |
| Closing Reserves and Endowments | | <u>24,528</u> | <u>25,833</u> |

Notes to the Accounts

1. Funding Council Grants

| | 2005-06 | | | Total £000 | 2004-05 Total £000 |
|---|---------------|-------------|-------------|---------------|--------------------------|
| | HEFCE £000 | LSC £000 | TDA £000 | | |
| Recurrent Grant | | | | | |
| Teaching | 16,419 | 261 | 0 | 16,680 | 16,777 |
| Research | 192 | 0 | 0 | 192 | 163 |
| Widening Access | 2,213 | 0 | 0 | 2,213 | 1,535 |
| Other Recurrent Grants | 1,147 | 0 | 0 | 1,147 | 880 |
| Total Recurrent Grants | <u>19,971</u> | <u>261</u> | <u>0</u> | <u>20,232</u> | <u>19,355</u> |
| Specific Grants | | | | | |
| Poor Estates | 0 | 0 | 0 | 0 | 44 |
| Project Capital | 231 | 0 | 0 | 231 | 506 |
| Science Research Investment Fund | 0 | 0 | 0 | 0 | 97 |
| Other | 0 | 0 | 183 | 183 | 0 |
| Total Specific Grants | <u>231</u> | <u>0</u> | <u>183</u> | <u>414</u> | <u>647</u> |
| Releases of Deferred Capital Grants (Note 21) | 800 | 0 | 0 | 800 | 796 |
| | <u>21,002</u> | <u>261</u> | <u>183</u> | <u>21,446</u> | <u>20,798</u> |

2. Academic Fees and Support Grants

| | 2005-06 £000 | 2004-05 £000 |
|--|-----------------|-----------------|
| Fees paid by or on behalf of individual students | | |
| UK Higher Education Students | 4,200 | 3,270 |
| European Union (excluding UK) Students | 82 | 97 |
| Non-EU Students | 4,035 | 3,357 |
| UK Further Education Students | 141 | 153 |
| Part-time Fees | 1,958 | 1,841 |
| Other Fees and Grants | 85 | 69 |
| Total fees paid by or on behalf of individual students | <u>10,501</u> | <u>8,787</u> |
| NHS Contracts | 656 | 366 |
| Total Fees | <u>11,157</u> | <u>9,153</u> |

Notes to the Accounts

3. Research Grants and Contracts

| | 2005-06 | 2004-05 |
|---|--------------|------------------|
| | £000 | Restated £000 |
| Research Councils | 330 | 223 |
| UK Based Charities | 31 | 41 |
| EU Government Bodies | 411 | 252 |
| Other Grants and Contracts | 794 | 917 |
| Releases from Deferred Grants (Note 21) | 29 | 0 |
| | <u>1,595</u> | <u>1,433</u> |

4. Other Operating Income

| | 2005-06 | 2004-05 |
|---|--------------|------------------|
| | £000 | Restated £000 |
| Residences, Catering and Conferences | 1,681 | 1,549 |
| Other Income Generating Activities | 861 | 1,497 |
| Releases from Deferred Capital Grants (Note 21) | 33 | 33 |
| EU Government Bodies | 311 | 407 |
| Other Income | 618 | 472 |
| | <u>3,504</u> | <u>3,958</u> |

5. Endowment Income and Interest Receivable

| | 2005-06 | 2004-05 |
|------------------------------------|------------|------------------|
| | £000 | Restated £000 |
| Income from Short Term Investments | 165 | 217 |
| Pension Finance Income (Note 32c) | 25 | (19) |
| | <u>190</u> | <u>198</u> |

Notes to the Accounts

6. Staff Costs

| | 2005-06 | 2004-05 |
|---|---------|------------------|
| | £000 | Restated £000 |
| Staff Costs: | | |
| Wages & Salaries | 18,151 | 17,841 |
| Social Security Costs | 1,457 | 1,430 |
| Other Pension Costs (including FRS17 adjustment Note 32b) | 2,565 | 2,310 |
| | 22,173 | 21,581 |
| Contribution to Pension Provision (Note 20) | 125 | 321 |
| Restructuring Costs - Enhanced Pensions (Note 20) | 0 | 169 |
| Restructuring Costs - Cash | 72 | 807 |
| | 22,370 | 22,878 |

The average pay award during 2005-06 for academic and support staff was 3.0% (2004-05, 3.0%); and, 4.9% (2004-05, 4.78%) for, locally reviewed, management salaries (those, senior members, of staff whose salaries are negotiated outside of the main negotiating bodies).

Analysis of Staff by Major Category

| | 2005-06 | | 2004-05 | |
|---|---------|-----|---------|-----|
| | £000 | FTE | £000 | FTE |
| Academic | 10,975 | 242 | 10,712 | 307 |
| Support (including FRS17 adjustment) | 8,285 | 335 | 7,934 | 344 |
| Locally Reviewed, Management (including FRS17 adjustment) | 2,913 | 44 | 2,935 | 49 |
| | 22,173 | 621 | 21,581 | 700 |

7. Higher Paid Staff Emoluments.

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

| | 2005-06 | 2004-05 |
|---------------------|---------|---------|
| | No. | No. |
| £70,000 - £79,999 | 3 | 4 |
| £80,000 - £89,999 | 3 | 1 |
| £90,000 - £99,999 | 0 | 0 |
| £100,000 - £109,999 | 1 | 0 |
| £110,000 - £119,999 | 0 | 0 |
| £120,000 - £169,999 | 0 | 1 |
| | 7 | 6 |

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.

Notes to the Accounts

8. Emoluments of the Vice Chancellor

| | 2005-06 £ | 2004-05 £ |
|---|----------------|----------------|
| Dr G Holmes from 1 January 2006 | | |
| Salary | 83,400 | 0 |
| Benefits in Kind (Medical Insurance) | 2,200 | 0 |
| Employer's Pension Contribution to Teachers' Pension Scheme | 11,300 | 0 |
| Total Emoluments | <u>96,900</u> | <u>0</u> |
| Mrs M Temple to 31 December 2005 | | |
| Salary | 94,000 | 133,000 |
| Performance Bonus | 0 | 10,000 |
| Benefits in Kind (Medical Insurance) | 200 | 800 |
| Employer's Pension Contribution to Teachers' Pension Scheme | 12,700 | 18,000 |
| | <u>106,900</u> | <u>161,800</u> |

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.

9. Other Operating Expenses

| | 2005-06 £000 | 2004-05 Restated £000 |
|--|-----------------|-----------------------------|
| Residences, Catering and Conference Operating Expenses | 853 | 845 |
| Consumables and Laboratory Expenditure | 470 | 467 |
| Books and Periodicals | 548 | 542 |
| Equipment | 557 | 537 |
| Travel and Conference Expenses | 631 | 548 |
| Advertising | 734 | 896 |
| Studentships | 814 | 605 |
| Heat, Light, Water and Power | 641 | 448 |
| Repairs and General Maintenance | 368 | 459 |
| Refurbishment | 1,232 | 784 |
| Revaluation of Design Centre (Notes 13 and 23) | 0 | 347 |
| Non-contracted Staff | 636 | 404 |
| Grants to Bolton University Students Union | 309 | 305 |
| Franchising | 1,256 | 1,066 |
| Payments to Partners | 209 | 549 |
| Rents | 8 | 9 |
| External Auditor's Remuneration | 32 | 34 |
| External Auditor's Remuneration for Non-audit work | 77 | 42 |
| Internal Auditor's Remuneration | 55 | 35 |
| Equipment Operating Lease Rentals | 10 | 22 |
| Other Expenses | 4,110 | 3,490 |
| | <u>13,550</u> | <u>12,434</u> |

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 was written off to the Income and Expenditure Account in 2004-05.

10. Interest Payable

| | 2005-06 £000 | 2004-05 £000 |
|--|-----------------|-----------------|
| Loans not wholly repayable within five years | 58 | 36 |
| Finance Leases | 771 | 795 |
| | <u>829</u> | <u>831</u> |

Notes to the Accounts

11. Analysis of 2005/06 Expenditure by Activity

| | Staff Costs | Operating Expenses | 2005-06 Dep'n | Interest Payable | Total | 2004-05 Total Restated |
|--|----------------|-----------------------|------------------|---------------------|---------------|------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Academic Departments | 13,563 | 3,342 | 49 | 0 | 16,954 | 16,434 |
| Academic Services | 1,084 | 684 | 278 | 0 | 2,046 | 1,980 |
| Administration and Central Services | 4,332 | 4,261 | 7 | 0 | 8,600 | 7,795 |
| Premises | 1,174 | 3,158 | 1,601 | 58 | 5,991 | 5,819 |
| Residences and Catering | 212 | 853 | 338 | 771 | 2,174 | 1,852 |
| Research Grants and Contracts | 748 | 596 | 26 | 0 | 1,370 | 1,547 |
| Other Expenditure | 1,257 | 656 | 0 | 0 | 1,913 | 3,193 |
| Total per Income and Expenditure Account | <u>22,370</u> | <u>13,550</u> | <u>2,299</u> | <u>829</u> | <u>39,048</u> | <u>38,620</u> |

The depreciation charge has been funded by:

| | | |
|--|--------------|--------------|
| Deferred Capital Grants Released (Note 21) | 862 | 829 |
| Revaluation Reserve Released (Note 23) | 886 | 1,036 |
| General Income | 551 | 612 |
| | <u>2,299</u> | <u>2,477</u> |

12. (Deficit) on Continuing Operations for the Year

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

| | 2005-06 £000 | 2004-05 Restated £000 |
|--|-----------------|-----------------------------|
| Group's (deficit) for the year | (1,169) | (3,089) |
| Surplus generated by subsidiary undertakings and transferred to the University under Gift Aid | 0 | 0 |
| Total | <u>(1,169)</u> | <u>(3,089)</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 2005 - Valuation | 21,253 | 6,686 | 0 | 0 | 27,939 |
| - Cost | 18,384 | 7,514 | 12,786 | 599 | 39,283 |
| At 1st August 2005 | <u>39,637</u> | <u>14,200</u> | <u>12,786</u> | <u>599</u> | <u>67,222</u> |
| Additions at Cost | 167 | 0 | 492 | 0 | 659 |
| Building in the Course of Construction | 2,316 | 0 | 0 | 0 | 2,316 |
| | <u>2,483</u> | <u>0</u> | <u>492</u> | <u>0</u> | <u>2,975</u> |
| At 31 July 2006 | <u>42,120</u> | <u>14,200</u> | <u>13,278</u> | <u>599</u> | <u>70,197</u> |
| Depreciation | | | | | |
| At 1st August 2005 - Valuation | 840 | 172 | 0 | 0 | 1,012 |
| - Cost | 650 | 166 | 12,090 | 599 | 13,505 |
| At 1st August 2005 - Valuation | <u>1,490</u> | <u>338</u> | <u>12,090</u> | <u>599</u> | <u>14,517</u> |
| Charge for year - Valuation | 714 | 172 | 0 | 0 | 886 |
| Charge for year - Cost | 597 | 166 | 650 | 0 | 1,413 |
| | <u>1,311</u> | <u>338</u> | <u>650</u> | <u>0</u> | <u>2,299</u> |
| At 31st July 2006 - Valuation | <u>2,801</u> | <u>676</u> | <u>12,740</u> | <u>599</u> | <u>16,816</u> |
| Net Book Value | | | | | |
| At 31st July 2006 | <u>39,319</u> | <u>13,524</u> | <u>538</u> | <u>0</u> | <u>53,381</u> |
| At 1st August 2005 | <u>38,147</u> | <u>13,862</u> | <u>696</u> | <u>0</u> | <u>52,705</u> |
| Financed by Capital Grant | 10,491 | 0 | 514 | 0 | 11,005 |
| Finance Lease | 0 | 7,632 | 0 | 0 | 7,632 |
| Other | 28,828 | 5,892 | 24 | 0 | 34,744 |
| Net Book Value at 31st July 2006 | <u>39,319</u> | <u>13,524</u> | <u>538</u> | <u>0</u> | <u>53,381</u> |

Land and Buildings with a net book value of £26,887,000 and cost of £18,064,000 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. 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 2006 have consolidated with the University's at the 25% share of its equity. (Auxetic Technologies Ltd's financial year runs to 1 April to 31 March, accordingly its results have been consolidated on the basis of its filed accounts and its management accounts for the period 1 April to 31 July respectively. – See Statement of Accounting Policies, Scope of the Accounts, page 11)

15. Endowment Asset Investments

| | Consolidated 2005-06 £000 | University 2005-06 £000 | Consolidated 2004-05 £000 | University 2004-05 £000 |
|-----------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Balance at 1st August | 103 | 103 | 101 | 101 |
| Movement | 2 | 2 | 2 | 2 |
| Balance at 31st July | <u>105</u> | <u>105</u> | <u>103</u> | <u>103</u> |
| Represented by: | | | | |
| Short Term Deposits | <u>105</u> | <u>105</u> | <u>103</u> | <u>103</u> |

16. Debtors

| | Consolidated 2005-06 £000 | University 2005-06 £000 | Consolidated 2004-05 £000 | University 2004-05 £000 |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Debtors | 1,818 | 1,818 | 1,566 | 1,566 |
| Prepayments | 175 | 176 | 205 | 206 |
| Government Grant | 605 | 605 | 643 | 643 |
| UBSU Loan, principal repayable within one year | 0 | 0 | 64 | 64 |
| | <u>2,598</u> | <u>2,599</u> | <u>2,478</u> | <u>2,479</u> |

17. 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.

18. Creditors: Amounts Falling Due Within One Year

| | Consolidated 2005-06 £000 | University 2005-06 £000 | Consolidated 2004-05 £000 | University 2004-05 £000 |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Mortgages and Unsecured Loans (Note 25) | 50 | 50 | 50 | 50 |
| Obligations Under Finance Leases (Note 25) | 195 | 195 | 150 | 150 |
| Payments Received on Account | 758 | 758 | 1000 | 1,000 |
| Creditors | 2,859 | 2,859 | 2,241 | 2,241 |
| Social Security and Other Taxation Payable | 781 | 781 | 835 | 835 |
| Accruals and Deferred Income | 68 | 68 | 63 | 63 |
| Government Grants | 1,801 | 1,801 | 1,405 | 1,405 |
| | <u>6,512</u> | <u>6,512</u> | <u>5,744</u> | <u>5,744</u> |

Notes to the Accounts

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

| | Consolidated 2005-06 £000 | University 2005-06 £000 | Consolidated 2004-05 £000 | University 2004-05 £000 |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Mortgages secured on residential and other properties repayable by 2011 | 325 | 325 | 375 | 375 |
| Obligations under Finance Leases (Note 25) | <u>7,437</u> | <u>7,437</u> | <u>7,634</u> | <u>7,634</u> |
| | <u>7,762</u> | <u>7,762</u> | <u>8,009</u> | <u>8,009</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 the Orlando residence are variable, based on the 3 month London Inter Bank Offered Rate (LIBOR).

20. Provision for Liabilities and Charges

| | Consolidated 2005-06 £000 | University 2005-06 £000 | Consolidated 2004-05 £000 | University 2004-05 £000 |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Pension Enhancement: | | | | |
| Balance at 1st August | 2,590 | 2,590 | 2,242 | 2,242 |
| Utilised in Year | (158) | (158) | (142) | (142) |
| Transfer from Income and Expenditure Account | 125 | 125 | 490 | 490 |
| Balance at 31st July | <u>2,557</u> | <u>2,557</u> | <u>2,590</u> | <u>2,590</u> |

21. Deferred Capital Grants

| | Group and University | | |
|---|----------------------|---------------|---------------|
| | HEFCE £000 | Other £000 | Total £000 |
| Balance at 1st August | | | |
| Buildings | 6,902 | 2,634 | 9,536 |
| Equipment | <u>614</u> | <u>30</u> | <u>644</u> |
| | <u>7,516</u> | <u>2,664</u> | <u>10,180</u> |
| Cash Received and Receivable | | | |
| Buildings | 1,245 | 0 | 1,245 |
| Equipment | <u>355</u> | <u>87</u> | <u>442</u> |
| | <u>1,600</u> | <u>87</u> | <u>1,687</u> |
| Released to Income and Expenditure - Depreciation | | | |
| Buildings (Notes 1 & 4) | 257 | 33 | 290 |
| Equipment (Notes 1 & 3) | <u>543</u> | <u>29</u> | <u>572</u> |
| Total (Note11) | <u>800</u> | <u>62</u> | <u>862</u> |
| Balance at 31st July | | | |
| Buildings | 7,890 | 2,601 | 10,491 |
| Equipment | <u>426</u> | <u>88</u> | <u>514</u> |
| Total | <u>8,316</u> | <u>2,689</u> | <u>11,005</u> |

Notes to the Accounts

22. Specific Endowments

| | Group and University | |
|----------------------------------|----------------------|-----------------|
| | 2005-06 £000 | 2004-05 £000 |
| Balance at 1st August | 103 | 101 |
| Income for the year | 2 | 2 |
| Balance at 31st July | <u>105</u> | <u>103</u> |
| Represented by: | | |
| Fellowship and Scholarship Funds | 35 | 34 |
| Prize Funds | 45 | 44 |
| Other Funds | 25 | 25 |
| | <u>105</u> | <u>103</u> |

23. Revaluation Reserve

| | Group and University | |
|---------------------------------------|----------------------|-----------------|
| | 2005-06 £000 | 2004-05 £000 |
| Balance at 1st August | 28,901 | 29,626 |
| Released in Year (Depreciation) | (886) | (1,036) |
| Revaluation of Fixed Assets (Note 13) | 0 | 139 |
| Revaluation of Design Centre | 0 | 172 |
| Balance at 31st July | <u>28,015</u> | <u>28,901</u> |

24. Income and Expenditure Account

| | Consolidated 2005-06 | University 2005-06 | Consolidated 2004-05 Restated | University 2004-05 Restated |
|--|-------------------------|-----------------------|-------------------------------------|-----------------------------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1st August | (3,171) | (3,186) | 4,709 | 4,732 |
| (Deficit) after Depreciation of Assets at Valuation | (1,169) | (1,165) | (3,089) | (3,127) |
| Release from Revaluation Reserve (Note 23) | 886 | 886 | 1,036 | 1,036 |
| Historical Cost Surplus/(Deficit) after Tax. | <u>(283)</u> | <u>(279)</u> | <u>(2,053)</u> | <u>(2,091)</u> |
| Prior Year Adjustment FRS17 (Note 32e) | 0 | 0 | (4,542) | (4,542) |
| Actuarial (Loss) in respect of Pension Scheme (Note 32a) | <u>(138)</u> | <u>(138)</u> | <u>(1,285)</u> | <u>(1,285)</u> |
| | (138) | (138) | (5,827) | (5,827) |
| Balance at 31st July | <u>(3,592)</u> | <u>(3,603)</u> | <u>(3,171)</u> | <u>(3,186)</u> |
| Balance Represented by : | | | | |
| Income and Expenditure Reserve | 2,824 | 2,813 | 2,787 | 2,772 |
| Pension Reserve | <u>(6,416)</u> | <u>(6,416)</u> | <u>(5,958)</u> | <u>(5,958)</u> |
| Balance at 31st July | <u>(3,592)</u> | <u>(3,603)</u> | <u>(3,171)</u> | <u>(3,186)</u> |

Notes to the Accounts

25. Financing Obligations

| | Group and University | | | |
|--|----------------------|--------------|--------------|--------------|
| | Loan | Lease | Total | Total |
| | 2005-06 | 2005-06 | 2005-06 | 2004-05 |
| | £000 | £000 | £000 | £000 |
| Financing Obligations fall due as follows: | | | | |
| Between two and five years | 200 | 1,365 | 1,565 | 1,319 |
| Over five years | 125 | 6,072 | 6,197 | 6,690 |
| Total over one year (Note 19) | <u>325</u> | <u>7,437</u> | <u>7,762</u> | <u>8,009</u> |
| Within one year (Note 18) | 50 | 195 | 245 | 200 |
| | <u>375</u> | <u>7,632</u> | <u>8,007</u> | <u>8,209</u> |
| Payments for capital and interest due within one year* | 78 | 932 | 1,010 | 1,013 |

*Rentals due on the 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 2006.

26. Capital Commitments

| | Group and University | |
|--|----------------------|--------------|
| | 2005-06 | 2004-05 |
| | £000 | £000 |
| Committed contracts at 31st July | 651 | 3,323 |
| Authorised but not contracted at 31st July | <u>0</u> | <u>1,730</u> |
| | <u>651</u> | <u>5,053</u> |

27. Reconciliation of Consolidated Operating (Deficit) to Net Cash from Operating Activities

| | 2005-06 | 2004-05 |
|--|--------------|------------------|
| | £000 | Restated £000 |
| Surplus/(Deficit) before tax | (1,169) | (3,089) |
| Depreciation (Note 13) | 2,299 | 2,477 |
| Deferred capital Grants Released to Income (Note 21) | (862) | (829) |
| Investment income (Note 5) | (190) | (198) |
| Interest Payable (Note 10) | 829 | 831 |
| Pension cost less contributions payable (Note 32b) | 345 | 112 |
| Reduction on Revaluation (Note 9) | 0 | 347 |
| Decrease in Debtors | (120) | 349 |
| (Decrease)/Increase in Creditors | 723 | (348) |
| Increase in Provisions | <u>(33)</u> | <u>348</u> |
| Net Cash (Outflow)/Inflow from Operating Activities | <u>1,822</u> | <u>0</u> |

28. Returns on Investments and Servicing of Finance

| | 2005-06 | 2004-05 |
|---|--------------|--------------|
| | £000 | £000 |
| Income from Endowments (Note 22) | 2 | 2 |
| Income from Short Term Investments (Note 5) | 165 | 217 |
| Interest Paid (Note 10) | (58) | (36) |
| Leasing Finance Charge (Note 31) | <u>(771)</u> | <u>(795)</u> |
| | <u>(662)</u> | <u>(612)</u> |

Notes to the Accounts

29. Capital Expenditure and Financial Investment

| | 2005-06 £000 | 2004-05 £000 |
|--|-----------------|-----------------|
| Investments in Associated Company | 4 | (15) |
| Tangible Assets Acquired (other than leased equipment) (Note 13) | (2,975) | (2,509) |
| Endowment Asset Investments Acquired (Note 15) | (2) | (2) |
| Total Fixed and Endowment Asset Investments Acquired | <u>(2,973)</u> | <u>(2,526)</u> |
| Receipts from the sale of assets | 0 | 1 |
| Deferred Capital Grants Received (Note 21) | 1,687 | 1,971 |
| | <u>(1,286)</u> | <u>(554)</u> |

30. Analysis of Changes in Consolidated Financing During the Year

| | Mortgages & Loans £000 | Finance Leases £000 | Total £000 |
|----------------------------|------------------------------|---------------------------|---------------|
| Balance at 1st August 2004 | 475 | 7,891 | 8,366 |
| Capital Repayments | (50) | (107) | (157) |
| Balance at 31st July 2005 | <u>425</u> | <u>7,784</u> | <u>8,209</u> |
| Capital Repayments | (50) | (152) | (202) |
| Balance at 31st July 2006 | <u>375</u> | <u>7,632</u> | <u>8,007</u> |

31. Analysis of Changes in Net Debt

| | At 1 August 2005 £000 | Cash Flows £000 | Other Changes £000 | At 31 July 2006 £000 |
|--------------------------|--------------------------------|-----------------------|--------------------------|-------------------------------|
| Cash at Bank and in hand | 328 | 91 | 0 | 419 |
| Short Term deposits | 2,684 | (419) | 0 | 2,265 |
| Debt due within one year | (200) | 202 | (247) | (245) |
| Debt due after one year | (8,009) | 771 | (524) | (7,762) |
| | <u>(5,197)</u> | <u>645</u> | <u>(771)</u> | <u>(5,323)</u> |

32. Pension Schemes

The pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), for academic staff; the Greater Manchester Pension Fund (GMPF) for those staff not included as academic; and additionally a small number of staff are members of the Universities' Superannuation Scheme (USS). 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 £1,291,000 (£1,314,000 2004-05). 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.

Notes to the Accounts

32. Pension Schemes (continued)

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 a deficiency in funding level.

| | 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 £921,000 (£884,000 2004-05) for the accounting period as recommended by the actuary. Deficits are recognised in the University's accounts during the accounting period. 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 requirements of FRS17 the University has incorporated 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 2006 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

| | 2005-06 | 2004-05 | 2003-04 |
|------------------------------|----------------|----------------|----------------|
| Rate of Increase in Pensions | 3.1% | 2.8% | 2.9% |
| Rate of Increase in Salaries | 4.6% | 4.3% | 4.4% |
| Discount Rate | 5.1% | 5.0% | 5.8% |
| Inflation Assumption | 3.1% | 2.8% | 2.9% |

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

Scheme Assets

| | Long term Return Expected 2005-06 % | Value at 2005-06 £000 | 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 |
|----------|--|--------------------------------------|--|--------------------------------------|--|--------------------------------------|--|--------------------------------------|
| Equities | 7.7% | 16,692 | 7.3% | 14,643 | 7.9% | 11,980 | 8.0% | 10,455 |
| Bonds | 4.7% | 4,262 | 4.7% | 3,450 | 5.4% | 2,913 | 5.0% | 2,183 |
| Property | 5.7% | 2,403 | 5.4% | 1,986 | 6.7% | 1,769 | 6.0% | 1,501 |
| Cash | 4.8% | 1,868 | 4.5% | 1,729 | 4.5% | 1,028 | 3.5% | 1,009 |
| | | 25,225 | | 21,808 | | 17,690 | | 15,148 |

Notes to the Accounts

32. Pension Schemes (continued)

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

Deficit in Scheme - Net Pension Liability

| | 2005-06 £000 | 2004-05 £000 | 2003-04 £000 |
|--|-----------------------|-----------------------|-----------------------|
| Total market value of assets | 25,225 | 21,808 | 17,690 |
| Present value of scheme liabilities | <u>(31,641)</u> | <u>(27,766)</u> | <u>(22,232)</u> |
| Deficit in Scheme - Net Pension Liability | <u>(6,416)</u> | <u>(5,958)</u> | <u>(4,542)</u> |

Analysis of Amounts Charged to Income and Expenditure Account

| | 2005-06 £000 | 2004-05 £000 |
|--|---------------------|---------------------|
| Current Service Cost net of Employees' Contributions | 1,222 | 958 |
| Past Service Cost | <u>54</u> | <u>68</u> |
| | 1,276 | 1,026 |
| Financing - Expected return on Scheme Assets | (1,443) | (1,298) |
| - Interest on Expected return on Scheme Liabilities | <u>1,418</u> | <u>1,317</u> |
| - Net Return | (25) | 19 |
| Total Amounts Charged to Income and Expenditure Account | <u>1,251</u> | <u>1,045</u> |

(a) Analysis of Amounts Recognised in Statement of Total Recognised Gains and Losses

| | 2005-06 £000 | 2004-05 £000 |
|---|---------------------|-----------------------|
| Actual Return less Expected Return on Pension scheme Assets | 1,130 | 2,520 |
| Experience Gains and Losses arising on Scheme Liabilities | (7) | (245) |
| Changes in Assumptions Underlying the Present Value | | |
| - of Scheme Liabilities | (1,261) | (3,560) |
| Total Actuarial (Loss) Recognised | <u>(138)</u> | <u>(1,285)</u> |

The Pension liability as at 1 August 2004 (£4,542,000) has been brought into the accounts as a prior year adjustment (Note 24).

Notes to the Accounts

32. Pension Schemes (continued)

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)

| | 2005-06 | | 2004-05 | |
|--|---------|----------------|---------|----------------|
| | £000 | £000 | £000 | £000 |
| Deficit on Scheme at August 1st | | (5,958) | | (4,542) |
| Movement in Year | | | | |
| Current Service Cost net of Employees' Contributions | (1,222) | | (958) | |
| Employers' Contributions | 923 | | 907 | |
| Contributions in respect of Unfunded Benefits | 8 | | 7 | |
| Past Service Costs | (54) | | (68) | |
| (b) Adjustment to Pension Costs (Note 6) | | (345) | | (112) |
| (c) Other Finance Income | | 25 | | (19) |
| (a) Actuarial (Loss) | | (138) | | (1,285) |
| Movement in Year | | (458) | | (1,416) |
| (d) Deficit on Scheme at July 31st | | (6,416) | | (5,958) |

(e) The opening balance on the scheme as at 1 August 2004 (£4,542,000) has been brought into the accounts within the Statement of Recognised Gains and Losses as a prior year adjustment (Note 24).

History of Experience Gains and Losses

| | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|---|---------------|---------------|-------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Difference between the expected and actual return on assets | 1,130 | 2,520 | 579 | 18 | (2,463) |
| Value of Assets | 25,225 | 21,808 | 17,690 | 15,148 | 13,350 |
| Percentage of Assets | 4.5% | 11.6% | 3.3% | 0.1% | (18.4%) |
| Experience Gains/(Losses) on Liabilities | (7) | (245) | 2 | (153) | 894 |
| Total Present Value of Liabilities | 31,641 | 27,766 | 27,766 | 20,036 | 15,306 |
| Percentage of the Total Present Value of Liabilities | (0.0%) | (0.9%) | 0.0% | (0.8%) | 5.8% |
| Actuarial Gains/Losses Recognised in STRGL | (138) | (1,285) | 551 | (2,864) | (145) |
| Total Present Value of Liabilities | 31,641 | 27,766 | 27,766 | 20,036 | 15,306 |
| Percentage of the Total Present Value of Liabilities | (0.4%) | (4.6%) | 2.0% | (14.3%) | (0.9%) |

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. Accordingly, FRS17 is not fully applicable because the scheme is a defined benefit scheme, and there are no separable assets. The cost recognised within the deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was as 31st March 2002. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pension. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Notes to the Accounts

32. Pension Schemes (continued)

The University contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward. The next formal actuarial valuation date is due as at 31 March 2005 when the above rates will be reviewed.

Surpluses or deficits which arise at future valuations may impact on universities' future contribution commitment.

The total pension contributions to USS for the University were £8K (2004-05 £0). The contribution rate payable by the University of pensionable salaries was 14%.

33. Access Funds and Mature Bursaries

| | Access £000 | 2005-06 Bursaries £000 | Total £000 | 2004-05 Total £000 |
|-----------------------|----------------|------------------------------|---------------|--------------------------|
| Balance at 1st August | 8 | 20 | 28 | 36 |
| Funding Council Grant | 524 | 8 | 532 | 574 |
| Interest Earned | 1 | 0 | 1 | 1 |
| | <u>525</u> | <u>8</u> | <u>533</u> | <u>575</u> |
| Disbursed to students | (510) | (12) | (522) | (570) |
| Audit Fees | 1 | 0 | 1 | 0 |
| Administration Costs | 0 | 0 | 0 | (13) |
| | <u>(509)</u> | <u>(12)</u> | <u>(521)</u> | <u>(583)</u> |
| Balance at 31st July | <u>24</u> | <u>16</u> | <u>40</u> | <u>28</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.

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

Group and University

| | 2005-06 £000 | 2004-05 £000 |
|---------------------------|-----------------|-----------------|
| Balance at 1st August | 115 | 285 |
| Funds Received in Year | 1,846 | 1,728 |
| Disbursements in the Year | (1,888) | (1,862) |
| Administration Costs | (36) | (36) |
| | <u>(1,924)</u> | <u>(1,898)</u> |
| Balance at 31st July | <u>37</u> | <u>115</u> |

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

Notes to the Accounts

35. Payments relating to Academic Partnerships

| | 2005-06 £000 | 2004-05 £000 |
|---|-----------------|-----------------|
| Receipts in respect of University Academic Partners | 516 | 336 |
| Disbursements made to University Academic Partners | <u>(516)</u> | <u>(336)</u> |
| | <u>0</u> | <u>0</u> |

Where the University acts as paying agent in respect of contracts with other Higher Education Institutions transactions are to be excluded from the Income and Expenditure Account. The Income and Expenditure Account for 2004-05 has accordingly been restated : Research Grants and Contracts (Note 3) £301,000; Other Operating Income (Note 4) £35,000; and Other Operating Expenses (Note 9) £336,000.

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 £1,668 during 2005-06 (£2,389 in 2004-05).

38. Contingent Liability

There are no contingent liabilities.

Trust Fund Balances
As at 31st July 2006

Trust Funds

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

| | 2005-06 | 2004-05 |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| Ryder Brothers "Beehive" Prize Fund | 1,256 | 1,234 |
| Samuel Crompton Prize Fund | 14,379 | 14,125 |
| BIHE Mechanical Engineering Fund | 1,004 | 986 |
| William McKinlay Prize Fund | 491 | 482 |
| J T Fielding Scholarship | 811 | 797 |
| Sydney Bannister Memorial Fund | 1,329 | 1,305 |
| F C Openshaw Memorial Fund | 16,601 | 16,654 |
| C H Booth Legacy | 548 | 538 |
| Mike Avis Prize Fund | 426 | 615 |
| Janis Williamson Prize Fund | 466 | 556 |
| Bob Williamson Prize Fund | 217 | 312 |
| | <u>37,528</u> | <u>37,604</u> |

I have examined the transactions of the above trust funds and certify that the balances as at 31st July 2006 are as stated.

.....
KPMG LLP

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13th December 2006