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Accounts for the year ended
31 July 2002

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Treasurer's Report

Year Ended 31 July 2002

Scope of the Financial Statements

The financial statements for the year ended 31st July 2002 consolidate the results of the University and its six subsidiary companies, the details of which are provided under paragraph 3 of the Accounting Policies (see page 16).

Results for the Year

The Income and Expenditure results for the year to 31st July 2002 are summarised as follows:

	2001/02 £000	2000/01 £000
Income	75252	67106
Expenditure	75150	67920
Share of Joint Ventures' (Deficit)/Surplus and Minority Interests	(51)	43
Surplus/(Deficit) after Depreciation of Assets at Valuation	51	(771)
Historical Cost Surplus/(Deficit)	1052	137

The Income and Expenditure Account reveals a historical cost surplus of £1,052k, following a surplus of only £137k in the previous year and a deficit for the previous two years before that. This represents an encouraging trend, but one which still requires a very significant improvement both to restore the University's liquidity position to a more healthy position and to allow for investment in the repair and improvement of the physical estate.

The improvement in the year under review stems largely from the impact of a full year's pay savings arising from the earlier staff restructuring programme, combined with Academic Resource Centres outperforming their budgetary targets. Following a poor performance within Academic Resource Centres last year, reference was made in this report to the implementation of tighter monitoring systems under the direction of a new Planning Development and Implementation Group, the impact of which is evident in the year under review.

Income grew by 12.1% on the previous year, with the most significant increases being under Council Grants and Other Income. Council Grants increased by £3,037k (10.7%), although £2,507k (8.9%) of this increase related to special initiatives, infrastructure funding and supplementary funding to reward the quality of research under the 2001 Research Assessment Exercise (RAE). The University achieved an excellent set of results under the 2001 RAE, with 77% of the staff returned being judged to be Grade 4 (i.e. of national excellence) or above. On this measure Bangor is placed second only to Cardiff in Wales, reflecting the tremendous effort of our academic staff with both limited resources and investment. The University now boasts four Grade 5 and two Grade 5* departments, compared to only one Grade 5 department under the previous RAE. The financial implications from this relative improvement are significant for the forthcoming financial year, as reflected in a £1,576k (26.4%) increase in funding for the quality of research (QR). Other Income increased by £4,057k (27.2%), with the most significant increases arising against Services Rendered (£1,693k), Residents, Conferences and Catering (£596k), and the Training Department's lower skills programmes (£1,019k). The increase in Services Rendered income is largely attributable to the University's successful involvement in a number of European funded Objective 1 projects.

Full-time equivalent student numbers for the University showed a small increase to 7,062 (2000/01 6,966). Overseas student numbers bottomed out in the year under review with overseas tuition fees showing a further slight fall, but the University's international recruitment strategy has now made a significant breakthrough with a marked increase in recruitment for the forthcoming year.

Treasurer's Report

Year Ended 31 July 2002

Total expenditure increased by 10.7%. Other Operating expenses showed the largest increase (£5,641k/26.3%), and is funded from increased levels of income, with substantial elements of non-recurrent funding resulting in additional expenditure on infrastructure and equipment. However, it is pleasing to note that pay expenditure as a percentage of turnover has fallen to 57.6% from previous levels of over 60%, and is now moving more into line with competitors.

Investment Performance

The University has a number of endowment funds arising from bequests or other donations. These funds are invested on a pool basis and the market value of these investments decreased by 17.6% to £4,137k at the 31 July 2002, reflecting another poor year in the financial markets. The average yield was 3.99% (2000/01 4.25%). The performance of the fund is monitored by the University's Investments Committee.

Cash Flow and Liquidity

The consolidated cash flow shows an improved position on the previous year with a net cash inflow from operating activities of £4,616k (2000/01 £1,394k), and whilst cash balances have declined by £437k, cash on short term deposit increased by £3,522k. This improvement is bolstered by a significant increase in deferred income relating to restricted grant income. However, there has been an improvement in the underlying liquidity position with closing net current assets of £156k, against net current liabilities of £754k in the previous year. The improvement is modest, and there is still a long way to go in improving the University's cash and liquidity position to desirable operational levels.

Capital Projects

No major capital schemes are currently in progress. However, in common with much of the sector, the University faces a significant challenge in restoring its physical estate, both academic and residential, to an acceptable state of repair that complies fully with ever increasing legislative standards. The University is currently examining various financing options to underpin a new physical development plan to address these needs.

Future Developments

In March 2002 the Welsh Assembly Government published "Reaching Higher - A Strategy for the Higher Education Sector in Wales", a main theme of which is the need for re-configuration and collaboration. The University has entered into a Strategic Alliance with the North East Wales Institute (NEWI), and the governing bodies of both institutions have now agreed to move forward jointly to consider two possible options. The first option would be a strengthened Strategic Alliance through the creation of some joint academic and service departments, together with certain pooling of resources and joint projects. The second option would be the creation of a single University in North Wales, within twin campuses at Bangor and Wrexham. It is anticipated that a decision on the way ahead will be taken by Easter 2003.

Conclusion

These are very challenging days for all UK universities but particularly for the University of Wales, Bangor because of our geographical location in North West Wales, far from the large urban conurbations. The physical estate which we have inherited, much of it until very recent times the responsibility of other public bodies, is an enormous drain on our limited resources to maintain and improve so as to comply with very onerous modern statutory obligations. No longer is funding guaranteed by a benevolent state as it was in the halcyon days of the University Grants Committee. The University's officers and governing body are keenly aware that the chill winds of market forces are blowing through the corridors of academia. We can only survive if we continue to sell our teaching services and attract funding, both public and private, for world class research in our increasingly competitive market. On both fronts we have held our own this last year. We must constantly monitor our expenditure on staff and other overheads in every area of the University's activities, carefully measuring what is spent against what is achieved. The Review and Development Exercise we embarked upon three years ago is yielding positive results. However, we need to build for our future by creating new opportunities for income generation - for example by establishing a new Department of Law.

Treasurer's Report

Year Ended 31 July 2002

Thanks to the efforts of our officers and members of the Governing Body, we have managed to continue to meet these various challenges in the past year and I am confident that we will continue to meet them in the years to come.

Huw Elwyn Jones

Corporate Governance

Year ended 31 July 2002

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University is applying 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 financial statements understand how the principles have been applied.

The University's Council is responsible for the University's system of internal control and for reviewing its effectiveness. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss. It is therefore designed to manage, rather than eliminate, significant risks which threaten the University's business objectives.

The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2002 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Council and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1885. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, the latest version of which was approved by the Privy Council in 1997.

The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

? The Council - is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. The matters specially reserved to the Council for decision are set out in the Statutes of the University; by custom and under the Financial Memorandum with the Higher Education Funding Council for Wales.

The roles of President and Vice-President of the Council are separated from the role of the University's Chief Executive, the Vice-Chancellor. The Council has a majority of members from outside the University (described as lay members), from whom its Chairman and its Deputy Chairmen must be drawn. Also included in its members are representatives of the staff of the University and the student body. None of the lay members receive any payment, apart from the reimbursement of expenses, for the work which they do for the University. All members, with the exception of the Vice-Chancellor who is an ex officio member of the Council, are appointed for specified terms subject to re-election, and re-appointment is not automatic.

? The Senate - is the academic authority of the University and draws its membership entirely from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.

? The Court - is a large, mainly formal body (somewhat akin to the shareholders' meeting of a large public company). It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court normally meets once a year to receive the Annual Report and Accounts of the University. In addition, major changes to the constitution of the University require the approval of the Court before they can be submitted to the Privy Council.

A majority of the members of the Court are drawn from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body.

Corporate Governance

Year ended 31 July 2002

Although the Council meets at least four times each academic year, much of its detailed work is initially handled by Standing Committees, in particular the Finance & General Purposes Committee, the Estate & Buildings Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee. (The decisions of these Committees are formally reported to the Council and, where appropriate, the Planning & Resources Committee.) These Committees, and certain others, are formally constituted as Committees of the Council with their terms of reference and membership, (including a significant proportion of lay members (from whom the Chairman will be selected)) specified in an Ordinance of the University.

The Planning & Resources Committee reports to both Council and Senate. This Committee, which is chaired by the Chairman of Council, advises the Council on the general strategic direction to be taken by the University. It co-ordinates and integrates the academic, non-academic, financial and physical planning activities of the University, presents to the Council and Senate such plans for the development and continuing operation of the University as it considers necessary and it monitors their implementation. For this reason a number of the Committees of the Council and Senate report to their parent bodies through the Planning & Resources Committee: the Committee timetable of the University ensures that this does not unduly delay decision taking.

The Finance & General Purposes Committee inter alia recommends to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Nominations Committee considers nominations for co-opted vacancies in the Council membership under the relevant Statute. Certain lay members are appointed by external bodies. Those lay members are eligible for re-appointment by the relevant bodies when they retire by rotation.

The Remuneration Committee determines the remuneration of the most senior staff, including the Vice-Chancellor.

The Audit Committee, which meets quarterly, is constituted of five lay Council members. It is responsible for meeting with the internal and external auditors to consider their reports and recommendations for the improvement of the University's systems of internal control, together with management's responses and implementation plans. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet with the internal and external auditors on their own for independent discussions. The Committee advises the Council on the appointment and remuneration of the internal and external auditors.

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for Wales, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

In accordance with the University's Risk Management Policy, the Senior Officers' Group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Senior Officers' Group and the Audit Committee also receive regular reports from the internal auditor and from appropriate committees such as the Safety Committee which include recommendations for improvement. The Audit Committee's role in this area encompasses a high level review of internal financial control. The Planning & Resources Committee, on behalf of the Governing Body, considers risk and control and receives reports thereon from the Senior Officers' Group. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2002 meeting, the Planning and Resources Committee carried out the annual assessment for the year ended 31 July 2002 by considering documentation from the Senior Officers' Group and internal audit, and taking account of events since 31 July 2002.

Responsibilities of the Council

Year Ended 31 July 2002

In accordance with the Royal Charter, the Council of the University of Wales, Bangor is responsible for the administration and management of the affairs of the University of Wales, Bangor and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University of Wales, Bangor and enable it to ensure that the financial statements are prepared in accordance with the Royal Charter, the Statement of Recommended Accounting Practice for Further and Higher Education, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for Wales and the Council of the University of Wales, Bangor, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University of Wales, Bangor and of the surplus or deficit and cash flows for that year.

The Council is also responsible for the maintenance and integrity of the financial statements published on the University's website. It should also be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In causing the financial statements to be prepared, the Council has to ensure that:

- ? suitable accounting policies are selected and applied consistently;
- ? judgements and estimates are made that are reasonable and prudent;
- ? applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ? financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University of Wales, Bangor will continue in operation. The Council is satisfied that the University of Wales, Bangor 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 Council has taken reasonable steps to:

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

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- ? clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- ? a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- ? regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;

Responsibilities of the Council

Year Ended 31 July 2002

- ? clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council;
- ? comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance & General Purposes Committee;
- ? a professional Internal Audit function whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Council, has reviewed the effectiveness of the University's system of internal control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Report of the Auditors

Year Ended 31 July 2002

Independent auditors' report to the Council of the University of Wales, Bangor

We have audited the financial statements which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of the Council and auditors

The Council's responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, applicable United Kingdom law and accounting standards is set out in the Statement of the Responsibilities of the Council.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Institutions. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for Wales. We also report to you if, in our opinion, the University has not kept proper accounting records, if the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Treasurer's report and the corporate governance statement.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for Wales. 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 Council 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.

Report of the Auditors

Year Ended 31 July 2002

Opinion

In our opinion:

- i. The financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2002, and of the surplus of income over expenditure, recognised gains and losses and cashflows of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions.
- ii. In all material respects, income from the Higher Education Funding Council for Wales and the National Council, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received.
- iii. In all material respects, income has been applied in accordance with the institution's statutes and where appropriate in accordance with the Financial Memorandum dated 1 January 1997 with the Higher Education Funding Council for Wales.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Manchester

6 December 2002

Income and Expenditure Account

Year Ended 31 July 2002

	Note	<u>Consolidated</u>	
		2001/02 £000	2000/01 £000
INCOME			
Council Grants	1	31364	28327
Tuition Fees and Education Contracts	2	16358	15164
Research Grants and Contracts	3	9777	9546
Other Income	4	18958	14901
Endowment and Investment Income	5	534	389
Total Consolidated and share of Joint Ventures		76991	68327
Less share of Joint Ventures' Income		(1739)	(1221)
Consolidated		75252	67106
EXPENDITURE			
Staff Costs	7	43387	41845
Exceptional Restructuring Costs	7	280	375
Other Operating Expenses	8	27070	21429
Depreciation	12	3064	2798
Interest Payable	9	1349	1473
Total Expenditure	10	75150	67920
Operating Surplus/(Deficit) after Depreciation of Assets at Valuation and before share of Joint Ventures' Surplus and Minority Interests		102	(814)
Share of Joint Ventures' (Deficit)/Surplus		(17)	43
Minority Interests		(34)	
Surplus/ (Deficit) on Continuing Operations after Depreciation of Assets at Valuation		51	(771)
<u>STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS</u>			
Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation		51	(771)
Difference Between Historical Cost Depreciation and the Actual			
Depreciation Charge for the Year Calculated on the Revalued Amount	21	676	753
Realisation of Property Revaluation Gains of Previous Years	21	325	155
Historical Cost Surplus for the Year		1052	137

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

Balance Sheet

at 31 July 2002

	Note	<u>Consolidated</u>		<u>University</u>	
		2002 £000	2001 £000	2002 £000	2001 £000
FIXED ASSETS					
Tangible Assets	12	94629	95391	91964	92654
Investments	13				
- subsidiaries				4260	4260
- joint ventures		58	75	50	50
- <i>share of gross assets</i>		3300	2666		
- <i>share of gross liabilities</i>		(3242)	(2591)		
- loan to joint venture		1810	1410	1810	1410
- other		33	33	33	33
		96530	96909	98117	98407
ENDOWMENT ASSET INVESTMENTS	14	4137	5021	4137	5021
CURRENT ASSETS					
Stocks and Stores in Hand		232	274	178	166
Debtors	15	10978	9012	11207	9281
Short Term Deposits	26	5371	1849	5371	1849
Cash at Bank and in Hand		815	609	257	195
		17396	11744	17013	11491
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(17240)	(12498)	(17237)	(12453)
NET CURRENT ASSETS/(LIABILITIES)		156	(754)	(224)	(962)
TOTAL ASSETS LESS CURRENT LIABILITIES		100823	101176	102030	102466
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(15951)	(16897)	(16899)	(17943)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(615)	(815)	(615)	(815)
NET ASSETS		84257	83464	84516	83708

Consolidated

University

Balance Sheet

at 31 July 2002

	Note	2002 £000	2001 £000	2002 £000	2001 £000
DEFERRED CAPITAL GRANTS	19	12277	10685	12264	10666
ENDOWMENTS					
Specific	20	3702	4483	3702	4483
General	20	435	538	435	538
		4137	5021	4137	5021
RESERVES					
Revaluation Reserve	21	36766	37754	36766	37754
Income and Expenditure Account	22	31077	30038	31349	30267
TOTAL RESERVES		67843	67792	68115	68021
MINORITY INTERESTS			(34)		
TOTAL FUNDS		84257	83464	84516	83708

The financial statements on pages 11 to 44 were approved by the Council on 6 December 2002 and signed on its behalf by:

H R EVANS, Vice-Chancellor

H ELWYN JONES, Treasurer

D W HUGHES, Director of Finance

University of Wales, Bangor

Consolidated Cashflow Statement

Year Ended 31 July 2002

	Note	2001/02 £000	2000/01 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	4616	1394
Returns on Investments and Servicing of Finance	27	(831)	(1060)
Capital Expenditure and Financial Investment	28	194	(23)
Cash Inflow before Management of Liquid Resources and Financing		3979	311
Management of Liquid Resources	26	(3522)	446
Financing	25	(894)	(725)
(DECREASE)/INCREASE IN CASH IN THE YEAR		(437)	32
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT			
(DECREASE)/INCREASE IN CASH IN THE YEAR		(437)	32
Increase/(Decrease) in Short Term Deposits	26	3522	(446)
New Loans	25		(5)
Capital Repayments	25	894	730
Change in Net Debt in the Year		3979	311
Net Debt at 1 st August	26	(14930)	(15241)
NET DEBT AT 31 ST JULY	26	(10951)	(14930)

Statement of Total Recognised Gains and Losses

Year Ended 31 July 2002

	<u>Consolidated</u>	
Note	2001/02 £000	2000/01 £000
Surplus/(Deficit) After Depreciation of Assets at Valuation including share of Joint Ventures' Deficit/Surplus	85	(771)
Depreciation of Endowment Asset Investments	20 (873)	(712)
Endowment Income (Withdrawn)/Retained for Year	20 (16)	24
New Endowments	20 5	15
Revaluation Deficit	21	(2919)
		<hr/>
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR	(799)	(4363)

Reconciliation

Opening Reserves and Endowments	72779	77142
Total Recognised Losses Relating to the Year	(799)	(4363)
		<hr/>
Closing Reserves and Endowments	71980	72779

Accounting Policies

Year Ended 31 July 2002

1. Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for Wales.

2. Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of endowment asset investments and the revaluation of land and buildings (see paragraph 8).

3. Basis of Consolidation

The consolidated financial statements include the financial statements of the University and all subsidiary undertakings for the financial year to 31st July 2002. Gwasanaethau Gwybodaeth y Gogledd Cyfyngedig was dissolved during the year under review. Intra-group sales and profits are eliminated fully on consolidation. Holdings in both the Institute for Financial Management and VT Ocean Sciences Limited are one of equal ownership and control, and are therefore accounted for on a gross equity basis in accordance with FRS 9: Associates and Joint Ventures. In accordance with FRS 2: Accounting for Subsidiary Undertakings, the activities of the University's Students' Union and Development Trust have not been consolidated because the University does not control those activities.

Details of the University's subsidiary and joint venture undertakings are as follows:

	% Holding	Issued Share Capital	Country of Registratio n	Nature of Business
Industrial Development Bangor (UWB) Limited	100%	140,000 £1 Ordinary shares	Wales	Electronic instrumentation
The holding was acquired by the University at a cost of £80,000, and the Company has also made a capitalisation issue of £60,000.				
Duostore Limited	100%	7,906,644 50p Ordinary shares	Wales	University property development
Holding acquired by the University at a cost of £4,180,320.				
Institute for Financial Management	50%	Limited by guarantee	Wales	Distance learning courses
Holding on a Joint Venture basis with the Manchester Business School.				
Bangor Centre for Developmental Disabilities Limited	100%	2 £1 Ordinary shares	Wales	Autism care services
UWB Enterprises Limited	100%	2 £1 Ordinary shares	Wales	General commercial
VT Ocean Sciences Limited	50%	50,000 £1 Ordinary shares	England	Chartering of research vessel
Holding on a Joint Venture basis with Vosper Thorneycroft (UK) Limited.				

4. Recognition of Income

Income from research grants, contracts and other services rendered is included to the extent of

Accounting Policies

Year Ended 31 July 2002

the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

All income from short-term deposits and general endowments and donations is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of relevant expenditure incurred during the year.

Recurrent grants from the Higher Education Funding Council for Wales and the National Council are recognised in the period in which they are receivable.

Non-recurrent grants from the Higher Education Funding Council for Wales or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

5. Maintenance of Premises

The cost of long term maintenance and routine corrective maintenance is charged to the income and expenditure account as incurred.

6. Pension Costs

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme and the College Pension and Assurance Scheme 1978. A small number of staff remain in other pension schemes.

a. Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pensions costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

b. College Pension and Assurance Scheme 1978

The University operates the College Pension and Assurance Scheme 1978, a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives in the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining working lifetime of members of the Scheme after making allowances for future withdrawals. The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method. The University has adopted the transitional provisions of FRS17: Retirement Benefits.

7. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Accounting Policies

Year Ended 31 July 2002

8. Tangible Fixed Assets

a. Land and Buildings

The University has previously invoked the provisions of FRS15: Tangible Fixed Assets, allowing it to retain Land and Buildings at their book amounts at 1st August 1999, subject to ongoing depreciation provisions. Prior to this date Land and Buildings had been stated in the balance sheet at valuation, with the exception of additions between valuations, which had been stated at cost.

Land and buildings included at valuation are stated on the following bases:

- ? Freehold land and buildings owned prior to 1st January 1994, and capable of valuation on the open market are stated at Open Market Value at January 1994.
- ? Freehold land and buildings owned prior to 1st January 1994, but not capable of valuation on the open market are stated at Depreciated Replacement Cost at January 1994.
- ? Premises previously acquired on the merger with Coleg Normal are stated at Depreciated Replacement Cost at June 1993.

Buildings are depreciated over their estimated useful life of 50 years. Land is not depreciated as it is considered to have an indefinite useful life.

Where 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 released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of the fixed assets may not be recoverable.

Buildings under construction are accounted for at cost, based on architect's certificates and other direct costs incurred to 31 July. Costs are depreciated from the year in which they are incurred.

b. Equipment

Equipment, including micro-computers and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its expected useful economic life of 5 years, or the period of the grant in respect of specific research or other projects.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

9. Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Investments that form part of endowment assets are included in the balance sheet at market value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Accounting Policies

Year Ended 31 July 2002

10. Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks. Materials held by teaching and research and service departments are excluded, this expenditure being charged to the income and expenditure account when incurred.

11. Taxation Status

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 categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

12. Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and professional fund managers.

13. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle an obligation and a reliable estimate can be made of the obligation.

Notes to the Accounts

Year Ended 31 July 2002

1. COUNCIL GRANTS

	2001/02 £000	2000/01 £000
Higher Education Funding Council for Wales		
Recurrent Grants	26012	24817
Specific Grants		
Deferred Maintenance		230
Academic Infrastructure	256	349
Initial Teacher Training Priority Subject Recruitment		79
Research Infrastructure	784	242
Teaching and IT	286	265
Research Volume	206	206
Training and Consultancy Services	131	114
Joint Research Equipment Initiative		87
Community University	122	143
Widening Access	140	
Welsh Medium Development	118	97
Computer Workstations	327	
Knowledge Exploitation Fund	504	55
Other	735	396
Deferred Capital Grants Released in Year		
Buildings (Note 19)	151	141
Equipment (Note 19)	482	124
	30254	27345
National Council		
Recurrent Grants	632	542
Information Systems Committee	478	440
	31364	28327

2. TUITION FEES AND EDUCATION CONTRACTS

	2001/02 £000	2000/01 £000
Full-time UK and EU Students	6055	6102
Full-time Overseas Students	1287	1306
Part-time Fees	1832	1551
Research Training Support Grants	175	109
Short Course Fees	210	191
Education Contracts	6799	5905
	16358	15164

3. RESEARCH GRANTS AND CONTRACTS

2001/02	2000/01
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Notes to the Accounts

Year Ended 31 July 2002

	Income	Direct Expenditure	Net Contribution	Income	Direct Expenditure	Net Contribution
	£000	£000	£000	£000	£000	£000
Faculty of Arts						
English	22	18	4	33	27	6
Linguistics	20	20				
Modern Languages	11	11				
Welsh	98	69	29	19	16	3
Media Studies	42	33	9	38	31	7
History & Welsh History	36	36		40	40	
Business & Regional Development	323	236	87	227	200	27
Theology & Religious Studies	153	125	28	45	43	2
Research Centre Wales				106	100	6
Sociology & Social Policy	55	44	11	67	56	11
Music	189	160	29	26	21	5
Total Faculty of Arts	949	752	197	601	534	67
Faculty of Science						
Sport, Health & Exercise Science	129	114	15	68	59	9
Psychology	928	761	167	847	687	160
Informatics	1098	892	206	1143	934	209
Mathematics	55	42	13	56	44	12
Ocean Sciences	1289	1069	220	1221	982	239
Centre for Arid Zone Studies	645	547	98	664	581	83
Chemistry	356	286	70	353	285	68
Biological Sciences	1635	1407	228	1493	1284	209
Agriculture & Forest Sciences	915	788	127	965	796	169
Total Faculty of Science	7050	5906	1144	6810	5652	1158
Faculty of Education	245	202	43	447	336	111
Faculty of Health Studies	23	22	1	10	9	1
Institute of Environmental Science	233	203	30	165	150	15
Institute of Medical & Social Care Research	545	473	72	599	506	93
Administration and Central Services	218	176	42	343	263	80
BioComposites Centre	514	373	141	571	433	138
Total University & Consolidated	9777	8107	1670	9546	7883	1663
Sources of Research Income						
Research Councils	3331			2874		
UK Based Charities	922			618		
UK Central/Local Government & Health/Hospital Trusts	2765			3172		
UK Industry and Commerce	551			590		
EU Government Bodies	1272			1327		
EU Other	18			36		
Other Overseas	72			159		
Other Sources	846			770		
	9777			9546		

3. RESEARCH GRANTS AND CONTRACTS (Continued)

Income from Research Grants and Contracts includes Deferred Capital Grants released in year £311,000 (2000/01 £224,000) - see also Note 19

Notes to the Accounts

Year Ended 31 July 2002

4. OTHER INCOME

	2001/02 £000	2000/01 £000
Residences, Catering and Conferences	6307	5711
Other Services Rendered (Note 6)	5667	3974
Health Trusts	325	154
Released from Deferred Capital Grants (Note 19)	27	26
Training Department	2898	1879
Other Income	3734	3157
	<hr/>	<hr/>
	18958	14901

5. ENDOWMENT AND INVESTMENT INCOME

	2001/02 £000	2000/01 £000
Transferred from Specific Endowments (Note 20)	186	193
Income from General Endowment Asset Investments (Note 20)	17	21
Income from Short Term Investments	188	175
Other Interest Receivable	143	
	<hr/>	<hr/>
	534	389

Notes to the Accounts

Year Ended 31 July 2002

6. OTHER SERVICES RENDERED

	2001/02			2000/01		
	Income	Direct Expenditure	Net Contribution	Income	Direct Expenditure	Net Contribution
	£000	£000	£000	£000	£000	£000
Faculty of Arts						
English	275	253	22	295	256	39
Theology & Religious Studies	109	122	(13)	107	121	(14)
History & Welsh History					8	(8)
Business & Regional Development	494	466	28	189	179	10
Sociology & Social Policy	27	26	1	66	65	1
Music	6	27	(21)	34	28	6
Total Faculty of Arts	911	894	17	691	657	34
Faculty of Science						
Sport, Health & Exercise Science	18	17	1	33	29	4
Psychology	446	427	19	438	380	58
Informatics	284	276	8	97	91	6
Mathematics	1	1				
Ocean Sciences	162	240	(78)	302	225	77
Centre for Arid Zone Studies	539	626	(87)	506	582	(76)
Chemistry	476	365	111	91	72	19
Biological Sciences	132	121	11	97	110	(13)
Agriculture & Forest Sciences	326	272	54	124	100	24
Total Faculty of Science	2384	2345	39	1688	1589	99
Faculty of Education	28	51	(23)	17	57	(40)
Faculty of Health Studies				1		1
Lifelong Learning	29	31	(2)	55	51	4
Institute of Medical & Social Care Research	134	120	14	161	150	11
Institute of Environmental Science	5	4	1	14	14	
Administration and Central Services	644	495	149	339	297	42
BioComposites Centre	340	430	(90)	338	463	(125)
College Farm	91	69	22	107	96	11
Total University	4566	4439	127	3411	3374	37
IDB (UWB) Ltd	811	668	143	563	503	60
Share of Joint Venture's Income	290		290			
Total Consolidated	5667	5107	560	3974	3877	97

Income from Other Services Rendered includes Deferred Capital Grants released in year £27,000 (2000/01 £6,000) - see also Note 19

Notes to the Accounts

Year Ended 31 July 2002

7. STAFF COSTS

	2001/02 £000	2000/01 £000
Staff Costs		
Wages and Salaries	37382	36006
Social Security Costs	2642	2625
Other Pension Costs (Note 29)	3363	3214
Exceptional Restructuring Costs	280	375
	<u>43667</u>	<u>42220</u>

Exceptional restructuring costs of £280,000 in 2001/02 include a provision of £156,000 in respect of severance arrangements announced before the year end (Note 18).

Emoluments of the Vice-Chancellor	<u>115</u>	<u>111</u>
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The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. Emoluments include the University's pension contributions to the Universities Superannuation Scheme. These are paid at the same rates as for other academic staff and amounted to £14,100 (2000/01 - £13,600)

Compensation for loss of office paid and payable to a former higher paid employee of £71k (2000/01 £nil), including provision for enhanced pension benefits of £3k.

Staff Numbers by Major Category	Number	Number
Academic and Research	621	626
Academic Related	238	225
Clerical	364	342
Technical	118	117
Others	315	313
	<u>1656</u>	<u>1623</u>

Staff numbers are expressed as full time equivalents.

Analysis of Employees' Emoluments	2001/02 £000	2000/01 £000
£50,001-£60,000	45	38
£60,001-£70,000	13	9
£70,001-£80,000	6	2
£80,001-£90,000	1	1
£90,001-£100,000	1	
£100,001-£110,000		1
£110,001-£120,000	2	1

Notes to the Accounts

Year Ended 31 July 2002

8. OTHER OPERATING EXPENSES

	2001/02 £000	2000/01 £000
Academic Departments	7953	6168
Academic Services	2376	1267
Administration and Central Services	3141	2251
Premises Running Costs	2180	1995
Premises Routine Maintenance	1648	1086
Residences and Catering Operations	2270	2274
Research Grants and Contracts	2947	2973
Services Rendered	2340	1817
Grant to University's Students Union	429	411
Auditors' Remuneration (University £31,000: 2001 £29,000)	39	37
Auditors' Remuneration Non-Audit Services - Tax Planning and Consultancy (University £68,000: 2001 £51,000)	71	51
Internal Audit paid to Third Parties	24	13
Other	1652	1086
	27070	21429

9. INTEREST PAYABLE

	2001/02 £000	2000/01 £000
Loans not wholly repayable within five years	1349	1473

Notes to the Accounts

Year Ended 31 July 2002

10. ANALYSIS OF EXPENDITURE BY ACTIVITY

	2001/02				Total	2000/01
	Staff Costs	Dep'n	Other Operating Expenses	Interest Payable		Total
	£000	£000	£000	£000		£000
Academic Departments (Note 11)	23084	596	7953		31633	29525
Academic Services	3350	139	2376		5865	4302
Central Administration and Services	3531	49	1550		5130	4604
General Educational	90		1425		1515	1158
Staff and Student Facilities	661	4	729	56	1450	1301
Premises	1911	2	3828	364	6105	5417
Residences and Catering Operations	1973	13	2270	925	5181	5119
Buildings Depreciation		1972			1972	2041
Research Grants and Contracts (Note 3)	4900	260	2947		8107	7883
Services Rendered (Note 6)	2738	29	2340		5107	3877
Staff Restructuring borne Centrally	173				173	375
Other	1256		1652	4	2912	2318
Total per Income & Expenditure Account	43667	3064	27070	1349	75150	67920

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 19)	998
Revaluation Reserve Released (Note 21)	676
General Income	<u>1390</u>
	<u>3064</u>

Academic Departments' staff costs include staff restructuring costs of £107k (2000/01 £nil).

Notes to the Accounts

Year Ended 31 July 2002

11. ACADEMIC DEPARTMENTS

	2001/02				2000/01
	Academic Staff	Non-Academic Staff	Other Expend	Total	Total
	£000	£000	£000	£000	£000
Faculty of Arts					
Arts & Humanities					40
English	573	54	149	776	720
Linguistics	263	44	6	313	290
Welsh	219	16	27	262	313
Modern Languages	352	150	56	558	585
Media Studies	170	4	11	185	183
Theology & Religious Studies	374	35	32	441	419
History & Welsh History	639	40	26	705	696
Business & Regional Development	1278	155	405	1838	1799
Sociology & Social Policy	903	129	59	1091	1194
Music	444	47	126	617	617
Faculty	99			99	117
Total Faculty of Arts	5314	674	897	6885	6973
Faculty of Science					
Sport, Health & Exercise Science	523	91	258	872	877
Psychology	1955	363	1083	3401	2820
Informatics	936	167	593	1696	1736
Mathematics	268	17	26	311	383
Ocean Sciences	1399	556	1118	3073	2779
Chemistry	370	131	298	799	916
Biological Sciences	1385	508	497	2390	2320
Agriculture & Forest Sciences	1122	233	581	1936	1721
Total Faculty of Science	7958	2066	4454	14478	13552
Faculty of Education	1594	217	1161	2972	2695
Faculty of Health Studies	3103	529	1383	5015	4332
Lifelong Learning	992	139	582	1713	1495
Institute of Medical & Social Care Research	342	29	37	408	326
Institute of Environmental Science	79	36	30	145	109
Humanities Research Centre	12		5	17	43
Total University & Consolidated	19394	3690	8549	31633	29525

Notes to the Accounts

Year Ended 31 July 2002

12. TANGIBLE ASSETS

Consolidated

<u>Valuation/Cost</u>	Land and Buildings		Total £000
	Freehold £000	Equipmen t £000	
At 1 st August 2001			
Valuation	75937		75937
Cost	31688	7289	38977
Additions at Cost	823	2196	3019
Disposals at Valuation	(853)		(853)
At 31 st July 2002			
Valuation	75084		75084
Cost	32511	9485	41996
<u>Depreciation</u>			
At 1 st August 2001	13741	5782	19523
Charge for Year	1972	1092	3064
Eliminated on Disposals	(136)		(136)
At 31 st July 2002	15577	6874	22451
Net Book Value at 31 st July 2002	92018	2611	94629
Net Book Value at 1 st August 2001	93884	1507	95391
Inherited	5982		5982
Financed by Capital Grant	7857	2033	9890
Other	78179	578	78757
Net Book Value at 31 st July 2002	92018	2611	94629

Notes to the Accounts

Year Ended 31 July 2002

12. TANGIBLE ASSETS (Continued)

University

	Land and Buildings		Total
	Freehold	Equipmen t	
<u>Valuation/Cost</u>	£000	£000	£000
At 1 st August 2001			
Valuation	75937		75937
Cost	28674	6805	35479
Additions at Cost	823	2196	3019
Disposals at Valuation	(853)		(853)
At 31 st July 2002			
Valuation	75084		75084
Cost	29497	9001	38498
<u>Depreciation</u>			
At 1 st August 2001	13437	5325	18762
Charge for Year	1908	1084	2992
Eliminated on Disposals	(136)		(136)
At 31 st July 2002	15209	6409	21618
Net Book Value at 31 st July 2002	89372	2592	91964
Net Book Value at 1 st August 2001	91174	1480	92654
Inherited	5982		5982
Financed by Capital Grant	7857	2020	9877
Other	75533	572	76105
Net Book Value at 31 st July 2002	89372	2592	91964

Certain buildings have been funded from Treasury sources: should these buildings be sold, the University would have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for Wales.

Notes to the Accounts

Year Ended 31 July 2002

13. INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	2002 £000	2001 £000	2002 £000	2001 £000
<u>Fixed</u>				
Investment in Subsidiary Companies at Cost			4260	4260
Investment in Joint Ventures	58	75	50	50
- <i>share of gross assets</i>	3300	2666		
- <i>share of gross liabilities</i>	(3242)	(2591)		
Loan to Joint Venture	1810	1410	1810	1410
Investment in CVCP Properties Plc at Cost	33	33	33	33
	1901	1518	6153	5753

14. ENDOWMENT ASSET INVESTMENTS

Consolidated and University

	2001/02 £000	2000/01 £000
At 1 st August	5021	5694
Additions	817	993
Disposals	(828)	(954)
Depreciation on Revaluation	(873)	(712)
At 31 st July	4137	5021
Fixed Interest Stocks	1098	1232
Equities	2538	3274
Bank Balances	501	515
	4137	5021
Fixed Interest and Equities at Cost	3770	3570

Notes to the Accounts

Year Ended 31 July 2002

15. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2002 £000	2001 £000	2002 £000	2001 £000
Amounts falling due within one year:				
Debtors	5573	4821	5324	4614
Prepayments and Accrued Income	4327	3000	4291	2979
Amount due from Joint Venture	151	164	151	164
Group Debtors			514	497
	10051	7985	10280	8254
Amounts falling due after one year:				
Prepayment to Joint Venture	927	1027	927	1027
	10978	9012	11207	9281

The prepayment to Joint Venture comprises standing charges for the use of the vessel owned by the Joint Venture which had been paid in advance in respect of the period of the usage agreement. The prepayment is charged to the Income and Expenditure Account on a straight line basis over the period of the agreement.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	2002 £000	2001 £000	2002 £000	2001 £000
Mortgages and Unsecured Loans	847	795	847	754
Bank Overdrafts	840	211	840	211
Creditors and Accruals	4972	4777	4918	4722
Social Security and Other Taxation Payable	1281	1123	1273	1123
Deferred Income	9300	5592	9227	5528
Group Creditors			132	115
	17240	12498	17237	12453

Notes to the Accounts

Year Ended 31 July 2002

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

	<u>Consolidated</u>		<u>University</u>	
	2002 £000	2001 £000	2002 £000	2001 £000
Mortgages secured on residential and other property repayable in instalments over periods expiring between 2008 and 2023	15855	16789	15855	16789
Debts due to Local Authorities repayable in instalments over periods expiring between 2006 and 2013	96	108	96	108
Loan from Group Company			350	350
Group Advance			598	696
	15951	16897	16899	17943

Mortgages secured on residential and other property are comprised of both fixed and variable interest rate loans, with the latter being linked to either LIBOR or the bank base rate.

18. PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated and University

	Staff Restruc- turing	Other	Total
	£000	£000	£000
At 1 st August 2001	476	339	815
Utilised in Year	(476)	(8)	(484)
Transfer from Income and Expenditure Account	156	128	284
At 31 st July 2002	156	459	615

The closing provision under Other relates wholly to doubtful debts.

Notes to the Accounts

Year Ended 31 July 2002

19. DEFERRED CAPITAL GRANTS

Consolidated

	Council Grants	Other Grants & Benefaction s	Total
	£000	£000	£000
At 1 st August 2001			
Buildings	6211	1260	7471
Equipment	466	311	777
Other		2437	2437
			<hr/>
Total	6677	4008	10685
			<hr/>
Cash Received			
Buildings	543	21	564
Equipment	1792	234	2026
			<hr/>
Total	2335	255	2590
			<hr/>
Released to Income and Expenditure			
Buildings (Notes 1 and 4)	151	27	178
Equipment (Notes 1, 3 and 6)	482	288	770
Other (Note 3)		50	50
			<hr/>
Total (Note 10)	633	365	998
			<hr/>
At 31 st July 2002			
Buildings	6603	1254	7857
Equipment	1776	257	2033
Other		2387	2387
			<hr/>
Total	8379	3898	12277
			<hr/>

19. DEFERRED CAPITAL GRANTS (Continued)

University

Notes to the Accounts

Year Ended 31 July 2002

	Council Grants	Other Grants & Benefaction s	Total
	£000	£000	£000
At 1 st August 2001			
Buildings	6211	1260	7471
Equipment	466	292	758
Other		2437	2437
		<hr/>	<hr/>
Total	6677	3989	10666
		<hr/>	<hr/>
Cash Received			
Buildings	543	21	564
Equipment	1792	234	2026
		<hr/>	<hr/>
Total	2335	255	2590
		<hr/>	<hr/>
Released to Income and Expenditure			
Buildings (Notes 1 and 4)	151	27	178
Equipment (Notes 1, 3 and 6)	482	282	764
Other (Note 3)		50	50
		<hr/>	<hr/>
Total	633	359	992
		<hr/>	<hr/>
At 31 st July 2002			
Buildings	6603	1254	7857
Equipment	1776	244	2020
Other		2387	2387
		<hr/>	<hr/>
Total	8379	3885	12264
		<hr/>	<hr/>

Other deferred capital grants relate to cash received from the Natural Environment Research Council as part of the funding for the establishment of the VT Ocean Sciences Limited joint venture company.

Notes to the Accounts

Year Ended 31 July 2002

20. ENDOWMENTS

Consolidated and University

	Specific £000	General £000	Total £000
At 1 st August 2001	4483	538	5021
Additions	5		5
Depreciation of Endowment Asset Investments	(770)	(103)	(873)
Income for Year	170	17	187
Transferred to Income and Expenditure Account (Note 5)	(186)	(17)	(203)
	<hr/>	<hr/>	<hr/>
At 31 st July 2002	3702	435	4137
	<hr/>	<hr/>	<hr/>
Representing:			
Fellowships and Scholarships Funds	1202		1202
Prize Funds	225		225
Other Funds	2275	435	2710
	<hr/>	<hr/>	<hr/>
At 31 st July 2002	3702	435	4137
	<hr/>	<hr/>	<hr/>

Notes to the Accounts

Year Ended 31 July 2002

21. REVALUATION RESERVE

Consolidated and University

	2001/02 £000	2000/01 £000
<u>Revaluations</u>		
At 1 st August	45034	47953
Revaluation at 31 st July 2001		(2919)
	<hr/>	<hr/>
At 31 st July	45034	45034
	<hr/>	<hr/>
<u>Contributions to Depreciation</u>		
At 1 st August	(6255)	(5502)
Released in Year (Note 10)	(676)	(753)
	<hr/>	<hr/>
At 31 st July	(6931)	(6255)
	<hr/>	<hr/>
<u>Repayment of Debt Principal</u>		
At 1 st August	134	121
Repayments to Local Authorities in Year	13	13
	<hr/>	<hr/>
At 31 st July	147	134
	<hr/>	<hr/>
<u>Realisation on Disposals</u>		
At 1 st August	(1159)	(1004)
Released in Year	(325)	(155)
	<hr/>	<hr/>
At 31 st July	(1484)	(1159)
	<hr/>	<hr/>
<u>Net Revaluation Amount</u>		
At 31 st July	<hr/> <hr/> 36766	<hr/> <hr/> 37754

Notes to the Accounts

Year Ended 31 July 2002

22. INCOME AND EXPENDITURE ACCOUNT

	<u>Consolidated</u> £000	<u>University</u> £000
Surplus on Continuing Operations after Depreciation of Assets at Valuation	51	94
Contributions to Depreciation Released from Revaluation Reserve (Note 21)	676	676
Realisation on Disposal of Fixed Assets (Note 21)	325	325
Historical Cost Surplus for the Year	<u>1052</u>	<u>1095</u>
Repayment of Debt Principal to Local Authorities (Note 21)	(13)	(13)
At 1 st August 2001	<u>30038</u>	<u>30267</u>
At 31 st July 2002	<u>31077</u>	<u>31349</u>

23. CAPITAL COMMITMENTS

Consolidated and University

	2001/02 £000	2000/01 £000
Commitments authorised and contracted at 31 st July	<u>1773</u>	<u>388</u>

Notes to the Accounts

Year Ended 31 July 2002

24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS/ (DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2001/02 £000	2000/01 £000
Operating Surplus/(Deficit) after Depreciation of Assets at Valuation & before		
share of Joint Ventures' Surplus and Minority Interests	102	(814)
Depreciation (Note 12)	3064	2798
Deferred Capital Grants Released to Income (Note 19)	(998)	(521)
Investment Income (Note 5)	(534)	(389)
Profit on Sale of Investment Assets		(440)
Profit on Sale of Endowment Assets	(185)	(516)
Profit on Sale of Fixed Assets	(119)	(170)
Interest Payable (Note 9)	1349	1473
Decrease in Stocks	42	76
Increase in Debtors	(1966)	(18)
Increase in Creditors	4061	857
Decrease in Provisions	(200)	(942)
Net Cash Inflow from Operating Activities	<u>4616</u>	<u>1394</u>

25. FINANCING

	Mortgages & Loans £000
At 1 st August 2000	18417
New Loans	5
Capital Repayments	<u>(730)</u>
Net Amount Repaid in Year	<u>(725)</u>
At 31 st July 2001	<u>17692</u>
At 1 st August 2001	17692
Capital Repayments	<u>(894)</u>
At 31 st July 2002	<u>16798</u>

26. ANALYSIS OF CHANGES IN CONSOLIDATED NET DEBT

Notes to the Accounts

Year Ended 31 July 2002

	At 1 st August £000	Cash Flows £000	Other Changes £000	At 31 st July £000
Cash at Bank and in Hand				
Endowment Assets	515	(14)		501
Other	609	206		815
Bank Overdrafts	(211)	(629)		(840)
	913	(437)		476
Short-Term Deposits	1849	3522		5371
Debt due within one year	(795)	894	(946)	(847)
Debt due after one year	(16897)		946	(15951)
	(14930)	3979		(10951)

27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Note	2001/02 £000	2000/01 £000
Income from Endowments	20	187	238
Income from Short term Investments	5	188	175
Other Interest Received	5	143	
Interest Paid	9	(1349)	(1473)
		(831)	(1060)

28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Note	2001/02 £000	2000/01 £000
Tangible Assets Acquired	12	(3019)	(2338)
Endowment Asset Investments Acquired	14	(817)	(993)
Net Assets Acquired in Joint Venture			(50)
Total Fixed and Endowment Assets Acquired		(3836)	(3381)
Receipts from Sale of Endowment Assets		1000	1468
Receipts from Sale of Fixed Assets		835	419
Receipts from Sale of Investment Assets			444
Prepayment to Joint Venture			(1027)
Loan to Joint Venture		(400)	(1410)
Deferred Capital Grants Received	19	2590	3449
Endowments Received	20	5	15
		194	(23)

29. PENSION SCHEMES

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme

Notes to the Accounts

Year Ended 31 July 2002

(USS) and the College Pension and Assurance Scheme 1978 (CPAS). The assets of the schemes are held in separate trustee-administered funds. USS provides benefits based on final pensionable salary for academic and related employees of all UK Universities and some other employees. The College Scheme provides similar benefits for other staff of the University. The pension funds are valued every three years by a professionally qualified independent actuary using the projected unit method.

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. 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. The cost recognised within the surplus/deficit for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 1999. 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 pensions. 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 4.5% per annum, salary increases would be 3.6% per annum and pensions would increase by 2.6% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 5.5% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5% 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 £18,870m (including an estimated £55m in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £17,427m leaving a surplus of assets of £1,443m. The assets were therefore sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16.3% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 2.3% for the period of 11 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £561m of the surplus. It was also agreed, following the valuation, that £201m of the surplus would be used to fund certain benefit improvements. This left a past service surplus of £681m (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The outcome of the formal valuation at 31 March 2002 is still awaited when the above rates will be reviewed although it is not expected to increase the contribution level.

The total pension cost for the institution was £2.997m (2001: £2.855m). This includes £385k (2001: £392k) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

Notes to the Accounts

Year Ended 31 July 2002

29. PENSION SCHEMES (continued)

College Pension and Assurance Scheme 1978

The University operates a defined benefit scheme in the UK, the College Pension and Assurance Scheme 1978. The fund is valued every three years by a professionally qualified independent actuary using the projected unit method. The assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuations for which data is available	1 August 1999
Investment returns per annum	6.0%
Salary scale increases per annum	5.0%
Pension increases per annum	3.0%
Market value of assets at date of last valuation	£47 million
Proportion of members' accrued benefit covered by the actuarial valuation of the assets	142%

The results of the full actuarial valuation of the fund at 1 August 1999 have been projected to 31 July 2002, and then recalculated based on the following assumptions:

	At 31 July 2002	At 31 July 2001
Rate of Increase in Salaries	4.50%	5.00%
Rate of Increase in Pensions Payment	2.50%	3.00%
Discount Rate for Liabilities	6.00%	6.00%
Inflation Assumption	2.50%	3.00%
Revaluation of Deferred Pensions	2.50%	3.00%

The assets in the scheme and the expected rate of return at the year ended 31 July were:

	Long Term Rate of Return 2002	Value 2002 £000	Long Term Rate of Return 2001	Value 2001 £000
Equities	7.00%	31801	7.25%	39718
Bonds	5.00%	3697	5.25%	4986
Property	7.00%	1878	7.25%	1852
Cash	5.00%	439	5.25%	1073
		<u>37815</u>		<u>47629</u>

The following amounts at 31 July were measured in accordance with the requirements of FRS 17:

	2002 £000	2001 £000
Total Market Value of Assets	37815	47629
Present Value of Scheme Liabilities	(36932)	(38456)
Surplus in the Scheme - Net Pension Asset	<u>883</u>	<u>9173</u>

29. PENSION SCHEMES (continued)

Notes to the Accounts

Year Ended 31 July 2002

If the above amounts had been recognised in the financial statements, the University's net assets and income and expenditure account at 31 July would be as follows:

	2002 £000	2001 £000
Net Assets excluding Pension Asset	84257	83464
Pension Asset	883	9173
	<hr/>	<hr/>
Net Assets including Pension Asset	85140	92637
	<hr/>	<hr/>
Income and Expenditure Account	31077	30038
Pension Reserve	883	9173
	<hr/>	<hr/>
Income and Expenditure Account including Pension Reserve	31960	39211
	<hr/>	<hr/>

Additionally, if the pension costs had been recognised in accordance with FRS 17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2002.

Analysis of the amount that would be charged to operating expenditure:

	2002 £000
Current Service Cost	1443
	<hr/>

Analysis of the amount that would be credited to other finance income:

	2002 £000
Expected return on pension scheme assets	3300
Interest on pension scheme liabilities	(2315)
	<hr/>
Net Return	985
	<hr/>

Analysis of amount that would be recognised in statement of total recognised gains and losses (STRGL):

	2002 £000
Actual return less expected return on pension scheme	(12198)
Changes in assumptions underlying the present value of the scheme liabilities	4079
	<hr/>
Actuarial loss recognised in STRGL	(8119)
	<hr/>

29. PENSION SCHEMES (continued)

Movement in the scheme's surplus during the year is made up as follows:

Notes to the Accounts

Year Ended 31 July 2002

	£000
Surplus in scheme at 1 st August 2001	9173
Movement in year:	
Current service costs	(1443)
Contributions	287
Other finance income	985
Actuarial loss	<u>(8119)</u>
Surplus in scheme at 31 st July 2002	<u>883</u>

Following the full actuarial valuation at 1 August 1999 employer contributions have been agreed at the rate of 3 per cent of pensionable pay. Active members pay at the rate of 5 per cent of pensionable pay.

History of experience gains and losses for the year ended 31st Jul 2002 were as follows:

Difference between the expected and actual return on scheme assets:

Amount (£000s)	(12198)
Percentage of the scheme assets	(32%)

Total amount recognised in statement of total recognised gains and losses:

Amounts (£000s)	(8119)
Percentage of the present value of the scheme liabilities	(22%)

Pension Costs

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

	2001/02 £000	2000/01 £000
Contributions to USS (14% of pensionable salaries)	2997	2855
Contributions to CPAS (3% of pensionable salaries)	246	232
Contributions to Other Pension Schemes	120	127
	<u>3363</u>	<u>3214</u>

Other pension schemes includes contributions to the Teachers Superannuation Scheme.

30. RELATED PARTY TRANSACTIONS

Notes to the Accounts

Year Ended 31 July 2002

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

Professor H R Evans, Vice-Chancellor and Dr H G F Roberts, Pro-Vice-Chancellor are trustees of the St Mary's College Trust, Bangor. During the financial year 2001/02 funding of £46k was received by the University from the St Mary's College Trust, Bangor (2000/2001 £49k).

During the year, Mr D W Hughes, Director of Finance of the University, served as a director of UNDEB (Management) Cyf and UNDEB (Trading) Cyf. A number of transactions were undertaken during the year between various service departments of the University and UNDEB (Management) Cyf and UNDEB (Trading) Cyf. These transactions were conducted at an arm's length and in accordance with the University's financial regulations. In addition, the University has previously advanced UNDEB (Trading) Cyf, and the balance at the end of the year was £172k (2000/2001 £197k).

A number of the trustees of the Development Trust are also members of Council or senior employees of the University. The Development Trust's objective is the support of the University's activities by donations and a total of £192k (2000/2001 £188k) was received from the Trust during the year. The University provides an administration service to the Development Trust. In addition, the University has previously advanced the Development Trust, and the balance at the year end was £104k (2000/2001 £108k).

31. ACCESS AND HARDSHIP FUNDS

	2001/02 £000	2000/01 £000
Balance Unspent at 1 st August	1	
Council Grants	864	432
Interest Earned	6	5
	<hr/>	<hr/>
	871	437
Disbursed to Students	(811)	(436)
	<hr/>	<hr/>
Balance Unspent at 31 st July	60	1

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

Appendix

Year Ended 31 July 2002
Ratios

FINANCIAL RATIOS

	2001/02	2000/01
	Consolidated	Consolidated
Ratio of Council Grants to Total Income	40.74%	41.46%
Ratio of Home Fees & Education Contracts to Total Income	19.58%	20.28%
Ratio of Overseas Fees to Total Income	1.67%	1.91%
Ratio of Research Income to Total Income	12.70%	13.97%
Ratio of Other Services Rendered Income to Total Income	7.36%	5.82%
Ratio of Historical Surplus for the year to Total Income	1.37%	0.20%
Long-term Liabilities and Provisions to Income and Expenditure Reserves	53.31%	58.97%
Ratio of Liquid Assets to Current Liabilities	0.36	0.20
Ratio of Current Assets to Current Liabilities	1.01	0.94
Days of Total Income represented by Debtors	52	48

Total Income includes share of Joint Ventures' income.