

Contents

Accounts for the year ended
31 July 2003

Treasurer's Report	2
Corporate Governance	4
Responsibilities of the Council	6
Independent Auditors' Report	8
Income and Expenditure Account	10
Balance Sheet	11
Cashflow Statement	13
Statement of Recognised Gains/Losses	14
Accounting Policies	15
Notes to the Accounts	19
Appendix - Ratios	45

Treasurer's Report

Year Ended 31 July 2003

Scope of the Financial Statements

The financial statements for the year ended 31st July 2003 consolidate the results of the University and its subsidiary companies, the details of which are provided under paragraph 3 of the Accounting Policies (see pages 15 to 16).

Results for the Year

The Income and Expenditure results for the year to 31st July 2003 are summarised as follows:

	2002/03 £000	2001/02 £000	Change %
Income	78091	75252	3.8
Expenditure	77770	75150	3.5
Share of Joint Ventures Deficit and Minority Interests	(371)	(51)	(627.5)
(Deficit)/Surplus after Depreciation of Assets at Valuation	(50)	51	(198.1)
Historical Cost Surplus	650	1052	(38.2)

The Income and Expenditure Account reveals a historical cost surplus of £650k, and marks the third consecutive year of recording a surplus. This reflects a sustained effort across the University in terms of seeking opportunities for cost savings and income generation under the direction of the Planning Development and Implementation Group, and the ongoing process of developing tighter budgetary control procedures. As noted in this report last year, these surpluses represent an encouraging trend, but one which still requires a very significant improvement, not only to restore the University's underlying liquidity position to a more healthy position, but also to provide greater headroom for investment in strategic initiatives and to allow for the repair and improvement of the physical estate. However, in the face of continued Government under-funding, and the year-on-year erosion of recurrent funding in real terms, the desired step change in performance represents a very considerable challenge.

Income grew by 3.8% on the previous year, with the most significant increases being under Council Grants and Tuition Fees & Education Contracts. Council Grants increased by £1,522k (4.9%), and while there was a decline in the recognition of income from grants for special initiatives, income received for the quality of research (QR) increased by £1,576k following the University's excellent performance in the 2001 Research Assessment Exercise. Tuition Fees & Education Contracts increased by £1,772k (10.8%). Part-time fees continue to show strong growth (£310k/16.9%) due to the continued development of new markets and new courses by our joint venture company with the Manchester Business School, the Institute for Financial Management. In order to create still further opportunities for development this company was wound up on the 31 July 2003, and the business, together with all of its assets and liabilities were transferred to a new joint venture company, Business & Management Education Limited, a company limited by shares rather than guarantee. Overseas fees recorded a 39.2% (£504k) growth on the previous year, marking a breakthrough in the University's overseas recruitment strategy, with numbers recovering to 256 from a low of 170 in the previous year. The University has also exceeded its target for the forthcoming financial year, recording a further increase of over 20% and a population of over 300.

Another notable highlight is a further real terms increase in income from Research Grants & Contracts, which has broken the £10m mark for the first time. Staff must be congratulated on this achievement which is built on a foundation of excellence in their research and a good deal of hard work in a very competitive

Treasurer's Report

Year Ended 31 July 2003

environment.

Total expenditure increased by £2,620k (3.5%), and of this £2,548k is accounted for by an increase in staff costs. Overall staff numbers have remained broadly the same and the increase is accounted for by a combination of pay inflation, incremental drift and some change in mix.

Additions to fixed assets amounted to £4,805k, which were substantially funded from external sources, and principally infrastructure and capital grants from the Funding Council.

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 just 1.1% (2001/02: 17.6% decrease) to £4,091k at the 31 July 2003, reflecting a more stable year in the financial markets. The average yield was 3.89% (2001/02 3.99%). The performance of the fund is monitored by the University's Investments Committee.

Cash Flow and Liquidity

The consolidated cash flow shows a further improvement on the previous year with a net cash inflow from operating activities of £2,757k (2001/02: £4,616k), and an increase in cash balances and short term deposits of £672k and £159k respectively. However, the improvement over the past two financial years has been enhanced by a significant increase in deferred income relating to restricted grant income. Despite this, there is an improvement in the underlying liquidity position with net current assets closing £1,026k above last year's position.

Capital Projects

The University is set to embark on one of the largest capital build programmes in recent years. During the year the Welsh Assembly Government confirmed a funding contribution of £1.3m towards the development of Phase II of the Brigantia building as a result of its decision to proceed with supporting the establishment of a new Clinical School in North Wales. Combined with Strategic Research Infrastructure Funding (SRIF) from the Funding Council, this will result in a £2.7m project. Two further major projects are also at an advanced stage of planning. A successful application for European Objective 1 funding results in a planned £10m programme to develop a world class Management Development Centre in partnership with the private sector. Also planned is the first phase of the Science Site redevelopment costing £6m. These two projects will serve to eliminate an estimated £7m from the University's backlog maintenance assessment.

Future Developments

In this report last year reference was made to the proposed options for closer collaboration with the North East Wales Institute (NEWI). This included a strengthened Strategic Alliance, through the creation of joint academic and service departments, or the creation of a single University in North Wales, within twin campuses at Bangor and Wrexham. During the year much work has been undertaken in looking at the feasibility of these proposals, and discussions are ongoing.

Conclusion

We can look back on another year of progress. These figures show that we are on target to improve the University's financial performance in many key areas. We are involved in a number of exciting initiatives which will hopefully underline the University's position as a world class provider of educational services in teaching and research. Our main concerns are still connected to issues of maintaining the fabric of our buildings and facing realistically the need for each department to pay its way both in maintaining the quality of the service provided and keeping down its costs. Once again our thanks to the Finance Director and his team for their excellent work.

Huw Elwyn Jones

Corporate Governance

Year ended 31 July 2003

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 2003 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 2003

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 2003 meeting, the Planning and Resources Committee carried out the annual assessment for the year ended 31 July 2003 by considering documentation from the Senior Officers' Group and internal audit, and taking account of events since 31 July 2003.

Responsibilities of the Council

Year Ended 31 July 2003

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

Responsibilities of the Council

Year Ended 31 July 2003

income, expenditure and capital budgets;

- ? regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- ? 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.

Independent Auditors' Report

Year Ended 31 July 2003

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 is responsible for preparing the Annual Report. As described in the Statement of Responsibilities of Council, this includes responsibility for the preparation of 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, applicable law and United Kingdom Accounting Standards.

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. This report, including the opinion, has been prepared for and only for the Council as a body. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education. We also report to you whether in our opinion, in all material respects, monies expended out of Higher Education Funding Council for Wales grants and other funds from whatever sources administered by the University for specific purposes and, if appropriate, managed in compliance with all relevant legislation and whether in our opinion, in all material respects, income has been applied in accordance with the financial memorandum with the Higher Education Funding Council for Wales.

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

Independent Auditors' Report

Year Ended 31 July 2003

Opinion

In our opinion:

- (a) the financial statements give a true and fair view of the state of affairs of the University and the group as at 31 July 2003 and of the deficit, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education;
- (b) in all material respects, monies expended out of Higher Education Funding Council for Wales grants and other funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation;
- (c) in all material respects, income has been applied in accordance with the financial memorandum with the Higher Education Funding Council for Wales.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Manchester

5 December 2003

Income and Expenditure Account

Year Ended 31 July 2003

	Note	<u>Consolidated</u>	
		2002/03 £000	2001/02 £000
INCOME			
Council Grants	1	32886	31364
Tuition Fees and Education Contracts	2	18130	16358
Research Grants and Contracts	3	10243	9777
Other Income	4	18427	18958
Endowment and Investment Income	5	504	534
Total Consolidated and share of Joint Ventures		80190	76991
Less share of Joint Ventures Income		(2099)	(1739)
Total Income		78091	75252
EXPENDITURE			
Staff Costs	7	45935	43387
Exceptional Restructuring Costs	7	130	280
Other Operating Expenses	8	26851	27070
Depreciation	12	3589	3064
Interest Payable	9	1265	1349
Total Expenditure	10	77770	75150
Operating Surplus after Depreciation of Assets at Valuation and before share of Joint Ventures Deficit and Minority Interests		321	102
Share of Joint Ventures Deficit		(371)	(17)
Minority Interests			(34)
(Deficit)/Surplus on Continuing Operations after Depreciation of Assets at Valuation	22	(50)	51
<u>STATEMENT OF HISTORICAL COST SURPLUSES</u>			
(Deficit)/Surplus on Continuing Operations after Depreciation of Assets at Valuation		(50)	51
Difference Between Historical Cost Depreciation and the Actual			
Depreciation Charge for the Year Calculated on the Revalued			
Amount	21	676	676
Realisation of Property Revaluation Gains of Previous Years	21	24	325
Historical Cost Surplus for the Year		650	1052

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

Balance Sheet

at 31 July 2003

	Note	<u>Consolidated</u>		<u>University</u>	
		2003 £000	2002 £000	2003 £000	2002 £000
FIXED ASSETS					
Tangible Assets	12	95792	94629	93055	91964
Investments	13				
- subsidiaries				4260	4260
- joint ventures		(313)	58	112	50
- <i>share of gross assets</i>		3493	3300		
- <i>share of gross liabilities</i>		(3806)	(3242)		
- loan to joint venture		1810	1810	1810	1810
- other		33	33	33	33
		97322	96530	99270	98117
ENDOWMENT ASSET INVESTMENTS	14	4091	4137	4091	4137
CURRENT ASSETS					
Stocks and Stores in Hand		226	232	181	178
Debtors	15	9186	10519	9376	10748
Short Term Deposits	26	5530	5371	5530	5371
Cash at Bank and in Hand		1279	815	732	257
		16221	16937	15819	16554
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(15498)	(17240)	(15385)	(17237)
NET CURRENT ASSETS/(LIABILITIES)		723	(303)	434	(683)
TOTAL ASSETS LESS CURRENT LIABILITIES		102136	100364	103795	101571
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(15103)	(15951)	(15798)	(16899)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(32)	(156)	(32)	(156)
NET ASSETS		87001	84257	87965	84516

Balance Sheet

at 31 July 2003

		<u>Consolidated</u>		<u>University</u>	
	Note	2003 £000	2002 £000	2003 £000	2002 £000
DEFERRED CAPITAL GRANTS	19	15117	12277	15110	12264
ENDOWMENTS					
Specific	20	3659	3702	3659	3702
General	20	432	435	432	435
		4091	4137	4091	4137
RESERVES					
Revaluation Reserve	21	36114	36766	36114	36766
Income and Expenditure Account	22	31679	31077	32650	31349
TOTAL RESERVES		67793	67843	68764	68115
TOTAL FUNDS		87001	84257	87965	84516

The financial statements on pages 10 to 44 were approved by the Council on 5 December 2003 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

Balance Sheet

at 31 July 2003

Consolidated Cashflow Statement

Year Ended 31 July 2003

	Note	2002/03 £000	2001/02 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	2757	4616
Returns on Investments and Servicing of Finance	27	(768)	(831)
Capital Expenditure and Financial Investment	28	(380)	194
Cash Inflow before Management of Liquid Resources and Financing		1609	3979
Management of Liquid Resources	26	(159)	(3522)
Financing	25	(778)	(894)
INCREASE/(DECREASE) IN CASH IN THE YEAR		672	(437)
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT			
INCREASE/(DECREASE) IN CASH IN THE YEAR		672	(437)
Increase Short Term Deposits	26	159	3522
New Loans	25	(156)	
Capital Repayments	25	934	894
Change in Net Debt in the Year		1609	3979
Net Debt at 1 st August	26	(10951)	(14930)
NET DEBT AT 31ST JULY	26	(9342)	(10951)

Statement of Total Recognised Gains and Losses

Year Ended 31 July 2003

		<u>Consolidated</u>	
	Note	2002/03 £000	2001/02 £000
(Deficit)/Surplus after Depreciation of Assets at Valuation including share of Joint Ventures Deficit		(50)	85
Depreciation of Endowment Asset Investments	20	(39)	(873)
Endowment Income Withdrawn for Year	20	(7)	(16)
New Endowments	20		5
		<hr/>	<hr/>
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR		(96)	(799)
		<hr/>	<hr/>
Reconciliation			
Opening Reserves and Endowments		71980	72779
Total Recognised Losses Relating to the Year		(96)	(799)
		<hr/>	<hr/>
Closing Reserves and Endowments		71884	71980
		<hr/>	<hr/>

Accounting Policies

Year Ended 31 July 2003

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 31 July 2003. Intra-group sales and profits are eliminated fully on consolidation. On 31 July 2003, the Institute for Financial Management entered into a members' voluntary liquidation and the business, its assets and liabilities were transferred by way of distribution on a winding up to a newly formed company, Business & Management Education Limited. The newly formed limited liability company has share capital rather than being limited by guarantee. Holdings in the Institute for Financial Management, Business & Management Education Limited 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 Registration	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

Accounting Policies

Year Ended 31 July 2003

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.

	% Holding	Issued Share Capital	Country of Registratio n	Nature of Business
Business & Management Education Limited	50%	50 £1 Class A shares	Wales	Distance learning courses

Holding on a Joint Venture basis with the Manchester Business School.

4. Recognition of Income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

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 Second Pension. The liabilities are 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. Pension 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

Accounting Policies

Year Ended 31 July 2003

The University operates the College Pension and Assurance Scheme 1978, a defined benefit scheme which is externally funded and contracted out of the State Second Pension. 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.

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 1 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 1 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 1 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 computers and software, costing less than £10,000 per individual item or

Accounting Policies

Year Ended 31 July 2003

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. Leased Assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

10. 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.

11. 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.

12. 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.

13. Liquid Resources

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

14. 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 2003

1. COUNCIL GRANTS

	2002/03 £000	2001/02 £000
Higher Education Funding Council for Wales		
Recurrent Grants	27658	26012
Specific Grants		
Academic Infrastructure	184	256
Community University		122
Computer Workstations	18	327
Higher Education Economic Development	385	
Knowledge Exploitation Fund	370	504
Research Infrastructure	244	784
Research Volume		206
Strategic Research Infrastructure	174	53
Teacher Training Recruitment	100	93
Teaching and IT	1058	286
Training and Consultancy Services		131
Welsh Medium Development	102	118
Widening Access	112	140
Other	438	589
Deferred Capital Grants Released in Year		
Buildings (Note 19)	174	151
Equipment (Note 19)	994	482
	32011	30254
National Council		
Recurrent Grants	611	632
Information Systems Committee	264	478
	32886	31364

2. TUITION FEES AND EDUCATION CONTRACTS

	2002/03 £000	2001/02 £000
Full-time UK and EU Students	6263	6055
Full-time Overseas Students	1791	1287
Part-time Fees	2142	1832
Research Training Support Grants	196	175
Short Course Fees	195	210
Education Contracts	7543	6799
	18130	16358

Notes to the Accounts

Year Ended 31 July 2003

3. RESEARCH GRANTS AND CONTRACTS

	2002/03			2001/02		
	Income	Direct Expenditure	Net Contribution	Income	Direct Expenditure	Net Contribution
	£000	£000	£000	£000	£000	£000
Faculty of Arts						
English	53	43	10	22	18	4
Linguistics	1	1		20	20	
Modern Languages	13	9	4	11	11	
Welsh	115	81	34	98	69	29
Media Studies	8	7	1	42	33	9
History & Welsh History	81	69	12	36	36	
Business & Regional Development	242	176	66	323	236	87
Theology & Religious Studies	170	134	36	153	125	28
Sociology & Social Policy	39	30	9	55	44	11
Music	163	129	34	189	160	29
Total Faculty of Arts	885	679	206	949	752	197
Faculty of Science						
Sport, Health & Exercise Science	291	240	51	129	114	15
Psychology	1013	835	178	928	761	167
Informatics	1130	906	224	1098	892	206
Mathematics	114	83	31	55	42	13
Ocean Sciences	1325	1111	214	1289	1069	220
Centre for Arid Zone Studies	667	566	101	645	547	98
Chemistry	360	297	63	356	286	70
Biological Sciences	1397	1185	212	1635	1407	228
Agriculture & Forest Sciences	948	835	113	915	788	127
Total Faculty of Science	7245	6058	1187	7050	5906	1144
Faculty of Education	188	147	41	245	202	43
Faculty of Health Studies	26	24	2	23	22	1
Institute of Environmental Science	312	266	46	233	203	30
Institute of Medical & Social Care Research	873	758	115	545	473	72
Administration, Central & Academic Services	105	80	25	218	176	42
BioComposites Centre	609	420	189	514	373	141
Total University & Consolidated	10243	8432	1811	9777	8107	1670
Sources of Research Income						
Research Councils	3198			3331		
UK Based Charities	728			922		
UK Central/Local Government & Health/Hospital Trusts	2427			2765		
UK Industry and Commerce	693			551		
EU Government Bodies	2032			1272		
EU Other	125			18		
Other Overseas	77			72		
Other Sources	963			846		

Notes to the Accounts

Year Ended 31 July 2003

10243

9777

Income from Research Grants and Contracts includes Deferred Capital Grants released in the year of £315,000 (2001/02 £311,000) - see also Note 19

4. OTHER INCOME

	2002/03 £000	2001/02 £000
Residences, Catering and Conferences	6529	6307
Other Services Rendered (Note 6)	5360	5667
Health Trusts	486	325
Released from Deferred Capital Grants (Note 19)	32	27
Training Department	2416	2898
Other Income	3604	3734
	<u>18427</u>	<u>18958</u>

5. ENDOWMENT AND INVESTMENT INCOME

	2002/03 £000	2001/02 £000
Transferred from Specific Endowments (Note 20)	157	186
Income from General Endowment Asset Investments (Note 20)	14	17
Income from Short Term Investments	215	188
Other Interest Receivable	118	143
	<u>504</u>	<u>534</u>

Notes to the Accounts

Year Ended 31 July 2003

6. OTHER SERVICES RENDERED

	2002/03			2001/02		
	Income	Direct Expend-iture	Net Contri-b-ution	Income	Direct Expend-iture	Net Contrib-ution
	£000	£000	£000	£000	£000	£000
Faculty of Arts						
English	383	371	12	275	253	22
Modern Languages	11	8	3			
Theology & Religious Studies	101	115	(14)	109	122	(13)
Business & Regional Development	331	310	21	494	466	28
Sociology & Social Policy	16	13	3	27	26	1
Music	7	5	2	6	27	(21)
Total Faculty of Arts	849	822	27	911	894	17
Faculty of Science						
Sport, Health & Exercise Science	14	13	1	18	17	1
Psychology	471	450	21	446	427	19
Informatics	368	345	23	284	276	8
Mathematics	1	1		1	1	
Ocean Sciences	248	262	(14)	162	240	(78)
Centre for Arid Zone Studies	672	680	(8)	539	626	(87)
Chemistry	390	307	83	476	365	111
Biological Sciences	162	140	22	132	121	11
Agriculture & Forest Sciences	196	170	26	326	272	54
Total Faculty of Science	2522	2368	154	2384	2345	39
Faculty of Education	49	32	17	28	51	(23)
Lifelong Learning	7	2	5	29	31	(2)
Institute of Medical & Social Care Research	220	192	28	134	120	14
Institute of Environmental Science	1		1	5	4	1
Administration, Central & Academic Services	354	320	34	644	495	149
BioComposites Centre	312	297	15	340	430	(90)
College Farm	113	89	24	91	69	22
Total University	4427	4122	305	4566	4439	127
IDB (UWB) Ltd	545	448	97	811	668	143
BCDD Ltd		170	(170)			
Share of Joint Ventures Income	388		388	290		290
Total Consolidated	5360	4740	620	5667	5107	560

Income from Other Services Rendered includes Deferred Capital Grants released in the year of £62,000 (2001/02 £27,000) - see also Note 19

Notes to the Accounts

Year Ended 31 July 2003

7. STAFF COSTS

	2002/03 £000	2001/02 £000
Staff Costs		
Wages and Salaries	39489	37382
Social Security Costs	2849	2642
Other Pension Costs (Note 29)	3597	3363
	<u>45935</u>	<u>43387</u>
Exceptional Restructuring Costs	130	280
	<u>46065</u>	<u>43667</u>

Exceptional restructuring costs of £130,000 in 2002/03 include a provision of £32,000 in respect of severance arrangements announced before the year end (Note 18).

Emoluments of the Vice-Chancellor	127	115
-----------------------------------	-----	-----

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 £15,600 (2001/02 - £14,100).

Compensation for loss of office paid and payable to a former higher paid employee was £69k (2001/02 £71k), including provision for enhanced pension benefits of £68k.

Staff Numbers by Major Category	Number	Number
Academic and Research	628	621
Academic Related	247	238
Clerical	362	364
Technical	114	118
Others	300	315
	<u>1651</u>	<u>1656</u>

Staff numbers are expressed as full time equivalents.

Analysis of Employees' Emoluments	Number	Number
£50,001-£60,000	39	45
£60,001-£70,000	22	13
£70,001-£80,000	8	6
£80,001-£90,000	1	1
£90,001-£100,000	1	1
£110,001-£120,000		2

Notes to the Accounts

Year Ended 31 July 2003

£120,001-£130,000

2

£130,001-£140,000

1

Notes to the Accounts

Year Ended 31 July 2003

8. OTHER OPERATING EXPENSES

	2002/03 £000	2001/02 £000
Academic Departments	8284	7953
Academic Services	2050	2376
Administration and Central Services	3710	3141
Premises Running Costs	2245	2180
Premises Routine Maintenance	1656	1648
Residences and Catering Operations	2321	2270
Research Grants and Contracts	2754	2947
Services Rendered	1817	2340
Grant to University's Students Union	459	429
Auditors' Remuneration (University £30,000: 2002 £31,000)	39	39
Auditors' Remuneration Non-Audit Services - Tax Planning and Consultancy (University £100,000: 2002 £68,000)	103	71
Internal Audit paid to Third Parties	34	24
Other	1379	1652
	26851	27070

	2002/03 £000	2001/02 £000
Other operating expenses include:		
Hire of plant and machinery - operating leases	719	566
Hire of other assets - operating leases	592	557

9. INTEREST PAYABLE

	2002/03 £000	2001/02 £000
Loans not wholly repayable within five years	1265	1349

Notes to the Accounts

Year Ended 31 July 2003

10. ANALYSIS OF EXPENDITURE BY ACTIVITY

	2002/03					2001/02
	Staff Costs	Dep'n	Other Operat- ing Expense s	Interest Payabl e	Total	Total
	£000	£000	£000	£000	£000	£000
Academic Departments (Note 11)	24416	918	8284		33618	31633
Academic Services	3390	270	2050		5710	5865
Central Administration and Services	3545	51	1851		5447	5130
General Educational	86		1724		1810	1515
Staff and Student Facilities	793	4	770	55	1622	1450
Premises	1985	2	3901	358	6246	6105
Residences and Catering Operations	2147	13	2321	849	5330	5181
Buildings Depreciation		2002			2002	1972
Research Grants and Contracts (Note 3)	5413	265	2754		8432	8107
Services Rendered (Note 6)	2859	64	1817		4740	5107
Staff Restructuring borne Centrally	47				47	173
Other	1384		1379	3	2766	2912
Total per Income & Expenditure Account	46065	3589	26851	1265	77770	75150

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 19)	1577
Revaluation Reserve Released (Note 21)	676
General Income	<u>1336</u>
	<u>3589</u>

Academic Departments and Residences and Catering staff costs include staff restructuring costs of £83k (2001/02 £107k).

Notes to the Accounts

Year Ended 31 July 2003

11. ACADEMIC DEPARTMENTS

	2002/03				2001/02
	Academic Staff	Non-Academic Staff	Other Expend	Total	Total
	£000	£000	£000	£000	£000
Faculty of Arts					
English	636	39	62	737	776
Linguistics	256	38	26	320	313
Welsh	266	19	13	298	262
Modern Languages	402	36	86	524	558
Media Studies	195		19	214	185
Theology & Religious Studies	433	20	35	488	441
History & Welsh History	643	38	8	689	705
Business & Regional Development	1386	136	481	2003	1838
Sociology & Social Policy	873	133	142	1148	1091
Music	510	34	149	693	617
Faculty	96			96	99
Total Faculty of Arts	5696	493	1021	7210	6885
Faculty of Science					
Sport, Health & Exercise Science	615	105	380	1100	872
Psychology	2164	264	956	3384	3401
Informatics	970	108	665	1743	1696
Mathematics	282	1	12	295	311
Ocean Sciences	1391	568	1112	3071	3073
Chemistry	459	155	438	1052	799
Biological Sciences	1524	494	654	2672	2390
Agriculture & Forest Sciences	1236	237	624	2097	1936
Total Faculty of Science	8641	1932	4841	15414	14478
Faculty of Education	1814	240	894	2948	2972
Faculty of Health Studies	3290	559	1844	5693	5015
Lifelong Learning	1023	153	488	1664	1713
Institute of Medical & Social Care Research	284	35	23	342	408
Institute of Environmental Science	86	40	37	163	145
Welsh Institute of Social & Cultural Affairs	3			3	
Humanities Research Centre	12		6	18	17
BioComposites Centre	86	29	48	163	
Total University & Consolidated	20935	3481	9202	33618	31633

Notes to the Accounts

Year Ended 31 July 2003

12. TANGIBLE ASSETS

Consolidated

	Land and Buildings		Total
	Freehold	Equipmen t	
<u>Valuation/Cost</u>	£000	£000	£000
At 1 st August 2002			
Valuation	75084		75084
Cost	32511	9485	41996
Additions at Cost	1720	3085	4805
Disposals at Valuation	(65)		(65)
At 31 st July 2003			
Valuation	75019		75019
Cost	34231	12570	46801
<u>Depreciation</u>			
At 1 st August 2002	15577	6874	22451
Charge for Year	2002	1587	3589
Eliminated on Disposals	(12)		(12)
At 31 st July 2003	17567	8461	26028
Net Book Value at 31 st July 2003	91683	4109	95792
Net Book Value at 1 st August 2002	92018	2611	94629
Inherited	5982		5982
Financed by Capital Grant	9069	3711	12780
Other	76632	398	77030
Net Book Value at 31 st July 2003	91683	4109	95792

Notes to the Accounts

Year Ended 31 July 2003

12. TANGIBLE ASSETS (Continued)

University

	Land and Buildings		
	Freehold	Equipmen t	Total
<u>Valuation/Cost</u>	£000	£000	£000
At 1 st August 2002			
Valuation	75084		75084
Cost	29497	9001	38498
Additions at Cost	1581	3079	4660
Disposals at Valuation	(65)		(65)
At 31 st July 2003			
Valuation	75019		75019
Cost	31078	12080	43158
<u>Depreciation</u>			
At 1 st August 2002	15209	6409	21618
Charge for Year	1938	1578	3516
Eliminated on Disposals	(12)		(12)
At 31 st July 2003	17135	7987	25122
Net Book Value at 31 st July 2003	88962	4093	93055
Net Book Value at 1 st August 2002	89372	2592	91964
Inherited	5982		5982
Financed by Capital Grant	9069	3704	12773
Other	73911	389	74300
Net Book Value at 31 st July 2003	88962	4093	93055

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 2003

13. INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	2003 £000	2002 £000	2003 £000	2002 £000
<u>Fixed</u>				
Investment in Subsidiary Companies at Cost			4260	4260
Investment in Joint Ventures	(313)	58	112	50
- <i>share of gross assets</i>	3493	3300		
- <i>share of gross liabilities</i>	(3806)	(3242)		
Loan to Joint Venture	1810	1810	1810	1810
Investment in CVCP Properties Plc at Cost	33	33	33	33
	1530	1901	6215	6153

14. ENDOWMENT ASSET INVESTMENTS

Consolidated and University

	2002/03 £000	2001/02 £000
At 1 st August	4137	5021
Additions	568	817
Disposals	(575)	(828)
Depreciation on Revaluation	(39)	(873)
At 31 st July	4091	4137
Fixed Interest Stocks	1025	1098
Equities	2541	2538
Bank Balances	525	501
	4091	4137
Fixed Interest and Equities at Cost	3546	3770

Notes to the Accounts

Year Ended 31 July 2003

15. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2003	2002	2003	2002
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors	4790	5114	4411	4865
Prepayments and Accrued Income	3402	4327	3321	4291
Amount due from Joint Venture	116	151	116	151
Group Debtors			650	514
	8308	9592	8498	9821
Amounts falling due after one year:				
Prepayment to Joint Venture	878	927	878	927
	9186	10519	9376	10748

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>	
	2003	2002	2003	2002
	£000	£000	£000	£000
Mortgages and Unsecured Loans (Note 17)	917	847	917	847
Bank Overdrafts	656	840	656	840
Creditors and Accruals	4143	4972	4123	4918
Social Security and Other Taxation Payable	1174	1281	1171	1273
Deferred Income	8608	9300	8389	9227
Group Creditors			129	132
	15498	17240	15385	17237

Notes to the Accounts

Year Ended 31 July 2003

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

	<u>Consolidated</u>		<u>University</u>	
	2003 £000	2002 £000	2003 £000	2002 £000
Mortgages secured on residential and other property repayable in instalments over periods expiring between 2008 and 2023	15048	15855	14892	15855
Debts due to Local Authorities repayable in instalments over periods expiring between 2006 and 2013	55	96	55	96
Loan from Group Company			350	350
Group Advance			501	598
	15103	15951	15798	16899

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 Restructuring
	£000
At 1 st August 2002	156
Utilised in Year	(156)
Transfer from Income and Expenditure Account	<u>32</u>
At 31 st July 2003	<u>32</u>

Notes to the Accounts

Year Ended 31 July 2003

19. DEFERRED CAPITAL GRANTS

Consolidated

	Council Grants	Other Grants & Benefaction s	Total
	£000	£000	£000
At 1 st August 2002			
Buildings	6603	1254	7857
Equipment	1776	257	2033
Other		2387	2387
			<hr/>
Total	8379	3898	12277
			<hr/>
Cash Received			
Buildings	1110	308	1418
Equipment	2557	442	2999
			<hr/>
Total	3667	750	4417
			<hr/>
Released to Income and Expenditure			
Buildings (Notes 1 and 4)	174	32	206
Equipment (Notes 1, 3 and 6)	994	327	1321
Other (Note 3)		50	50
			<hr/>
Total (Note 10)	1168	409	1577
			<hr/>
At 31 st July 2003			
Buildings	7539	1530	9069
Equipment	3339	372	3711
Other		2337	2337
			<hr/>
Total	10878	4239	15117
			<hr/>

Notes to the Accounts

Year Ended 31 July 2003

19. DEFERRED CAPITAL GRANTS (Continued)

University

	Council Grants	Other Grants & Benefaction s	Total
	£000	£000	£000
At 1 st August 2002			
Buildings	6603	1254	7857
Equipment	1776	244	2020
Other		2387	2387
			<hr/>
Total	8379	3885	12264
			<hr/>
Cash Received			
Buildings	1110	308	1418
Equipment	2557	442	2999
			<hr/>
Total	3667	750	4417
			<hr/>
Released to Income and Expenditure			
Buildings	174	32	206
Equipment	994	321	1315
Other		50	50
			<hr/>
Total	1168	403	1571
			<hr/>
At 31 st July 2003			
Buildings	7539	1530	9069
Equipment	3339	365	3704
Other		2337	2337
			<hr/>
Total	10878	4232	15110
			<hr/>

Notes to the Accounts

Year Ended 31 July 2003

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 2003

20. ENDOWMENTS

Consolidated and University

	Specific £000	General £000	Total £000
At 1 st August 2002	3702	435	4137
Depreciation of Endowment Asset Investments	(35)	(4)	(39)
Income for Year	149	15	164
Transferred to Income and Expenditure Account (Note 5)	(157)	(14)	(171)
At 31 st July 2003	<u>3659</u>	<u>432</u>	<u>4091</u>
Representing:			
Fellowships and Scholarships Funds	1184		1184
Prize Funds	225		225
Other Funds	<u>2250</u>	<u>432</u>	<u>2682</u>
At 31 st July 2003	<u>3659</u>	<u>432</u>	<u>4091</u>

Notes to the Accounts

Year Ended 31 July 2003

21. REVALUATION RESERVE

Consolidated and University

	2002/03 £000	2001/02 £000
<u>Revaluations</u>		
At 1 st August and 31 st July	45034	45034
<u>Contributions to Depreciation</u>		
At 1 st August	(6931)	(6255)
Released in Year (Note 10)	(676)	(676)
At 31 st July	(7607)	(6931)
<u>Repayment of Debt Principal</u>		
At 1 st August	147	134
Repayments to Local Authorities in Year	48	13
At 31 st July	195	147
<u>Realisation on Disposals</u>		
At 1 st August	(1484)	(1159)
Released in Year	(24)	(325)
At 31 st July	(1508)	(1484)
<u>Net Revaluation Amount</u>		
At 31 st July	36114	36766

Notes to the Accounts

Year Ended 31 July 2003

22. INCOME AND EXPENDITURE ACCOUNT

	<u>Consolidated</u> £000	<u>University</u> £000
(Deficit)/Surplus on Continuing Operations after Depreciation of Assets		
at Valuation	(50)	649
Contributions to Depreciation Released from Revaluation Reserve (Note 21)	676	676
Realisation on Disposal of Fixed Assets (Note 21)	24	24
Historical Cost Surplus for the Year	<u>650</u>	<u>1349</u>
Repayment of Debt Principal to Local Authorities (Note 21)	(48)	(48)
At 1 st August 2002	<u>31077</u>	<u>31349</u>
At 31 st July 2003	<u>31679</u>	<u>32650</u>

23. CAPITAL COMMITMENTS

Consolidated and University

	2002/03 £000	2001/02 £000
Commitments authorised and contracted at 31 st July	<u>5586</u>	<u>1773</u>

Notes to the Accounts

Year Ended 31 July 2003

24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2002/03 £000	2001/02 £000
Operating Surplus after Depreciation of Assets at Valuation & before share of Joint Ventures Surplus and Minority Interests	321	102
Depreciation (Note 12)	3589	3064
Deferred Capital Grants Released to Income (Note 19)	(1577)	(998)
Investment Income (Note 5)	(504)	(534)
Loss/(Profit) on Sale of Endowment Assets	254	(185)
Profit on Sale of Fixed Assets	(178)	(119)
Interest Payable (Note 9)	1265	1349
Decrease in Stocks	6	42
Decrease/(Increase) in Debtors	1333	(1846)
(Decrease)/Increase in Creditors	(1628)	4061
Decrease in Provisions	(124)	(320)
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	2757	4616

25. FINANCING

	Mortgages & Loans £000
At 1 st August 2001	17692
Capital Repayments	<hr/> (894)
At 31 st July 2002	<hr/> 16798
At 1 st August 2002	16798
New Loans	156
Capital Repayments	<hr/> (934)
Net Amount Repaid in Year	<hr/> (778)
At 31 st July 2003	<hr/> 16020

Notes to the Accounts

Year Ended 31 July 2003

26. ANALYSIS OF CHANGES IN CONSOLIDATED NET DEBT

	At 1 st August £000	Cash Flows £000	Other Changes £000	At 31 st July £000
Cash at Bank and in Hand				
Endowment Assets	501	24		525
Other	815	464		1279
Bank Overdrafts	(840)	184		(656)
	<u>476</u>	<u>672</u>		<u>1148</u>
Short-Term Deposits	5371	159		5530
Debt due within one year	(847)	934	(1004)	(917)
Debt due after one year	<u>(15951)</u>	<u>(156)</u>	<u>1004</u>	<u>(15103)</u>
	<u>(10951)</u>	<u>1609</u>		<u>(9342)</u>

27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Note	2002/03 £000	2001/02 £000
Income from Endowments	20	164	187
Income from Short term Investments	5	215	188
Other Interest Received	5	118	143
Interest Paid	9	(1265)	(1349)
		<u>(768)</u>	<u>(831)</u>

28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Note	2002/03 £000	2001/02 £000
Tangible Assets Acquired	12	(4805)	(3019)
Endowment Asset Investments Acquired		<u>(544)</u>	<u>(817)</u>
Total Fixed and Endowment Assets Acquired		(5349)	(3836)
Receipts from Sale of Endowment Assets		321	1000
Receipts from Sale of Fixed Assets		231	835
Loan to Joint Venture			(400)
Deferred Capital Grants Received	19	4417	2590

Notes to the Accounts

Year Ended 31 July 2003

Endowments Received

20	5
(380)	194

Notes to the Accounts

Year Ended 31 July 2003

29. PENSION SCHEMES

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (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 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. 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 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 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 5% 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% per annum, including an additional investment return assumption of 1% 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 value of the assets of the scheme was £19,938m and the value of the past service liabilities was £19,776m leaving a surplus of assets of £162m. The assets were therefore sufficient to cover 101% 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 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 £82.5m of the surplus. This left a past service surplus of £79.5m (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 next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The total pension cost for the institution was £3.185m (2002: £2.997m). This includes £399k (2002: £385k) 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 2003

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 valuation for which data is available	1 st August 2002
Investment returns per annum	6.65%
Salary scale increases per annum	4.5%
Pension increases per annum	2.5%
Market value of assets at date of last valuation	£37.815 million
Proportion of members accrued benefit covered by the actuarial valuation of the assets	102%

The results of the full actuarial valuation of the fund at 1st August 2002 have been projected to 31st July 2003, and then recalculated based on the following assumptions:

	At 31 July 2003	At 31 July 2002	At 31 July 2001
Rate of Increase in Salaries	4.50%	4.50%	5.00%
Rate of Increase in Pensions Payment	2.50%	2.50%	3.00%
Discount Rate for Liabilities	5.50%	6.00%	6.00%
Inflation Assumption	2.50%	2.50%	3.00%
Revaluation of Deferred Pensions	2.50%	2.50%	3.00%

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

	Long Term Rate of Return 2003	Value 2003 £000	Long Term Rate of Return 2002	Value 2002 £000	Long Term Rate of Return 2001	Value 2001 £000
Equities	6.50%	33418	7.00%	31801	7.25%	39718
Bonds	4.50%	3427	5.00%	3697	5.25%	4986
Property	6.50%	1411	7.00%	1878	7.25%	1852
Cash	4.50%	288	5.00%	439	5.25%	1073
		<u>38544</u>		<u>37815</u>		<u>47629</u>

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

2003	2002	2001
£000	£000	£000

Notes to the Accounts

Year Ended 31 July 2003

Total Market Value of Assets	38544	37815	47629
Present Value of Scheme Liabilities	(46245)	(36932)	(38456)
(Deficit)/Surplus in the Scheme - Net Pension (Liability)/Asset	(7701)	883	9173

29. PENSION SCHEMES (continued)

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

	2003 £000	2002 £000
Net Assets excluding Pension Liability/Asset	87001	84257
Pension (Liability)/Asset	(7701)	883
Net Assets including Pension Liability/Asset	79300	85140
Income and Expenditure Account	31679	31077
Pension Reserve	(7701)	883
Income and Expenditure Account including Pension Reserve	23978	31960

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 31st July.

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

	2003 £000	2002 £000
Current Service Cost	1416	1443

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

	2003 £000	2002 £000
Expected return on pension scheme assets	2525	3300
Interest on pension scheme liabilities	(2215)	(2315)
Net Return	310	985

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

2003 £000	2002 £000
--------------	--------------

Notes to the Accounts

Year Ended 31 July 2003

Actual return less expected return on pension scheme	(636)	(12198)
Experience losses arising on the scheme liabilities	(3239)	
Changes in assumptions underlying the present value of the scheme liabilities	(3901)	4079
	<hr/>	<hr/>
Actuarial loss recognised in STRGL	(7776)	(8119)

Notes to the Accounts

Year Ended 31 July 2003

29. PENSION SCHEMES (continued)

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

	2003	2002
	£000	£000
Surplus in scheme at 1 st August	883	9173
Movement in year:		
Current service costs	(1416)	(1443)
Contributions	298	287
Other finance income	310	985
Actuarial loss	(7776)	(8119)
(Deficit)/Surplus in scheme at 31 st July	(7701)	883

Following the full actuarial valuation at 1st August 2002, contributions payable after 1st August 2003 expressed as a percentage of pensionable pay have been agreed at the rate of 10.25% for the employer and 6.35% for the employee. Contributions were paid at the rate of 3% for the employer and 5% for the employee between 1st August 2002 and 1st August 2003.

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

	2003	2002
	£000	£000
Difference between the expected and actual return on scheme assets:		
Amount (£000s)	(636)	(12198)
Percentage of the scheme assets	(2%)	(32%)
Experience losses on scheme liabilities:		
Amount (£000s)	(3239)	
Percentage of the present value of the scheme liabilities	(7%)	
Total amount recognised in statement of total recognised gains and losses:		
Amount (£000s)	(7776)	(8119)
Percentage of the present value of the scheme liabilities	(17%)	(22%)

Notes to the Accounts

Year Ended 31 July 2003

29. PENSION SCHEMES (continued)

Pension Costs

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

	2002/03 £000	2001/02 £000
Contributions to USS (14% of pensionable salaries)	3185	2997
Contributions to CPAS (3% of pensionable salaries)	253	246
Contributions to Other Pension Schemes	159	120
	<hr/>	<hr/>
	3597	3363

Other pension schemes includes contributions to the Teachers Superannuation Scheme.

30. FINANCIAL COMMITMENTS

Consolidated and University

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

	2003 £000	2002 £000
Land and buildings		
Expiring within one year	28	1
Expiring between two and five years inclusive	127	130
Expiring in over five years	551	555
Other		
Expiring within one year	9	
Expiring between two and five years inclusive	2	10
Expiring in over five years	600	547
	<hr/>	<hr/>
	1317	1243

Notes to the Accounts

Year Ended 31 July 2003

31. RELATED PARTY TRANSACTIONS

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 2002/03 funding of £45k was received by the University from the St Mary's College Trust, Bangor (2001/2002 £46k).

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 £170k (2001/2002 £172k).

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 £166k (2001/2002 £192k) 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 £108k (2001/2002 £104k).

32. ACCESS AND HARDSHIP FUNDS

	2002/03 £000	2001/02 £000
Balance Unspent at 1 st August	60	1
Council Grants	413	864
Interest Earned	3	6
	<hr/> 476	<hr/> 871
Disbursed to Students	(431)	(811)
	<hr/> 45	<hr/> 60

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.

Notes to the Accounts

Year Ended 31 July 2003

Appendix
Year Ended 31 July 2003
Ratios

FINANCIAL RATIOS

	2002/03	2001/02
	Consolidated	Consolidated
Ratio of Council Grants to Total Income	41.01%	40.74%
Ratio of Home Fees & Education Contracts to Total Income	20.38%	19.58%
Ratio of Overseas Fees to Total Income	2.23%	1.67%
Ratio of Research Income to Total Income	12.77%	12.70%
Ratio of Other Services Rendered Income to Total Income	6.68%	7.36%
Ratio of Historical Surplus for the year to Total Income	0.81%	1.37%
Long-term Liabilities and Provisions to Income and Expenditure Reserves	47.78%	51.83%
Ratio of Liquid Assets to Current Liabilities	0.44	0.36
Ratio of Current Assets to Current Liabilities	1.05	0.98
Days of Total Income represented by Debtors	42	50

Total Income includes share of Joint Ventures income.