

Contents

Accounts for the year ended
31 July 2004

Treasurer's Report	2
Corporate Governance	4
Responsibilities of the Council	6
Independent Auditors' Report	8
Income and Expenditure Account	10
Statement of Recognised Gains/Losses	11
Balance Sheet	12
Cashflow Statement	14
Notes to the Accounts	15
Appendix - Ratios	45

Treasurer's Report

Year Ended 31 July 2004

Scope of the Financial Statements

The financial statements for the year ended 31 July 2004 consolidate the results of the University and its subsidiary companies, the details of which are provided under the Principal Accounting Policies in the Notes to the Accounts (see page 15).

Results for the Year

The Income and Expenditure results for the year to 31 July 2004 are summarised as follows:

	2003/04 £000	2002/03 £000
Income	81546	78084
Expenditure	82032	77770
Share of Joint Ventures Surplus/(Deficit)	105	(371)
Deficit after Depreciation of Assets at Valuation	(381)	(57)
Historical Cost Surplus	500	643

The Income and Expenditure Account reveals a historical cost surplus of £500k, and marks the fourth consecutive year of recording a modest surplus. Although this represents a deterioration on the previous year, the result is struck after exceptional staff restructuring costs of £1,284k (2002/03 £130k) and therefore the underlying operating position shows some improvement.

In striving to secure the long term health of the University in an increasingly competitive market it will be necessary to significantly increase the level of surpluses to ensure that University is able to undertake strategic initiatives, reinvest in its physical infrastructure and further strengthen its liquidity position. In support of this objective the University continues to develop and improve its budgetary and planning systems. Allied to this has been a review of the management and decision making processes within the University to ensure that it is able to respond both effectively and quickly in a rapidly changing environment. This will result in significant changes to the University's committee structures in the forthcoming year and the creation of a new Executive to take over the work of the Planning Development and Implementation Group (PDIG). I have concerns regarding deficits in a small number of academic departments. I am pleased that PDIG has been working hard with individual departments to ensure that realistic solutions are adopted to eliminate or at least reduce deficits within these departments. This work will continue under the new Executive.

Income grew by 4.4% on the previous year, with the most significant increases again falling under Council Grants and Tuition Fees & Education Contracts. Council Grants increased by £1,415k (4.3%), of which the recurrent grant income from the Higher Education Funding Council increased by £955k (3.4%) with the balance of the increase substantially relating to funding for specific initiatives. Increases in the level of recurrent grant income from the Funding Council continue to fall short of wage inflation year on year which means that the University is constantly under pressure to seek increases in income from other sources. A notable success in this respect is the increase of £1,809k (10%) under Tuition Fees & Education Contracts, with Overseas fees significantly increasing (£1,153k/64.4%) for the second successive year.

Of slight disappointment is the £486k (4.74%) decrease in income from Research Grants and Contracts. However, the University remains confident that its research strategy remains on track following a record year of grant capture at £19.5m (2002/03 £12.8m). This figure includes some £5.7m towards major capital

Treasurer's Report

Year Ended 31 July 2004

projects and a further £2.1m ESF Objective 1 project to support 50 PhD studentships. Staff must be congratulated on this fine achievement.

Treasurer's Report

Year Ended 31 July 2004

Total operating expenditure, before staff restructuring costs, increased by £3,108k (4.0%), which is contained by the 4.4% growth in income. Staff restructuring costs at £1,284k address the academic and financial priorities of certain academic and non-academic resource centres and will result in savings in subsequent financial years.

Investment Performance

The University has a number of endowment funds arising from bequests and other donations. These funds are invested on a pool basis, and following three consecutive years of decline the market value of these investments showed a marginal increase of 1.24% (2002/03 1.1% decrease) to £4,136k at the 31 July 2004, reflecting the improved climate in the financial markets. The average yield was 3.77% (2002/03 3.89%). The performance of the fund is monitored by the University's Investments Committee.

Cash Flow and Liquidity

The consolidated cash flow shows a further net cash inflow from operating activities of £1,906k (2002/03 £2,757k), and an increase in cash balances and short term deposits of £255k and £1,183k respectively. However, the improvement over the past three financial years has been enhanced by increased levels of deferred income relating to restricted grant income. Despite this, there is an improvement in the underlying liquidity position with net current assets closing £2,310k above last year's position, and the Days Net Liquid Assets ratio to Total Expenditure closing at 31 days (2002/03 25 days) compared to a low point of just 8 days in 2000/01.

Capital Projects

The University has commenced the largest development of its academic estate since the 1960s, recognising that the focus should be on replacing worn out building stock with new, purpose built buildings, which in turn will substantially reduce core backlog maintenance expenditure. During the year expenditure of £6.5m was incurred on capital projects. This included £3.1m on phases II and III of the School of Psychology's Brigantia building, and a further £2.3m of planned expenditure will see this project completed in the forthcoming year. The project is being grant funded by the Science Research Infrastructure Fund (SRIF) from the Higher Education Funding Council for Wales, combined with further grants of £1.3m from the Welsh Assembly Government and a prestigious award of £1.25m from the Wolfson Foundation. Two further major projects were also commenced during the year. The Science Site redevelopment is a £7.3m project being funded by SRIF, combined with a £3.3m grant from the Natural Environment Research Council. Also a new world class Management Development Centre is to be housed in a major refurbishment of the ADME complex, which will result in an £8.3m project funded by a combination of ERDF Objective 1, the WDA and private sector partnership funding.

On the residential estate the University is progressing plans to develop a project which will forge a private sector lease/leaseback arrangement that will result in the construction of over 1,000 bedspaces, and involve the demolition of some of its poorest rooms.

Future Developments

In 2003/04 we see the opening of the North Wales Clinical School and the first intake to the new Law Programme. Such developments are important if the University is to continue to attract and grow student numbers. The University will also seek to both maintain and strengthen its position through continuing to explore possible reconfiguration and collaboration opportunities with other institutions, including the University of Wales, Aberystwyth, the North East Wales Institute (NEWI) and Coleg Menai.

Conclusion

These figures demonstrate that the University continues to make steady progress in managing its financial affairs and putting them on to a sound footing. I compliment the Director of Finance and his team on their dedication and hard work.

Treasurer's Report

Year Ended 31 July 2004

Huw Elwyn Jones

Corporate Governance

Year ended 31 July 2004

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.

During the year ended 31 July 2004 the University commenced a review of its management and governance structures. At its meeting on 1 October 2004 the University's Council approved taking forward the recommendations of this review process, which will lead to changes in the forthcoming year. This summary, therefore, describes the structure and processes that were in place during the year ended 31 July 2004.

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 2004 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:

- C 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.

- C 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.

- C 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

Corporate Governance

Year ended 31 July 2004

non-academic) and the student body.

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 Risk Management Committee 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 Risk Management Committee 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 Risk Management Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Planning and Resources Committee carries out an annual assessment by

Corporate Governance

Year ended 31 July 2004

considering documentation from the Risk Management Committee and internal audit, and taking account of events since the previous year end.

Responsibilities of the Council

Year Ended 31 July 2004

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:

- C suitable accounting policies are selected and applied consistently;
- C judgements and estimates are made that are reasonable and prudent;
- C applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- C 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:

- C 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;
- C ensure that there are appropriate financial management controls in place to safeguard public funds and funds from other sources;
- C safeguard the assets of the University of Wales, Bangor and to prevent and detect fraud;
- C 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:

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

Responsibilities of the Council

Year Ended 31 July 2004

variance reporting and updates of forecast outturns;

- C 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;
- C comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance & General Purposes Committee;
- C 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 2004

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 Principal 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 Responsibilities of 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. This opinion has been prepared for and only for the Council as a body and for no other purpose. 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 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 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, 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.

We also review the statement of internal control, included as part of the Corporate Governance statement, and comment if the statement is inconsistent with our knowledge of the institution. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

The maintenance and integrity of the University's website is the responsibility of the Council. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board

Independent Auditors' Report

Year Ended 31 July 2004

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.

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 at 31 July 2004 and of the deficit of income over expenditure, recognised gains and losses and cash flows of the University and the group for the year then ended, and the statements 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 dated January 1997.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Manchester

17 December 2004

Income and Expenditure Account

Year Ended 31 July 2004

	Note	Consolidated	
		2003/04 £000	2002/03 £000
INCOME			
Council Grants	2	34301	32886
Tuition Fees and Education Contracts	3	19939	18130
Research Grants and Contracts	4	9757	10243
Other Income	5	19245	18427
Endowment and Investment Income	6	623	497
Total Consolidated and share of Joint Ventures		83865	80183
Less share of Joint Ventures Income		(2319)	(2099)
Total Income		81546	78084
EXPENDITURE			
Staff Costs	8	49392	45935
Exceptional Restructuring Costs	8	1284	130
Other Operating Expenses	9	26602	26851
Depreciation	13	3770	3589
Interest Payable	10	984	1265
Total Expenditure	11	82032	77770
Operating (Deficit)/Surplus after Depreciation of Assets at Valuation and before share of Joint Ventures Surplus/(Deficit)		(486)	314
Share of Joint Ventures Surplus/(Deficit)		105	(371)
Deficit on Continuing Operations after Depreciation of Assets at Valuation		(381)	(57)
Transfer (to)/from Accumulated Income within Specific Endowments		(18)	7
Deficit for the Year Retained within General Reserves	23	(399)	(50)
<u>STATEMENT OF HISTORICAL COST SURPLUSES</u>			
	Note	2003/04 £000	2002/03 £000
Deficit on Continuing Operations after Depreciation of Assets at Valuation		(381)	(57)
Difference Between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	22	672	676
Realisation of Property Revaluation Gains of Previous Years	22	209	24
Historical Cost Surplus for the Year		500	643

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

Balance Sheet

at 31 July 2004

	Note	Consolidated		University	
		2004 £000	2003 £000	2004 £000	2003 £000
FIXED ASSETS					
Tangible Assets	13	98932	95792	96160	93055
Investments	14				
- subsidiaries				4260	4260
- joint ventures		(208)	(313)	112	112
- <i>share of gross assets</i>		3303	3493		
- <i>share of gross liabilities</i>		(3511)	(3806)		
- loan to joint venture		1810	1810	1810	1810
- other		33	33	33	33
		100567	97322	102375	99270
ENDOWMENT ASSET INVESTMENTS	15	4136	4091	4136	4091
CURRENT ASSETS					
Stocks and Stores in Hand		267	226	174	181
Debtors	16	9537	9186	10382	9376
Short Term Deposits		6713	5530	6713	5530
Cash at Bank and in Hand		946	1279	105	732
		17463	16221	17374	15819
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(14430)	(15498)	(14292)	(15385)
NET CURRENT ASSETS		3033	723	3082	434
TOTAL ASSETS LESS CURRENT LIABILITIES		107736	102136	109593	103795
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(14469)	(15103)	(15101)	(15798)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(921)	(32)	(921)	(32)
NET ASSETS		92346	87001	93571	87965

Balance Sheet

at 31 July 2004

		<u>Consolidated</u>		<u>University</u>	
	Note	2004 £000	2003 £000	2004 £000	2003 £000
DEFERRED CAPITAL GRANTS	20	20816	15117	20748	15110
ENDOWMENTS					
Specific	21	3701	3659	3701	3659
General	21	435	432	435	432
		4136	4091	4136	4091
RESERVES					
Revaluation Reserve	22	35239	36114	35239	36114
Income and Expenditure Account	23	32155	31679	33448	32650
TOTAL RESERVES		67394	67793	68687	68764
TOTAL FUNDS		92346	87001	93571	87965

The financial statements on pages 10 to 44 were approved by the Council on 17 December 2004 and signed on its behalf by:

R M JONES, Vice-Chancellor

H ELWYN JONES, Treasurer

D W HUGHES, Director of Finance

University of Wales, Bangor

Consolidated Cashflow Statement

Year Ended 31 July 2004

	Note	2003/04 £000	2002/03 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	1906	2757
Returns on Investments and Servicing of Finance	28	(361)	(768)
Capital Expenditure and Financial Investment	29	843	(380)
Cash Inflow before Management of Liquid Resources and Financing		2388	1609
Management of Liquid Resources	30	(1251)	(183)
Financing	26	(882)	(778)
INCREASE IN CASH IN THE YEAR		255	648
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT			
INCREASE IN CASH IN THE YEAR		255	648
Cash Outflow to Liquid Resources	30	1251	183
New Loans	26		(156)
Capital Repayments	26	882	934
Change in Net Debt in the Year		2388	1609
Net Debt at 1 st August	27	(9342)	(10951)
NET DEBT AT 31ST JULY	27	(6954)	(9342)

Statement of Total Recognised Gains and Losses

Year Ended 31 July 2004

	Note	Consolidated	
		2003/04 £000	2002/03 £000
Deficit after Depreciation of Assets at Valuation including share of Joint Ventures Surplus/(Deficit)		(381)	(57)
Appreciation/(Depreciation) of Endowment Asset Investments	21	27	(39)
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR		(354)	(96)
Reconciliation			
Opening Reserves and Endowments		71884	71980
Total Recognised Losses Relating to the Year		(354)	(96)
Closing Reserves and Endowments		71530	71884

Notes to the Accounts

Year Ended 31 July 2004

1. PRINCIPAL ACCOUNTING POLICIES

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.

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.

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 2004. Intra-group sales and profits are eliminated fully on consolidation. Holdings in 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	Share Capital Held	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.				
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

Notes to the Accounts

Year Ended 31 July 2004

Holding on a Joint Venture basis with Vosper Thorneycroft (UK) Limited.

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 and acquired at a cost of £62,144.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

Maintenance of Premises

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

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.

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.

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 Second Pension. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over the

Notes to the Accounts

Year Ended 31 July 2004

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.

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.

Notes to the Accounts

Year Ended 31 July 2004

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Tangible Fixed Assets

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.

Freehold 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.

Leasehold improvements are depreciated over the life of the lease.

Equipment

Equipment, including 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.

Leased Assets

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

Notes to the Accounts

Year Ended 31 July 2004

Notes to the Accounts

Year Ended 31 July 2004

1. PRINCIPAL ACCOUNTING POLICIES

(Continued)

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.

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.

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.

Liquid Resources

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

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 2004

2. COUNCIL GRANTS

	2003/04 £000	2002/03 £000
Higher Education Funding Council for Wales		
Recurrent Grants	28613	27658
Specific Grants		
Academic Infrastructure		184
Higher Education Economic Development	388	385
Knowledge Exploitation Fund	129	370
Reaching Higher Reaching Wider	499	6
Research Capacity Development	296	20
Research Infrastructure	7	244
Science Research Infrastructure	306	174
Teacher Training Recruitment	59	100
Teacher Training Strategic Funding	103	
Teaching and IT	1021	1058
Welsh Medium Development	103	102
Widening Access	98	112
Other	423	430
Deferred Capital Grants Released in Year		
Buildings (Note 20)	216	174
Equipment (Note 20)	1105	994
	33366	32011
National Council		
Recurrent Grants	740	611
Information Systems Committee	195	264
	34301	32886

3. TUITION FEES AND EDUCATION CONTRACTS

	2003/04 £000	2002/03 £000
Full-time UK and EU Students	6108	6263
Full-time Overseas Students	2944	1791
Part-time Fees	2414	2142
Research Training Support Grants	239	196
Short Course Fees	206	195
Education Contracts	8028	7543
	19939	18130

Notes to the Accounts

Year Ended 31 July 2004

4. RESEARCH GRANTS AND CONTRACTS

	2003/04			2002/03		
	Income	Direct Expenditure	Net Contribution	Income	Direct Expenditure	Net Contribution
	£000	£000	£000	£000	£000	£000
Faculty of Arts						
English	75	58	17	53	43	10
Linguistics	13	9	4	1	1	
Modern Languages				13	9	4
Welsh	111	73	38	115	81	34
Media Studies				8	7	1
History & Welsh History	164	134	30	81	69	12
Business & Regional Development	173	150	23	242	176	66
Theology & Religious Studies	103	84	19	170	134	36
Social Sciences	20	17	3	39	30	9
Music	41	34	7	163	129	34
Total Faculty of Arts	700	559	141	885	679	206
Faculty of Science						
Sport, Health & Exercise Science	268	223	45	291	240	51
Psychology	936	815	121	1013	835	178
Informatics	888	713	175	1130	906	224
Mathematics	67	60	7	114	83	31
Ocean Sciences	1652	1397	255	1325	1111	214
Centre for Arid Zone Studies	452	368	84	667	566	101
Chemistry	320	287	33	360	297	63
Biological Sciences	1199	988	211	1397	1185	212
Agriculture & Forest Sciences	1028	881	147	948	835	113
Total Faculty of Science	6810	5732	1078	7245	6058	1187
Faculty of Education	319	224	95	188	147	41
Faculty of Health Studies	66	55	11	26	24	2
Lifelong Learning	36	36				
Institute of Environmental Science	302	283	19	312	266	46
Institute of Medical & Social Care Research	762	611	151	873	758	115
Administration, Central & Academic Services	204	162	42	105	80	25
BioComposites Centre	558	398	160	609	420	189
Total University & Consolidated	9757	8060	1697	10243	8432	1811
Sources of Research Income						
Research Councils	2827			3198		
UK Based Charities	960			728		
UK Central/Local Government & Health/Hospital Trusts	2119			2427		
UK Industry and Commerce	578			693		
EU Government Bodies	2382			2032		
EU Other	61			125		
Other Overseas	91			77		
Other Sources	739			963		
	9757			10243		

Notes to the Accounts

Year Ended 31 July 2004

Income from Research Grants and Contracts includes Deferred Capital Grants released in the year of £253k (2002/03 £315k) - see also Note 20

5. OTHER INCOME

	2003/04 £000	2002/03 £000
Residences, Catering and Conferences	6658	6529
Other Services Rendered (Note 7)	6541	5360
Health Trusts	671	486
Released from Deferred Capital Grants (Note 20)	148	32
Training Department	1642	2416
Other Income	3585	3604
	<u>19245</u>	<u>18427</u>

Other Income includes profit on disposal of fixed assets of £286k (2002/03 £178k)

6. ENDOWMENT AND INVESTMENT INCOME

	2003/04 £000	2002/03 £000
Income from Specific Endowment Asset Investments (Note 21)	146	149
Income from General Endowment Asset Investments (Note 21)	16	15
Income from Short Term Investments	333	215
Other Interest Receivable	128	118
	<u>623</u>	<u>497</u>

In accordance with the SORP: Accounting for Further and Higher Education (2003) the presentation of Income from Endowment Asset Investments for the prior year has been changed to be consistent with the current year but the effect is not material.

Notes to the Accounts

Year Ended 31 July 2004

7. OTHER SERVICES RENDERED

	2003/04			2002/03		
	Income	Direct Expend-iture	Net Contrib-ution	Income	Direct Expend-iture	Net Contrib-ution
	£000	£000	£000	£000	£000	£000
Faculty of Arts						
English	2	2				
Linguistics	470	464	6	383	371	12
Modern Languages	18	14	4	11	8	3
Theology & Religious Studies	161	157	4	101	115	(14)
Business & Regional Development	170	163	7	331	310	21
Social Sciences	9	8	1	16	13	3
Music				7	5	2
Total Faculty of Arts	830	808	22	849	822	27
Faculty of Science						
Sport, Health & Exercise Science	20	17	3	14	13	1
Psychology	655	646	9	471	450	21
Informatics	526	482	44	368	345	23
Mathematics				1	1	
Ocean Sciences	413	355	58	248	262	(14)
Centre for Arid Zone Studies	865	917	(52)	672	680	(8)
Chemistry	251	180	71	390	307	83
Biological Sciences	204	153	51	162	140	22
Agriculture & Forest Sciences	199	150	49	196	170	26
Total Faculty of Science	3133	2900	233	2522	2368	154
Faculty of Education	11	9	2	49	32	17
Lifelong Learning	97	52	45	7	2	5
Institute of Medical & Social Care Research	244	205	39	220	192	28
Institute of Environmental Science	94	83	11	1		1
Administration, Central & Academic Services	706	565	141	354	320	34
BioComposites Centre	356	351	5	312	297	15
College Farm	115	80	35	113	89	24
Total University	5586	5053	533	4427	4122	305
IDB (UWB) Ltd	377	377		545	448	97
BCDD Ltd	53	374	(321)		170	(170)
Share of Joint Ventures Income	525		525	388		388
Total Consolidated	6541	5804	737	5360	4740	620

Income from Other Services Rendered includes Deferred Capital Grants released in the year of £66k (2002/03 £62k) - see also Note 20

Notes to the Accounts

Year Ended 31 July 2004

8. STAFF COSTS

	2003/04 £000	2002/03 £000
Staff Costs		
Wages and Salaries	41558	39489
Social Security Costs	3265	2849
Other Pension Costs (Note 31)	4569	3597
	<u>49392</u>	<u>45935</u>
Exceptional Restructuring Costs	1284	130
	<u>50676</u>	<u>46065</u>

Exceptional restructuring costs of £1,284k in 2003/04 include a provision of £921k in respect of severance arrangements announced before the year end (Note 19).

Emoluments of the Vice-Chancellor	<u>140</u>	<u>127</u>
-----------------------------------	------------	------------

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 £17,200 (2002/03 £15,600).

No compensation for loss of office was paid or payable to any former higher paid employee (2002/03 £69k).

Staff Numbers by Major Category

	Number	Number
Academic and Research	622	628
Academic Related	260	247
Clerical	349	362
Technical	114	114
Others	259	300
	<u>1604</u>	<u>1651</u>

Staff numbers are expressed as full time equivalents.

Analysis of Employees' Emoluments

	Number	Number
£70,001-£80,000	8	8
£80,001-£90,000	8	1
£90,001-£100,000	1	1
£120,001-£130,000		2
£130,001-£140,000	3	1

Notes to the Accounts

Year Ended 31 July 2004

9. OTHER OPERATING EXPENSES

	2003/04 £000	2002/03 £000
Academic Departments	8706	8284
Academic Services	2147	2050
Administration and Central Services	4094	4345
Premises Running Costs	2411	2245
Premises Routine Maintenance	1363	1656
Residences and Catering Operations	2610	2321
Research Grants and Contracts	2481	2754
Services Rendered	2124	1817
Other	666	1379
	26602	26851

	2003/04 £000	2002/03 £000
Other Operating Expenses include:		
Grant to University's Students Union	490	459
Auditors' Remuneration (University £33k: 2003 £30k)	43	39
Auditors' Remuneration Non-Audit Services - Tax Planning and Consultancy (University £78k: 2003 £100k)	81	103
Internal Audit paid to Third Parties	31	34
Hire of Plant and Machinery - Operating Leases	750	719
Hire of Other Assets - Operating Leases	705	592

10. INTEREST PAYABLE

	2003/04 £000	2002/03 £000
Loans not wholly repayable within five years	984	1265

Notes to the Accounts

Year Ended 31 July 2004

11. ANALYSIS OF EXPENDITURE BY ACTIVITY

	2003/04					2002/03
	Staff Costs	Dep'n	Other Operat- ing Expense s	Interest Payabl e	Total	Total
	£000	£000	£000	£000	£000	£000
Academic Departments (Note 12)	26433	981	8706		36120	33618
Academic Services	3657	254	2147		6058	5710
Central Administration and Services	3608	51	1624		5283	5447
General Educational	358		1680		2038	1810
Staff and Student Facilities	732	4	790	53	1579	1622
Premises	2287		3774	342	6403	6246
Residences and Catering Operations	2300	13	2610	586	5509	5330
Buildings Depreciation		2185			2185	2002
Research Grants and Contracts (Note 4)	5375	204	2481		8060	8432
Services Rendered (Note 7)	3602	78	2124		5804	4740
Staff Restructuring borne Centrally	1066				1066	47
Other	1258		666	3	1927	2766
Total per Income & Expenditure Account	50676	3770	26602	984	82032	77770

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 20)	1788
Revaluation Reserve Released (Note 22)	672
General Income	<u>1310</u>
	<u>3770</u>

Staff restructuring costs of £218k (2002/03 £83k) were borne directly by departments.

Notes to the Accounts

Year Ended 31 July 2004

12. ACADEMIC DEPARTMENTS

	2003/04				2002/03
	Academic Staff	Non-Academic Staff	Other Expend	Total	Total
	£000	£000	£000	£000	£000
Faculty of Arts					
English	671	42	37	750	737
Linguistics	284	29	28	341	320
Welsh	289	27	16	332	298
Modern Languages	427	33	6	466	524
Media Studies	196	4	35	235	214
Theology & Religious Studies	415	18	46	479	488
History & Welsh History	701	48	57	806	692
Business & Regional Development	1549	173	482	2204	2003
Social Sciences	894	136	184	1214	1148
Music	534	43	111	688	693
Law	9		147	156	
Faculty	102			102	96
Total Faculty of Arts	6071	553	1149	7773	7213
Faculty of Science					
Sport, Health & Exercise Science	718	161	305	1184	1100
Psychology	2491	361	1158	4010	3384
Informatics	929	129	745	1803	1743
Mathematics	315	18	59	392	295
Ocean Sciences	1486	595	683	2764	3071
Chemistry	557	199	488	1244	1052
Biological Sciences	1637	604	818	3059	2672
Agriculture & Forest Sciences	1194	311	507	2012	2097
Total Faculty of Science	9327	2378	4763	16468	15414
Faculty of Education	1935	266	852	3053	2948
Faculty of Health Studies	3473	624	1846	5943	5693
Lifelong Learning	1136	139	934	2209	1664
Institute of Medical & Social Care Research	254	65	75	394	342
Institute of Environmental Science	71	36	26	133	163
Humanities Research Centre	14		8	22	18
BioComposites Centre	82	9	34	125	163
Total University & Consolidated	22363	4070	9687	36120	33618

Notes to the Accounts

Year Ended 31 July 2004

13. TANGIBLE ASSETS

Consolidated

	Freehold Land & Buildings	Leasehold Improve- ments	Equipment	Total
<u>Valuation/Cost</u>	£000	£000	£000	£000
At 1 st August 2003				
Valuation	75019			75019
Cost	34231		12570	46801
Additions at Cost	5938	550	839	7327
Disposals				
Valuation	(466)			(466)
Cost	(40)			(40)
At 31 st July 2004				
Valuation	74553			74553
Cost	40129	550	13409	54088
<u>Depreciation</u>				
At 1 st August 2003	17567		8461	26028
Charge for Year	2115	74	1581	3770
Eliminated on Disposals	(89)			(89)
At 31 st July 2004	19593	74	10042	29709
Net Book Value at 31 st July 2004	95089	476	3367	98932
Net Book Value at 1 st August 2003	91683		4109	95792
Inherited	5333			5333
Financed by Capital Grant	15083	416	3029	18528
Other	74673	60	338	75071
Net Book Value at 31 st July 2004	95089	476	3367	98932

Notes to the Accounts

Year Ended 31 July 2004

13. TANGIBLE ASSETS (Continued)

University

	Freehold Land & Buildings	Leasehold Improve- ments	Equipment	Total
<u>Valuation/Cost</u>	£000	£000	£000	£000
At 1 st August 2003				
Valuation	75019			75019
Cost	31078		12080	43158
Additions at Cost	5855	550	802	7207
Disposals				
Valuation	(466)			(466)
Cost	(40)			(40)
At 31 st July 2004				
Valuation	74553			74553
Cost	36893	550	12882	50325
<u>Depreciation</u>				
At 1 st August 2003	17135		7987	25122
Charge for Year	2047	74	1564	3685
Eliminated on Disposals	(89)			(89)
At 31 st July 2004	19093	74	9551	28718
Net Book Value at 31 st July 2004	92353	476	3331	96160
Net Book Value at 1 st August 2003	88962		4093	93055
Inherited	5333			5333
Financed by Capital Grant	15022	416	3022	18460
Other	71998	60	309	72367
Net Book Value at 31 st July 2004	92353	476	3331	96160

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 2004

14. INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	2004 £000	2003 £000	2004 £000	2003 £000
<u>Fixed</u>				
Investment in Subsidiary Companies at Cost			4260	4260
Investment in Joint Ventures	(208)	(313)	112	112
- <i>share of gross assets</i>	3303	3493		
- <i>share of gross liabilities</i>	(3511)	(3806)		
Loan to Joint Venture	1810	1810	1810	1810
Investment in CVCP Properties Plc at Cost	33	33	33	33
	1635	1530	6215	6215

15. ENDOWMENT ASSET INVESTMENTS

Consolidated and University

	2003/04 £000	2002/03 £000
At 1 st August	4091	4137
Additions	1148	544
Disposals	(1198)	(575)
Appreciation/(Depreciation) on Revaluation	27	(39)
Increase in Cash Balances	68	24
At 31 st July	4136	4091
Fixed Interest Stocks	943	1025
Equities	2600	2541
Bank Balances	593	525
	4136	4091
Fixed Interest Stocks and Equities at Cost	3381	3546

Notes to the Accounts

Year Ended 31 July 2004

16. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2004 £000	2003 £000	2004 £000	2003 £000
Amounts falling due within one year:				
Debtors	4441	4790	4078	4411
Prepayments and Accrued Income	4160	3402	4016	3321
Amount due from Joint Venture	108	116	108	116
Group Debtors			1352	650
	8709	8308	9554	8498
Amounts falling due after one year:				
Prepayment to Joint Venture	828	878	828	878
	9537	9186	10382	9376

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.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	2004 £000	2003 £000	2004 £000	2003 £000
Mortgages and Unsecured Loans (Note 18)	669	917	647	917
Bank Overdrafts	68	656		656
Creditors and Accruals	5797	4143	5740	4123
Social Security and Other Taxation Payable	1285	1174	1277	1171
Deferred Income	6611	8608	6472	8389
Group Creditors			156	129
	14430	15498	14292	15385

Notes to the Accounts

Year Ended 31 July 2004

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

	<u>Consolidated</u>		<u>University</u>	
	2004 £000	2003 £000	2004 £000	2003 £000
Mortgages secured on residential and other property repayable in instalments over periods expiring between 2008 and 2023	14420	15048	14299	14892
Debts due to Local Authorities repayable in instalments over periods expiring between 2006 and 2013	49	55	49	55
Loan from Group Company			350	350
Group Advance			403	501
	14469	15103	15101	15798

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.

19. PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated and University

	Staff Restructuring
	£000
At 1 st August 2003	32
Utilised in Year	(32)
Transfer from Income and Expenditure Account	921
	921
At 31 st July 2004	921

Notes to the Accounts

Year Ended 31 July 2004

20. DEFERRED CAPITAL GRANTS

Consolidated

	Council Grants	Other Grants & Benefactions	Total
	£000	£000	£000
At 1 st August 2003			
Buildings	7539	1530	9069
Equipment	3339	372	3711
Other		2337	2337
			<hr/>
Total	10878	4239	15117
			<hr/>
Cash Received			
Buildings	2490	4305	6795
Equipment	555	137	692
			<hr/>
Total	3045	4442	7487
			<hr/>
Released to Income and Expenditure			
Buildings (Notes 2, 5 and 7)	216	149	365
Equipment (Notes 2, 4 and 7)	1105	269	1374
Other (Note 4)		49	49
			<hr/>
Total (Note 11)	1321	467	1788
			<hr/>
At 31 st July 2004			
Buildings	9813	5686	15499
Equipment	2789	240	3029
Other		2288	2288
			<hr/>
Total	12602	8214	20816
			<hr/>

Notes to the Accounts

Year Ended 31 July 2004

20. DEFERRED CAPITAL GRANTS (Continued)

University

	Council Grants	Other Grants & Benefactions	Total
	£000	£000	£000
At 1 st August 2003			
Buildings	7539	1530	9069
Equipment	3339	365	3704
Other		2337	2337
			<hr/>
Total	10878	4232	15110
			<hr/>
Cash Received			
Buildings	2490	4243	6733
Equipment	555	129	684
			<hr/>
Total	3045	4372	7417
			<hr/>
Released to Income and Expenditure			
Buildings	216	148	364
Equipment	1105	261	1366
Other		49	49
			<hr/>
Total	1321	458	1779
			<hr/>
At 31 st July 2004			
Buildings	9813	5625	15438
Equipment	2789	233	3022
Other		2288	2288
			<hr/>
Total	12602	8146	20748
			<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 2004

21. ENDOWMENTS

Consolidated and University

	Specific £000	General £000	Total £000
At 1 st August 2003	3659	432	4091
Appreciation of Endowment Asset Investments	24	3	27
Income for Year	146	16	162
Expenditure for Year	(128)	(16)	(144)
At 31 st July 2004	<u>3701</u>	<u>435</u>	<u>4136</u>
Representing:			
Fellowships and Scholarships Funds	1196		1196
Prize Funds	227		227
Other Funds	<u>2278</u>	<u>435</u>	<u>2713</u>
At 31 st July 2004	<u>3701</u>	<u>435</u>	<u>4136</u>

Notes to the Accounts

Year Ended 31 July 2004

22. REVALUATION RESERVE

Consolidated and University

	2003/04 £000	2002/03 £000
<u>Revaluations</u>		
At 1 st August and 31 st July	45034	45034
<u>Contributions to Depreciation</u>		
At 1 st August	(7607)	(6931)
Released in Year (Note 11)	(672)	(676)
At 31 st July	(8279)	(7607)
<u>Repayment of Debt Principal</u>		
At 1 st August	195	147
Repayments to Local Authorities in Year	6	48
At 31 st July	201	195
<u>Realisation on Disposals</u>		
At 1 st August	(1508)	(1484)
Released in Year	(209)	(24)
At 31 st July	(1717)	(1508)
<u>Net Revaluation Amount</u>		
At 31 st July	35239	36114

Notes to the Accounts

Year Ended 31 July 2004

23. INCOME AND EXPENDITURE ACCOUNT

	<u>Consolidated</u> £000	<u>University</u> £000
Deficit Retained for the Year	(399)	(77)
Contributions to Depreciation Released from Revaluation Reserve (Note 22)	672	672
Realisation on Disposal of Fixed Assets (Note 22)	209	209
Historical Cost Surplus for the Year	<u>482</u>	<u>804</u>
Repayment of Debt Principal to Local Authorities (Note 22)	(6)	(6)
At 1 st August 2003	<u>31679</u>	<u>32650</u>
At 31 st July 2004	<u>32155</u>	<u>33448</u>

24. CAPITAL COMMITMENTS

Consolidated and University

	2003/04 £000	2002/03 £000
Commitments authorised and contracted at 31 st July	<u>11805</u>	<u>5586</u>

25. RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/

SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2003/04 £000	2002/03 £000
Operating (Deficit)/Surplus after Depreciation of Assets at Valuation & before share of Joint Ventures Surplus	(486)	314
Depreciation (Note 13)	3770	3589
Deferred Capital Grants Released to Income (Note 20)	(1788)	(1577)
Investment Income (Note 6)	(623)	(497)
Loss on Sale of Endowment Assets	70	254
Profit on Sale of Fixed Assets	(286)	(178)
Interest Payable (Note 10)	984	1265
(Increase)/Decrease in Stocks	(41)	6
(Increase)/Decrease in Debtors	(351)	1333
Decrease in Creditors	(232)	(1628)
Increase/(Decrease) in Provisions	889	(124)
Net Cash Inflow from Operating Activities	<u>1906</u>	<u>2757</u>

Notes to the Accounts

Year Ended 31 July 2004

26. FINANCING

	Mortgage s & Loans £000
At 1 st August 2002	16798
New Loans	156
Capital Repayments	<u>(934)</u>
At 31 st July 2003	<u>16020</u>
At 1 st August 2003	16020
Capital Repayments	<u>(882)</u>
At 31 st July 2004	<u>15138</u>

27. ANALYSIS OF CHANGES IN CONSOLIDATED NET DEBT

	At 1 st August £000	Cash Flows £000	Other Changes £000	At 31 st July £000
Endowment Asset Investments - Cash (Note 15)	525	68		593
Cash in Hand and at Bank	1279	(333)		946
Bank Overdrafts	<u>(656)</u>	<u>588</u>		<u>(68)</u>
	1148	323		1471
Short-Term Deposits	5530	1183		6713
Debt due within one year	(917)	882	(634)	(669)
Debt due after one year	(15103)		634	(14469)

Notes to the Accounts

Year Ended 31 July 2004

(9342) 2388 (6954)

28. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Note	2003/04 £000	2002/03 £000
Income from Endowments	21	162	164
Income from Short term Investments	6	333	215
Other Interest Received	6	128	118
Interest Paid	10	(984)	(1265)
		<u>(361)</u>	<u>(768)</u>

29. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Note	2003/04 £000	2002/03 £000
Tangible Assets Acquired	13	(7327)	(4805)
Endowment Asset Investments Acquired		<u>(1148)</u>	<u>(544)</u>
Total Fixed and Endowment Assets Acquired		(8475)	(5349)
Receipts from Sale of Endowment Assets		1128	321
Receipts from Sale of Fixed Assets		703	231
Deferred Capital Grants Received	20	<u>7487</u>	<u>4417</u>
		<u>843</u>	<u>(380)</u>

30. MANAGEMENT OF LIQUID RESOURCES

	2003/04 £000	2002/03 £000
Additions to Short Term Deposits	1183	159
Movement in Endowment Asset Investments - Cash	<u>68</u>	<u>24</u>
	<u>1251</u>	<u>183</u>

Notes to the Accounts

Year Ended 31 July 2004

31. 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 £3.413m (2003: £3.185m). This includes £431k (2003: £399k) 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 2004

31. 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 2004, and then recalculated based on the following assumptions:

	At 31 July 2004	At 31 July 2003	At 31 July 2002
Rate of Increase in Salaries	5.00%	4.50%	4.50%
Rate of Increase in Pensions Payment	3.00%	2.50%	2.50%
Discount Rate for Liabilities	5.80%	5.50%	6.00%
Inflation Assumption	3.00%	2.50%	2.50%
Revaluation of Deferred Pensions	3.00%	2.50%	2.50%

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

	Long Term Rate of Return 2004	Value 2004 £000	Long Term Rate of Return 2003	Value 2003 £000	Long Term Rate of Return 2002	Value 2002 £000
Equities	7.25%	34309	6.50%	33418	7.00%	31801
Bonds	5.25%	5499	4.50%	3427	5.00%	3697
Property	7.25%	1571	6.50%	1411	7.00%	1878
Cash	5.00%	217	4.50%	288	5.00%	439
		<u>41596</u>		<u>38544</u>		<u>37815</u>

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

	2004 £000	2003 £000	2002 £000
Total Market Value of Assets	41596	38544	37815

Notes to the Accounts

Year Ended 31 July 2004

Present Value of Scheme Liabilities	(50671)	(46245)	(36932)
(Deficit)/Surplus in the Scheme - Net Pension (Liability)/Asset	(9075)	(7701)	883

31. 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:

	2004 £000	2003 £000
Net Assets excluding Pension Liability	92346	87001
Pension Liability	(9075)	(7701)
Net Assets including Pension Liability	83271	79300
Income and Expenditure Account	32155	31679
Pension Deficit	(9075)	(7701)
Income and Expenditure Account including Pension Deficit	23080	23978

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:

	2004 £000	2003 £000
Current Service Cost	1560	1416

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

	2004 £000	2003 £000
Expected return on pension scheme assets	2426	2525
Interest on pension scheme liabilities	(2550)	(2215)
Net (Loss)/Return	(124)	310

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

	2004 £000	2003 £000
Actual return less expected return on pension scheme	788	(636)
Experience losses arising on the scheme liabilities		(3239)

Notes to the Accounts

Year Ended 31 July 2004

Changes in assumptions underlying the present value of the scheme liabilities

(1633)	(3901)
--------	--------

Actuarial loss recognised in STRGL

(845)	(7776)
-------	--------

Notes to the Accounts

Year Ended 31 July 2004

31. PENSION SCHEMES (continued)

Movement in the scheme's (deficit)/surplus during the year is made up as follows:

	2004 £000	2003 £000
(Deficit)/Surplus in scheme at 1 st August	(7701)	883
Movement in year:		
Current service costs	(1560)	(1416)
Contributions	1155	298
Other finance income	(124)	310
Actuarial loss	(845)	(7776)
Deficit in scheme at 31 st July	<u>(9075)</u>	<u>(7701)</u>

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:

	2004 £000	2003 £000
Difference between the expected and actual return on scheme assets:		
Amount (£000s)	788	(636)
Percentage of the scheme assets	2%	(2%)
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)	(845)	(7776)
Percentage of the present value of the scheme liabilities	<u>(2%)</u>	<u>(17%)</u>

Notes to the Accounts

Year Ended 31 July 2004

31. PENSION SCHEMES (continued)

Pension Costs

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

	2003/04 £000	2002/03 £000
Contributions to USS (14% of pensionable salaries)	3413	3185
Contributions to CPAS (10.25% of pensionable salaries: 2003 3%)	938	253
Contributions to Other Pension Schemes	218	159
	<hr/>	<hr/>
	4569	3597

Other pension schemes includes contributions to the Teachers Superannuation Scheme.

32. FINANCIAL COMMITMENTS

Consolidated and University

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

	2004 £000	2003 £000
Land and buildings		
Expiring within one year		9
Expiring between two and five years inclusive	72	2
Expiring in over five years	677	600
Other		
Expiring within one year	8	28
Expiring between two and five years inclusive	110	127
Expiring in over five years	553	551
	<hr/>	<hr/>
	1420	1317

Notes to the Accounts

Year Ended 31 July 2004

33. 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.

During the year, Professor H R Evans, Vice-Chancellor and Dr H G F Roberts, Pro-Vice-Chancellor served as trustees of the St Mary's College Trust, Bangor. During the financial year 2003/04 funding of £46k was received by the University from the St Mary's College Trust, Bangor (2002/2003 £45k).

During the year, Mr D W Hughes, Director of Finance of the University, and Professor M S Baird, Pro-Vice-Chancellor, served as a directors 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 and during the year advanced UNDEB (Trading) Cyf, and the balance at the end of the year was £274k (2002/2003 £170k).

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 £215k (2002/2003 £166k) 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 £109k (2002/2003 £108k).

34. ACCESS AND HARDSHIP FUNDS

	2003/04 £000	2002/03 £000
Balance Unspent at 1 st August	45	60
Council Grants	451	413
Interest Earned	4	3
	<hr/> 500	<hr/> 476
Disbursed to Students	(427)	(431)
	<hr/> 73	<hr/> 45

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 2004
Ratios

FINANCIAL RATIOS

	2003/04	2002/03
	Consolidated	Consolidated
Ratio of Council Grants to Total Income	40.90%	41.01%
Ratio of Home Fees & Education Contracts to Total Income	20.27%	20.38%
Ratio of Overseas Fees to Total Income	3.51%	2.23%
Ratio of Research Income to Total Income	11.63%	12.77%
Ratio of Other Services Rendered Income to Total Income	7.80%	6.68%
Ratio of Historical Surplus for the year to Total Income	0.60%	0.80%
Long-term Liabilities and Provisions to Income and Expenditure Reserves	47.86%	47.78%
Ratio of Liquid Assets to Current Liabilities	0.53	0.44
Ratio of Current Assets to Current Liabilities	1.21	1.05
Days of Total Income represented by Debtors	42	42

Total Income includes share of Joint Ventures income.