

Financial Statements

Year ended 31 July 2008

Operating and Financial Review	Pages 2-6
Corporate Governance.....	Pages 7-8
Responsibilities of Council.....	Pages 9-10
Independent Auditors' Report.....	Pages 11-12
Consolidated Income and Expenditure Account.....	Page 13
Statement of Consolidated Historical Cost Deficits and Surpluses	Page 14
Statement of Total Recognised Gains and Losses.....	Page 14
Balance Sheet	Pages 15-16
Consolidated Cashflow Statement.....	Page 17
Notes to the Accounts	Pages 18-46
Appendix - Ratios.....	Page 47

Operating and Financial Review

Year ended 31 July 2008

The University in Context

Established in 1884, Bangor University's mission today is to be a world-class research-led university, to provide teaching and learning of the highest quality, and to contribute to the development of the economy, health and culture of a sustainable Wales and a sustainable world. The University plays an important part in the city of Bangor and in the wider North Wales community as a provider of higher education, a hub for research of national and international importance, a leader in technology transfer activities to business, employer, catalyst for inward investment and regeneration and promoter of the Welsh language and culture.

In common with the rest of the Higher Education sector in the UK, the University operates in a very competitive environment both at home and abroad in an increasingly globalised higher education market. The University has succeeded in meeting a number of key challenges over recent years, increasing its recruitment of both home and overseas students, consolidating its financial position and growing its research base, and looks forward to a positive outcome from the Research Assessment Exercise (RAE 2008) when the results are released at the end of this calendar year. However a period of global financial turbulence and likely recession, combined with adverse demographic trends at home and across much of Europe, is likely to result in competitive pressures increasing and the University is developing strategies to deal with these pressures.

The University's strategic plan, Sustainability through Excellence, outlined a new course for Bangor - an agenda of transformational change. A new strategic direction, staff restructuring, investment for the RAE and the formation of new academic and managerial structures have been delivered and exceeded. The next stage of the transformative change will concentrate on major projects to deliver research excellence and the further enhancement of the University's academic base. A full academic review is underway and will inform a new strategic plan to be completed by July 2009.

The six colleges of Health & Behavioural Sciences, Natural Sciences, Physical & Applied Sciences, Arts & Humanities, Business, Social Sciences and Law, and Education & Lifelong Learning have now been established and Heads of each of the Colleges have been appointed. Each of the Colleges now have integrated administrative and management structures.

Our goal as a University is to become more research-intensive and to produce a productive,

vibrant and sustainable research culture. A strong research performance is the surest route to sustainable research excellence, but the funding climate that will follow RAE 2008 needs to be addressed directly.

In striving for research success we will also enhance teaching standards and resources across the University. The University is committed to excellence in teaching and to providing our students with the best teaching and learning resources and support. This position is best sustained, we believe, through the pursuit of academic excellence. Delivering excellence in teaching and learning requires the development of a portfolio of appropriately challenging degree programmes across the institution and promoting innovation in teaching and learning, drawing on e-learning technologies.

The University is proud of the experience it offers to its students. Quality services to students are delivered through strategic partnerships between academic and support services and the students' union. The University will enhance the student experience and maintain our excellent retention rates through the provision of a range of services, continually evaluated to meet students need.

Following an in-depth review conducted by QAA assessors, Bangor has successfully obtained Degree Awarding Powers and 'University Title'. This clarity of status and independence will enable the University more effectively to shape its future. A clear consensus has been reached by the University Council in favour of the University having the confidence to demonstrate its independence and award its own degrees, to push ahead with a positive, confident new future for Bangor University and the University has taken steps to strengthen Bangor's brand and identity in order to enhance our position as a world-class research-led university.

The University has built on the success of the Research and Enterprise Partnership with Aberystwyth and a Joint Strategy Board has been established chaired by the Vice-Chancellors of the two Universities. Several new developments include the Bioscience and Environment Alliance, the North and Mid Wales Centre for Teacher Education and developing collaborations in Welsh medium provision.

As a research led University, our priority is to focus on appropriate third mission activity and Bangor University will be the main driver of the knowledge economy for the region. This places emphasis on commercialisation and gaining leverage from our research base, whilst continuing with our significant contribution to society and the

Operating and Financial Review

Year ended 31 July 2008

region. We will strive to sustain our position as one of the top knowledge transfer partnership providers in the UK and to build on our successful partnerships, whilst fostering new opportunities.

Our aim is to secure and strengthen our position as the lead institution in Wales in the provision of Welsh medium higher education, both in terms of volume and breadth of courses and in terms of expertise, based on research and practice. In 2006/07 (latest data available) the number of Welsh speaking students grew to 2830 and the total Welsh medium teaching load increased by 20%. In 2007, the University became the home base for the North Wales Centre for Welsh for Adults - a further opportunity to expand the impact of bilingualism across the entire region.

The University's staff are pivotal to the achievement of the institution's strategy and objectives. Its HR strategy therefore aims to assist in delivering excellence by recruiting, developing, retaining and rewarding excellent staff. The first phase of the introduction of modernised pay and rewards structures (the 'Framework Agreement') was implemented on 1 June 2008 and further discussion is ongoing about other issues. Against this background we will consider mechanisms to promote the values of the University, the high-quality working environment and the ethical framework in which to operate.

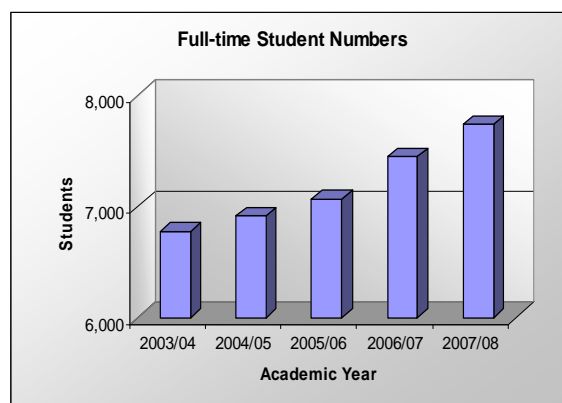
The University intends to continue the reform of management and governance with emphasis on the co-ordination of operations between Colleges and Central Service Departments, and on simplified but effective governance arrangements. We are continuing to examine the costs of our central services and strive to deliver operational effectiveness.

Development and Performance

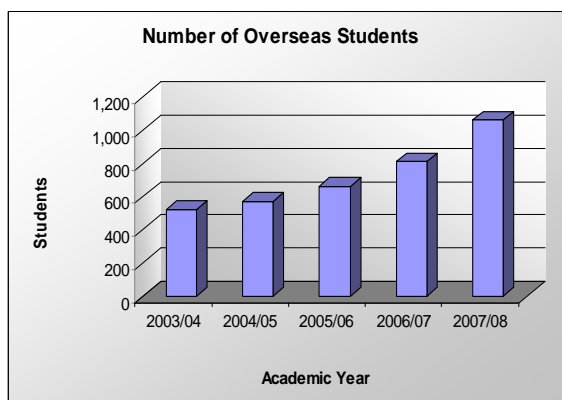
A feasibility study for a Health and Technology Campus is about to be launched, including a Medical school for North Wales with strong support from WAG ministers. Much of the groundwork for such a development is already laid following the establishment of the new College of Health & Behavioural Sciences, Bangor's key involvement in the North Wales Clinical School collaboration, established links with NHS Trusts, the North West Cancer Research Fund Institute, the 5*-rated School of Psychology, incorporating the Wales Institute of Cognitive Neuroscience (WICN), and Bangor as the principal provider of bilingual education in Wales.

Student Recruitment

Student recruitment remains strong. Applications to Bangor have risen significantly over the last 5 years and student recruitment has recovered to provide a 'cushion' of fees-only students over and above our funded numbers to provide some future proofing against potential volatility in the market. During this period of growth, the proportion of students from Wales has remained steady. Student number forecasts are strong and Bangor is well placed to face the demographic uncertainties in the next 10-20 years.



Much of the actual and predicted growth is related to specific developments. In recent years the University has invested heavily in the development of two new disciplines - Law and Creative Industries. Both of these schools are predicting sustained growth over the next few years and the financial sustainability of these disciplines and the development of strong research excellence requires that this growth trajectory be maintained.



The University continues to have ambitious plans for growth in overseas student numbers. The University has recently implemented a new strategy for overseas recruitment, including a country by country review of the opportunities for

Operating and Financial Review

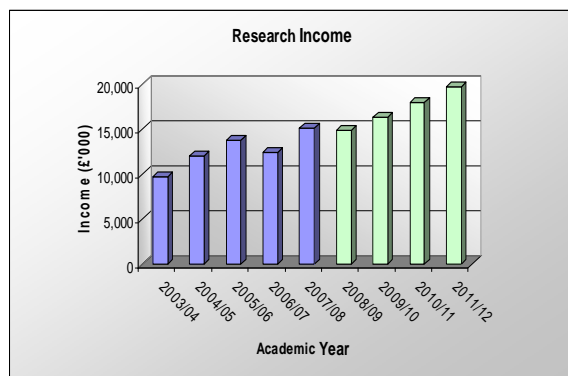
Year ended 31 July 2008

recruitment. This is accompanied by an investment plan which is currently being implemented and the University has set ambitious but realistic targets for future recruitment both for its own financial success but also to deliver the Reaching Higher targets set by WAG.

Research

Bangor is now a research-led university - in all key areas our goal of research excellence is pivotal in decision-making. Restructuring has increased the proportion of staff whose research has an international impact. We achieved record research income in 2007/08. We have been awarded significant monies for an ESRC Centre for Bilingualism, and for several Reconfiguration and Collaboration projects. Several recent UK-wide analyses of research performance show that Bangor has the highest research council success rate in Wales, is 27th in the UK at research council income per staff fte and in the second TRAC division of universities, as we have over 22% of our income from research.

Over the past few years, Bangor has made nearly 100 new academic appointments and these staff should be contributing to continued enhancement of our research income and outputs over the next few years. Thus we are well placed to continue to improve, and generate financial and reputational reward and a strong future. The world of research funding will be very different after RAE2008 and funding will be based on an as yet undefined basket of metrics. Whilst this might include bibliometrics, it is almost certain to be weighted heavily towards externally gained research income, particularly that from research councils. We need to prepare for this funding regime by taking every step we can to enhance our income generation. The University is increasing the rigour of its mentoring scheme to ensure that all staff are mentored in their research grant applications by staff with relevant experience.



Capital Developments

During the year the University has moved forward with a number of significant capital developments. The largest of these is the redevelopment of its residential accommodation for students where a Public Private Partnership (PPP) agreement has been concluded with Grŵp Gwalia to construct and maintain 1,134 rooms together with ancillary accommodation. Phase 1 of the development has now been completed and some 700 rooms were delivered to the University on programme in August 2008. The total capital cost of this development amounts to some £35 million. The other significant capital project delivered by the University is the new Environmental Centre for Wales which was built in partnership with the Natural Environment Research Council and was opened by the Prime Minister in February 2008. The total cost of this project was some £9 million and it achieved a BREEAM 'excellent' rating, one of the first public buildings in Wales to do so.

In 2006 the University adopted a new Estates Strategy which recognised the need for substantial investment in its built estate. Current estimates suggest a requirement of about £75 million over the next 10 years. The first major development to be identified is a new Arts and Innovation Centre to replace the existing Theatr Gwynedd and Students Union on Deniol Road. An iconic building that will make a major contribution to the architectural environment of the city, this exciting development will showcase innovation and be a place where arts meets science for the benefit of the University and the community. Work is underway to take the development to the design phase and identify a funding package to allow this important development to move forward.

The University continues to make a significant progress with regards to the environmental and sustainability agenda. It achieved a significant increase in its ranking in the "People and Planet" Green League Table which placed the University 40th out of all UK HEIs and aims to improve further over time. There has also been a significant investment in energy targeting and work has now been completed on the "sub-metering" all of the University's major buildings to allow the targeted monitoring of energy usage to take place.

Principal Risks and Uncertainties

The University recognises that there are inherent risks and uncertainties associated with aspects of its operations. It aims to identify, manage and mitigate those risks wherever possible and promotes a culture of risk management throughout the University. The institutional risk register is formally reviewed by the Risk Management Task

Operating and Financial Review

Year ended 31 July 2008

Group and Executive annually and this informs the audit plan for the forthcoming year. The Executive also has a subset of key risks that it reviews on a quarterly basis.

Among the key risks for the University are:

- Potential effects of the global economic downturn and the turbulence in financial markets.
- The recruitment and retention of students, especially having regard to the demographic changes from 2010 onwards in respect of home students, and new visa requirements in respect of overseas students.
- The recruitment and retention of staff, including the future cost of pension provision.
- The University's ability to raise sufficient funds to meet its aspirations in respect of capital developments

Financial Position

The Income and Expenditure Account results for the year to 31 July 2008 are summarised as follows:

	2007/08 £000	2006/07 £000
Income	107151	99190
Operating Surplus	4217	2053
Surplus/(Deficit) for year retained within General Reserves	2975	(4611)
Historical Cost (Deficit)/Surplus	4009	(2302)

The Income and Expenditure Account posted a record surplus (after depreciation of tangible fixed assets at valuation) for a second successive year, and at £4,217k (2006/07 £2,053k) is 3.9% (2006/07 2.1%) of turnover.

The £2,975k surplus retained in General Reserves (2006/07 £4,611k deficit) is struck after a loss of £976k (2006/07 £6,841k) on the disposal of assets, primarily relating to the impairment of asset values associated with the final phase of demolishing certain buildings on the Ffriddoedd Site to make way for the completion of the Public-Private Partnership scheme to renew a significant part of the residential estate.

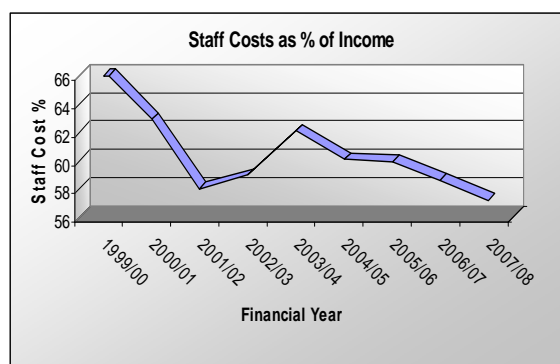
During the year income grew by 8%, with the most significant increases arising under Tuition Fees &

Education Contracts and Research Grants & Contracts.

Income from Tuition Fees and Education Contracts increased by £5,181k (22.3%) resulting from continued strong growth in international student recruitment and the new variable fee regime for full-time UK/EU undergraduates coming into operation for the first time in Wales. The delayed introduction of variable fees in Wales was compensated by the payment of Supplementary Income Stream (SIS) funding of £3,359k in 2006/07, and it is this one-off payment of SIS funding that causes Funding Body Grants to decrease in the current year. Offset against these increases in full-time fees is a significant reduction in part-time fees following University's strategic decision to dispose of its joint venture interest in Business and Management Education Ltd to Manchester University in October 2007.

As anticipated from the record level of grant capture in 2006/07, income from externally funded Research Grants & Contracts recovered in the year under review to a record level of £15,079k, an increase of £2,640k (22.1%) on the previous year. An increasing number of grants priced on a Full Economic Costing (FEC) basis are now coming on stream and yielding healthy margins towards financial sustainability.

Total expenditure increased by 6% during the year which was contained within the growth in income. Staff costs expressed as a percentage of turnover represents another key performance indicator in achieving financial sustainability. Excluding the impact of FRS 17 pension adjustments, staff costs during the year show a further marginal decrease to 57.22% as a percentage of total income, and continue the trend of successfully bearing down on costs in this area.



Other operating expenditure increased by 9.8%, but excluding the increased impact of almost £1m in bursaries paid under the new variable fee tuition fee regime, this increase reduces to 6.9%.

Operating and Financial Review

Year ended 31 July 2008

The University is determined to ensure that the future level of performance continues to build on the stability that has been achieved in recent years. Whilst the outturn for the year under review was well ahead of budget, the financial forecasts submitted to the Higher Education Funding Council for Wales plan for a level of surplus to achieve financial sustainability by reaching a steady state surplus of around 3% of turnover from 2010/11. The University believes that this will create the necessary funds to invest in the major projects that are necessary to deliver research excellence and further enhance the University's academic base.

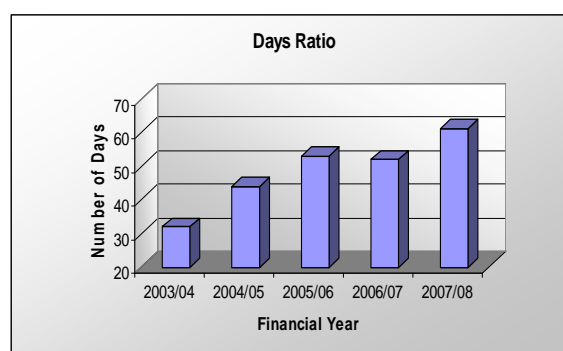
Treasury Policies and Objectives

Performance of the University's endowment investment portfolio is monitored by the Investments Committee. The University has a number of endowment funds arising from bequests and other donations. These funds are invested on a pool basis and managed by HSBC Investments. The valuation of these investments decreased by £508k to £4,503k at 31 July 2008, reflecting deteriorating conditions in the financial markets.

The University's short term deposits are managed by the Royal London Group who invest the funds in certificates of deposit with an approved list of counterparties. Following the recent turbulence in the financial markets the University has reviewed its arrangements in this respect and is satisfied that risks associated with this activity are adequately managed. Short term deposits increased by £5,305k to £14,814k at 31 July 2008. This increase partly reflects an improved closing cash position, but also a lower level of cash in-hand compared to the previous year due to the timing of placements with the fund managers.

Cash Flow and Liquidity

The University has successfully improved its cash flow and liquidity position year on year since reaching a low point in 2001. The consolidated cash flow reveals a net cash inflow from operating activities of £6,714k (2006/07 £2,278k), with cash balances and short term deposits increasing by an overall sum of £3,374k on the previous year. Net current assets closed at £9,168k, representing a £897k increase on the previous year, with the Days Net Liquid Assets Total Expenditure ratio closing 9 days up at 61 days (2006/07 52 days). This ratio represents a key performance indicator which the University seeks to maintain at between 50 to 60 days in its longer term financial planning.



Capital Funding

Expenditure of £5.981m was incurred on capital build projects, and was financed through a combination of capital grants and cash balances. The major refurbishment of the listed ADME complex, housing the new Management Centre, was completed and formally opened by the Rt Hon Dafydd Wigley during the year.

The first phase of University's Public-Private Partnership scheme to renew part of the residential estate was delivered in September 2008 as described above. The conditions relating to the scheme mean that under current UK accounting conventions neither the asset nor the corresponding liability appear on the University's balance sheet.

Corporate Governance

Year ended 31 July 2008

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. 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 receives an annual report of the work undertaken by the internal auditor from the Audit & Risk Committee, which provides an assurance on the effectiveness of the University's system of internal control, risk management and governance processes. For the year ended 31 July 2008 the report expresses a satisfactory opinion that sufficient internal audit work has been undertaken to draw reasonable conclusion that, subject as in previous years to the implementation of audit recommendations, the University has adequate and effective risk management, control and governance processes to manage the achievement of the University's objectives.

The Council is of the view that there is a satisfactory process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2008 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 2004.

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 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. A 'Statement of Primary Responsibilities' was adopted by Council in December 2004.

The roles of President, Chair of Council, Vice-President and Treasurer 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). 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 appointed members of the Council serve for a period of 4 years, but may be reappointed for a maximum period of 8 years.

- 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 North Wales 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 2008

- The Senate - is the academic authority of the University and draws its membership entirely from the academic staff and the students of the institution.

The Council meets on four occasions each year but much of its detailed work is handled initially by standing committees of the Council.

The Resources Committee meets four times a year and is responsible for monitoring the work of management in all aspects relating to the physical and financial resources of the University.

The Nominations Committee considers nominations for specific vacancies in the Council membership under the relevant Statute. Certain lay members are appointed by external bodies.

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

The Audit & Risk Committee, which meets quarterly, is constituted of five lay Council members and two co-opted external 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 & Risk Committee as necessary, they are not members of the Committee, and the Committee may meet regularly 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.

In accordance with the University's Risk Management Policy, the Risk Management Task 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 emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Audit & Risk Committee carries out an annual assessment by considering documentation from the Risk Management Task Group and internal audit, and taking account of events since the previous year end. It reports on Risk Management to the Council.

Day-to-day management of the University is undertaken by an Executive, consisting of the Vice-Chancellor, the Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Registrar, the Director of Finance and the Director of Planning. Members of the group have executive authority over their respective portfolios. The Executive meets weekly and is assisted in its work by Task Groups which it establishes from time to time to consider particular issues. It is accountable to the Council.

The Board of College Heads, consisting of the Heads of College, and the Board of Academic Heads, consisting of the Heads of the Academic Schools, met regularly with members of the Executive during the year. These groups of key stakeholders within the University were used as a consultative forum to consider important strategic and policy issues.

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.

The University has taken note of the Code of Practice on governance as set out in the CUC Guide for Members of Higher Education Governing Bodies in the UK, and is of the view that it is compliant with the Code.

Responsibilities of Council

Year ended 31 July 2008

In accordance with the Royal Charter, the Council of the Bangor University is responsible for the administration and management of the affairs of the Bangor University 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 Bangor University 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 Bangor University, 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 Bangor University 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 Bangor University will continue in operation. The Council is satisfied that the Bangor University 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 Bangor University and to prevent and detect fraud;
- secure the economical, efficient and effective management of the Bangor University's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- 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 & Risk Committee and the Resources Committee;
- a professional Internal Audit function whose annual programme is approved by the Audit & Risk Committee.

Responsibilities of Council

Year ended 31 July 2008

The Audit & Risk 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 2008

Independent auditors' report to the Council of the Bangor University

We have audited the Group and University financial statements (the "financial statements") of the Bangor University for the year ended 31 July 2008 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related Notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

This report is made solely to the Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University's Council and Auditors

The University's Council responsibilities for preparing the Operating and Financial Review and 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 UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of Council on pages 9 and 10.

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

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

material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for Wales. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you if, in our opinion, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for 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 University's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and the University's affairs as at 31 July 2008 and of the Group's surplus

Independent Auditors' Report

Year ended 31 July 2008

of income over expenditure for the year then ended;

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for Wales, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2008 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for Wales.

KPMG LLP
Chartered Accountants and Registered Auditor
Manchester
12 December 2008

Consolidated Income and Expenditure Account

Year ended 31 July 2008

	Note	Consolidated	
		2007/08 £000	2006/07 £000
INCOME			
Funding Body Grants	2	41171	42969
Tuition Fees and Education Contracts	3	28465	23284
Research Grants and Contracts	4	15079	12439
Other Income	5	21427	22631
Endowment and Investment Income	6	2197	1345
Total Consolidated and share of Joint Ventures Income		108339	102668
Less share of Joint Ventures Income		(1188)	(3478)
Total Income		107151	99190
EXPENDITURE			
Staff Costs	8	60702	58152
Other Operating Expenses	9	36967	33670
Depreciation	13	4388	4417
Interest and Other Finance Costs	10	877	898
Total Expenditure	11	102934	97137
Surplus after Depreciation of Tangible Fixed Assets at Valuation		4217	2053
Impairment of Assets	13	(976)	(6841)
Sale and Termination of Operations	14B	(236)	(225)
Surplus/(Deficit) after Depreciation of Tangible Fixed Assets at Valuation and Disposal of Assets but before share of Joint Ventures and Associates (Deficit)/Surplus		3005	(5013)
Share of Joint Ventures and Associates (Deficit)/Surplus	14B	(74)	316
Surplus/(Deficit) on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and Disposal of Assets and share of Joint Ventures and Associates (Deficit)/Surplus		2931	(4697)
Deficit for the year transferred to Accumulated Income in Endowment Funds		44	86
Surplus/(Deficit) for the year retained within General Reserves	23	2975	(4611)

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

Statement of Consolidated Historical Cost Deficits and Surpluses

Year ended 31 July 2008

Note	Consolidated	
	2007/08 £000	2006/07 £000
Surplus/(Deficit) on Continuing Operations	2931	(4697)
Difference Between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	22 599	612
Realisation of Property Revaluation Gains of Previous Years	22 479	1783
Historical Cost Surplus/(Deficit)	4009	(2302)

Statement of Total Recognised Gains and Losses

Year ended 31 July 2008

Note	Consolidated	
	2007/08 £000	2006/07 £000 Restated*
Surplus/(Deficit) on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation and Disposal of Assets and share of Joint Ventures and Associates (Deficit)/Surplus	2931	(4697)
(Depreciation)/Appreciation of Endowment Asset Investments	21 (508)	359
Actuarial (Loss)/Gain in respect of Pension Scheme	31 (557)	7192
Unrealised (Loss)/Gain on Investments	14A (51)	32
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	1815	2886
Reconciliation		
Opening Reserves and Endowments	67774	64888
Total Recognised Gains for the Year	1815	2886
Closing Reserves and Endowments	69589	67774

* The recognised gains and losses for the year ended 31 July 2007 have been restated to reflect the introduction of SORP 2007 (see Note 34).

Balance Sheet

At 31 July 2008

	Note	Consolidated		University	
		2008 £000	2007 £000 Restated*	2008 £000	2007 £000 Restated*
FIXED ASSETS					
Tangible Assets	13	109772	106635	99028	97332
Investments	14A	2238	2289	3361	3546
Interest in Joint Ventures and Associates	14B	(281)	29		
- <i>share of gross assets</i>		2107	4131		
- <i>share of gross liabilities</i>		(2388)	(4102)		
		111729	108953	102389	100878
ENDOWMENT ASSETS					
	15	4503	5055	4503	5055
CURRENT ASSETS					
Stocks		169	207	88	96
Debtors	16	13240	14374	13142	11535
Short Term Deposits		14814	9509	14814	9509
Cash at Bank and in Hand		2326	4954	1137	4022
		30549	29044	29181	25162
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	17	(21381)	(20755)	(20674)	(18642)
NET CURRENT ASSETS					
		9168	8289	8507	6520
TOTAL ASSETS LESS CURRENT LIABILITIES					
		125400	122297	115399	112453
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	18	(15417)	(15714)	(12546)	(12923)
PROVISIONS FOR LIABILITIES AND CHARGES					
	19		(447)		(447)
NET ASSETS EXCLUDING PENSION LIABILITY					
		109983	106136	102853	99083
PENSION LIABILITY					
	31	(1992)	(2369)	(1992)	(2369)
NET ASSETS INCLUDING PENSION LIABILITY					
		107991	103767	100861	96714

Balance Sheet

At 31 July 2008

	Note	Consolidated		University	
		2008 £000	2007 £000 Restated*	2008 £000	2007 £000 Restated*
DEFERRED CAPITAL GRANTS	20	38402	35993	29783	28309
ENDOWMENTS					
Expendable	21	2064	2360	2064	2360
Permanent	21	2439	2695	2439	2695
		4503	5055	4503	5055
RESERVES					
General Reserve excluding Pension Liability	23	37036	33917	38525	34548
Pension Reserve	31	(1992)	(2369)	(1992)	(2369)
General Reserve including Pension Liability		35044	31548	36533	32179
Revaluation Reserve	22	30042	31171	30042	31171
TOTAL RESERVES		65086	62719	66575	63350
TOTAL FUNDS		107991	103767	100861	96714

* The balance sheet as at 31 July 2007 has been restated to reflect the introduction of SORP 2007 (see Note 34).

The financial statements on pages 13 to 46 were approved by the Council on 12 December 2008 and signed on its behalf by

R M JONES, Vice-Chancellor

H ELWYN JONES, Treasurer

D W HUGHES, Director of Finance

Bangor University

Consolidated Cashflow Statement

Year ended 31 July 2008

	Note	2007/08 £000	2006/07 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	6714	2278
Returns on Investments and Servicing of Finance	28	492	13
Capital Expenditure and Financial Investment	29	(3600)	(4727)
Cash Inflow/(Outflow) before Management of Liquid Resources and Financing		3606	(2436)
Management of Liquid Resources	30	(5523)	3189
Financing	26	(14)	2530
(DECREASE)/(INCREASE IN CASH IN THE YEAR)		(1931)	3283
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET (DEBT)/FUNDS			
(DECREASE)/INCREASE IN CASH IN THE YEAR		(1931)	3283
Increase/(Decrease) in Liquid Resources	30	5523	(3189)
New Loans and Finance Leases	26	(744)	(3250)
Capital Repayments	26	758	720
Reduction/(Increase) in Net Debt in the Year		3606	(2436)
Net (Debt)/ Funds at 1 st August	27	(2001)	435
NET FUNDS/(DEBT) AT 31 ST JULY	27	1605	(2001)

Notes to the Accounts

Year ended 31 July 2008

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 (2007) and in accordance with applicable Accounting Standards. They conform to guidance published by the Higher Education Funding Council for Wales.

Prior Year Adjustments

The introduction of SORP 2007, which was adopted for the first time in 2007/08, gives rise to the change in treatment of some balances formerly accounted for as endowment funds. Prior year comparatives have been restated accordingly (see Note 34).

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 certain land and buildings.

Basis of Consolidation

The consolidated financial statements include the financial statements of the University and all subsidiary and joint venture undertakings for the financial year to 31 July 2008. Intra-group sales and profits are eliminated fully on consolidation. The holding in VT Ocean Sciences Limited is one of equal ownership and control, and is 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.

Recognition of Income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors. The costs of any fees waived by the University are included as expenditure in Note 9. Bursaries and scholarships are accounted for gross as expenditure and included within operating 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.

Endowment and fixed asset investment income is credited to the income and expenditure account on a receivable basis. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Recurrent grants from the Higher Education Funding Council for Wales and the Welsh Assembly Government 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.

Agency Arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body or other body, where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the income and expenditure of the University.

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 Bangor University Pension and Assurance Scheme 1978. A small number of staff remain in the Teachers Superannuation Scheme.

Notes to the Accounts

Year ended 31 July 2008

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17: Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Bangor University Pension and Assurance Scheme 1978

The University operates the Bangor University 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 previously adopted in full accounting standard FRS 17: Retirement Benefits. The difference between the fair value of the assets held in the University's defined benefit pension scheme and the scheme's liabilities is recognised in the University's balance sheet as a pension scheme liability. Changes in the defined benefit scheme liability arising from factors other than cash contribution by the University are charged to the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses in accordance with FRS 17.

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 they relate to 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.

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.

Notes to the Accounts

Year ended 31 July 2008

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 the course of construction, upon which no depreciation is charged, are accounted for at cost, based on architect's certificates and other direct costs incurred to 31 July.

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. Leasing agreements, which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

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.

Listed investments held as fixed assets or 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.

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 2008

2. FUNDING BODY GRANTS

	2007/08 £000	2006/07 £000
Higher Education Funding Council for Wales		
Recurrent Grants	32190	34371
Specific Grants		
Disability Provision	76	408
Energy Efficiency Measures	240	
ERASMUS Reimbursement	108	26
Higher Education Economic Development	571	668
National Practitioners	295	481
North Wales Clinical School	129	62
North Wales MAN	245	201
Pay Framework Agreement	20	105
Part-time Students	116	
RAE Strategic Support	1027	345
Reaching Higher Reaching Wider	509	485
Reconfiguration and Collaboration	1548	910
Research Capacity Development		274
Science Research Infrastructure		317
Teacher Training Strategic Funding	150	121
Teaching and IT	620	701
Welsh for Adults Language Centre	451	343
Welsh Medium Development	106	103
Welsh Medium Teaching Fellowships	224	123
Other	359	334
Deferred Capital Grants Released in Year		
Buildings (Note 20)	362	319
Equipment (Note 20)	690	1166
	<hr/> 40036	<hr/> 41863
Welsh Assembly Government		
Recurrent Grants	1135	1057
Information Systems Committee		49
	<hr/> 41171	<hr/> 42969

3. TUITION FEES AND EDUCATION CONTRACTS

	2007/08 £000	2006/07 £000
Full-time UK and EU Students	13354	7012
Full-time International Students	5553	4222
Part-time Fees	1405	3666
Research Training Support Grants	298	233
Short Course Fees	263	335
Education Contracts	7592	7816
	<hr/> 28465	<hr/> 23284

Notes to the Accounts

Year ended 31 July 2008

4. RESEARCH GRANTS AND CONTRACTS

	2007/08			2006/07		
	Income £000	Direct Expend- iture £000	Net Contrib- ution £000	Income £000	Direct Expend- iture £000	Net Contrib- ution £000
Colleges						
Arts & Humanities	1499	1057	442	545	436	109
Business, Social Sciences & Law	261	213	48	356	333	23
Education & Lifelong Learning	345	265	80	325	310	15
Natural Sciences	5765	4539	1226	5198	4338	860
Health & Behavioural Sciences	4435	3491	944	3519	2884	635
Physical & Applied Sciences	2539	2092	447	2395	1965	430
Total Colleges	14844	11657	3187	12338	10266	2072
Administration, Central & Academic Services	235	121	114	101	79	22
Total University & Consolidated	15079	11778	3301	12439	10345	2094
Sources of Research Income						
Research Councils	5206			3542		
UK Based Charities	1231			1159		
UK Central/Local Government & Health/Hospital Trusts	4128			3246		
UK Industry and Commerce	1045			887		
EU Government Bodies	2992			3278		
EU Other	3			54		
Other Overseas	158			156		
Other Sources	316			117		
	15079			12439		

Income from Research Grants and Contracts includes Deferred Capital Grants released in the year of £471k (2006/07 £418k).

5. OTHER INCOME

	2007/08 £000	2006/07 £000
Residences, Catering and Conferences	6523	6349
Other Services Rendered (Note 7)	9018	10035
Health Trusts	614	593
Released from Deferred Capital Grants (Note 20)	266	239
Training Department	627	1168
Other Income	4379	4247
	21427	22631

Notes to the Accounts

Year ended 31 July 2008

6. ENDOWMENT AND INVESTMENT INCOME

	2007/08 £000	2006/07 £000 Restated
Income from Permanent Endowment Asset Investments (Note 21)	123	99
Income from Expendable Endowment Asset Investments (Note 21)	98	90
Income from Fixed Asset Investments	20	24
Income from Short Term Investments	1010	580
Other Interest Receivable	118	118
Total before Pension Finance Income	1369	911
Pension Finance Income (Note 31)	828	434
	2197	1345

7. OTHER SERVICES RENDERED

	2007/08			2006/07		
Income	Direct Expend- iture	Net Contrib- ution	Income	Direct Expend- iture	Net Contrib- ution	
£000	£000	£000	£000	£000	£000	
Colleges						
Arts & Humanities	729	626	103	647	755	(108)
Business, Social Sciences & Law	72	36	36	173	165	8
Education & Lifelong Learning	44	37	7	38	31	7
Natural Sciences	2825	2406	419	3076	2791	285
Health & Behavioural Sciences	1138	1067	71	1340	1271	69
Physical & Applied Sciences	608	527	81	568	450	118
Total Colleges	5416	4699	717	5842	5463	379
Administration, Central & Academic Services	520	425	95	837	717	120
Total University	5936	5124	812	6679	6180	499
BCDD Ltd				318	549	(231)
CAST Ltd	1338	1274	64	1963	1881	82
IDB (UWB) Ltd	492	481	11	334	361	(27)
NWWMDC Ltd	629	1492	(863)	210	517	(307)
Share of Joint Ventures Income	623		623	531		531
Total Consolidated	9018	8371	647	10035	9488	547

Income from Other Services Rendered includes Deferred Capital Grants released in the year of £441k (2006/07 £381k).

Notes to the Accounts

Year ended 31 July 2008

8. STAFF COSTS

	2007/08 £000	2006/07 £000
Staff Costs		
Wages and Salaries	50011	46672
Social Security Costs	4073	3726
Other Pension Costs excluding FRS17 adjustments	6215	5818
FRS17 Pension (Credit)/Costs (Note 31)	(106)	293
	<u>60193</u>	<u>56509</u>
Restructuring Costs	509	1643
	<u>60702</u>	<u>58152</u>

Restructuring costs of £509k in 2007/08 relate wholly to the cost of severance arrangements incurred before the year end.

Emoluments of the Vice-Chancellor	<u>216</u>	<u>197</u>
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The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. Emoluments include the University's pension contributions to the Universities Superannuation Scheme. These are paid at the same rates as for other academic staff and amounted to £26,500 (2006/07 £23,400).

No compensation for loss of office was paid or payable to any former higher paid employees (2006/07 £Nil).

Staff Numbers by Major Category	Number	Number
Academic, Academic Related and Research	940	907
Clerical	303	319
Technical	98	103
Others	212	224
	<u>1553</u>	<u>1553</u>

Staff numbers are expressed as full time equivalents.

Analysis of Employees' Emoluments	Number	Number
£100,001-£110,000	9	2
£110,001-£120,000		1
£120,001-£130,000	2	1
£130,001-£140,000	1	
£140,001-£150,000		1
£150,001-£160,000	1	2
£160,001-£170,000	2	
£190,001-£200,000		1
£210,001-£220,000	1	

Emoluments include the University's pension contributions to the Universities Superannuation Scheme.

Notes to the Accounts

Year ended 31 July 2008

9. OTHER OPERATING EXPENSES

	2007/08 £000	2006/07 £000
Academic Departments	8901	8428
Academic Services	2721	2597
Administration and Central Services	8346	6026
Premises Running Costs	2754	2874
Premises Routine Maintenance	3671	2646
Residences and Catering Operations	2554	2732
Research Grants and Contracts	4079	3703
Services Rendered	3583	4237
Other	358	427
	36967	33670

	2007/08 £000	2006/07 £000
Other Operating Expenses include:		
Grant to University's Students Union	590	559
Auditors' Remuneration (University £41k: 2007 £39k)	58	55
Auditors' Remuneration Non-Audit Services (University £132k: 2007 £122k)	137	127
Internal Audit paid to Third Parties	48	61
Hire of Plant and Machinery - Operating Leases	870	830
Hire of Other Assets - Operating Leases	997	908

10. INTEREST AND OTHER FINANCE COSTS

	2007/08 £000	2006/07 £000
Bank Loans and Overdrafts	863	898
Finance Leases	14	
	877	898

Notes to the Accounts

Year ended 31 July 2008

11. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs	Deprec- iation	2007/08 Other Operat- ing Expenses	Interest Payable	Total	2006/07 Total
	£000	£000	£000	£000	£000	£000
Academic Departments (Note 12)	30993	667	8901		40561	37500
Academic Services	3850	86	2721		6657	6614
Central Administration and Services	5972	146	2851		8969	7847
General Educational	794		4688		5482	3725
Staff and Student Facilities	1064		807	48	1919	1793
Premises	3315	108	6425	298	10146	8782
Residences and Catering Operations	2161	3	2554	528	5246	5397
Buildings Depreciation		2335			2335	2269
Research Grants and Contracts (Note 4)	7278	421	4079		11778	10345
Services Rendered (Note 7)	4166	622	3583		8371	9488
Staff Restructuring borne Centrally	236				236	1154
Other	979		358	3	1340	1930
FRS17 Pension (Credit)/Costs (Note 31)	(106)				(106)	293
Total per Income & Expenditure Account	60702	4388	36967	877	102934	97137

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 20)	2230
Revaluation Reserve Released (Note 22)	599
General Income	1559
	<u>4388</u>

In addition to staff restructuring costs borne centrally above, staff restructuring costs of £273k (2006/07 £489k) were borne directly by departments.

12. ACADEMIC DEPARTMENTS

	2007/08			Total	2006/07 Total
	Academic & Related Staff	Non- Academic Staff	Other Expend- iture	£000	£000
	£000	£000	£000	£000	£000
Colleges					
Arts & Humanities	4429	386	598	5413	4996
Business, Social Sciences & Law	3262	264	890	4416	3549
Education & Lifelong Learning	3336	500	1301	5137	4993
Natural Sciences	5268	1425	2537	9230	8710
Health & Behavioural Sciences	8658	1281	3409	13348	12300
Physical & Applied Sciences	1762	422	833	3017	2952
Total University & Consolidated	26715	4278	9568	40561	37500

Notes to the Accounts

Year ended 31 July 2008

13. TANGIBLE ASSETS

Consolidated

	Freehold Land & Buildings £000	Leasehold Improve- ments £000	Equipment £000	Total £000
<u>Valuation/Cost</u>				
At 1 st August 2007				
Valuation	67997			67997
Cost	49862	9158	16696	75716
Additions at Cost	4902	1079	2520	8501
Disposals				
Valuation	(1310)			(1310)
Cost	(56)		(137)	(193)
At 31 st July 2008				
Valuation	66687			66687
Cost	54708	10237	19079	84024
<u>Depreciation</u>				
At 1 st August 2007	23803	545	12730	37078
Charge for Year	2257	271	1860	4388
Eliminated on Disposals	(390)		(137)	(527)
At 31 st July 2008	25670	816	14453	40939
Net Book Value at 31 st July 2008	95725	9421	4626	109772
Net Book Value at 1 st August 2007	94056	8613	3966	106635
Inherited	5051			5051
Financed by Capital Grant	25429	7808	3077	36314
Other	65245	1613	1549	68407
Net Book Value at 31 st July 2008	95725	9421	4626	109772

Included in Freehold Land and Buildings at 1st August 2007 and 31st July 2008 is £9,114k which relates to Freehold Land at valuation upon which depreciation is not charged.

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.

Included in Freehold Land and Buildings at 31st July 2008 is £210k which relates to buildings under the course of construction, upon which no depreciation has been charged. Previously these costs were depreciated from the year in which they were incurred.

The disposal of Freehold Land and Buildings relates to the impairment of certain buildings.

Notes to the Accounts

Year ended 31 July 2008

13. TANGIBLE ASSETS (Continued)

University

	Freehold Land & Buildings £000	Leasehold Improve- ments £000	Equipment £000	Total £000
<u>Valuation/Cost</u>				
At 1 st August 2007				
Valuation	67997			67997
Cost	49574	639	15172	65385
Additions at Cost	4902		1549	6451
Disposals				
Valuation	(1310)			(1310)
Cost	(56)		(137)	(193)
At 31 st July 2008				
Valuation	66687			66687
Cost	54420	639	16584	71643
<u>Depreciation</u>				
At 1 st August 2007	23754	311	11985	36050
Charge for Year	2251	79	1449	3779
Eliminated on Disposals	(390)		(137)	(527)
At 31 st July 2008	25615	390	13297	39302
Net Book Value at 31 st July 2008	95492	249	3287	99028
Net Book Value at 1 st August 2007	93817	328	3187	97332
Inherited	5051			5051
Financed by Capital Grant	25429	226	2040	27695
Other	65012	23	1247	66282
Net Book Value at 31 st July 2008	95492	249	3287	99028

If Freehold Land and Buildings had not been valued they would have been included in the following amounts:

Cost	82052
Aggregate Depreciation based on Cost	<u>16514</u>
Net Book Value based on Cost at 31 st July 2008	<u>65538</u>

Assets held under finance leases and capitalised in equipment are:

Cost	744
Aggregate Depreciation	<u>92</u>
Net Book Value at 31 st July 2008	<u>652</u>

Notes to the Accounts

Year ended 31 July 2008

14. INVESTMENTS

14A. FIXED ASSET INVESTMENTS

	<u>Consolidated</u> £000	<u>University</u> £000
<u>Investments at Cost</u>		
At 1 st August 2007		
Investment in Subsidiary Companies		4260
Investment in Joint Ventures		112
Loan to Joint Venture	1810	1810
Investment in CVCP Properties Plc	33	33
Total Cost	1843	6215
Disposal of Investment in Joint Venture		(62)
At 31 st July 2008		
Investment in Subsidiary Companies		4260
Investment in Joint Ventures		50
Loan to Joint Venture	1810	1810
Investment in CVCP Properties plc	33	33
Total Cost	1843	6153
<u>Diminution in Value</u>		
At 1 st August 2007		
		(3115)
Provided in Year		(72)
Diminution in Value at 31 July 2008		(3187)
Net Investment at 31 st July 2008	1843	2966
<u>Investment in Listed Securities at Market Value</u>		
At 1 st August 2007		
Revaluation	446	446
	(51)	(51)
At 31 st July 2008	395	395
<u>Total at Cost and Valuation at 31st July 2008</u>	<u>2238</u>	<u>3361</u>

14B. INTEREST IN JOINT VENTURES AND ASSOCIATES

	<u>Consolidated</u>	
	2007/08 £000	2006/07 £000
Share of Net Assets/(Liabilities) at 1 st August	29	(287)
Share of (Deficit)/Surplus for Year	(74)	316
Disposal of Interest in Joint Venture	(236)	
Share of Net (Liabilities)/Assets at 31 st July	(281)	29

Notes to the Accounts

Year ended 31 July 2008

14. INVESTMENTS (Continued)

14C. INVESTMENTS IN SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS

At the year end, investments in subsidiary and joint venture undertakings comprise:

	% Holding	Share Capital Held	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.				
UWB Enterprises Limited	100%	2 £1 Ordinary shares	Wales	General commercial
VT Ocean Sciences Limited	50%	50,000 £1 Ordinary shares	England	Chartering of research vessel
Holding on a Joint Venture basis with Vosper Thornycroft (UK) Limited. The financial year end for VT Ocean Sciences Ltd is 31 March and the consolidated accounts include the annual results based on this year end date.				
Centre for Advanced Software Technology Limited	100%	2 £1 Ordinary shares	Wales	Computer software technology
North West Wales Management Development Centre Limited	100%	1 £1 Ordinary share	Wales	Management development programmes

The University disposed of its' holding in Business & Management Education Limited to the University of Manchester on 5 October 2007.

Notes to the Accounts

Year ended 31 July 2008

15. ENDOWMENT ASSET INVESTMENTS

Consolidated and University

	2007/08 £000	2006/07 £000 Restated
At 1 st August	5055	4782
Additions	320	562
Disposals	(582)	(527)
(Depreciation)/Appreciation on Revaluation	(508)	359
Increase/(Decrease) in Cash Balances	218	(121)
At 31 st July	4503	5055
Fixed Interest Stocks	570	652
Equities	3128	3816
Bank Balances	805	587
	4503	5055
Fixed Interest Stocks and Equities at Cost	2893	3425

16. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2008 £000	2007 £000	2008 £000	2007 £000
Amounts falling due within one year:				
Debtors	6031	7424	5372	5385
Taxation Recoverable	21	1385		
Prepayments and Accrued Income	6355	4681	6181	4298
Amount due from Joint Venture	54	156	54	156
Prepayment to Joint Venture	150	50	150	50
Amounts due from Subsidiary Undertakings			756	968
	12611	13696	12513	10857
Amounts falling due after one year:				
Prepayments to Joint Venture	629	678	629	678
	13240	14374	13142	11535

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.

Notes to the Accounts

Year ended 31 July 2008

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	2008 £000	2007 £000	2008 £000	2007 £000
Mortgages and Unsecured Loans	774	640	774	640
Obligations under Finance Leases	149		149	
Unsecured Bank Overdrafts		697		
Creditors	7752	6858	7423	5654
Social Security and Other Taxation Payable	1666	1566	1643	1479
Accruals	2745	2565	2235	2403
Deferred Income	8237	8374	8013	8221
Amounts due to Joint Ventures	58	55	58	55
Amounts due to Subsidiary Undertakings			379	190
	21381	20755	20674	18642

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

	<u>Consolidated</u>		<u>University</u>	
	2008 £000	2007 £000	2008 £000	2007 £000
Mortgages secured on residential and other property repayable in instalments over periods expiring between 2015 and 2032	14914	15714	11664	12464
Obligations under Finance Leases	503		503	
Loan received from Subsidiary Undertaking			350	350
	15417	15714	12517	12814
Prepayment received from Subsidiary Undertaking			29	109
	15417	15714	12546	12923
(a) Bank loans are repayable as follows:				
Between one and two years	975	698	975	698
Between two and five years	2138	1566	2138	1566
In five years or more	11801	13450	8901	10550
Total	14914	15714	12014	12814

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. The fixed rate loan bears an interest of 7.3%.

(b) The net finance lease obligations to which the University is committed are:

Between one and two years	149		149	
Between two and five years	298		298	
In five years or more	56		56	
Total	503		503	

Notes to the Accounts

Year ended 31 July 2008

19. PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated and University

	Staff Restructuring
	£000
At 1 st August 2007	447
Utilised in Year	<u>(447)</u>
At 31 st July 2008	<u>-</u>

20. DEFERRED CAPITAL GRANTS

Consolidated

	Council Grants	Other Grants & Benefactions	Total
	£000	£000	£000
At 1 st August 2007			
Buildings	15256	15470	30726
Equipment	2014	1115	3129
Other		2138	2138
	<u>17270</u>	<u>18723</u>	<u>35993</u>
Cash Received			
Buildings	1372	1926	3298
Equipment	175	1166	1341
	<u>1547</u>	<u>3092</u>	<u>4639</u>
Released to Income and Expenditure			
Buildings (Notes 2, 5 and 7)	362	425	787
Equipment (Notes 2, 4 and 7)	690	703	1393
Other (Note 4)		50	50
	<u>1052</u>	<u>1178</u>	<u>2230</u>
At 31 st July 2008			
Buildings	16266	16971	33237
Equipment	1499	1578	3077
Other		2088	2088
	<u>17765</u>	<u>20637</u>	<u>38402</u>

Notes to the Accounts

Year ended 31 July 2008

20. DEFERRED CAPITAL GRANTS (Continued)

University

	Council Grants £000	Other Grants & Benefactions £000	Total £000
At 1 st August 2007			
Buildings	15256	8299	23555
Equipment	2014	602	2616
Other		2138	2138
Total	17270	11039	28309
Cash Received			
Buildings	1372	1356	2728
Equipment	175	380	555
Total	1547	1736	3283
Released to Income and Expenditure			
Buildings	362	266	628
Equipment	690	441	1131
Other		50	50
Total	1052	757	1809
At 31 st July 2008			
Buildings	16266	9389	25655
Equipment	1499	541	2040
Other		2088	2088
Total	17765	12018	29783

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 2008

21. ENDOWMENTS

Consolidated and University

	Permanent Unrestricted £000	Restricted £000	Expendable Restricted £000	2008 Total £000	2007 Total £000 Restated
Restated balances:					
Capital	159	2178	2249	4586	4319
Accumulated Income		358	111	469	463
At 1 st August	159	2536	2360	5055	4782
Investment Income	7	116	98	221	189
Expenditure (Depreciation)/Appreciation of Investments	(7)	(104)	(154)	(265)	(275)
	(19)	(249)	(240)	(508)	359
At 31 st July	140	2299	2064	4503	5055
Represented by:					
Capital	140	1929	1945	4014	4586
Accumulated Income		370	119	489	469
	140	2299	2064	4503	5055

22. REVALUATION RESERVE

Consolidated and University

	2007/08 £000	2006/07 £000
<u>Revaluation</u>		
At 1 st August and 31 st July	45066	45034
Revaluation in Year	(51)	32
At 31 st July	45015	45066
<u>Contributions to Depreciation</u>		
At 1 st August	(10213)	(9601)
Released in Year (Note 11)	(599)	(612)
At 31 st July	(10812)	(10213)
<u>Repayment of Debt Principal</u>		
At 1 st August	256	256
At 31 st July	256	256
<u>Realisation on Disposals/Impairments</u>		
At 1 st August	(3938)	(2155)
Released in Year	(479)	(1783)
At 31 st July	(4417)	(3938)
<u>Net Revaluation Amount</u>		
At 31 st July	30042	31171

Notes to the Accounts

Year ended 31 July 2008

23. MOVEMENT ON GENERAL RESERVE EXCLUDING PENSION LIABILITY

	<u>Consolidated</u> £000	<u>University</u> £000
Surplus Retained for the Year	2975	3833
Contributions to Depreciation Released from Revaluation Reserve (Note 22)	599	599
Realisation on Impairment of Fixed Assets (Note 22)	479	479
Historical Cost Surplus Retained for the Year	<u>4053</u>	<u>4911</u>
FRS17 Pension Credit (Note 31)	(106)	(106)
Net Return on Pension Scheme Assets (Note 31)	(828)	(828)
At 1 st August 2007	<u>33917</u>	<u>34548</u>
At 31 st July 2008	<u>37036</u>	<u>38525</u>

24. CAPITAL COMMITMENTS

	<u>Consolidated</u>		<u>University</u>	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Commitments authorised and contracted for at 31 st July	<u>2722</u>	<u>3034</u>	<u>2722</u>	<u>1108</u>

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

	2007/08 £000	2006/07 £000
Surplus/(Deficit) on Continuing Operations after Deprecation of Fixed Assets at Valuation and Disposal of Assets but before share of Joint Ventures Valuation and Associates Deficit	3005	(5013)
Depreciation (Note 13)	4388	4417
Deferred Capital Grants Released to Income (Note 20)	(2230)	(2523)
Investment Income (Note 6)	(2197)	(1345)
Loss on Disposal of Interest in Joint Venture/Subsidiary Company	236	225
Loss on Impairment of Fixed Assets	976	6841
Interest Payable (Note 10)	877	898
FRS17 Pension (Credit)/Costs (Note 31)	(106)	293
Decrease/(Increase) in Stocks	38	(58)
Decrease/(Increase) in Debtors	1134	(1777)
Increase in Creditors	1040	150
(Decrease)/Increase in Provisions	(447)	170
Net Cash Inflow from Operating Activities	<u>6714</u>	<u>2278</u>

Notes to the Accounts

Year ended 31 July 2008

26. FINANCING

	£000
At 1 st August 2006	13824
New Loans	3250
Capital Repayments	(720)
Net Amount Acquired in Year	<u>2530</u>
At 31 st July 2007	<u>16354</u>
At 1 st August 2007	16354
New Finance Leases	744
Capital Repayments	(666)
Capital Element of Finance Lease Rental Payments	(92)
Net Amount Acquired in Year	<u>(14)</u>
At 31 st July 2008	<u>16340</u>

27. ANALYSIS OF CHANGES IN CONSOLIDATED NET (DEBT)/FUNDS

	At 1 st August £000 Restated	Cash Flows £000	Other Changes £000	At 31 st July £000
Endowment Asset Investments - Cash (Note 15)	587	218		805
Cash in Hand and at Bank	4954	(2628)		2326
Bank Overdrafts	(697)	697		
	<u>4844</u>	<u>(1713)</u>		<u>3131</u>
Short-Term Deposits	9509	5305		14814
Debt due within one year	(640)	666	(800)	(774)
Debt due after one year	(15714)		800	(14914)
Finance Leases		(652)		(652)
	<u>(2001)</u>	<u>3606</u>	<u>-</u>	<u>1605</u>

Notes to the Accounts

Year ended 31 July 2008

28. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Note	2007/08 £000	2006/07 £000 Restated
Income from Endowments	21	221	189
Income from Fixed Asset Investments	6	20	24
Income from Short term Investments	6	1010	580
Other Interest Received	6	118	118
Interest Paid	10	(863)	(898)
Interest Element of Finance Lease Payment	10	(14)	
		<u>492</u>	<u>13</u>

29. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Note	2007/08 £000	2006/07 £000
Tangible Assets Acquired	13	(8501)	(15147)
Endowment Asset Investments Acquired		<u>(320)</u>	<u>(562)</u>
Total Fixed and Endowment assets Acquired		(8821)	(15709)
Receipts from Sale of Endowment Assets		582	527
Deferred Capital Grants Received	20	<u>4639</u>	<u>10455</u>
		<u>(3600)</u>	<u>(4727)</u>

30. MANAGEMENT OF LIQUID RESOURCES

	2007/08 £000	2006/07 £000
Additions/(Withdrawals) to/(from) Short Term Deposits	5305	(3068)
Movement in Endowment Asset Investments - Increase/(Decrease) in Cash	<u>218</u>	<u>(121)</u>
	<u>5523</u>	<u>(3189)</u>

Notes to the Accounts

Year ended 31 July 2008

31. PENSION SCHEMES

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Bangor University Pension and Assurance Scheme 1978. 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 Bangor University 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 contracted out of the State Second Pension. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Ltd.

Because of the mutual nature of the scheme, the institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17: Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. 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), the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7%

per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

At the valuation date, the value of the assets of the scheme was £21,740m and the value of the past service liabilities was £28,308m indicating a deficit of £6,568m. The assets were therefore sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (ie the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Notes to the Accounts

Year ended 31 July 2008

31. PENSION SCHEMES (continued)

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers

and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the institution was £4.452m (2007: £4.114m). This includes £568k (2007: £532k) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

Bangor University Pension and Assurance Scheme 1978

The University operates a defined benefit scheme in the UK, the Bangor University 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 2005
Investment returns per annum	5.9%
Salary scale increases per annum	4.5%
Pension increases per annum	2.7%
Market value of assets at dates of last valuation	£50.416 million
Proportion of members accrued benefit covered by the actuarial valuation of the assets	97%

Following the full actuarial valuation at 1st August 2005, contributions payable after 1st August 2006 expressed as a percentage of pensionable pay have been agreed at the rate of 17.2% (reducing to

16.45% from 1st November 2006) for the employer and 6.35% (increasing to 7.10% from 1st November 2006) for the employee. The total pension cost for the University was £1,580k (2007: £1,528k).

The results of the full actuarial valuation of the fund at 1st August 2005 have been projected to 31st July 2008, and then recalculated based on the following assumptions:

	At 31 July 2008	At 31 July 2007
Rate of Increase in Salaries	5.00%	5.10%
Rate of Increase in Pensions Payment	3.70%	3.30%
Discount Rate for Liabilities	6.60%	5.70%
Inflation Assumption	3.70%	3.30%
Revaluation of Deferred Pensions	3.70%	3.30%
Proportion of employees opting for early retirement	100.00%	100.00%
Proportion of employees commuting pension for cash	0.00%	0.00%
Future expected lifetime of current pensioner at age 65:		
Male:	18.5	18.5
Female:	21.5	21.5
Future expected lifetime of future pensioner of age 65:		
Male:	20.3	20.3
Female:	23.2	23.2

Notes to the Accounts

Year ended 31 July 2008

31. PENSION SCHEMES (continued)

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

	Long Term Rate of Return 2008	Value 2008 £000	Long Term Rate of Return 2007	Value 2007 £000
Equities	7.90%	38380	8.00%	41915
Bonds	5.50%	19470	5.25%	18074
Property	7.90%	2634	8.00%	3285
Cash	4.90%	516	5.25%	457
Annuity Contracts	6.60%	47	5.70%	47
		<u>61047</u>		<u>63778</u>

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

	2008 £000	2007 £000
Total market value of assets	61047	63778
Present value of scheme liabilities	(63039)	(66147)
Deficit in the scheme	<u>(1992)</u>	<u>(2369)</u>

Analysis of the amount charged to the income and expenditure account:

	2008 £000	2007 £000
Current service cost	1949	2243
Past service cost	123	448
Gain on curtailment		(127)
	<u>2072</u>	<u>2564</u>

Analysis of the pension finance income/(costs):

	2008 £000	2007 £000
Expected return on pension scheme assets	4610	3875
Interest on pension scheme liabilities	(3782)	(3441)
Pension finance income	<u>828</u>	<u>434</u>

Notes to the Accounts

Year ended 31 July 2008

31. PENSION SCHEMES (continued)

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

	2008 £000	2007 £000
Actual return less expected return on pension scheme	(7612)	2283
Changes in assumptions underlying the present value of the scheme liabilities	7055	4909
Actuarial (loss)/gain recognised in STRGL	(557)	7192

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

	2008 £000	2007 £000
Deficit in scheme at beginning of year	(2369)	(9702)
Movement in year:		
Current service cost	(1949)	(2243)
Employer contributions	2178	2271
Past service costs	(123)	(448)
Finance income	828	434
Actuarial (loss)/gain	(557)	7192
Curtailment		127
Deficit in scheme at end of year	(1992)	(2369)

Asset and Liability Reconciliation:

	2008 £000	2007 £000
Reconciliation of Liabilities		
Liabilities at start of period	66147	67209
Service cost	1949	2243
Interest cost	3782	3441
Employee contributions	722	701
Past service cost	123	448
Actuarial gain	(7055)	(4909)
Gain on curtailments		(127)
Benefits paid	(2629)	(2859)
Liabilities at end of period	63039	66147
Reconciliation of Assets		
Assets at start of period	63778	57507
Expected return on assets	4610	3875
Actuarial (loss)/gain	(7612)	2283
Employer contributions	2178	2271
Employee contributions	722	701
Benefits paid	(2629)	(2859)
Assets at end of period	61047	63778

Notes to the Accounts

Year ended 31 July 2008

31. PENSION SCHEMES (continued)

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

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Difference between the expected and actual return on scheme assets:					
Amount (£000s)	(7612)	2283	4151	6228	788
Percentage of the scheme assets	(12%)	4%	7%	12%	2%
Experience gains/(losses) on scheme liabilities:					
Amount (£000s)			959		
Percentage of the present value of the scheme liabilities			1%		
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000s)	(557)	7192	(816)	1577	(845)
Percentage of the present value of the scheme liabilities	(1%)	11%	(1%)	3%	(2%)

Notes to the Accounts

Year ended 31 July 2008

32. FINANCIAL COMMITMENTS Consolidated and University

At 31st July annual commitments under non-cancellable operating leases were as follows:

	2008 £000	2007 £000
Land and buildings		
Expiring within one year	73	11
Expiring between two and five years inclusive	248	190
Expiring in over five years	615	605
Other		
Expiring within one year	36	6
Expiring between two and five year inclusive	203	253
Expiring in over five years	623	594
	1798	1659

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 R M Jones, Vice-Chancellor, served as a trustee of the St Mary's College Trust, Bangor. During the financial year 2007/08 funding of £51k was received by the University from the St Mary's College Trust, Bangor (2006/07 £52k).

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 £190k (2006/07 £435k) was received from the Trust during the year.

Notes to the Accounts

Year ended 31 July 2008

34. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to the introduction of SORP 2007 which was adopted for the first time in 2007/08. This gave rise to a change of treatment for some balances formerly accounted for as endowment funds. The effect of the prior year adjustment on the position previously reported at 31 July 2007 is as follows:

Consolidated

	Endowment Assets Investments £000	Fixed Asset Investments £000	Cash at Bank & in Hand £000
At 1 st August 2006 - previously reported	5264	1843	1025
Transfer re Endowments	(482)	414	68
	<u>4782</u>	<u>2257</u>	<u>1093</u>
Movement 2006/07 - previously reported	305		3861
Transfer re Endowments	(32)	32	
	<u>5055</u>	<u>2289</u>	<u>4954</u>

	Endowment Reserves £000	General Reserves £000	Revaluation Reserves £000
At 1 st August 2006 - previously reported	5264	26090	33534
Transfer re Endowments	(482)	482	
	<u>4782</u>	<u>26572</u>	<u>33534</u>
Movement 2006/07 - previously reported	305	4976	(2395)
Transfer re Endowments	(32)		32
	<u>5055</u>	<u>31548</u>	<u>31171</u>

University

	Endowment Assets Investments £000	Fixed Asset Investments £000	Cash at Bank & in Hand £000
At 1 st August 2006 - previously reported	5264	5152	217
Transfer re Endowments	(482)	414	68
	<u>4782</u>	<u>5566</u>	<u>285</u>
Movement 2006/07 - previously reported	305	(2052)	3737
Transfer re Endowments	(32)	32	
	<u>5055</u>	<u>3456</u>	<u>4022</u>

	Endowment Reserves £000	General Reserves £000	Revaluation Reserves £000
At 1 st August 2006 - previously reported	5264	26585	33534
Transfer re Endowments	(482)	482	
	<u>4782</u>	<u>27067</u>	<u>33534</u>
Movement 2006/07 - previously reported	305	5112	(2395)
Transfer re Endowments	(32)		32
	<u>5055</u>	<u>32179</u>	<u>31171</u>

Notes to the Accounts

Year ended 31 July 2008

35. ACCESS AND HARDSHIP FUNDS

	2007/08 £000	2006/07 £000
Balance Unspent at 1 st August	4	9
Council Grants	528	421
Interest Earned	7	3
	<hr/> 539	<hr/> 433
Disbursed to Students	(530)	(429)
Balance Unspent at 31 st July	<hr/> 9	<hr/> 4

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.

36. BURSARIES

The University is the paying agent on behalf of the National Health Service and the Welsh Assembly government in respect of bursaries and expenses made available for students studying nursing and teacher training. The sums paid are:

	2007/08 £000	2006/07 £000
Nursing	4643	4855
Teacher Training	1315	1388
	<hr/> 5958	<hr/> 6243

The bursaries and related disbursements are excluded from the Income and Expenditure Account.

Appendix

Year ended 31 July 2008

FINANCIAL RATIOS

	<u>2007/08</u> <u>Consolidated</u>	<u>2006/07</u> <u>Consolidated</u> <u>Restated</u>
Ratio of Council Grants to Total Income	38.00%	41.85%
Ratio of Home Fees & Education Contracts to Total Income	21.15%	18.57%
Ratio of International Fees to Total Income	5.13%	4.11%
Ratio of Research Income to Total Income	13.92%	12.12%
Ratio of Other Services Rendered Income to Total Income	8.32%	9.77%
Ratio of Historical Cost Surplus/(Deficit) for the year to Total Income	3.70%	(2.24%)
Long-term Liabilities and Provisions to General Reserves Excluding Pension Liability	41.63%	47.65%
Ratio of Liquid Assets to Current Liabilities	0.80	0.69
Ratio of Current Assets to Current Liabilities	1.43	1.40
Days of Total Income represented by Debtors	45	51
Days Net Liquid Assets to Total Expenditure	61	52

Total Income includes share of Joint Ventures income.