

FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2004

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**FINANCIAL HIGHLIGHTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004**

<u>Income & Expenditure Account</u>	2004	2003	Change
	£000	£000	%
<u>Income</u>			
Funding Council Grants	639	628	2
Academic Fees & Support Grants	123	121	1
Research Grants and Contracts	273	249	10
Other Operating Income	5,880	5,224	13
Endowment Income & Interest Receivable	862	876	(2)
Total Income	7,777	7,098	10
Total Expenditure	6,953	6,900	1
Surplus for the Year	824	198	
Profit on Disposal of Fixed Assets	-	348	
Transfer of Unspent Specific Endowment Income to Specific Endowment Reserves	(89)	(111)	
Overall Surplus for the Year	735	435	
<u>Balance Sheet</u>			
Fixed Assets	6,348	5,238	21
Endowment Investments	12,489	11,984	4
Net Current Assets	5,014	5,247	(4)
Net Assets	23,851	22,469	6
Net Cash (Outflow)/ Inflow	(490)	322	
<u>Other Key Statistics</u>			
	2004	2003	
	No.	No.	
Average Staff Full Time Equivalents	123	119	3
Enrolments at Constituent Institutions & University Colleges: (Full-time, sandwich year out and part-time excl. franchised out)			
- Undergraduates	60,704	57,845	5
- Postgraduates	13,386	12,749	5
TOTAL	74,090	70,594	5
Students Qualified for University of Wales Degrees: Initial	15,046	14,978	-
Higher	4,528	4,237	7
	19,574	19,215	2

REPORT OF THE TREASURER 2003-2004

Scope of the Financial Statements

The Financial Statements presented to the University Council for the year ended 31 July 2004, comprise the results of the activities of the University Registry in support of the functions of the University of Wales and the range of other Central Services for which the University's Council is responsible.

The Financial Statements have been prepared in accordance with the revised Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (effective from 1 August 2003), with applicable law and UK Accounting Standards and the Accounts Direction issued by the Higher Education Funding Council for Wales.

Financial Results of the Year

The schedule on page 2 provides the financial highlights for the year. The broad financial strategy of the University Council has continued to be based around the requirement for its individual operations to seek to ensure that they operate within the financial resources available to them and that any deficits incurred can be met from their discretionary reserves and balances. Remedial actions must be instigated by the responsible University Boards or Committees if it appears from financial forecasts and projections that the operations for which they are responsible are likely to incur annual deficits on an ongoing basis that cannot be met from within their annual income and/or reserves and balances.

For the year ended 31 July 2004, the University achieved a surplus on the year's working of £735K compared with a surplus of £435K in the previous year. In contrast with last year, there were no disposals of University property compared with the sale of the former premises of the University Press in Cardiff, the profit from which contributed £347K to the overall surplus on the year's operations. The overall surplus in 2003/04 for continuing operations was £229K higher than anticipated in the approved outturn forecast, primarily as a result of additional revenues from the University's home and overseas validating activities.

Total income for the year at £7.8M was c. 10% higher than the previous year. Income from the operations at Gregynog reverted to normal operational levels following a decline in the previous year as a result of disruption to the business caused by essential remedial works. However, it was the continued growth in revenues from the University's home and overseas validation operations which was again the most important factor in the increase in income compared with previous years. Total income from investments and interest on balances was slightly less for the year, reflecting in part the final period of the phased withdrawal of advanced corporation tax reclaimable by charitable bodies, the historically low UK base rates and the reduced yields available on government securities.

Total expenditure for the year was only very marginally higher (0.8%) at £7M. Staff costs increased by c.4% to £3.2M, in the main reflecting national pay awards of 3.44% and the effects of incremental drift. Other operating expenses fell very slightly to £3.6M, and the main changes in the constituent parts of this expenditure can be seen in note 6 to these accounts.

Further information regarding the main sources of income and expenditure for the year for the major operational cost centres of the University, together with comparatives for the previous year, are provided in Appendix A to these financial statements.

Investment Performance

The net value of the University's endowment asset investments increased over the year by £505K (4%), to £12.5M. Of this change in value, £169K related to additional and new investments and £336K to an increase in the market value of the investments held at 31 July 2004. Fixed asset investments increased in the year by

REPORT OF THE TREASURER - Continued

2003 – 2004

£1.1M, to £4.2M as a result of additional investments of £1M and an increase in the market values of investments held of £127K.

The University's investment pools recorded gains of between 2.8% and 3.2% in the market values of their investments. On a total return basis (i.e. the combined total of the change in market values and income for the year), the investment pools recorded gains of between 7.2% and 7.8%.

Cash Flows

There was a net cash inflow for the year of £605K, excluding changes brought about from the management of liquid resources. Full details of the major cash flows are given in page 18 of these financial statements. The University's short-term deposits stood at £6.3M at 31 July 2004 and are managed in-house. The University maintained its practice of seeking to achieve the highest possible returns on its deposit at the lowest possible risk through lending money to a limited range of institutions whose credit ratings are at the top end of the spectrum.

Creditors

Subject to other arrangements, in most instances the University pays its creditors within 30 days of the delivery of the goods or the receipt of a correctly rendered invoice, whichever is the later. Total creditors at 31 July 2004, stood at £2.7M, compared with £2.1M twelve months previously. Of the former total, £0.9M related to amounts payable at 31 July, £0.2M represented receipts in advance, and £1.6M related to balances held for distribution by the University to the beneficiaries under the Welsh Church Acts. In respect of the latter, and in accordance with the policy agreed in 2000 by the University and beneficiaries to complete as soon as reasonably practicable the disposal of the estate managed by the University since 1940 under the terms of the Acts, the remaining three farms in west Wales were sold during the year. The residual estate at 31 July 2004 comprised only c.178 acres, including one small farm in north Wales and miscellaneous small parcels of land in north and west Wales.

Conclusions and Looking Ahead

The surplus on the year's working was even better than anticipated in the forecast outturn, and I am glad to report once more to Council that the University's financial position remains strong. The University's corporate governance procedures and controls serve to ensure that the University's financial affairs are conducted according to the strict standards expected of a public body. I should like to record my thanks to officers and staff for their continued commitment to the success of the University of Wales.

The withdrawal from August 2004 of Cardiff University and the College of Medicine from membership of the University of Wales has prompted a review by the University of its future functions and structures and the related funding mechanisms. During the next twelve months therefore, the University will take decisions that will establish the operational and strategic direction of the University for the future.

The University and Trustees of the in-house pension scheme have agreed in principle to transfer the membership to the national Universities Superannuation Scheme (USS). This proposal will seek to ensure equality of pension scheme provision for all University employees and rationalise existing administrative arrangements. The University would of course need to agree to meet any shortfall in assets over the liabilities of the in-house scheme at the date of transfer, and this matter is currently under consideration with USS. Preliminary indications are that an amount of up to £0.87m would be required.

ALUN THOMAS
TREASURER

CORPORATE GOVERNANCE STATEMENT 2003 – 2004

The University of Wales is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The University Council is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The University Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2004 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the University Council and that it accords with the internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group.

The University Council met four times during the twelve months to 31 July 2004. It has several committees, including a Finance Committee, a Nominations Committee, a Remuneration Committee, and an Audit Committee. All of these Committees are formally constituted with terms of reference which provide for a majority of their appointed members to be lay members of the Council. The decisions and recommendations of these Committees are reported to the Council. The Council also has a Risk Management Group which is formally constituted with terms of reference that provide, *inter-alia*, for it to submit reports and advice to the Council on the risk management policy of the University at least twice each year.

The University Council has forty-five members, the majority of whom are lay members. Reflecting the fact that the University is a federal body, comprising in 2003/04 eight Constituent Institutions, the members of its Council include the Head and one lay representative of the governing body of each of the Constituent Institutions. Other appointed members include representatives of the University's Court and of its Academic Board, of the Welsh Local Government Association and of the Privy Council and staff and students of the University. Three of the forty-five members are co-opted, lay members. When vacancies arise in this last category, the Nominations Committee considers nominations under the relevant Statute. On the expiry of their terms of office, all appointed and co-opted lay members are eligible for re-appointment by the relevant bodies for up to three consecutive terms.

In respect of its strategic and development responsibilities, the University Council receives recommendations and advice from the Finance Committee whose membership includes five lay members appointed by the Council from amongst its members. The Committee, *inter alia*, also recommends to the Council the University's revenue and capital budgets and monitors performance in relation to approved budgets.

The Council receives advice from the Academic Board and the Vice-Chancellors' Board on academic matters which fall within the purview of the University.

The Remuneration Committee reviews and advises Council on the remuneration of the most senior staff, including the Senior Vice-Chancellor. A Staffing Committee advises the Council on all the other staffing matters.

CORPORATE GOVERNANCE STATEMENT - Continued

2003 – 2004

The Audit Committee meets at least three times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from, *inter alia*, the Higher Education Funding Council for Wales, as they affect the University's business, and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee may meet with the External and/or Internal Auditors on their own for independent discussions. Similarly, the Committee is empowered to seek any relevant information it requires from employees of the University, to obtain such independent professional advice that it may consider to be necessary and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

The membership of the University's Risk Management Group (RMG) comprises the senior management of the University and is chaired by the Senior Vice-Chancellor. The Group is charged with overseeing the University's risk management policy, the primary purpose of which is the adoption of best practices in the identification, evaluation and cost effective control of the whole spectrum of risks faced by the University. It also receives reports from a Health and Safety Advisory Group which include recommendations for improvement. The RMG identifies, and Council receives and approves, on an ongoing basis, a risk and control matrix covering the University's operations. Any significant control failings, changes in risk or weaknesses are identified by the Group and discussed in the reports, including the impact that they have had, could have had, or may have, on the University, and the actions being taken to eliminate or control them. In addition to regular review by the Group and consideration by University Council, each of its advisory committees (including Finance, Audit, Remuneration, Staffing etc.) is required to review formally, at least once a year, those risk management issues relevant to its sphere of control and responsibility. In this way, risk and control issues are embedded within the operational structures and planning processes of the University and reinforced by risk awareness training as necessary. At its meetings in October and December 2004, the University Council carried out the annual assessment for the 2003/04 year by considering documentation from the Risk Management Group and internal audit reports from its Audit Committee.

During the year the University has made further progress regarding implementation of the April 2002 report of the review by Sir David Williams of the University's membership, structures and *modus operandi*, the report on an independent review of the University's validation and franchise activities, and a report on the review of the governance of the University of Wales. With regard to the Sir David Williams recommendations with regard to the possible expansion in membership of the University and parity of membership for the University's existing member institutions, UWIC and University College Newport are now designated Constituent Institutions of the University of Wales and four member institutions have, from 1 August 2004, assumed the status of Constituent Institutions Elect. Also from that date, Cardiff University and the College of Medicine withdrew from membership of the University; this has prompted the University to commission an independent report on the future roles, functions and structures of the University of Wales, which is scheduled to submit its final report to the University Council in March 2005. The University is also required to respond in the spring of 2005 to a review undertaken in 2004 by the Quality Assurance Agency on the academic standards of the awards that the University offers.

RESPONSIBILITIES OF THE COUNCIL OF THE UNIVERSITY OF WALES

In accordance with the University's Royal Charter, the Council of the University is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the 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 and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

REPORT OF THE INDEPENDENT AUDITORS TO THE COUNCIL OF THE UNIVERSITY OF WALES

Independent Auditor's Report to the Council of the University of Wales

We have audited the financial statements of the University of Wales for the year ended 31 July 2004 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 10 to 13.

Respective Responsibilities of the University Council and Auditors

As described in the statement of responsibilities of the Council of the University of Wales, the Council of the University of Wales is responsible for the preparation of the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales, the Statement of Recommended Practice - Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Council of the University of Wales and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We also report to you if, in our opinion, the Council of the University of Wales' report is not consistent with the financial statements, if the University of Wales has not kept proper accounting records, the accounting records do not agree with the financial statements and if we have not received all the information and explanations we require for our audit.

We read the report of the Treasurer of the University of Wales and the Corporate Governance Statement and consider the implications for our report if we become aware of any misstatement within it.

**REPORT OF THE INDEPENDENT AUDITORS TO THE COUNCIL
OF THE UNIVERSITY OF WALES - Continued**

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for Wales. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council of the University of Wales in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University of Wales's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- a. the financial statements give a true and fair view of the state of affairs of the University of Wales at 31 July 2004, and of the surplus of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education;
- b. in all material respects, income from the Higher Education Funding Council for Wales, grants and other funds from whatever source administered by the University of Wales for specific purposes have been properly applied only for those purposes and, if appropriate, managed in compliance with all relevant legislation;
- c. in all material respects, income has been applied in accordance with the University of Wales's Charter and Statutes and where appropriate with the financial memorandum dated 1 January 1997 with the Higher Education Funding Council for Wales.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

14 January 2005

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed asset and endowment asset investments, and in accordance with the Statement of Recommended Practice [SORP]: Accounting for Further and Higher Education 2003 and in accordance with applicable Accounting Standards. They conform also to the Accounts Direction issued by the Higher Education Funding Council for Wales (HEFCW) in September 2004 (Ref: W04/59HE).

A summary of the more important accounting policies is set out below, together with an explanation of where they have not been applied consistently.

2. Recognition of Income in the Income and Expenditure Account

Income which is for the specific purpose designated by the awarding body/person (examples include earmarked grants from the Higher Education Funding Council for Wales (HEFCW), research grants and contracts, donations, and other services rendered) is included only to the extent of the related expenditure incurred during the year, together with any related contributions towards overhead costs.

All income from Fixed Asset Investments, General Endowment Assets and Current Assets is brought into the income and expenditure account in full. Income from Specific Endowment investments is also credited to the income and expenditure account on a receivable basis; however, any income earned in excess of that applied to the specific purpose of the endowment is transferred from the income and expenditure account to the specific endowments concerned. This is a change in accounting policy introduced by the 2003 SORP. Under the previous SORP, income from specific endowments was credited to the Income and Expenditure account only to the extent necessary to match expenditure from specific endowments. As a result of this change the Income and Expenditure account for 2003 and the related notes to the accounts have been restated.

Recurrent grants from the HEFCW or other bodies are recognised in the period in which they are receivable.

3. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Wales Superannuation Scheme (UWSS). The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES – Continued

Financial Reporting Standard 17: Retirement Benefits (FRS 17) has not been fully implemented in these financial statements, in accordance with the transitional arrangements permitted under the reporting standard and guidance issued by the Accounting Standards Group of the British Universities' Finance Directors' Group (BUFDG).

In the case of USS, FRS 17 does not apply because it is not possible to identify what element of the Scheme's surplus or deficit relates to each individual employer participating in the Scheme. The University will therefore continue to recognise only the cost of contributions payable in the accounting period in which they are payable.

In the case of the UWSS, the permitted transitional FRS 17 reporting disclosures have been made as a note to the financial statements – see note 22(b). The required estimate of the financial position of the Scheme has been prepared by a qualified independent actuary. The note includes details of the calculation of the net pension asset of the Scheme together with the impact this would have on the University's balance sheet, its income and expenditure account and its statement of total recognised gains and losses (STRGL) had it been recognised in the financial statements.

4. Foreign Currencies

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

5. Land and Buildings

Land and Buildings are stated at cost, except in the case of Gregynog, which is stated at probate value plus or minus additions or disposals at cost. Buildings and major adaptations thereto are depreciated over their expected useful lives up to a maximum of 50 years

Where buildings are acquired with the aid of specific grant, for example, from the Higher Education Funding Council for Wales or other bodies, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

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

6. Equipment

Equipment 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES - Continued

Capitalised equipment is stated at cost and depreciated on a straight-line basis over its expected useful life as follows:-

Major computer installations and telephone equipment	-	7 years
Motor vehicles and general equipment	-	4 years
Offset Litho printing equipment	-	10 years
Lift installations	-	15 years
Equipment for specific research projects	-	Project life (generally 3 years)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

7. Investments

Endowment Asset Investments and Fixed Asset Investments, being investments not held for immediate realisation, are included in the Balance Sheet at market value. Current Asset Investments are included at the lower of cost and net realisable value.

8. Stocks

Stocks of books held by the University Press are valued at the lower of cost and net realisable value; books in stock are written down over 2, 3.5 or 5 years from the date of publication as determined by the Press Management Board when the titles are commissioned.

Stocks of trading consumables at Gregynog are also valued at the lower of cost and net realisable value.

9. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES - Continued

10. Maintenance of Premises

In line with FRS12, with effect from 1 August 1998, the University charges long-term and routine corrective maintenance costs to the income and expenditure account as they are incurred. Major expenditure which provides any enhancement of the economic benefits of the premises is capitalised in accordance with FRS 15.

11. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of ICTA 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.

12. 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 the obligation and a reliable estimate can be made of the amount of the obligation.

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2004**

	Note	2004 £	2003 £ (as restated)
INCOME			
Funding Council Grants	1	638,909	627,983
Academic Fees & Support Grants	2	123,225	120,996
Research Grants & Contracts		272,618	249,093
Other Operating Income	3	5,880,222	5,224,421
Endowment and Investment Income	4	862,127	875,772
		<hr/>	<hr/>
TOTAL INCOME		7,777,101	7,098,265
		<hr/> <hr/>	<hr/> <hr/>
EXPENDITURE			
Staff Costs	5	3,217,130	3,094,672
Other Operating Expenses	6	3,621,464	3,658,382
Depreciation	8	114,385	146,687
		<hr/>	<hr/>
TOTAL EXPENDITURE	7	6,952,979	6,899,741
		<hr/> <hr/>	<hr/> <hr/>
Surplus After Depreciation of Fixed Assets at Cost		824,122	198,524
Profit on Disposal of Fixed Assets		-	347,421
		<hr/>	<hr/>
Surplus on Continuing Operations After Depreciation of Assets at Cost and Disposal of Assets		824,122	545,945
Transfer of Unspent Specific Endowment Income to Specific Endowment Reserves	15	(88,983)	(111,182)
		<hr/>	<hr/>
Surplus for the Year Retained within General Reserves		735,139	434,763
		<hr/> <hr/>	<hr/> <hr/>

The Income and Expenditure account is in respect of continuing activities.

Note of Historical Costs Surpluses & Deficits

There is no difference between the disclosed surplus of income over expenditure stated above and its historical cost equivalent.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2004**

	Note	2004 £	2003 £
Surplus after Depreciation of Assets at Cost and Taxation		824,122	545,945
Appreciation of Endowment Asset Investments	15	335,855	179,829
New Endowments	15	79,432	131,560
Appreciation of Fixed Asset Investments	17	127,285	44,171
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD		1,366,694	901,505
RECONCILIATION			
Opening Reserves and Endowments		21,843,103	20,941,598
Total Recognised Gains for the Year		1,366,694	901,505
CLOSING RESERVES AND ENDOWMENTS		23,209,797	21,843,103

BALANCE SHEET AS AT 31 JULY 2004

	Note	2004 £	2003 £
Tangible Assets	8	2,184,505	2,201,636
Investments	9	4,163,334	3,035,890
TOTAL FIXED ASSETS		6,347,839	5,237,526
ENDOWMENT INVESTMENTS	10	12,488,705	11,984,435
Stocks	11	283,157	249,702
Debtors	12	1,028,023	1,305,950
Short Term Deposits	19	6,272,000	5,177,000
Cash at Bank and in Hand	19	158,253	647,828
TOTAL CURRENT ASSETS		7,741,433	7,380,480
Less: Creditors - Amounts falling due within 1 year	13	2,726,724	2,133,132
NET CURRENT ASSETS		5,014,709	5,247,348
TOTAL ASSETS LESS CURRENT LIABILITIES		23,851,253	22,469,309
NET ASSETS		23,851,253	22,469,309

BALANCE SHEET AS AT 31 JULY 2004 - Continued

	Note	2004 £	2003 £
Represented by:			
DEFERRED CAPITAL GRANTS	14	641,456	626,206
Specific Endowments		5,427,614	5,211,989
General Endowments		7,061,091	6,772,446
TOTAL ENDOWMENTS	15	12,488,705	11,984,435
Income and Expenditure Account and Other Reserves	16	9,413,117	8,677,978
Revaluation Reserve	17	1,307,975	1,180,690
TOTAL RESERVES		10,721,092	9,858,668
TOTAL FUNDS		23,851,253	22,469,309

The Financial Statements on pages 10 to 32 were approved by University Council on 14 January 2005, and signed on its behalf by:

A. J. CHAPMAN - Senior Vice-Chancellor

A. THOMAS - Treasurer

L. E. WILLIAMS - Secretary General

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2004**

	Note	2004 £	2003 £
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	18	893,008	(465,125)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Income from Endowments	15	493,747	524,640
Interest Received	4	368,380	351,132
Net Cash Inflow from Returns on Investments		862,127	875,772
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to Acquire Tangible Assets	8	(97,254)	(56,540)
Payments to Acquire Fixed Asset Investments	9	(1,000,159)	-
Payments to Acquire Endowment Asset Investments	10	(168,415)	(242,742)
Deferred Capital Grants Received	14	36,686	-
Receipts from Sales of Tangible Fixed Assets		-	440,908
Endowments Received	15	79,432	131,560
Net Cash (Outflow)/Inflow from Investing Activities		(1,149,710)	273,186
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		605,425	683,833
MANAGEMENT OF LIQUID RESOURCES	19	(1,095,000)	(362,000)
(DECREASE)/ INCREASE IN CASH	19	(489,575)	321,833

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

(Decrease)/ Increase in Cash in the Period		(489,575)	321,833
Increase in Short Term Deposits		1,095,000	362,000
CHANGE IN NET FUNDS	19	605,425	683,833
Net Funds as at 1 August 2003		5,824,828	5,140,995
Net Funds as at 31 July 2004	19	6,430,253	5,824,828

NOTES TO THE FINANCIAL STATEMENTS

	Note	2004 £	2003 £
1. FUNDING COUNCIL GRANTS			
Recurrent Grants		233,320	228,407
Specific Grants:			
Board of Celtic Studies		216,240	210,850
University Press		55,515	111,730
Welsh Medium Teaching Development Unit		119,058	52,225
Supplementary Allocation		1,310	2,052
Deferred Capital Grants Released in Year:			
Buildings	14	11,940	11,940
Equipment	14	1,526	10,779
		638,909	627,983
2. ACADEMIC FEES & SUPPORT GRANTS			
From Constituent and Associated Institutions		114,000	113,000
Higher Degree and Other Fees		9,225	7,996
		123,225	120,996
3. OTHER OPERATING INCOME			
Federal Support Grants from Constituent Institutions		1,242,000	1,170,000
Residences, Catering & Conferences		829,610	724,946
Other Services Rendered		2,962,149	2,670,243
Sales of Publications		446,658	456,966
Publications' Grants		108,745	60,040
Other Income		291,060	142,226
		5,880,222	5,224,421
4. ENDOWMENT INCOME & INTEREST RECEIVABLE			
			(as restated)
Transferred from Appeal and Specific Endowment Funds	15	226,999	226,077
Income from General Endowment Assets			
Investments	15	266,748	298,563
Other Interest Receivable		368,380	351,132
		862,127	875,772

NOTES TO THE FINANCIAL STATEMENTS - Continued

	2004	2003
	£	£
5. STAFF COSTS		
Salaries & Wages	2,713,347	2,635,720
National Insurance Contributions	207,008	185,845
Pensions Costs (Note 23)	287,775	273,107
Staff Costs : Operating Activities	3,208,130	3,094,672
Early Retirements and Redundancies	9,000	-
Total Staff Costs	3,217,130	3,094,672
Emoluments of the Senior Vice-Chancellor	25,860	25,643
Emoluments of the Secretary General	61,756	59,703

The emoluments of the Senior Vice-Chancellor and the Secretary General exclude the University's pension contributions to USS, which are paid at the same rates as for other academic and related staff. In the case of the former, these contributions amounted to £3,620 in 2003/04 (£3,170 in 2002/03), and for the Secretary General they amounted to £8,646 (£8,358 in 2002/03).

The Senior Vice-Chancellor is the Chief Academic, Executive, and Accounting Officer at the University, and is appointed by the University Council from the Vice-Chancellors of one of the Constituent Institutions of the University. The Senior Vice-Chancellor is appointed for a term of three years, or until he or she shall earlier cease to be the Vice-Chancellor of one of the Constituent Institutions. During the period of office as the University's Senior Vice-Chancellor, the incumbent retains also their normal duties, responsibilities and remuneration as Vice-Chancellor of the Constituent Institution concerned and is remunerated by that Constituent Institution accordingly. The Secretary General is the Chief Administrative Officer concerned with the exercise of the functions of the University.

Average monthly number of persons employed by the University, expressed as full-time equivalents, was :

	Number	Number
Academic & Academic Related	61.9	63.5
Clerical	42.2	41.5
Other	19.2	14.4
	123.3	119.4

The number of staff, including the Secretary General, who received emoluments (including employers' pension costs) in the following ranges was :

£70,000 - £79,999	1	-
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NOTES TO THE FINANCIAL STATEMENTS - Continued

	2004 £	2003 £
6. OTHER OPERATING EXPENSES		
Residences, Catering & Conferences	327,455	346,117
Fellowships, Scholarships & Prizes	169,607	115,931
Recurrent Costs of Premises	102,831	93,989
Maintenance of Premises	67,825	259,710
Other Services Rendered: Validation	1,745,983	1,662,291
Other	103,818	70,063
Central Administration & Examination Costs	334,164	318,780
Other Central Services of the University	621,088	637,856
External Auditor's Remuneration	13,250	12,885
External Auditor's Remuneration : Non-Audit Services	2,585	1,175
Internal Auditor's Fee	10,793	11,113
Other Expenses	122,065	128,472
	3,621,464	3,658,382

7. ANALYSIS OF 2003/04 EXPENDITURE BY ACTIVITY

	Staff Costs £	Depreciation £	Other Operating Expenses £	Total 2004 £	Total 2003 £
Registry Services	1,116,043	46,839	462,224	1,625,106	1,555,301
Validation Unit	310,872	-	1,745,983	2,056,855	1,935,504
Gregynog Hall	459,032	32,872	392,874	884,778	1,066,689
University Press	314,306	8,373	443,333	766,012	796,755
Board of Celtic Studies	320,670	-	65,684	386,354	413,015
Centre for Advanced Welsh & Celtic Studies					
- Supported by Research Grants	125,417	-	108,306	233,723	189,286
- Supported by University, Other Grants, and Scholarships	503,215	26,301	39,868	569,384	598,907
Fellowships, Scholarships, etc.	-	-	174,038	174,038	119,491
Other Activities	58,575	-	189,154	247,729	224,793
Early Retirements, Redundancies, and Compensation Payments	9,000	-	-	9,000	-
Total 2004	3,217,130	114,385	3,621,464	6,952,979	6,899,741
Total 2003	3,094,672	146,687	3,658,382	6,899,741	

The depreciation charge has been funded by:-

Deferred Capital Grants Released (Note 14)	21,436	30,689
General Income	92,949	115,998
	114,385	146,687

NOTES TO THE FINANCIAL STATEMENTS - Continued

8. TANGIBLE FIXED ASSETS

	Land & Buildings		Equipment	TOTAL
	Freehold	Long Leasehold		
	£	£	£	£
AT COST				
Registry	-	422,510	257,071	679,581
CAWCS	-	1,061,946	112,186	1,174,132
UW Press	-	281,060	30,439	311,499
Gregynog	-	746,194	173,107	919,301
At 1 August 2003	-	2,511,710	572,803	3,084,513
ADDITIONS AT COST				
Registry	-	5,053	49,389	54,442
CAWCS	-	-	42,812	42,812
Total Additions at Cost	-	5,053	92,201	97,254
DISPOSALS AT COST				
Registry	-	-	(115,973)	(115,973)
At Cost at 31 July 2004	-	2,516,763	549,031	3,065,794
DEPRECIATION				
Registry	-	74,721	194,479	269,200
CAWCS	-	224,588	105,634	330,222
UW Press	-	10,528	27,466	37,994
Gregynog	-	144,749	100,712	245,461
Total at 1 August 2003	-	454,586	428,291	882,877
Charge for year:				
Registry	-	12,526	34,313	46,839
CAWCS	-	21,238	5,062	26,300
UW Press	-	7,026	1,348	8,374
Gregynog	-	16,450	16,422	32,872
Total charge for year	-	57,240	57,145	114,385
Eliminated on Disposal				
Registry	-	-	(115,973)	(115,973)
Depreciation at 31 July 2004	-	511,826	369,463	881,289
NET BOOK VALUES				
Registry	-	340,316	77,668	417,984
CAWCS	-	816,120	44,302	860,422
UW Press	-	263,506	1,625	265,131
Gregynog	-	584,995	55,973	640,968
AT 31 JULY 2004	-	2,004,937	179,568	2,184,505
AT 31 JULY 2003	-	2,057,124	144,512	2,201,636

Note: Gregynog was conveyed to the University in 1960 under the terms of a Deed of Gift which requires it to be used for the purpose of the advancement of education. If Gregynog ceases to be used for this purpose, the trusts declared in the Deed will determine and the property subject to the trust will be made over to the Margaret Davies Charity.

NOTES TO THE FINANCIAL STATEMENTS - Continued

	Note	2004 £	2003 £
9. FIXED ASSET INVESTMENTS			
Valuation at 1 August 2003		3,035,890	2,991,719
Additions during the year		1,000,159	-
Appreciation of Fixed Asset Investments		127,285	44,171
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Valuation at 31 July 2004		4,163,334	3,035,890
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Certain of the University's reserves are held in the form of investments not for immediate realisation and are represented by units held in the University's pooled investment scheme.

10. ENDOWMENT ASSETS

Balance at 1 August 2003		11,984,435	11,561,864
Additions		168,415	242,742
Appreciation of Endowment Asset Investments		335,855	179,829
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Balance at 31 July 2004		12,488,705	11,984,435
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Represented by:-			
Fixed Interest Stocks		3,259,874	3,443,783
Equities & Managed Funds		8,132,490	7,534,130
Bank Balances	19	1,107,617	1,014,917
Other Net Current Liabilities		(11,276)	(8,395)
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total Endowment Assets		12,488,705	11,984,435
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

NOTES TO THE FINANCIAL STATEMENTS - Continued

14. DEFERRED CAPITAL GRANTS

	Funding Council		Grants and Benefactions	Total
	Buildings	Equipment		
	£	£	£	£
As at 1 August 2003				
CAWCS, Aberystwyth	469,640	-	-	469,640
Gregynog	-	-	156,366	156,366
Registry	-	200	-	200
TOTAL	469,640	200	156,366	626,206
Cash Received:				
Buildings	-	-	-	-
Equipment	-	36,686	-	36,686
TOTAL	-	36,686	-	36,686
Released to Income & Expenditure				
Buildings (Note 1)	(11,940)	-	-	(11,940)
Equipment (Note 1)	-	(1,526)	-	(1,526)
Buildings	-	-	(4,083)	(4,083)
Equipment	-	-	(3,887)	(3,887)
TOTAL	(11,940)	(1,526)	(7,970)	(21,436)
At 31 July 2004				
CAWCS, Aberystwyth	457,700	35,360	-	493,060
Gregynog	-	-	148,396	148,396
Registry	-	-	-	-
TOTAL	457,700	35,360	148,396	641,456

NOTES TO THE FINANCIAL STATEMENTS - Continued

15. ENDOWMENTS

	Specific £ (as restated)	General £	Total £
At 1 August 2003	5,211,989	6,772,446	11,984,435
Additions	2,102	77,330	79,432
Appreciation of Endowment Asset Investments	124,540	211,315	335,855
Income for Year	226,999	266,748	493,747
Transferred to			
I & E Account (Note 4)	(226,999)	(266,748)	(493,747)
Unspent Specific Endowment Income Transferred from I & E Account	88,983	-	88,983
At 31 July 2004	5,427,614	7,061,091	12,488,705
Of Which:			
Capital Balances	2,181,836	4,861,388	7,043,224
Aggregate Accumulated Unspent Income	3,245,778	2,199,703	5,445,481
Total	5,427,614	7,061,091	12,488,705
Representing:			
Fellowships & Scholarship Funds	3,240,639	-	3,240,639
Prize Funds	282,054	-	282,054
Other funds	1,904,921	7,061,091	8,966,012
Total	5,427,614	7,061,091	12,488,705

16. RESERVES

	Income & Expenditure Account £	Other Revenue Reserves £	Non- Distributable Capital Reserve Gregynog £	Total £
At 31 July 2003 (as restated)	2,787,948	5,446,936	443,094	8,677,978
Surplus Retained for the Year	735,139	-	-	735,139
Movement on Reserves	(711,551)	722,554	(11,003)	-
At 31 July 2004	2,811,536	6,169,490	432,091	9,413,117

NOTES TO THE FINANCIAL STATEMENTS - Continued

	Note	2004 £	2003 £
17. REVALUATION RESERVE - FIXED ASSET INVESTMENTS			
At 1 August 2003		1,180,690	1,136,519
Appreciation of Fixed Asset Investments	9	127,285	44,171
At 31 July 2004		1,307,975	1,180,690
18. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM CONTINUING OPERATING ACTIVITIES			
			(as restated)
Surplus on Continuing Operations after Depreciation of Assets at Cost		824,122	545,945
Profit on Disposal of Fixed Assets		-	(347,421)
Depreciation	8	114,385	146,687
Deferred Capital Grants Released to Income	14	(21,436)	(30,689)
Investment Income	4	(862,127)	(875,772)
(Increase)/Decrease in Stocks	11	(33,455)	13,238
Decrease/(Increase) in Debtors	12	277,927	(170,940)
Increase in Creditors	13	593,592	253,827
Net Cash Inflow / (Outflow) from Continuing Operating Activities		893,008	(465,125)

NOTES TO THE FINANCIAL STATEMENTS - Continued

19. ANALYSIS OF CHANGES IN NET FUNDS

	2004	Cash Flows	2003
(i) Current Assets	£	£	£
Cash at Bank and in Hand			
Current Assets	3,160	(11,864)	15,024
Bank Deposits	155,093	(477,711)	632,804
	<u>158,253</u>	<u>(489,575)</u>	<u>647,828</u>
Short Term Deposits	6,272,000	1,095,000	5,177,000
	<u>6,430,253</u>	<u>605,425</u>	<u>5,824,828</u>
(ii) Endowment Assets			
Cash at Bank and in Hand	31,617	(2,300)	33,917
Short Term Deposits	1,076,000	95,000	981,000
	<u>1,107,617</u>	<u>92,700</u>	<u>1,014,917</u>

20. CONTINGENT LIABILITY

The University is a member of UMALT, a company limited by guarantee formed to provide a mutual association for terrorism risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their pro rata share, spread over a seven year loan facility. The University is a guarantor, on a joint and several basis with other members, of this £15 million bank facility. No liability has yet arisen under this guarantee.

21. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operation and the composition of the Council (being drawn from public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. No transactions require disclosure under Financial Reporting Standard No. 8 : Related Party Disclosures.

NOTES TO THE FINANCIAL STATEMENTS - Continued

22. PENSION SCHEMES

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Wales Superannuation Scheme (UWSS).

(a) Universities Superannuation Scheme

USS is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

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

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

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The total pension cost for the University to the Universities Superannuation Scheme was £246,421 (2003 : £235,653). The contribution rate payable by the institution was 14% of pensionable salaries.

NOTES TO THE FINANCIAL STATEMENTS - Continued

22. PENSION SCHEMES - Continued

(b) University of Wales Superannuation Scheme

The University operates a defined benefit scheme in the UK whose assets are held in a separate trustee-administered fund. An estimate of the scheme's financial position was carried out at 31 July 2004 by a qualified independent actuary. The estimate was based on the last full valuation as at 1 August 2001. The major assumptions used by the actuary were:

Financial Assumptions	31 July 2004	31 July 2003	31 July 2002
Salary increases	4.40%	4.00%	4.00%
Increases to pensions and deferred benefits	2.90%	2.50%	2.50%
Discount rate	5.70%	5.50%	5.85 %
Retail Prices Index	2.90%	2.50%	2.50%

The assets of the scheme and expected return on assets were:

	£000's	%	£000's	%	£000's	%
UK equities	2,001	7.25	1,918	7.25	1,849	7.25
Overseas equities	1,215	7.25	1,028	7.25	923	7.25
Fixed interest bonds	373	5.70	422	5.85	456	5.85
Index linked bonds	4	5.00	14	5.00	0	5.00
Cash	100	4.00	113	4.00	129	4.00
Property	33	7.25	50	7.25	48	7.25
Total assets	3,726	7.00	3,545	6.70	3,405	6.70

The following amounts at 31 July 2004 were measured in accordance with the requirements of FRS 17:

	31 July 2004	31 July 2003	31 July 2002
	£000's	£000's	£000's
Total market value of scheme assets	3,726	3,545	3,405
Present value of scheme liabilities	4,351	3,940	3,480
Deficit in the scheme - Net Pension Liability	(625)	(395)	(75)

If the above amounts had been recognised in the financial statements, the University's net assets and general reserve at 31 July 2004 would be as follows:

	31 July 2004	31 July 2003	31 July 2002
	£000's	£000's	£000's
Net assets excluding pension liability/asset	23,851	22,469	21,598
Pension liability	(625)	(395)	(75)
Net assets including pension liability	23,226	22,074	21,523
General reserve excluding pension liability	9,413	8,678	8,243
Pension reserve	(625)	(395)	(75)
General reserve including pension liability	8,788	8,283	8,168

NOTES TO THE FINANCIAL STATEMENTS - Continued

22. PENSION SCHEMES - Continued

(b) University of Wales Superannuation Scheme - Continued

Additionally, if the pension costs had been recognised fully in accordance with FRS 17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2004:

	31 July 2004	31 July 2003
	£000's	£000's
(1) Analysis of the amounts charged to income and expenditure account:		
Service cost	102	86

Analysis of the amount credited to financing of pension provision:

Expected return on pension scheme assets	242	233
Interest on expected scheme liabilities	(219)	(207)
Net return	23	26

(2) Analysis of amounts recognised in the statement of total recognised gains and losses (STRGL):

Actual return in excess of/(less than) expected return	10	(49)
Experience (losses) and gains arising on scheme liabilities	(29)	24
Change in financial assumptions	(174)	(275)
Change in demographic assumptions	-	-
Total actuarial loss recognised in STRGL	(193)	(300)

The total movement in the University's share of the scheme's surplus or deficit during the year is made up as follows:

Scheme deficit at 1 August 2003	(395)	(75)
Movement in the year:		
- Total operating charge	(102)	(86)
- Contributions	42	40
- Net return	23	26
- Actuarial loss in STRGL	(193)	(300)
Scheme deficit at 31 July 2004	(625)	(395)

NOTES TO THE FINANCIAL STATEMENTS - Continued

22. PENSION SCHEMES - Continued

(b) University of Wales Superannuation Scheme - Continued

The history of experience of the gains and losses is made up as follows :

	31 July 2004	31 July 2003
Difference between the expected and actual return on scheme assets :		
Amount (£000's)	10	(49)
Percentage of scheme assets	0.3%	(1.4%)
Experience of (losses) and gains on scheme liabilities :		
Amount (£000's)	(29)	24
Percentage of the present value of the scheme liabilities	(0.7%)	0.6%
Total amount recognised in STRGL :		
Amount (£000's)	(193)	(300)
Percentage of the present value of the scheme liabilities	(4.4%)	(7.6%)

23. TOTAL PENSION COSTS

The total pension cost for the University was:

	2004	2003
	£	£
Contributions to USS	246,421	235,653
Contributions to UWSS	41,354	37,454
Total Pension Cost (Note 5)	<u>287,775</u>	<u>273,107</u>

APPENDIX A

Page

Principal University Operations -

Summary of Income and Expenditure Accounts for the years to 31 July:

- 2004	34
- 2003	35

PRINCIPAL UNIVERSITY OPERATIONS - SUMMARY INCOME AND EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2004.

	I N C O M E						Total Income £	E X P E N D I T U R E					Total Expenditure £	Surplus / (Deficit) on Year £	Grants From University Council £	Net Surplus / (Deficit) on Year £
	Short Loan & Investment Income £	Endowments Income £	HEFCW Grants £	Research Grants & Contracts £	Other Operating Income £	Miscellaneous Income £		Staff Costs £	Depreciation £	General Educational Expenditure £	Other Operating Expenditure £	Miscellaneous Expenditure £				
<i>University Operations</i>	<i>(note 1)</i>													<i>(note 3)</i>	<i>(note 4)</i>	
Registry Services Account	46,535	-	200	-	1,242,000	169,760	1,458,495	1,125,043	46,839	104,636	229,528	127,178	1,633,224	<i>(174,729)</i>	-	<i>(174,729)</i>
Academic Support Fund Account	18,257	42,234	-	-	-	6,000	66,491	-	-	102,040	-	-	102,040	<i>(35,549)</i>	-	<i>(35,549)</i>
University Validation Account	16,003	-	-	-	2,911,771	140,215	3,067,989	310,872	-	-	1,745,983	-	2,056,855	<i>1,011,134</i>	-	<i>1,011,134</i>
Board of Celtic Studies Accounts	6,287	-	216,240	-	82,996	-	305,523	320,670	-	65,684	-	-	386,354	<i>(80,831)</i>	213,151	<i>132,320</i>
University Press Account	-	-	55,515	-	413,268	20,846	489,629	314,306	8,373	443,333	-	-	766,012	<i>(276,383)</i>	121,220	<i>(155,163)</i>
Board for Welsh Medium Teaching Account	82	-	-	-	-	-	82	-	-	3,210	-	-	3,210	<i>(3,128)</i>	-	<i>(3,128)</i>
Welsh Medium Teaching Development Unit	4,192	-	119,058	-	40,000	-	163,250	58,575	-	-	103,818	-	162,393	857	30,000	<i>30,857</i>
University Centre for Advanced Welsh and Celtic Studies Account	11,014	96,904	247,896	272,618	58,806	2,309	689,547	628,632	26,301	21,176	125,474	-	801,583	<i>(112,036)</i>	135,268	<i>23,232</i>
Gregynog Accounts	-	-	-	-	829,610	39,668	869,278	459,032	32,872	-	323,004	15,562	830,470	<i>38,808</i>	28,000	<i>66,808</i>
Guild of Graduates Accounts	2,547	-	-	-	-	4,709	7,256	-	-	-	-	22,148	22,148	<i>(14,892)</i>	-	<i>(14,892)</i>
Miscellaneous Accounts	4,816	-	-	-	121	-	4,937	-	-	-	-	-	-	<i>4,937</i>	-	<i>4,937</i>
Central Services Distribution Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<i>(527,639)</i>	<i>(527,639)</i>
<i>Endowment Funds</i>	-	354,609	-	-	-	-	354,609	-	-	70,567	-	1,431	71,998	<i>282,611</i>	-	<i>282,611</i>
<i>Reserves</i>	258,647	-	-	-	-	41,368	300,015	-	-	-	-	116,692	116,692	<i>183,323</i>	-	<i>183,323</i>
Sub-Totals	368,380	493,747	638,909	272,618	5,578,572	424,875	7,777,101	3,217,130	114,385	810,646	2,527,807	283,011	6,952,979	824,122	-	824,122
Profit on Disposal of Fixed Asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS (note 2)	368,380	493,747	638,909	272,618	5,578,572	424,875	7,777,101	3,217,130	114,385	810,646	2,527,807	283,011	6,952,979	824,122	-	824,122

Notes:

1. HEFCW Grants. Amounts include any deferred capital grants in respect of fixed assets applied during the year.
2. See page 14 of the Financial Statements and the associated notes.
3. The University Council allocates grants in support of the activities of the Central Services. The income sources for such allocations are surpluses generated from Validation activities and income from General Endowment funds.
4. These totals do not take account of any internal transfer of funds between operating Accounts for such things as recharges of service costs etc.

PRINCIPAL UNIVERSITY OPERATIONS - SUMMARY INCOME AND EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2003.

	I N C O M E						Total Income £	E X P E N D I T U R E					Total Expenditure £	Surplus / (Deficit) on Year £	Grants From University Council £	Net Surplus / (Deficit) on Year £
	Short Loan & Investment Income £	Endowments Income £	HEFCW Grants £	Research Grants & Contracts £	Other Operating Income £	Miscellaneous Income £		Staff Costs £	Depreciation £	General Educational Expenditure £	Other Operating Expenditure £	Miscellaneous Expenditure £				
<i>University Operations</i>	<i>(note 1)</i>														<i>(note 3)</i>	<i>(note 4)</i>
Registry Services Account	46,145	-	10,779	-	1,170,000	147,881	1,374,805	1,055,132	70,091	103,894	214,887	111,297	1,555,301	(180,496)	-	(180,496)
Academic Support Fund Account	20,746	43,553	-	-	-	6,000	70,299	-	-	71,300	-	-	71,300	(1,001)	-	(1,001)
University Validation Account	14,671	-	-	-	2,620,743	32,017	2,667,431	273,213	-	-	1,662,291	-	1,935,504	731,927	-	731,927
Board of Celtic Studies Accounts	6,675	-	210,850	-	80,605	-	298,130	295,024	-	110,162	-	7,829	413,015	(114,885)	188,000	73,115
University Press Account	1,630	-	111,730	-	423,543	17,563	554,466	314,532	12,729	-	451,804	17,690	796,755	(242,289)	116,218	(126,071)
Board for Welsh Medium Teaching Account	42	-	-	-	-	-	42	-	-	4,093	-	-	4,093	(4,051)	-	(4,051)
Welsh Medium Teaching Development Unit	2,751	-	52,225	-	40,000	-	94,976	56,537	-	-	27,817	-	84,354	10,622	30,000	40,622
University Centre for Advanced Welsh and Celtic Studies Account	15,508	107,940	242,399	249,093	12,669	3,410	631,019	675,456	26,065	32,471	54,201	-	788,193	(157,174)	123,070	(34,104)
Gregynog Accounts	-	-	-	-	724,946	41,324	766,270	424,778	37,802	-	338,559	16,978	818,117	(51,847)	27,000	(24,847)
Guild of Graduates Accounts	2,402	-	-	-	-	3,950	6,352	-	-	-	-	21,714	21,714	(15,362)	-	(15,362)
Miscellaneous Accounts	5,329	-	-	-	144	-	5,473	-	-	-	-	42,246	42,246	(36,773)	-	(36,773)
Central Services Distribution Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(484,288)	(484,288)
<i>Endowment Funds</i>	-	373,147	-	-	-	-	373,147	-	-	45,732	-	2,459	48,191	324,956	-	324,956
<i>Reserves</i>	235,233	-	-	-	-	20,622	255,855	-	-	-	-	320,958	320,958	(65,103)	-	(65,103)
Sub-Totals	351,132	524,640	627,983	249,093	5,072,650	272,767	7,098,265	3,094,672	146,687	367,652	2,749,559	541,171	6,899,741	198,524	-	198,524
Profit on Disposal of Fixed Asset	-	-	-	-	-	347,421	347,421	-	-	-	-	-	-	347,421	-	347,421
TOTALS (note 2)	351,132	524,640	627,983	249,093	5,072,650	620,188	7,445,686	3,094,672	146,687	367,652	2,749,559	541,171	6,899,741	545,945	-	545,945

Notes:

1. HEFCW Grants. Amounts include any deferred capital grants in respect of fixed assets applied during the year.
2. See page 14 of the Financial Statements and the associated notes.
3. The University Council allocates grants in support of the activities of the Central Services. The income sources for such allocations are surpluses generated from Validation activities and income from General Endowment funds.
4. These totals do not take account of any internal transfer of funds between operating Accounts for such things as recharges of service costs etc.

APPENDIX B

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Principal Governing Body, Committees, Principal Officers & Staff, Advisers etc.	
University of Wales Council	37 - 38
Committees of the University Council	39
Principal Officers and Staff of the University	40
University Advisers	40

University of Wales Council

I Members Ex Officio (12)

The Chancellor
The Pro-Chancellor (*Chairman*)
The Senior Vice-Chancellor
The Vice-Chancellors of the Constituent Institutions
The Treasurer
The Secretary General

II Appointed Members (30)

Appointed by the Welsh Local Government Association (4)

Until 16 February 2004

Councillor E C George *Wrexham*
Councillor Penri Jones *Gwynedd*
Councillor R H Poole *Newport*
Councillor R E Thomas *Ceredigion*

From 17 February 2004

Councillor E C George *Wrexham*
Councillor Penri Jones *Gwynedd*
Councillor R H Poole *Newport*
Councillor R E Thomas *Ceredigion*

Appointed by the University Court (6)

Until 16 February 2004

Councillor P J Bevan
David M Blaney BA MBA
D P L Davies HonLLD FCA
Councillor M L I Davies
Gwilym E Humphreys BSc HonMA FRSCHEM

From 17 February 2004

Catherine Baxter BScEcon PhD
David M Blaney BA MBA
Councillor M L I Davies
Christine James BA PhD
D Gareth Lewis MA

Until 30 April 2006

Hywel Wyn Jones BA

Appointed by the Council of each of the Constituent Institutions (8)

Until 16 February 2004

Huw Wynne-Griffith MSc *Aberystwyth*
His Honour Judge Eifion Roberts *QC DL LLB BCL Bangor*
Sir Peter Phillips *OBE Cardiff*
A J Walters BA FCA *Swansea*
E M W Griffith *CBE DL FLS College of Medicine*

From 17 February 2004

Huw Wynne-Griffith MSc *Aberystwyth*
His Honour Judge Eifion Roberts *QC DL LLB BCL Bangor*
Rosemary Morgan LLB *Swansea*

From 17 February 2004 until 31 July 2004

Sir Peter Phillips *OBE Cardiff*
E M W Griffith *CBE DL FLS College of Medicine*

Until 9 June 2006
Gordon Harry *UWIC*

Until 6 July 2006
Michael McGrane *Lampeter*

Until 15 October 2006
Roger Peachey *FCA Newport*

Appointed by the Academic Board (6)

Until 31 July 2004
Professor J Alden *JP BSc MLitt PhD FRTPI Cardiff*
Professor K W Woodhouse *MD FRCP College of Medicine*

Until 31 December 2005
Professor Lyn Pykett *BA PhD Aberystwyth*
Professor T N Corns *MA DPhil Bangor*
P Noyes *BSc PhD Newport*

Appointed by and from the institution of the current Senior Vice-Chancellor (1)

Until 31 August 2004
Professor N G Lloyd *MA PhD*

Appointed by the Guild of Graduates (1)

Until 31 August 2004
Robert V Barnes *BA MSc*

Appointed by and from the staff of the University (1)

Until 28 June 2004
Ruth Ab Ieuan *BA MPhil*
From 29 June 2004
John H McNally *MA*

Appointed by the Organisation of Students (2)

Until 31 July 2004
David Chester *Swansea*

Appointed by the Lord President of the Privy Council (1)

Until 19 February 2006
Priscilla Davies *JP*

III Co-opted Members (3)

Until 30 June 2004
Rachel Bryan Davies *LLM PhD*
Nick Williams

From 1 July 2004
E M W Griffith *CBE DL FLS*
D Hugh Thomas *CBE DL*

Until 30 June 2006
Lewis J Evans *FCIB FRSA*

Finance Committee

Members Ex Officio

The Treasurer (Chairman)
The Senior Vice-Chancellor

Members Appointed by the University Council

Until 16 February 2004

D P L Davies HonLLD FCA

From 19 March 2004 until 31 July 2004

D Gareth Lewis MA

Until 31 July 2004

R V Barnes BA MSc
Councillor E C George
Professor N G Lloyd MA PhD
Councillor R Poole

Audit Committee

Members Appointed by the University Council

Until 31 July 2004

W H John BA HonMA

Until 31 December 2006

Priscilla Davies JP

Until 31 December 2007

E M W Griffith CBE DL FLS (Chairman)

Co-opted Member

Until 31 December 2005

A Daniel LLB

Remuneration Committee

Members Ex Officio

The Pro-Chancellor (Chairman)
The Senior Vice-Chancellor
The Secretary General
The Treasurer

Members Appointed by the University Council

Until 31 July 2005

Robert V Barnes BA MSc
Councillor R Emlyn Thomas

Until 9 March 2006

Priscilla Davies JP

Investment Committee

Members Ex Officio

The Senior Vice-Chancellor
The Treasurer

Representatives of the University Council

Until 30 June 2004

Sir Peter Phillips OBE (Chairman)
His Honour Judge Eifion Roberts QC DL LLB BCL
Huw Wynne-Griffith MSc

From 1 July 2004

Sir Peter Phillips OBE (Chairman)
His Honour Judge Eifion Roberts QC DL LLB BCL
Huw Wynne-Griffith MSc

Co-opted Member

Until 30 September 2004

Peter Westwood

Principal Officers and Senior Management of the University

Visitor	HER MAJESTY THE QUEEN
Chancellor	HRH THE PRINCE OF WALES <i>KG KT GCB PC</i>
Pro-Chancellor	The Right Honourable Dafydd Wigley <i>PC</i>
Senior Vice-Chancellor	Professor Derec Llwyd Morgan BA DPhil DLitt (<i>To 31 August 2004</i>) Professor A J Chapman BSc PhD FBPsS FRSA AcSS (<i>From 1 September 2004</i>)
Treasurer	Alun Thomas BA FCA
Secretary General	Lynn E Williams BA PhD
Warden of the Guild of Graduates	Robert V Barnes BA MSc
Secretary to the Council	Alwena Morgan BScEcon MBA
Director of Resources	D I George BScEcon CPFA
Academic Secretary	Deborah J Bradley BA

Auditors - External	PricewaterhouseCoopers LLP
Auditors - Internal	Grant Thornton UK LLP
Bankers	HSBC
Insurance Advisers	University Mutual Association Ltd
Investment Advisers	Gerrard Ltd
Solicitors	Morgan Cole
