

FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2005

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**FINANCIAL HIGHLIGHTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2005**

<u>Income & Expenditure Account</u>	2005	2004	Change
	£000	£000	%
<u>Income</u>			
Funding Council Grants	769	639	20
Academic Fees & Support Grants	10	9	11
Research Grants and Contracts	189	273	(31)
Other Operating Income	6,080	5,994	1
Endowment Income & Interest Receivable	1,007	862	17
Total Income	8,055	7,777	4
Total Expenditure	7,291	6,953	5
Surplus for the Year	764	824	
Transfer of Unspent Specific Endowment Income to Specific Endowment Reserves	(99)	(89)	
Overall Surplus for the Year	665	735	
<u>Balance Sheet</u>			
Fixed Assets	6,963	6,348	10
Endowment Investments	14,645	12,489	17
Net Current Assets	5,718	5,014	14
Net Assets	27,326	23,851	15
Net Cash Outflow	(70)	(490)	
<u>Other Key Statistics</u>			
	2005	2004	
	No.	No.	
Average Staff Full Time Equivalents	115	123	(7)
Enrolments at Member Institutions: (Full-time, sandwich year out and part-time excl. franchised out)			
- Undergraduates	54,082	71,548	(24)
- Postgraduates	9,865	14,556	(32)
TOTAL	63,947	86,104	(26)
Note: Total enrolments fell in 2004/05 because Cardiff University and the University of Wales College of Medicine withdrew from membership of the University from August 2004, whilst the Royal Welsh College of Music and Drama joined as a full member from that date.			
Students Qualified for University of Wales Degrees: Initial	16,175	15,046	8
Higher	4,767	4,528	5
	20,942	19,574	7

REPORT OF THE TREASURER 2004-2005

Scope of the Financial Statements

The Financial Statements presented to the University Council for the year ended 31 July 2005, 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. Appendix A to the Financial Statements provides an analysis of the main income and expenditure heads for each of the University's main operations, together with comparatives for the previous financial year. The appendix also shows the extent to which the University Council provides grants in support of various University operations.

The Financial Statements have been prepared in accordance with the revised Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions (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 on the requirement for its individual operations to seek to ensure that they operate within the financial resources available to them, and for any operational deficits incurred to 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 2005, the University achieved an overall surplus on the year's working of £665K after the transfer to specific endowment reserves of £99K unspent specific endowment income. This compares with a £735K and £89K respectively for the financial year 2003/04. The overall surplus on the year for continuing operations was £67K higher than anticipated in the approved outturn forecast, primarily as a result of additional revenues from the University's home and overseas validating activities and from investment income, offset by miscellaneous additional operating costs.

Total income for the year at £8.1M was circa 4% higher than the previous year. Once again the main increase came from the University's home and overseas validation operations, but there was also a 17% increase in income from investments and interest receivable, reflecting buoyant corporate dividend payments and UK base rates held at 4.75% throughout the financial year. The adverse impact on the investment income of charitable bodies, such as universities, from the phased withdrawal of advanced corporation tax over five fiscal years from April 1999 has been fully absorbed since April 2004. The 20% increase in grants from the Welsh Funding Council includes £59K received in advance in 2003/04 for the Press publications fund.

Total expenditure for the year was 5% higher at £7.3M. Staff costs increased by a little over 1% compared with the previous year; given that national pay awards were 3% for the year, the small increase in staffing costs reflects an overall reduction in the average monthly number employed of about 6%. Other operating expenses increased by about 9%, of which those relating to the validation operations were by far the largest element, as can be seen from the analysis of university expenditure by activity in note 6 to these accounts.

REPORT OF THE TREASURER - Continued

2004 – 2005

Investment Performance

The University's investments performed well over the financial year reflecting the generally positive gains in the UK and worldwide markets. The net value of the University's endowment asset investments increased in the year by £2.2M (17%), to £14.6M. Of this change in value, £1.9M related purely to the increase in the market value of the investments held at 31 July 2005. Similarly, fixed asset investments benefited from this positive investment performance over the year with an increase in market value of £680K (16%) from £4.1M to £4.8M.

Following the very substantial falls in world financial markets over the two years to July 2002, and the broadly neutral performances in the following two years to July 2004, it is heartening to note the excellent gains in the year to July 2005. On a total return basis (i.e. the combined total of the change in market values and income for the year), the University's investment pool recorded a gain of almost 21%.

Cash Flows

There was a net cash outflow for the year of £576K, 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 £6.9M at 31 July 2005 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.

Payment of Creditors

It is the University's policy to obtain the best terms for all business and, thus, there is no single policy as to the terms used. However, in most cases 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 2005, stood at £2.0M, compared with £2.7M twelve months previously. The most significant element of this reduction was in respect of balances held for distribution by the University to the beneficiaries under the Welsh Church Acts, reflecting the limited size of the estate now remaining.

Conclusion

The University has achieved another very successful year, adding a further £665K surplus on the year's operations to its reserves. In addition, the sparkling performance of its investments bolstered still further its Balance Sheet so that the closing reserves and endowments balances at 31 July 2005 were £3.5M (15%) higher than twelve months previously.

There are, however, many challenges facing the University over the next few years as it adjust its Registry operations to reflect the devolution of its quality assurance functions to the member institutions. Further details of these changes can be found in the Statement of Corporate Governance on page 6. This period of change will need to be managed very carefully in order to ensure that the University does not compromise those areas of its operations where it has proved to be so successful over many years. As in all successful enterprises its strength lies in its staff, and I would wish to place on record my appreciation for their total commitment and dedication to the University of Wales against a background of change and uncertainty.

ALUN THOMAS
TREASURER

CORPORATE GOVERNANCE STATEMENT 2004 – 2005

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 2005 and up to the date of approval of the financial statements, that it is regularly reviewed by the University Council and that it accords with the internal control guidance for directors on the Combined Code, amended as deemed appropriate for higher education.

The University Council met four times during the twelve months to 31 July 2005. 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 2004/05 ten member institutions, the members of its Council include the Head and one lay representative of the governing body of each of the member institutions. Other appointed members include representatives of the University's Court and of its Academic Board and Guild of Graduates, 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.

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.

CORPORATE GOVERNANCE STATEMENT - Continued

2004 – 2005

The membership of the University's Risk Management Group (RMG) comprises the senior management of the University and the Group 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, some committees (including Finance, Audit, Remuneration, Staffing etc.) are 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 meeting in December 2005, the University Council carried out the annual assessment for the 2004/05 year by considering documentation from the Risk Management Group and internal audit reports from its Audit Committee.

In August 2004, four institutions - the North East Wales Institute of Higher Education, Swansea Institute of Higher Education and Trinity College, Carmarthen and the Royal Welsh College of Music and Drama - were admitted into membership of the University as Constituent Institutions-elect. In March 2005, in the light of other developments within the University (see below), the University Council ended the differentiation between the two categories of member institution, the Constituent Institutions and the Constitute Institutions-elect. As a result, all member institutions are now designated as Constituent Institutions and the membership category, Constituent Institutions-elect, has ceased to exist.

The merger of Cardiff University and the College of Medicine under the formal title 'Cardiff University' meant that Cardiff officially became a university in its own right and, as a consequence, was obliged to secede from membership of the University of Wales with effect from 1 December 2004. However, Cardiff University retains a connection with the University as an Affiliated (Linked) Institution and will continue for the foreseeable future to enrol students onto University of Wales undergraduate degree schemes in medicine, dentistry and some related areas.

During May 2004 the University was subject to a review by the Quality Assurance Agency for Higher Education. In response to the findings of the report, the University has introduced revised arrangements for the oversight of quality and standards. From 1 August 2005, a model of quality assurance, under which full responsibility for quality and academic standards will in due course be devolved to the institutions, was adopted.

In June 2005 the University Council approved the report of the Working Group established in 2004 to advise it on the future roles, functions and structure of the University and on its future relationships with the institutions. The implementation of the conclusions will result in a radically changed University which will, in future, focus on its roles as a degree-awarding authority for institutions in Wales and beyond and as a leading body involved in the protection and promotion of the languages and culture of Wales. Relationships with the institutions in Wales will change in that they will cease to be members of the University which will become confederal in nature.

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 2005 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 2005, 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.

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 with the most recent 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.

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES - Continued

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.

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, 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 2005**

	Note	2005 £	2004 £
INCOME			
Funding Council Grants	1	768,709	638,909
Academic Fees & Support Grants	2	9,583	9,225
Research Grants & Contracts		189,164	272,618
Other Operating Income	3	6,080,307	5,994,222
Endowment and Investment Income	4	1,006,817	862,127
		8,054,580	7,777,101
		8,054,580	7,777,101
EXPENDITURE			
Staff Costs	5	3,256,748	3,217,130
Other Operating Expenses	6	3,930,919	3,621,464
Depreciation	8	103,018	114,385
		7,290,685	6,952,979
		7,290,685	6,952,979
Surplus on Continuing Operations After Depreciation of Assets at Cost			
		763,895	824,122
Transfer of Unspent Specific Endowment Income to Specific Endowment Reserves	15	(98,827)	(88,983)
		665,068	735,139
		665,068	735,139

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 2005**

	Note	2005 £	2004 £
Surplus after Depreciation of Assets at Cost and Taxation		763,895	824,122
Appreciation of Endowment Asset Investments	15	1,872,617	335,855
New Endowments	15	184,642	79,432
Appreciation of Fixed Asset Investments	17	679,712	127,285
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD		3,500,866	1,366,694
RECONCILIATION			
Opening Reserves and Endowments		23,209,797	21,843,103
Total Recognised Gains for the Year		3,500,866	1,366,694
CLOSING RESERVES AND ENDOWMENTS		26,710,663	23,209,797

BALANCE SHEET AS AT 31 JULY 2005

	Note	2005 £	2004 £
Tangible Assets	8	2,120,700	2,184,505
Investments	9	4,843,046	4,163,334
TOTAL FIXED ASSETS		6,963,746	6,347,839
ENDOWMENT INVESTMENTS	10	14,644,791	12,488,705
Stocks	11	267,358	283,157
Debtors	12	1,585,797	1,028,023
Short Term Deposits	19	5,766,000	6,272,000
Cash at Bank and in Hand	19	88,565	158,253
TOTAL CURRENT ASSETS		7,707,720	7,741,433
Less: Creditors - Amounts falling due within 1 year	13	1,989,867	2,726,724
NET CURRENT ASSETS		5,717,853	5,014,709
TOTAL ASSETS LESS CURRENT LIABILITIES		27,326,390	23,851,253
NET ASSETS		27,326,390	23,851,253

BALANCE SHEET AS AT 31 JULY 2005 - Continued

	Note	2005 £	2004 £
Represented by:			
DEFERRED CAPITAL GRANTS	14	615,727	641,456
Specific Endowments		6,240,146	5,427,614
General Endowments		8,404,645	7,061,091
TOTAL ENDOWMENTS	15	14,644,791	12,488,705
Income and Expenditure Account and Other Reserves	16	10,078,185	9,413,117
Revaluation Reserve	17	1,987,687	1,307,975
TOTAL RESERVES		12,065,872	10,721,092
TOTAL FUNDS		27,326,390	23,851,253

The Financial Statements on pages 10 to 32 were approved by University Council on 16 December 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 2005**

	Note	2005 £	2004 £
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	18	(1,445,399)	893,008
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Income from Endowments	15	568,286	493,747
Interest Received	4	438,531	368,380
Net Cash Inflow from Returns on Investments		<u>1,006,817</u>	<u>862,127</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to Acquire Tangible Assets	8	(39,213)	(97,254)
Payments to Acquire Fixed Asset Investments	9	-	(1,000,159)
Payments to Acquire Endowment Asset Investments	10	(283,469)	(168,415)
Deferred Capital Grants Received	14	934	36,686
Endowments Received	15	184,642	79,432
Net Cash Outflow from Investing Activities		<u>(137,106)</u>	<u>(1,149,710)</u>
CASH (OUTFLOW) / INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(575,688)	605,425
MANAGEMENT OF LIQUID RESOURCES	19	506,000	(1,095,000)
DECREASE IN CASH	19	<u>(69,688)</u>	<u>(489,575)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Decrease in Cash in the Year		(69,688)	(489,575)
(Decrease) / Increase in Short Term Deposits		(506,000)	1,095,000
CHANGE IN NET FUNDS	19	<u>(575,688)</u>	<u>605,425</u>
Net Funds as at 1 August		<u>6,430,253</u>	<u>5,824,828</u>
Net Funds as at 31 July	19	<u>5,854,565</u>	<u>6,430,253</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	2005 £	2004 £
1. FUNDING COUNCIL GRANTS			
Recurrent Grants		235,392	233,320
Specific Grants:			
Board of Celtic Studies		221,559	216,240
University Press		176,484	55,515
Welsh Medium Teaching Development Unit		116,580	119,058
Supplementary Allocation		-	1,310
Deferred Capital Grants Released in Year:			
Buildings	14	11,940	11,940
Equipment	14	6,754	1,526
		768,709	638,909
2. ACADEMIC FEES & SUPPORT GRANTS			
Higher Degree and Other Fees		9,583	9,225
		9,583	9,225
3. OTHER OPERATING INCOME			
Federal Support Grants from Member Institutions		1,278,000	1,242,000
Cost Recovery Service Charges from Member Institutions		128,000	114,000
Residences, Catering & Conferences		839,659	829,610
Other Services Rendered		3,190,401	2,962,149
Sales of Publications		352,054	446,658
Publications' Grants		62,172	108,745
Other Income		230,021	291,060
		6,080,307	5,994,222
4. ENDOWMENT INCOME & INTEREST RECEIVABLE			
Transferred from Appeal and Specific Endowment Funds	15	251,970	226,999
Income from General Endowment Assets Investments	15	316,316	266,748
Other Interest Receivable		438,531	368,380
		1,006,817	862,127

NOTES TO THE FINANCIAL STATEMENTS - Continued

	2005	2004
	£	£
5. STAFF COSTS		
Salaries & Wages	2,755,015	2,713,347
National Insurance Contributions	210,131	207,008
Pensions Costs (Note 23)	286,418	287,775
Staff Costs : Operating Activities	3,251,564	3,208,130
Early Retirements and Redundancies	5,184	9,000
Total Staff Costs	3,256,748	3,217,130
Emoluments of the Senior Vice-Chancellor	24,334	25,860
Emoluments of the Secretary General	66,699	61,756

The emoluments of the Senior Vice-Chancellor and the Secretary General exclude, where applicable, 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 were £311 in 2004/05 (£3,620 in 2003/04), and for the Secretary General they amounted to £9,338 (£8,646 in 2003/04).

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 Member 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 Member 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 Member Institution concerned and is remunerated by that Member 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	54.5	61.9
Clerical	44.1	42.2
Other	16.7	19.2
	115.3	123.3

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

£70,000 - £79,999	2	1
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NOTES TO THE FINANCIAL STATEMENTS - Continued

	2005 £	2004 £
6. OTHER OPERATING EXPENSES		
Residences, Catering & Conference:	342,675	327,455
Fellowships, Scholarships & Prize:	188,091	169,607
Recurrent Costs of Premises:	87,566	102,831
Maintenance of Premises:	65,081	67,825
Other Services Rendered: Validation	2,139,611	1,745,983
Other	93,149	103,818
Central Administration & Examination Cost	369,232	334,164
Other Central Services of the University	500,987	621,088
External Auditor's Remuneration	13,800	13,250
External Auditor's Remuneration : Non-Audit Service	7,500	2,585
Internal Auditor's Fee	11,504	10,793
Other Expenses	111,723	122,065
	3,930,919	3,621,464

7. ANALYSIS OF 2004/05 EXPENDITURE BY ACTIVITY

	Staff Costs £	Depreciation £	Other Operating Expenses £	Total 2005 £	Total 2004 £
Registry Services	1,116,772	32,553	518,479	1,667,804	1,625,106
Validation Unit	357,272	-	2,139,611	2,496,883	2,056,855
Gregynog Hall	478,006	28,926	350,894	857,826	884,778
University Press	302,842	8,785	326,913	638,540	766,012
Board of Celtic Studies	320,975	-	93,562	414,537	386,354
Centre for Advanced Welsh & Celtic Studies					
- Supported by Research Grants	139,210	-	33,962	173,172	233,723
- Supported by University, Other Grants, and Scholarships	432,638	32,754	76,000	541,392	569,384
Welsh Medium Teaching Dev. Uni	95,033	-	93,149	188,182	162,393
Fellowships, Scholarships, etc	-	-	197,691	197,691	174,038
Other Activities	8,816	-	100,658	109,474	85,336
Early Retirements, Redundancies and Compensation Payment:	5,184	-	-	5,184	9,000
Total 2005	3,256,748	103,018	3,930,919	7,290,685	6,952,979
Total 2004	3,217,130	114,385	3,621,464	6,952,979	

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 14)	26,663	21,436
General Income	76,355	92,772
	103,018	114,208

NOTES TO THE FINANCIAL STATEMENTS - Continued

8. TANGIBLE FIXED ASSETS

	Land & Buildings		Equipment £	TOTAL £
	Freehold £	Long Leasehold £		
AT COST				
Registry	-	427,563	190,487	618,050
CAWCS	-	1,061,946	154,998	1,216,944
UW Press	-	281,060	30,439	311,499
Gregynog	-	746,194	173,107	919,301
At 1 August 2004	-	2,516,763	549,031	3,065,794
ADDITIONS AT COST				
Registry	-	-	18,215	18,215
CAWCS	-	-	8,807	8,807
UW Press	-	-	12,191	12,191
Total Additions at Cost	-	-	39,213	39,213
DISPOSALS AT COST				
Registry	-	-	(24,874)	(24,874)
CAWCS	-	-	(17,475)	(17,475)
UW Press	-	-	(2,879)	(2,879)
At Cost at 31 July 2005	-	2,516,763	543,016	3,059,779
DEPRECIATION				
Registry	-	87,247	112,819	200,066
CAWCS	-	245,826	110,696	356,522
UW Press	-	17,554	28,814	46,368
Gregynog	-	161,199	117,134	278,333
Total at 1 August 2004	-	511,826	369,463	881,289
Charge for year:				
Registry	-	12,349	20,204	32,553
CAWCS	-	21,238	11,516	32,754
UW Press	-	7,026	1,759	8,785
Gregynog	-	16,450	12,476	28,926
Total charge for year	-	57,063	45,955	103,018
Eliminated on Disposal				
Registry	-	-	(24,874)	(24,874)
CAWCS	-	-	(17,475)	(17,475)
UW Press	-	-	(2,879)	(2,879)
Depreciation at 31 July 2005	-	568,889	370,190	939,079
NET BOOK VALUES				
Registry	-	327,967	75,679	403,646
CAWCS	-	794,882	41,593	836,475
UW Press	-	256,480	12,057	268,537
Gregynog	-	568,545	43,497	612,042
AT 31 JULY 2005	-	1,947,874	172,826	2,120,700
AT 31 JULY 2004	-	2,004,937	179,568	2,184,505

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.

APPENDIX A

Page

Principal University Operations -

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

- 2005	34
- 2004	35

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

The Council

I Members Ex Officio (14)

The Chancellor
The Pro-Chancellor (Chair)
The Senior Vice-Chancellor
The Vice-Chancellors or Principals of the Member Institutions
The Treasurer
The Secretary General

II Appointed Members (28)

Appointed by the Welsh Local Government Association (4)

Until 16 February 2007

Councillor E C George
Councillor Penri Jones
Councillor R H Poole
Councillor R E Thomas

Appointed by the University Court (6)

Until 30 April 2006

Hywel Wyn Jones BA

Until 16 February 2007

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

Appointed by the Council of each of the Constituent Institutions (6)

Until 9 June 2006

Gordon Harrhy *UWIC*

Until 6 July 2006

Michael E McGrane MA MSc CIM FRSA *Lampeter*

Until 15 October 2006

Roger Peachey FCA *Newport*

Until 16 February 2007

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

Appointed by the Academic Board (6)

Until 31 December 2005

Professor Lyn Pykett BA PhD *Aberystwyth*
Professor T N Corns MA DPhil *Bangor*
P Noyes BSc PhD *Newport*
Vacancies

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

Until 31 August 2007

Professor R Brown BA MDes

Appointed by the Guild of Graduates (1)

Until 31 August 2007

Robert V Barnes BA MSc

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

Until 28 June 2007

J H McNally MA

Appointed by the Organisation of Students (2)

Until 31 July 2005

Vacancies

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 2006

Lewis J Evans FCIB FRSA

Until 30 June 2007

E M W Griffith *CBE DL FLS*

D Hugh Thomas *CBE DL*

Secretary

Alwena Morgan BScEcon MBA

Finance Committee

Members Ex Officio

Treasurer (*Chair*)

The Senior Vice-Chancellor

Appointed by the University Council

Until 31 July 2007

Robert V Barnes BA MSc

D Gareth Lewis MA

Professor N G Lloyd MA PhD

Michael McGrane MA MSc CIM FRSA

Roger Peachey FCA

Secretary

The Secretary to the Council

Audit Committee

Appointed by the University Council

Until 31 December 2005

A J Walters BA FCA

Until 31 December 2006

Priscilla Davies JP

Until 31 December 2007

E M W Griffith *CBE DL FLS (Chair)*

Co-opted Members

Until 31 December 2005

A Daniel LLB

Until 31 July 2007

W H John BA HonMA

Secretary

The Secretary to the Council

Remuneration Committee

Members Ex Officio

The Pro-Chancellor (*Chair*)
The Senior Vice-Chancellor
The Secretary General
The Treasurer

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*

Secretary

The Secretary to the Council

Executive Secretary

Karin Cuthbert CMCIPD

Investment Committee

Members Ex Officio

The Senior Vice-Chancellor
The Treasurer

Representatives of the University Council

Until 30 June 2007

Sir Peter Phillips *OBE (Chair)*

His Honour Judge Eifion Roberts *QC DL LLB BCL*

Huw Wynne-Griffith MSc

Vacancy

Co-opted Members

Until 30 September 2007

Peter Westwood

Advisers

Gerrard Ltd

Secretary

The Secretary General

Executive Secretary

The Director of Resources

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 A J Chapman BSc PhD FBPsS FRSA AcSS
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 LLP
Bankers	HSBC Bank plc
Insurance Advisers	University Mutual Association Ltd
Investment Advisers	Gerrard Ltd
Pensions Advisers	PricewaterhouseCoopers LLP
Solicitors	Morgan Cole

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