

**University  
of Wales,  
Newport**

**Prifysgol  
Cymru,  
Casnewydd**

# **Financial Statements For the Year Ended 31 July 2011**

# University of Wales, Newport

## Financial Statements for the year ended 31 July 2011

### CONTENTS

	page
Operating and Financial Review	2-5
Public Benefit Statement	6
Corporate Governance	7-8
Responsibilities of the Board of Governors of the University of Wales, Newport	9
Independent Auditor's Report to the Board of Governors of the University of Wales, Newport	10-11
Statement of Principal Accounting Policies	12-14
Consolidated Income and Expenditure Account	15
Consolidated Statement of Historical Cost Surpluses	15
Statement of Consolidated Total Recognised Gains and Losses	16
Balance Sheets	17
Consolidated Cash Flow Statement	18
Reconciliation of net cash flow to movement in net (debt)/ funds	18
Notes to the Financial Statements	19-37

# OPERATING AND FINANCIAL REVIEW

## 1. The University of Wales, Newport

The University of Wales, Newport is an excepted educational charity based in south-east Wales. Its mission is to:

*" Inspire and enable individuals, organisations and communities to succeed through innovation in high quality learning, research and enterprise."*

Most of its income is derived from teaching and learning, but it also engages in research and other services rendered.

Its two main campuses are based in the Newport area, but it also operates from premises in Tredegar and Ebbw Vale to the north of Newport, and it delivers some of its courses through franchise partners in the UK and overseas. For legal and commercial reasons, some of its activities are channelled through its subsidiary company, University of Wales, Newport Enterprises Limited.

The University has a tradition of widening access and participation in higher education. The majority of its students are part-time, and live in relatively close proximity to the University. The University has remained true to this Community University ethos and maintained strong links with Newport City Council, who with Newport Unlimited, the urban regeneration company, have consistently supported the University in all its endeavours. The University has also increased its recruitment of students from other parts of the UK, and from outside the European Union. The University has continued to be responsive to changes taking place at both local and national level, so that without losing sight of its roots, core values and role as a Community University, it is more able to meet the needs of its students and other stakeholders in a way that befits a fast moving world. Its approach is summarised by the vision statement which sees the University as:

- A provider of an excellent student experience

- An exchange for knowledge
- A magnet for enterprise
- A source of excellence in learning and teaching
- A hothouse for creativity
- An agent for social change and inclusion
- An engine for regeneration
- A force for health and well being
- A hub for collaboration
- A bridge to the world
- A beacon for tolerance and academic freedom

As described later on in the Financial Statements, the Board of Governors is responsible for the administration and management of the affairs of the University, and during the year ended 31 July 2011 and up to the date of signing of the financial statements, membership of the Board was as follows:

Mr A Wilkinson (Chairman)  
Mr C Freegard OBE (Deputy Chairman)  
Dr P Noyes (Vice-Chancellor)  
Ms S Burton  
Mr R Bain (SU representative)  
Ms N Channon  
Mrs P E Davies OBE (resigned December 2010)  
Mr H Edwards (appointed April 2011)  
Mr R Flatman  
Sir H Jones CBE (resigned October 2010)  
Mr G Keighley  
Mr M Knight  
Mr R Lawson  
Dr N Lewis  
Ms A Lloyd (appointed December 2010)  
Mr G Moore  
Ms H Mortlock  
Ms D Perkin (appointed January 2011)  
Mr K Perkins (resigned July 2011)  
Mrs G Sheddick OBE  
Mrs H Taylor OBE (resigned July 2011)  
Ms Alison Ward (appointed April 2011)  
Professor T Wess (appointed Feb 2010)

## 2. Financial performance in 2010/11

These Financial Statements cover the activities of the University of Wales, Newport ('the University') and its subsidiary undertakings for the year ended 31 July 2011. The University has one trading subsidiary company as detailed in note 14 to the Financial Statements.

As a result of changes made by the Education Act 1994 and the level of control exercised, the results of

the Students Union are consolidated into the University's Group results.

The University's Consolidated Income and Expenditure Account for the year ended 31 July 2011 can be summarised as follows:

	2010/11	2009/10
	£000	£000
Income	49,693	47,812
Expenditure	48,409	46,348
Operating Surplus	1,284	1,464
Exceptional Items –		
Property sale profit	6,514	-
Restructuring costs	(1,310)	-
Operating surplus after exceptional Items	6,488	1,464
<b>Historical Cost Surplus</b>	<b>10,499</b>	<b>1,988</b>
Historical Cost Surplus pre exceptional Items*	1,625	1,988

\*shows the historical cost surplus as it would have been without the effect of the exceptional items, including the add back of the £3,670k revaluation reserve release on the sale of Allt-yr-yn.

Before allowing for exceptional items, the University produced an operating surplus of £1.3 million, and a historical cost surplus of £1.6 million. This represents a historical cost surplus of 3.27% of income, a figure which slightly exceeded the University's new KPI for this measure, which is to exceed 3% by 2013/14 (replacing the previous KPI of being within the range 1% to 3%). Both the operating and historical cost surpluses were boosted by the net effect of two exceptional items, namely the profit on disposal of the Allt-yr-yn campus, and staff restructuring costs.

The rate of pay for HEFCW teaching grant was cut by more than 4% in 2010/11, and coupled with a reduction in the volume of Newport's teaching grant (that resulted from transfers to other universities arising from HEFCW's regional redistribution strategy), teaching grant income fell by nearly £1 million in 2010/11. Other HEFCW grants fell in total, partly as a result of the 4% in-year cut and partly due to volume changes as special initiative projects came to an end.

There was a 14% increase in tuition fee income, arising from a modest increase in tuition fees, and the number of students. All categories increased with the largest increase attributable to international students from outside the EU.

Research income fell imperceptibly in total, but the income from Research Councils increased for the second successive year.

Other operating income increased by 16%, with increases in income from UK and EU government bodies, supplemented by increases attributable to use of the University's premises during the Ryder Cup which took place at the beginning of the financial year. Release of non-HEFCW deferred capital grants showed a significant increase due to the amortisation of the first instalments of the two £5 million capital grants given by Newport City Council and the Welsh Government (through Newport Unlimited, the urban regeneration company) towards the cost of the City Campus.

Investment income remained depressed as interest rates continued at record low levels, and deposits were depleted to finance the completion of the City Campus project in advance of receiving contributions to its funding from grants and the sale of Allt-yr-yn.

Staff costs increased by 1.6% to £30.1 million. Salaries were the largest component and they increased by 0.5% on average, whereas pension costs which represented 12% of total staff costs increased by 11%.

Non-salary expenditure increased by 7% compared to the previous year, with bursary payments remaining at just under £1 million, and a net credit for bad and doubtful debts, as sustained collection efforts resulted in recovery of amounts that had previously been provided for.

#### • Financial Position

The University's net asset position improved significantly by 70% to £43 million which was mainly due to the receipt of £10 million in capital grants towards the cost of the City Campus, the sale of Allt-yr-yn and a further small decrease in the pension deficit as calculated under FRS 17. The net book

value of fixed assets increased by £1.5 million during the year, with £4.5 million of expenditure to complete the City Campus, and £4.5 million of expenditure on other assets being offset by depreciation and eliminations on disposal.

At the start of the year £1 million was transferred from deposits to the Royal London Ethical Bonds Fund, in keeping with our ethical investment policy.

At the end of the year loan balances were £23.7 million, £10 million less than the previous year end, but still exceeding cash and short-term investments to create a net debt position of £7 million. This position will be reversed by the receipt of property sale proceeds, and operating cash flow over the next two years.

#### • Key Performance Indicators

As already noted, the University's historical cost surplus before exceptional items equated to 3.27% (KPI: historical cost surplus to exceed 3% by 2012/13) and days net liquid assets remained comfortably above 90 days (KPI: Days net liquid assets to exceed 90 days). Staff costs as a percentage of income reduced from 61.9% to 60.54% during 2010/11 (KPI: Staff costs as a percentage of income to be less than 60%). It is expected that following the restructuring exercise, this measure will be achieved in 2011/12.

### 3. Student Recruitment

The number of higher education level students enrolled during 2010/11 increased by 8.1% to 10,040. Of this total, 56% were female students and 44% were male; 46% were full-time and 54% were part-time. Enrolment on to the small number of further education courses also increased by 8.1% to 252. The number of students (including overseas students) from black, minority and ethnic backgrounds increased from 13.2% to 15.1%. The number of students declaring a disability increased from 11.1% to 11.3% of the total. During the year the University maintained the amount spent on bursaries to students at £1.0 million. In addition to amounts paid out under the Welsh National Bursary Scheme, there are other amounts paid to help students on a means-tested basis to help with various forms of financial hardship.

### 4. Pension costs

Pension costs are set out in detail in note 34, with disclosures in accordance with Financial Reporting Standard 17. The University's salary costs include employers' pension costs for three pension schemes amounting to £3.7 million (previous year £3.3 million). In addition there is a net finance cost of £0.8 million relating to the Greater Gwent (Torfaen) Pension Fund compared to £1.2 million in the previous year.

For the Greater Gwent (Torfaen) Pension Fund, the net deficit calculated under FRS17 has decreased by £0.4 million during the year. A gain of £4.4 million in the scheme assets was largely offset by a £4.0 million increase in scheme liabilities. The net increase in liabilities is after allowing for an increase of £2.6 million arising from the reduction in discount rate from 5.5% to 5.3%.

### 5. Capital Expenditure

During the year, the University incurred £5.2 million on additions to buildings, of which £4.5 million was for our city campus development, and £0.7 million was for other improvements to the estate. £3.9 million was incurred on equipment and fittings and implementing our carbon management strategy. At the year end date the University had £0.8 million in capital expenditure commitments.

### 6. Cash Flows

Net cash inflow from continuing operating activities was £4 million, in line with the two previous years. £10 million was repaid to Lloyds Bank, and including VAT, £5.3 million of property sale income was received just before the year end. Net cash balances increased by £0.4 million.

### 7. Payment of Creditors

The University endeavours to abide by payment terms agreed with suppliers. However as it is the University's policy to negotiate favourable terms for all transactions, there are no uniform terms for payment of creditors, but the Welsh Assembly Government initiative to reduce the time taken to pay small suppliers is supported by the University.

### 8. Diversity in Employment

The University is committed to promoting diversity and ensuring equality of opportunity for both staff and students. To this end we have several policies and initiatives in place to support this.

The University is currently working on its Strategic Equality Plan (SEP) with a view to having this in place by April 2012. The objectives and targets included in the plan will be reviewed and monitored on a regular basis. The targets are linked to the relevant areas of the University Strategic Plan.

Departments, Faculties and Schools have continued to take on board the issue of Diversity and equality action plans are in place in most areas and are reviewed regularly. The latest review is informing the development of the SEP.

Since the achievement of the Positive about Disability "Two Ticks" symbol in January 2004 the University has continued the work required to maintain its commitments (i.e. Guaranteed Interview Scheme, training & awareness, retaining staff who become disabled in employment and the annual review process).

The focus of the work on Diversity and Equality is being extended to cover all the protected characteristics as defined by recent equality legislation.

## **9. Employee Involvement**

The University places considerable value on the involvement of its employees and on good communications with them.

Staff are encouraged to participate in formal and informal consultations at University and Departmental level, sometimes through the membership of formal Committees (e.g. the Academic Board, Academic Development and Planning Committee and the Diversity Panel). Elected employees are also able to reflect academic and support staff's views at the Board of Governors' meetings.

## **10. Future prospects**

Future prospects remain as unclear as they did at the start of the year. The 2011/12 teaching grant from the

funding council will be at least 8.5% less than the 2010/11 grant, increasing the cumulative cut since 2008/09 to nearer 15%. The quantum of the Welsh Government's liability for financial support of new Welsh full-time undergraduate students in 2012/13 is not yet known, but estimates suggest that it will cause further large cuts in direct government funding to Newport and other Welsh universities. Further changes have been proposed for the regulation of part-time tuition fees in Wales, but the effect of their introduction is not yet known with certainty, nor is the impact on demand for higher education when the higher full time undergraduate fees are introduced from 2012/13 onwards. The Welsh Government's consultation and deliberations on reconfiguration of higher education in Wales, to which the University has responded with a positive proposal for a new university in South East Wales, have not yet been finalised. The restructuring costs incurred in 2010/11 helped bring about a new structure within the University that is both more effective and less expensive than the one it replaced, thereby helping to secure the medium term sustainability of the University. Registration with the Charity Commission was completed just after the year end, and the University will continue to carry out its activities to yield public benefit to all its stakeholders and the wider community.

**Mr A Wilkinson**  
Chairman

## **PUBLIC BENEFIT STATEMENT**

The University of Wales, Newport seeks to advance higher education and research across communities in the vicinity of south east Wales, across wider Wales and the UK, and overseas. The benefit of this charitable object lies in the intellectual development of the individual student and the opportunity for the

student to subsequently enter into professional life (which in many instances, particularly in relation to teacher training and health and social care, is of direct benefit to society), and is directly related to the aim behind the charitable object to inspire and enable individuals, organisations and communities to succeed through innovation in high quality learning, research and enterprise. The beneficiaries are the public at large, to whom the education is open. Through its provision of degree level studies to students and its undertaking of research and business consultancy, in alignment with Welsh Government strategy for higher education, it serves the public benefit by contributing to regional regeneration and addressing social justice. The benefit offers no detriment or harm.

Widening participation to education is at the heart of the University's key aims and objectives and can be easily evidenced through the diversity of our students and the range of curriculum we offer. With a turnover approaching £50 million, the University offers courses in a range of subjects including health and social care, probation, and teacher education, where a large proportion of qualifying students work in the public and not for profit sectors. The University has:

- i) partnered community education initiatives through 14 community venues across Blaenau Gwent, Caerphilly and Torfaen;
- ii) undertaken research through the "New Dynamics of Ageing research project, aimed at improving the quality of life for an ageing population using a technology enabled garment system;
- iii) worked on the First Campus Initiative, encouraging the importance of learning amongst community groups and schools in south east Wales;
- iv) pioneered, with the University of Glamorgan and local further education colleges, the establishment of the Universities of the Heads of the Valleys Institute.

All of these endeavours testify to the public benefit to which the University is committed.

Welsh-domiciled students of the University are able to access the Assembly Learning Grant and English-domiciled students are able to access the Maintenance Grant and associated Welsh National Bursary Scheme. To assist students who might suffer a social disadvantage, there is also access to a special support grant for certain students with dependent children, a non-income assessed parents learning allowance, a childcare grant, an adults dependent grant, and/or the disabled student allowance.

The University's commitment to widening access is also demonstrable in the bursaries offered in order that those in poverty are not excluded from higher education and that students can obtain assistance with payment of fees. The University operates its own "Newport Bursary", where awards are assessed on household income and are paid annually for up to four years, in respect of which eligibility applies to UK students on first degree or sub-degree programmes as well as administering bursaries from external sources such as the Care Council non-income assessed bursary.

In common with other charitable higher education corporations in the UK, the University is managed by non-remunerated members of a board, in respect of which the majority of members are independent of the University and those who are staff of the University, or of its Students Union, are paid for their staff role but not for their participation as governors so that any private benefit in terms that staff are paid is incidental.

## CORPORATE GOVERNANCE

This report covers the full financial year and up to the date of signing of the financial statements.

The University is committed to best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life, namely selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The University has complied with the voluntary Governance Code of Practice contained in the Committee of University Chairs ('CUC') Guide for members of higher education Governing Bodies in the UK. The Board of Governors is satisfied that the University and the Group has complied throughout the year with the provisions of the Code.

### • Summary of the University's Structure of Corporate Governance

The University's Board of Governors comprises lay and academic persons appointed under the Instrument and Articles of Government of the University, the majority of whom are non-executive. The roles of Chairman and Deputy of the Board of Governors are separated from the role of the University's Vice-Chancellor. The matters specially reserved to the Board of Governors for decision are set out in the Instrument and Articles of Government of the University, by custom and under the Financial Memorandum with the Higher Education Funding Council for Wales ("HEFCW"). The Board of Governors holds to itself the responsibilities for the ongoing strategic direction of the University and the Group, the approval of major developments and the receipt of regular reports from Executive Officers on the day to day operation of its business and its subsidiary companies and Students Union.

The Board of Governors meets at least five times a year; and has several Committees, including a Committee for Estates, Infrastructure and Financial Sustainability, a Human Resources Committee, a Remuneration Committee and an Audit and Risk Committee. All of these Committees are formally constituted with terms of reference and comprise

mainly lay members of the Board of Governors, one of whom is the Chair.

The Committee for Estates, Infrastructure and Financial Sustainability, inter alia, recommends to the Board of Governors, the University's annual budgets and monitors performance in relation to the approved budgets.

The Human Resources and Organisational Development Committee oversees the development monitoring and review of the University's HR strategy and associated policies relating to all aspects of staff development.

The Remuneration Committee determines the annual remuneration of senior staff.

The Audit and Risk Committee normally meets on a quarterly basis. Both the External Auditors and the Internal Auditors are invited to attend to discuss their audit findings and recommendations for the improvement of the University's and Group's systems of internal control, together with the management's response and implementation plans, with an increasing emphasis on value for money. It also receives and considers reports from the HEFCW as they affect the University's and Group's business and monitor adherence with the regulatory requirements. It reviews the University's and Group's annual financial statements together with the accounting policies. It reviews a full copy of the corporate risk register at every meeting, with a report on amendments to the register.

A comprehensive Corporate Risk Profile has been developed in order to assist the Board of Governors and Executive Management with the operation of the University, its subsidiaries and the Students' Union. In accordance with the University's risk policy, the risks have been assessed as to their probability and impact in order to set the appropriate level of management for each and to allow them to be prioritised. The Corporate Risk Profile includes the whole system of controls, financial and otherwise, established in order to provide reasonable assurance of the effectiveness and efficiency of operations, internal financial control and compliance with laws and regulations. The University is

continually striving to improve the effectiveness and efficiency of its operations and this exercise must be ongoing.

• **Going Concern**

The Board of Governors is satisfied that the University and Group 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.

• **Internal Control**

The University's Board of Governors 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 effectiveness of internal control is reviewed at least once per year.

The Board of Governors 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 2011 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board of Governors and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

Responsibility for overseeing the risk management process has been delegated to the Director of Finance. The Executive Committee of the University completes an annual review of the corporate risk register, and a quarterly review of the key risks. The risk register covers business, operational and compliance risks as well as financial risk. Significant risks identified below this level are reported up to Executive Committee for their consideration. The Audit and Risk Committee receives reports on risk management at every meeting.

Risks have been prioritised according to probability and impact. Risk management is incorporated into the annual strategic planning exercise.

Every meeting of the Board of Governors receives the minutes of the most recent Audit and Risk Committee meeting, and a report from the Chair.

The Board of Governors' assessment of the effectiveness of the system of internal control is informed by the internal audit service, which operates to standards defined in the HEFCW Audit Code of Practice. The internal audit programme is based on the corporate risk register and is agreed by the Audit and Risk Committee and the Board of Governors. The internal auditors submit regular reports which include an independent opinion on the adequacy and effectiveness of specific aspects of the system of internal control, together with recommendations for improvement.

The Board of Governors' assessment of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Internal financial control is facilitated by clearly defined and formalised requirements for approval and control of expenditure which are contained within comprehensive financial regulations, approved by the Board of Governors.

By order of the Board

**Dr P Noyes**  
Vice-Chancellor

## **RESPONSIBILITIES OF THE BOARD OF GOVERNORS UNIVERSITY OF WALES, NEWPORT**

In accordance with the Education Reform Act 1988, the Board of Governors of the University is responsible for the administration and management of the affairs of the University and its subsidiaries and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and Group and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Accounts Direction issued by the Higher Education Funding Council for Wales, the Statement of Recommended Practice ("SORP") and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the HEFCW and the Board of Governors of the University, the Board of Governors, through its designated officer 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 Group and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors 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 being 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 and Group will continue in operation.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from the Higher Education Funding Council for Wales are used only for the purpose for which they have been given and in accordance with the Financial Memorandum with the HEFCW and any other conditions which the HEFCW 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 Group and to prevent and detect fraud.
- Secure the economical, efficient and effective management of the University and Group's resources and expenditure.

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

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

By order of the Board

**Dr P Noyes**  
Vice-Chancellor

# **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF WALES, NEWPORT**

We have audited the financial statements of University of Wales, Newport for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, and the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## **Respective responsibilities of the Board of Governors and auditors**

As explained more fully in the Responsibilities Statement of the Board of Governors set out on page 9, the Board of Governors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the institution's Board of Governors as a body in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988 and for no other purpose. We do not, in giving these opinions, 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.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent institution's affairs as at 31 July 2011, and of the group's income and expenditure, recognised gains and losses and group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education.

**Opinion on other matters prescribed in the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation and any other terms and conditions attached to them;
- funds provided by HEFCW have been applied in accordance with the financial memorandum and any other terms and conditions attached to them.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matter where the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group.

**PricewaterhouseCoopers LLP**  
**Chartered Accountants**  
**Cardiff**

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## 1. BASIS OF PREPARATION

The financial statements have been properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education and in accordance with applicable accounting standards in the United Kingdom.

### 1.1 BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the historical cost convention, as modified for certain valuations of tangible fixed assets.

### 1.2 BASIS OF CONSOLIDATION

The consolidated financial statements consolidate the financial statements of the University, all of its subsidiary companies and the Students Union for the financial year ended 31 July 2011. Uniform accounting policies are adopted throughout the Group. The results of the Students Union are consolidated into the University Group due to the level of control exercised.

All income and expenditure on intra group transactions are eliminated on consolidation.

## 2. RECOGNITION OF INCOME

Income from specific endowments and donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs, and only when the conditions attached to receipt have been met. Any specific grants held at the year end in excess of expenditure at the balance sheet date are included within grants received in advance.

All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account on a receivable basis.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of tangible fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the asset.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, net of any rebates or discounts offered.

Bursaries paid are shown gross of income.

## 3. PENSION SCHEMES

The two main pension schemes for the University's staff are the Greater Gwent (Torfaen) Pension Fund ('GGPF') and the Teachers' Pension Scheme ('TPS'). The schemes are funded defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme. The GGPF fund is valued every three years by a professionally qualified actuary using the projected unit method, the rate of contribution payable being determined by the Administering Authority on the advice of the actuary. The TPS is subject to actuarial valuation every five years by the Government actuarial Department using the entry age method. The rate of contribution for the TPS is determined by the Teachers' Pension Agency on the advice of the actuary. In respect of the GGPF, the net asset or liability recognised in the balance sheet represents the present value of the defined benefit obligations less the fair value of the plan's assets. Plan assets are measured using closing market rates and the pension liabilities are measured using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent terms. The increase in the present value of the liability expected to arise from employee service in the year is charged to staff costs. The expected return on plan assets and the increase during the year in the present value of the scheme liabilities arising from the passage of time are charged as an interest expense.

Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

It is not possible to identify the University's share of the underlying assets and liabilities of the TPS. Therefore, as permitted by FRS 17, the TPS is accounted for as a defined contribution scheme with the contributions accruing being charged to staff costs during the year.

## **4. TANGIBLE FIXED ASSETS**

### **4.1 Land and Buildings**

The University has taken advantage of the transitional provisions of FRS 15 and assets are retained at their book amount (subject to the requirement to test them for impairment if an indication exists that impairment may have occurred). The last valuation performed on the 31 July 1997 by the District Valuer Chartered Surveyors Service has not been updated.

Land is freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated, on a straight line basis, over their expected useful lives of 50, 25 or 10 years.

### **4.2 Disposals of Land and Buildings**

Land and Buildings which were transferred from the Local Authority or have been financed by exchequer funds may be disposed of but the proceeds may only be retained by the University with the permission of the HEFCW as laid out in the Financial Memorandum.

### **4.3 Equipment, Fixtures & Fittings**

Equipment costing less than £5,000 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, cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use, less accumulated depreciation, provided on a straight line basis, over its expected useful life, as follows:

Computer equipment and motor vehicles (included within Equipment, fixtures and fittings) - 5 years

General equipment, fixtures and fittings - 7 years

A full year's depreciation charge is made during the year of purchase and no charge is made in the year of disposal.

### **4.4 Assets Financed by Capital Grant**

Where fixed assets are acquired with the aid of grants 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 asset.

### **4.5 Assets in the Course of Construction**

Assets which are in the course of construction at the year-end are included at cost (including capitalised interest where appropriate). No depreciation is provided for these assets until they are complete.

## **5. REVALUATION RESERVE**

### **Land and Buildings**

As at 31 July 1997, the entire University estate was revalued and therefore the revaluation reserve represents the difference between historic cost and valuation for all land and building at this date, less any inherited long term loans.

Prior to this date, the revaluation reserve represented the inherited land and buildings from the Local Authority at the time of incorporation. The value was calculated on 1 April 1992 net of any inherited long term loans. These inherited assets have been depreciated, where appropriate, each year and the corresponding amounts have been released from the revaluation reserve to the Income and Expenditure reserve.

## **6. FOREIGN CURRENCY**

Transactions which are denominated in a foreign currency are translated at the rate of exchange ruling at the transaction date. Monetary assets and liabilities are translated at the rate ruling at the year-end. These transaction differences are dealt with in the income and expenditure account.

## **7. INVESTMENTS**

Investments in subsidiary companies are initially recorded at cost, less any provisions booked for impairment as considered necessary by the Board of Governors. The carrying values of these investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Endowment asset investments are included in the balance sheet at cost or at market value where significantly different.

Short-term investments comprise term deposits, certificates of deposits and interest bearing accounts and are distinct from cash at bank which comprises of bank current accounts. They are included in the balance sheet at the lower of their original cost and net realisable value.

## **8. STOCKS**

Stocks are valued at the lower of cost and net realisable value, less any provision for slow moving, obsolete or defective stock.

## **9. MAINTENANCE OF PREMISES**

The cost of routine corrective maintenance is charged to the Income and Expenditure Account. Costs of major refurbishments and maintenance are capitalised and amortised on a straight line basis over their economic life where the refurbishment or maintenance cost restores economic benefits of the related asset.

## **10. TAXATION**

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 (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 the 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. However, the University has an agreement with HM Revenue & Customs to reclaim a partial element of its input VAT.

The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation.

## **11. PROVISIONS**

Provisions are recognised when the institution 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.

## **12. LEASES**

Operating lease payments are charged to the Income and Expenditure Account on a straight line basis over the lease term.

## **13. RELATED PARTY TRANSACTIONS**

The University has taken exemption available from related party disclosure requirements of Financial Reporting Standard 8 as they relate to transactions with other entities in the same group.

## **14. FINANCIAL INSTRUMENTS**

The University uses derivative financial instruments to hedge its exposure to fluctuation in interest rates on bank borrowings.

## Consolidated income and expenditure account For the year ended 31 July 2011

	Notes	2010/2011 £000	2009/2010 £000
<b>Continuing Operations</b>			
<b>Income</b>			
Funding council grants	1	22,454	23,946
Tuition fees and education contracts	2	17,791	15,626
Research grants and contracts	3	429	435
Other operating income	4	8,716	7,482
Endowment income and interest receivable	5	303	323
<b>Total income</b>		<b>49,693</b>	<b>47,812</b>
<b>Expenditure</b>			
Staff costs	6	30,082	29,606
Other operating expenses	7	13,324	12,456
Depreciation and amortisation	13	3,758	2,798
Interest payable	8	1,245	1,488
<b>Total expenditure</b>	9	<b>48,409</b>	<b>46,348</b>
<b>Surplus before profit on disposal of fixed assets and exceptional items</b>		<b>1,284</b>	<b>1,464</b>
Profit on disposal of fixed assets	10	6,514	-
Exceptional restructuring costs	11	(1,310)	-
<b>Surplus after depreciation of assets at valuation and before taxation</b>		<b>6,488</b>	<b>1,464</b>
Taxation		-	-
<b>Surplus after depreciation of assets at valuation and taxation</b>		<b>6,488</b>	<b>1,464</b>
Transfer from accumulated income within endowments	24	12	20
<b>Surplus for the year retained within reserves</b>	27	<b>6,500</b>	<b>1,484</b>

## Consolidated statement of historical cost surpluses For the year ended 31 July 2011

	Notes	2010/2011 £000	2009/2010 £000
Surplus after depreciation of assets at valuation before and after taxation		6,488	1,464
Release of revaluation reserve on sale of fixed asset	25	3,670	-
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	25	341	524
<b>Historical cost surplus before and after taxation</b>		<b>10,499</b>	<b>1,988</b>

**Statement of consolidated total recognised gains and losses  
For the year ended 31 July 2011**

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	<b>2010/2011</b>	<b>2009/2010</b>
	<b>£000</b>	<b>£000</b>
Surplus for the year after taxation	6,488	1,464
Additional endowment funds received	25	14
Appreciation of Endowment Assets	12	20
Actuarial gain in respect of pension scheme	1,403	1,805
<b>Total recognised gains relating to the year</b>	<b>7,928</b>	<b>3,303</b>
<b>Reconciliation</b>		
Opening reserves and endowments	21,914	18,611
Total recognised gains for the year	7,928	3,303
<b>Closing reserves and endowments</b>	<b>29,842</b>	<b>21,914</b>

## Balance sheets as at 31 July 2011

	Notes	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
<b>Fixed Assets</b>					
Tangible assets	13	69,157	67,704	69,137	67,678
Investments	14	-	-	200	200
		69,157	67,704	69,337	67,878
<b>Endowment Asset Investments</b>	15	332	307	332	307
<b>Current Assets</b>					
Stocks	16	51	57	16	23
Debtors	17	5,419	1,740	5,515	1,639
Short term investments		15,338	16,822	15,338	16,822
Cash at bank and in hand		1,285	850	757	665
		22,093	19,469	21,626	19,149
<b>Creditors: amounts falling due within one year</b>	19	(9,190)	(9,084)	(8,848)	(8,876)
<b>Net current assets</b>		12,903	10,385	12,778	10,273
<b>Debtors: amounts falling due after more than one year</b>	18	3,631	-	3,631	-
<b>Total assets less current liabilities</b>		86,023	78,396	86,078	78,458
<b>Creditors: amounts falling due after more than one year</b>	20	(23,421)	(33,596)	(23,421)	(33,596)
<b>Provisions for liabilities and charges</b>	22	(395)	(57)	(395)	(57)
<b>NET ASSETS excluding pension liability</b>		62,207	44,743	62,262	44,805
<b>Pension Liability</b>	34	(18,905)	(19,272)	(18,905)	(19,272)
<b>NET ASSETS including pension liability</b>		<b>43,302</b>	<b>25,471</b>	<b>43,357</b>	<b>25,533</b>
<b>Deferred capital grants</b>	23	13,460	3,557	13,460	3,557
<b>Endowments</b>	24	332	307	332	307
<b>Reserves</b>					
Revenue reserve excluding pension deficit		37,095	25,548	37,187	25,647
Pension deficit	34	(18,905)	(19,272)	(18,905)	(19,272)
Revenue reserve including pension deficit	27	18,190	6,276	18,282	6,375
Revaluation reserve	25	11,283	15,294	11,283	15,294
Capital reserve	26	37	37	-	-
<b>Total reserves</b>		29,510	21,607	29,565	21,669
<b>TOTAL FUNDS</b>		<b>43,302</b>	<b>25,471</b>	<b>43,357</b>	<b>25,533</b>

The financial statements on pages 12 to 37 were approved by the Board of Governors on 17 November 2011 and signed on its behalf by the following designated office holders:

**Mr A Wilkinson**  
Chairman

**Dr P Noyes**  
Vice-Chancellor

**Mr R D S Jones**  
Director of Finance

## Consolidated cash flow statement For the year ended 31 July 2011

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	Notes	2010/2011 £000	2009/2010 £000
<b>Net cash inflow from continuing operating activities</b>	30	3,996	4,758
Returns on investments and servicing of finance	31	(8)	82
Capital expenditure and financial investment	31	4,978	(21,985)
<b>Cash in/(out)flow before management of liquid resources</b>		8,966	(17,145)
Management of liquid resources	31	1,488	125
Financing	31	(10,015)	17,497
<b>Increase in cash in the year</b>		439	477

## Reconciliation of net cash flow to movement in net (debt)/ funds

---

	Notes	2010/2011 £000	2009/2010 £000
Increase in cash in the year		439	477
Cash withdrawn from short term deposit		(1,484)	(227)
Loans taken out		(112)	(17,580)
Loans repaid		10,127	83
Change in net funds/ (debt)		8,970	(17,247)
Net funds at 1 August	32	(15,980)	1,267
<b>Net (debt) / funds at 31 July</b>	32	(7,010)	(15,980)

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Funding Council Grants

	2010/2011	2009/2010
	£000	£000
Higher Education Funding Council for Wales		
Recurrent grant – teaching	18,150	19,083
Recurrent grant – research	540	573
Specific grants	2,444	3,152
Welsh Government		
Recurrent grant for Further Education	516	432
Deferred capital grants released in year in respect of:		
Minor works (note 23)	349	349
Equipment (note 23)	455	357
	<hr/>	<hr/>
	22,454	23,946
	<hr/>	<hr/>

### 2. Tuition Fees and Education Contracts

	2010/2011	2009/2010
	£000	£000
<b>Higher Education:</b>		
UK full-time	11,444	10,511
UK part-time	2,273	2,183
European Union (EU) students (excluding UK)	326	317
Non-EU students	3,671	2,561
<b>Other:</b>		
Short course fees	77	54
	<hr/>	<hr/>
	17,791	15,626
	<hr/>	<hr/>

### 3. Research Grants and Contracts

	2010/2011	2009/2010
	£000	£000
Research councils	254	189
UK based charities	11	38
UK Government funded	34	68
EU Government funded	130	140
	<hr/>	<hr/>
	429	435
	<hr/>	<hr/>

#### 4. Other Operating Income

	2010/2011 £000	2009/2010 £000
<b>Other services rendered:</b>		
UK central government/ local authorities, health & hospital authorities and EU Government bodies	2,760	2,057
Other	1,456	1,679
Residence, catering & conferences	3,166	2,687
Other general income:		
Student Union	623	655
Other	470	373
Deferred capital grants released in year (note 23)	241	31
	8,716	7,482

#### 5. Endowment Income and Interest Receivable

	2010/2011 £000	2009/2010 £000
Interest on specific endowments (note 24)	9	6
Interest on short term deposits	294	317
Total	303	323

#### 6. Staff

	2010/2011 £000	2009/2010 £000
<b>Staff Costs:</b>		
Wages and salaries	24,575	24,428
Social security costs	1,830	1,787
Other pension costs (note 34)	3,677	3,301
	30,082	29,516
Restructuring costs	-	90
	30,082	29,606

**6. Staff (continued)**

The emoluments relating to the Vice-Chancellor (who is also the highest paid post holder) are detailed below:

	<b>2010/2011 £000</b>	<b>2009/2010 £000</b>
Salary	162	162
Benefits in kind	1	1
	<hr/> 163	<hr/> 163
Pension contributions	23	23
Total emoluments	<hr/> 186	<hr/> 186

The pension contributions in respect of the Vice-Chancellor and higher paid employees are in respect of employers contributions to the Teachers Pension Scheme or the Universities Superannuation Scheme and are made on the same basis as for other academic staff.

The number of higher paid employees, including the Vice-Chancellor, whose emoluments including employer's pension contributions, exceeded £100,000 were as follows:

	<b>2010/2011 Number</b>	<b>2009/2010 Number</b>
£100,000 - £109,999	3	3
£110,000 - £119,999	-	2
£120,000 - £129,999	1	-
£130,000 - £139,999	1	-
£170,000 - £179,999	-	-
£180,000 - £189,999	1	1

## NOTES TO THE FINANCIAL STATEMENTS Continued...

### 7. Other Operating Expenses

	2010/2011 £000	2009/2010 £000
Academic departments	4,244	3,992
Research grants and contracts	211	153
Academic services	796	847
Premises including long-term maintenance	2,686	2,268
Residences, catering and conferences	684	527
Administration & central services	1,674	1,492
Marketing and International Recruitment	1,176	896
Bursaries	981	995
Telephone, fax, postage and courier	229	242
Auditors' remuneration:		
Audit of university	26	23
Audit of subsidiaries	4	4
Non audit services - external	1	2
Bad & doubtful debts	(277)	36
Equipment operating lease rentals	118	34
Staff and student facilities:		
Students Union costs	547	604
Careers, medical and welfare services	107	157
Sports hall (excluding maintenance)	67	77
City Centre Campus non-capital expenditure	50	107
	13,324	12,456

### 8. Interest Payable

	2010/2011 £000	2009/2010 £000
Bank loans	473	241
Interest element of pension cost (note 34)	608	1,044
Interest element of early retirement provision (note 34)	164	203
	1,245	1,488

**9. Analysis of 2010/2011 Expenditure by Activity**

	Staff Costs £000	Dep'n & Amort'n £000	Operating Expenses £000	Other Interest Payable £000	Total £000
Academic departments	18,037	707	4,455	-	23,199
Academic services	1,909	386	796	-	3,091
Residences, catering and conferences	1,067	323	684	-	2,074
Premises and long-term maintenance	2,050	2,282	2,686	473	7,491
Administration, central and student services	6,540	60	4,703	-	11,303
FRS 17 interest (note 8)	-	-	-	772	772
FRS 17 service cost adjustment	479	-	-	-	479
<b>Total expenditure</b>	<b>30,082</b>	<b>3,758</b>	<b>13,324</b>	<b>1,245</b>	<b>48,409</b>

The depreciation charge per note 13 has been funded by:

Deferred capital grants released (note 23)	1,045
Revaluation reserve released (note 25)	341
General income	2,372
	<b>3,758</b>

**10. Profit on disposal of fixed asset**

	2010/2011 £000	2009/2010 £000
Sale of Allt-yr-yn campus	6,514	-

**11. Exceptional restructuring costs**

	2010/2011 £000	2009/2010 £000
Restructuring costs	1,310	-

Restructuring costs relate to a fundamental restructuring of the academic schools and academic support areas.

**12. Surplus**

	2010/2011 £000	2009/2010 £000
University's surplus for the year	6,481	1,527
Surplus/ (deficit) generated by subsidiary undertakings	7	(63)
<b>Total</b>	<b>6,488</b>	<b>1,464</b>

### 13. Tangible Assets

#### CONSOLIDATED

	Land and Buildings Freehold £000	Assets in the Course of Construction £000	Equipment Fixtures and Fittings £000	Total £000
<b>Valuation/Cost</b>				
At 1 August 2010				
Valuation	29,777	-	-	29,777
Cost	17,196	33,278	11,168	61,642
Additions at cost	695	4,500	3,860	9,055
Transfer to land and buildings at cost	37,778	(37,778)	-	-
Disposals	(6,396)	-	(330)	(6,726)
At 31 July 2011				
Valuation	23,723	-	-	23,723
Cost	55,327	-	14,698	70,025
	79,050	-	14,698	93,748
<b>Depreciation</b>				
At 1 August 2010				
	14,946	-	8,769	23,715
Charge for year	2,329	-	1,429	3,758
Eliminated on disposal	(2,553)	-	(329)	(2,882)
At 31 July 2011				
	14,722	-	9,869	24,591
<b>Net Book Value</b>				
<b>At 31 July 2011</b>				
	<b>64,328</b>	<b>-</b>	<b>4,829</b>	<b>69,157</b>
At 31 July 2010				
	32,027	33,278	2,399	67,704
<b>Funding Sources:</b>				
Inherited assets	10,076	-	-	10,076
Financed by capital grants	11,958	-	1,502	13,460
Other	42,294	-	3,327	45,621
<b>Net Book Value at 31 July 2011</b>				
	<b>64,328</b>	<b>-</b>	<b>4,829</b>	<b>69,157</b>

### 13. Tangible Assets (continued)

#### UNIVERSITY

	Land and Buildings Freehold £000	Assets in the Course of Construction £000	Equipment Fixtures and Fittings £000	Total £000
<b>Valuation/Cost</b>				
At 1 August 2010				
Valuation	29,777	-	-	29,777
Cost	17,196	33,278	10,938	61,412
Additions at cost	695	4,500	3,855	9,050
Transfer to land and buildings at cost	37,778	(37,778)	-	-
Disposals	(6,396)	-	(302)	(6,698)
At 31 July 2011				
Valuation	23,723	-	-	23,723
Cost	55,327	-	14,491	69,818
	79,050	-	14,491	93,541
<b>Depreciation</b>				
At 1 August 2010				
	14,946	-	8,565	23,511
Charge for year	2,329	-	1,419	3,748
Eliminated on disposal	(2,553)	-	(302)	(2,855)
At 31 July 2010				
	14,722	-	9,682	24,404
<b>Net Book Value</b>				
<b>At 31 July 2011</b>				
	<b>64,328</b>	<b>-</b>	<b>4,809</b>	<b>69,137</b>
At 31 July 2010				
	32,027	33,278	2,373	67,678
<b>Funding Sources:</b>				
Inherited assets	10,076	-	-	10,076
Financed by capital grants	11,958	-	1,502	13,460
Other	42,294	-	3,307	45,601
<b>Net Book Value at 31 July 2011</b>				
	<b>64,328</b>	<b>-</b>	<b>4,809</b>	<b>69,137</b>

The transitional provisions set out in FRS 15 Tangible Fixed Assets were applied on implementation of FRS 15 when the book values at implementation were retained.

Land and buildings were revalued on 31 July 1997, at depreciated replacement cost. This valuation was performed by the District Valuer, an independent chartered surveyor's service.

Included within additions to assets in the course of construction is £155k of capitalised interest (2010 £179k). The total amount of capitalised interest at 31 July amounted to £483k (2010 £328k).

## 14. Investments

£000

### University investments in subsidiary companies:

At 1 August 2010 and 31 July 2011

200

### INVESTMENTS IN SUBSIDIARY COMPANIES

Company	Principal Activities	Issued £1 Ordinary Shares	% of Shares Held by University	Location of Registration & Operation
Caerleon & Newport Enterprises Limited ('CANE')	Dormant	2	100%	England & Wales
University of Wales, Newport Enterprises Limited	Short courses & other commercial activities	200,000	100%	England & Wales

The Governing Body consider the value of the investments to be supported by their underlying assets.

## 15. Endowment Asset investments

Consolidated  
And University

	2011 £000	2010 £000
Balance at 1 August	307	293
Additional funds received	25	14
Appreciation of endowment asset investments	12	20
Prizes and bursaries awarded	(21)	(26)
Income	9	6
Balance at 31 July	332	307
Represented by:	2011 £000	2010 £000
UK Government Bonds	18	17
UK Bond Funds	65	83
UK Equities	111	87
North American Equities	22	17
European Equities	8	5
Japanese Equities	3	-
Asia Pacific Equities	12	13
Emerging Market Equities	4	8
Global Investments	8	-
Property	6	6
Cash	75	71
Total	332	307

**16. Stocks**

	<u>Consolidated</u>		<u>University</u>	
	<b>2011 £000</b>	<b>2010 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Bar and catering	48	27	13	19
Shops	3	30	3	4
	<b>51</b>	<b>57</b>	<b>16</b>	<b>23</b>

**17. Debtors: amounts falling due within one year**

	<u>Consolidated</u>		<u>University</u>	
	<b>2011 £000</b>	<b>2010 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Trade debtors	838	772	808	696
Amounts owed by group undertakings	-	-	243	6
Other debtors	3,720	26	3,644	8
Prepayments and accrued income	861	942	820	929
	<b>5,419</b>	<b>1,740</b>	<b>5,515</b>	<b>1,639</b>

Other debtors include £3,640k of deferred consideration due in July 2012 relating to the sale of the Allt-yr-yn campus during the year. An additional £3,631k due in July 2013 is included in debtors due after more than one year (note 18).

**18. Debtors: amounts falling due after more than one year**

	<u>Consolidated</u>		<u>University</u>	
	<b>2011 £000</b>	<b>2010 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Other debtors	3,631	-	3,631	-
	<b>3,631</b>	<b>-</b>	<b>3,631</b>	<b>-</b>

**19. Creditors: amounts falling due within one year**

	<u>Consolidated</u>		<u>University</u>	
	<b>2011 £000</b>	<b>2010 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Bank Loans	287	127	287	127
Payments in advance from Funding Councils	1,251	1,425	1,251	1,425
Other payments in advance	122	288	122	288
Trade creditors	862	903	839	886
Amounts owed to group undertakings	-	-	-	304
Other creditors	213	207	213	207
Social security and other taxation payable	2,775	653	2,775	651
Accruals and deferred income	3,680	5,481	3,361	4,988
	<b>9,190</b>	<b>9,084</b>	<b>8,848</b>	<b>8,876</b>

## NOTES TO THE FINANCIAL STATEMENTS Continued...

### 20. Creditors: amounts falling due after more than one year

	<u>Consolidated</u>		<u>University</u>	
	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
Analysis of loans payable after more than one year:				
Bank loans	23,421	33,596	23,421	33,596

### 21. Borrowings

	<u>Consolidated</u>		<u>University</u>	
	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
Total loans are repayable as follows:				
In one year or less	287	127	287	127
Between one and two years	343	268	343	268
Between two and five years	1,126	1,017	1,126	1,017
In five years or more	21,952	32,311	21,952	32,311
<b>Total</b>	<b>23,708</b>	<b>33,723</b>	<b>23,708</b>	<b>33,723</b>

The bank loans relate to:

- (i) an unsecured 30 year loan for £5 million with Lloyds Bank with a fixed interest rate of 4.95%, payable in quarterly instalments commencing on 1 February 2007;
- (ii) an unsecured 33 year loan of £4 million with Lloyds Bank with a fixed interest rate of 4.995%, payable in quarterly instalments commencing on 3 August 2010, with Lloyds Bank having the option on 3 August 2012 to revert to a variable rate;
- (iii) an unsecured £15 million revolving credit facility with Lloyds Bank was arranged in 2006 which had a variable rate of base rate + 0.22% and no repayments due until 2011. A fixed interest rate arrangement has subsequently been entered into with Lloyds Bank which provides a fixed rate of interest of 5% in respect of the £15 million loan facility, commencing on 3 August 2011 and amortising over 32 years;
- (iv) an unsecured interest free energy efficient loan was drawn down from Salix Finance Ltd during the year. Repayments will commence on 1 October 2011 for a period of 6 years.

### 22. Provisions for liabilities and charges

	<u>Consolidated and University</u>
	<b>Restructuring</b> <b>£000</b>
At 1 August 2010	57
Payments from provision in year	(45)
Charged to the income and expenditure account	392
Released during the year	(9)
At 31 July 2011	<u>395</u>

### 23. Deferred Capital Grants

	<u>Consolidated and University</u>				
	<u>Funding Council</u>		<u>Other</u>		<u>Total</u>
	<b>Minor Works £000</b>	<b>Equipment £000</b>	<b>Minor Works £000</b>	<b>Equipment £000</b>	<b>£000</b>
At 1 August 2010	2,502	953	3	99	3,557
Received in year	-	882	10,000	66	10,948
Released to income:					
Depreciation	(349)	(455)	(200)	(41)	(1,045)
At 31 July 2011	2,153	1,380	9,803	124	13,460

### 24. Endowments

	<u>Consolidated and University</u>
	<b>£000</b>
At 1 August 2010	307
Additional funds received	25
Appreciation of endowment asset investments	12
Prizes and bursaries awarded	(21)
Interest on endowment accounts (note 5)	9
At 31 July 2011	332
Representing:	
Specific prize and bursary funds	332

All of these funds relate to restricted permanent endowments where the capital must be maintained and used for specific purposes.

### 25. Revaluation Reserve

	<u>Consolidated and University</u>
	<b>Inherited Assets £000</b>
At 1 August 2010	15,294
Movement during the year:	
Release on sale of Allt-yr-Yn Campus	(3,670)
Depreciation transferred to revenue reserve (note 25)	(341)
At 31 July 2011	11,283

## 26. Capital Reserve

	<u>Consolidated</u>
	<b>£000</b>
Capital reserve arising on consolidation of Students Union	
At 1 August 2010 and 31 July 2011	<u>37</u>

## 27. Revenue Reserve

	<u>Consolidated</u>	<u>University</u>
	<b>£000</b>	<b>£000</b>
At 1 August 2010	6,276	6,375
Movements during the year:		
Surplus for the year	6,488	6,481
Transfer from endowments	12	12
Actuarial gain in respect of pension scheme	1,403	1,403
Release of revaluation reserve on sale of Allt-yr-Yn Campus	3,670	3,670
Depreciation transferred from revaluation reserve (note 25)	341	341
At 31 July 2011	<u>18,190</u>	<u>18,282</u>

## 28. Lease and hire purchase commitments

	<u>Consolidated</u>		<u>University</u>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Operating leases</b>				
Annual operating lease commitments in respect of equipment, on leases expiring:				
Within one year	25	-	25	-
Between one and two years	29	26	14	26
Between two and five years	64	8	57	8
	<u>118</u>	<u>34</u>	<u>96</u>	<u>34</u>

**29. Capital commitments**

	<u>Consolidated</u>		<u>University</u>	
	<b>2011 £000</b>	<b>2010 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Commitments contracted	251	2,488	251	2,488
Authorised but not contracted	541	5,114	541	5,114
	<b>792</b>	<b>7,602</b>	<b>792</b>	<b>7,602</b>

**30. Reconciliation of consolidated surplus to net cash inflow from operating activities**

	<b>2010/2011 £000</b>	<b>2009/2010 £000</b>
Continuing operations:		
Surplus before tax	6,488	1,464
Depreciation (note 13)	3,758	2,798
Loss on disposal of tangible fixed assets	2	-
Profit on disposal of fixed asset	(6,514)	-
Deferred capital grants released to income (note 23)	(1,045)	(737)
Interest payable	1,245	1,488
Interest receivable	(303)	(323)
Decrease in stocks	6	6
(Increase)/ decrease in debtors due < 1 year	(128)	200
Decrease in creditors and accruals	(115)	(65)
Increase in provisions	338	12
Pension contributions less than/ (in excess of) charge	264	(85)
<b>Net cash (out)/inflow from continuing operating activities</b>	<b>3,996</b>	<b>4,758</b>

**31. Analysis of cash flows for headings netted in cash flow statement**

	<b>2010/2011 £000</b>	<b>2009/2010 £000</b>
<b>Returns on investment &amp; servicing of finance</b>		
Income from endowments	12	20
Interest received	392	314
Interest paid	(412)	(252)
<b>Net cash (out)/inflow from returns on investment and servicing of finance</b>	<b>(8)</b>	<b>82</b>

### 31. Analysis of cash flows for headings netted in cash flow statement (continued)

<b>Capital expenditure &amp; financial investment</b>	<b>2010/2011 £000</b>	<b>2009/2010 £000</b>
Payments to acquire tangible fixed assets	(9,055)	(22,930)
Receipts from sale of tangible fixed assets	3,085	-
Deferred capital grants received	10,948	945
<b>Net cash in/(out)flow from capital expenditure &amp; financial investment</b>	<b>4,978</b>	<b>(21,985)</b>
<b>Management of liquid resources</b>		
Cash withdrawn from short term deposit	1,484	227
Additional endowment funds received	25	14
Purchase of fixed interest securities for endowments	(9)	(96)
Endowment prizes given	(21)	(26)
Interest on endowment funds	9	6
<b>Net cash inflow from management of liquid resources</b>	<b>1,488</b>	<b>125</b>
<b>Financing</b>		
Bank loan taken out	112	17,580
Repayments made on bank loans	(10,127)	(83)
<b>Net cash (out)/inflow from financing</b>	<b>(10,015)</b>	<b>17,497</b>

### 32. Analysis of changes in net funds/ (debt)

	<b>At 1 Aug 2010 £000</b>	<b>Cash flows £000</b>	<b>At 31 July 2011 £000</b>
Cash at bank and in hand	850	435	1,285
Cash held for endowment investments	71	4	75
	<u>921</u>	<u>439</u>	<u>1,360</u>
Loans within 1 year	(127)	(160)	(287)
Loans after 1 year	(33,596)	10,175	(23,421)
Short term investments	16,822	(1,484)	15,338
	<u>(15,980)</u>	<u>8,970</u>	<u>(7,010)</u>

### 33. Deferred taxation

There were no deferred taxation balances, either provided or unprovided, in the University.

Deferred taxation has not been provided in the other Group companies on the basis that the profit shedding Deed of Covenant (which covenants the taxable profits to the University) will operate in such a way that the taxation liability will not crystallise in the future.

### 34. Pension schemes

The pension schemes for the University's staff are the Teachers Pension Scheme (TPS) (academic staff), the Universities Superannuation Scheme Limited (USS) (small number of staff joining the University who are already members of this scheme) and the Greater Gwent (Torfaen) Pension Fund (GGPF) (support staff).

#### Teachers' Pension Scheme (TPS)

The TPS is a defined benefits scheme with over 200 member institutions. All employers pay the same contribution rate, currently 14.1%.

#### Universities Superannuation Scheme (USS)

The USS is a defined benefits scheme with over 200 member institutions. All employers pay the same contribution rate, currently 16%.

For the two pension schemes highlighted above it is not possible to identify the University's share of the underlying assets and liabilities of the schemes and hence contributions to the schemes are accounted for as if they were defined contribution schemes.

The staff cost recognised within the University's surplus for the year in the Income and Expenditure account is:

	<b>2010/2011</b>	<b>2009/2010</b>
	<b>£000</b>	<b>£000</b>
Cost for TPS	(1,410)	(1,416)
Cost for USS	(77)	(76)
Cost for GGPF	(2,190)	(1,809)
	<u>(3,677)</u>	<u>(3,301)</u>

The pension costs are assessed in accordance with the advice of qualified actuaries. The assumptions and other data which have the most significant effect on the contribution levels are as follows:

	TPS	USS
Latest actuarial valuations	31 March 2004	31 March 2008
Investment return per annum	6.5%	6.4%
Salary scale increases per annum	4.5%	4.3%
Pension increases per annum	-	3.3%
Market value of assets at date of last valuation	£163,240M	£28,843M
(Deficit)/ surplus of assets at date of last valuation	(£3,260M)	£707M
Proportion of members' accrued benefits covered by the actuarial valuation of the assets	98%	103%

### 34. Pension schemes (continued)

#### Greater Gwent (Torfaen) Pension Fund (GGPF)

GGPF is a local government superannuation scheme which meets the definition of a defined benefit scheme. The date of the last available full actuarial valuation was 31 March 2010 therefore the actuary has performed a roll forward of their valuation for the University to comply with the requirements of Financial Reporting Standard 17 (FRS 17).

The major assumptions used by the actuary were:

	<b>2010/2011</b>	<b>2009/2010</b>
Rate of RPI inflation	3.4%	3.3%
Rate of CPI inflation	2.9%	2.8%
Rate of increase in salaries	4.4%	4.8%
Rate of increase in pensions	2.9%	2.8%
Discount rate	5.3%	5.5%
Life Expectancy:		
- male future pensioner aged 65 in 20 years time	22.3	22.2
- female future pensioner aged 65 in 20 years time	25.6	25.0
- male current pensioner aged 65	21.2	21.2
- female current pensioner aged 65	23.4	24.1

The expected rate of return, the assets and scheme valuation as at 31 July 2011 are:

	<b>Long term rate of return expected at 31 July 2011</b>	<b>Value at 31 July 2011</b>	<b>Long term rate of return expected at 31 July 2010</b>	<b>Value at 31 July 2010</b>
	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>
Equities	7.0	25,596	7.5	21,286
Government Bonds	3.9	2,417	4.2	2,408
Other Bonds	4.9	2,321	5.1	2,298
Property	6.0	668	6.5	657
Cash/ liquidity	0.5	700	0.5	684
Other	4.9	95	5.1	27
Total market value of assets		<u>31,797</u>		<u>27,360</u>
Present value of scheme liabilities		<u>(47,467)</u>		<u>(43,424)</u>
Deficit in the scheme		<u>(15,670)</u>		<u>(16,064)</u>
Early retirement liability		<u>(3,235)</u>		<u>(3,208)</u>
Total Deficit		<u><u>(18,905)</u></u>		<u><u>(19,272)</u></u>

### 34. Pension schemes (continued)

The amounts recognised in the University's consolidated financial statements as at 31 July 2010 are as follows:

	2010/2011	2010/2011 Early Retirement	2009/2010	2009/2010 Early Retirement
	£000	£000	£000	£000
<b>Analysis of amounts charged to the income and expenditure account:</b>				
Operating - Current service cost	1,952	-	1,805	-
- Past service cost/ (gain)	131	(4)	-	4
- Curtailments	111	-	-	-
	2,194	(4)	1,805	4
Finance - Expected return on assets	1,820	-	1,444	-
- Interest on pension liabilities	(2,428)	(164)	(2,488)	(203)
	(608)	(164)	(1,044)	(203)

The total contributions expected to be made to the scheme by the University in the year to 31 July 2011 is £1,952k.

	2010/2011	2010/2011 Early Retirement	2009/2010	2009/2010 Early Retirement
	£000	£000	£000	£000
<b>Change in benefit obligation in the University's share of the scheme deficit during the year:</b>				
Benefit obligation at 1 August	(43,424)	(3,208)	(38,640)	(3,333)
Movement in the year - Current service cost	(1,952)	-	(1,805)	-
- Past service cost/ (gain)	(131)	4	-	(4)
- Curtailments	(111)	-	-	-
- Interest on pension liabilities	(2,428)	(164)	(2,488)	(203)
- Member contributions	(706)	-	(694)	-
- Actuarial gain - change from RPI to CPI	-	-	3,009	183
- Actuarial (loss)/ gain	62	(82)	(3,617)	(76)
- Benefits/ transfers paid	1,223	215	811	225
Benefit obligation at 31 July	(47,467)	(3,235)	(43,424)	(3,208)

	2010/2011	2010/2011 Early Retirement	2009/2010	2009/2010 Early Retirement
	£000	£000	£000	£000
<b>Change in plan assets in the University's share of the scheme deficit during the year:</b>				
Fair value of assets at 1 August	27,360	-	22,058	-
Movement in the year - Expected return on assets	1,820	-	1,444	-
- Actuarial gain	1,423	-	2,306	-
- Employer Contributions	1,711	-	1,669	-
- Member contributions	706	-	694	-
- Benefits/ transfers paid	(1,223)	215	(811)	225
Fair value of assets at 31 July	31,797	215	27,360	225

The employer's contributions for the Greater Gwent (Torfaen) Pension Fund are 14.8% (2010 15.8%).

### **34. Pension schemes (continued)**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

**History of asset values, present value of liabilities and deficit:**

	<b>2010/2011</b>	<b>2009/2010</b>	<b>2008/2009</b>	<b>2007/2008</b>	<b>2006/2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value of assets	31,797	27,360	22,058	21,980	23,577
Present value of liabilities (including early retirements)	(50,702)	(46,632)	(41,973)	(41,793)	(34,819)
Deficit	(18,905)	(19,272)	(19,915)	(19,813)	(11,242)

**Analysis of amount recognised in the statement of total recognised gains and losses:**

	<b>2010/2011</b>	<b>2009/2010</b>	<b>2008/2009</b>	<b>2007/2008</b>	<b>2006/2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Experience gain/ (loss) on assets	1,423	2,306	(3,150)	(4,115)	1,433
Experience losses on liabilities	(939)	-	-	(162)	-
Change in assumptions	919	(501)	4,292	(3,497)	(277)
Total actuarial gain/(loss) recognised	1,403	1,805	1,142	(7,774)	1,156

### **35. Related party transactions**

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations), it is possible that transactions could take place with organisations in which a member of the Board of Governors has an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

A member of the Board of Governors is also a partner of a law firm which the University engaged during the year to provide legal services. Fees during the year totalled £186k including VAT (2010 £103k including VAT) and were agreed on a commercial arm's length basis.

The University has taken advantage of the exemption under FRS8 not to disclose transactions with other entities in the same group.

**36. Hardship/ Mature Student Bursary fund**

	<b>2010/11</b>	<b>2009/10</b>
	<b>£</b>	<b>£</b>
<b>Income</b>		
Funding Council grant	174,669	485,965
Interest	500	779
Miscellaneous income	-	17
	<hr/> 175,169	<hr/> 486,761
<b>Expenditure</b>		
Grants	96,697	355,016
Art Foundation Bursaries	14,611	46,376
Tuition fees	84,775	53,480
Admin fee	5,701	14,579
Bank charges	9	58
	<hr/> 201,793	<hr/> 469,509
Balance unspent at 1 August	<hr/> 49,090	<hr/> 31,838
<b>Balance unspent at 31 July</b>	<hr/> <b>22,466</b>	<hr/> <b>49,090</b>

**Teacher Training funds**

	<b>2010/11</b>	<b>2009/10</b>
	<b>£</b>	<b>£</b>
<b>Income</b>		
Funding Council grant	471,450	508,350
<b>Expenditure</b>		
Distributed to students	471,450	508,350
Balance unspent at 31 July	<hr/> -	<hr/> -

The Hardship and Mature Student Bursary fund and the Teacher Training fund are maintained through a separate interest bearing account with Lloyds Bank. The grants are available solely for students, the University acting solely as paying agent. These transactions are managed on an independent basis and are not reflected in the primary statements shown on pages 15-18.