

**University
of Wales,
Newport**

**Prifysgol
Cymru,
Casnewydd**

Financial Statements For the Year Ended 31 July 2010

University of Wales, Newport

Financial Statements for the year ended 31 July 2010

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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 2010, membership of the Board was as follows:

Mr A Wilkinson (Chairman)
Mr M Knight (Deputy Chairman)
Dr P Noyes (Vice-Chancellor)
Ms S Burton
Mr T Bond (SU representative)
Ms N Channon
Mrs P E Davies OBE
Mr O Evans (resigned July 2010)
Mr R Flatman
Mr C Freegard OBE (appointed October 2009)
Sir H Jones CBE
Mr G Keighley
Mr R Lawson
Dr N Lewis
Mr G Moore
Ms H Mortlock
Mr K Perkins
Mrs G Sheddick OBE
Mrs H Taylor OBE
The Rt Rev. D Walker (resigned Apr 2010)
Professor T Wess (appointed Feb 2010)

2. Financial performance in 2009/10

These Financial Statements cover the activities of the University of Wales, Newport ('the University') and its subsidiary undertakings for the year ended 31 July 2010. The University has one trading subsidiary company as detailed in note 13 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 2010 can be summarised as follows:

	2009/10	2008/09
	£000	£000
Income	47,812	46,777
Expenditure	46,348	46,498
Operating Surplus	1,464	279
Historical Cost Surplus	1,988	803

The University produced an operating surplus of £1.5 million, and a historical cost surplus of £2.0 million. This was a good financial result, exceeding the University's target historical cost surplus range of between 1% and 3% of income. It was arrived at after accommodating reduced returns from investment income, and lower receipts from several sources of other income, such as conferences and the European Union. Non-salary expenditure was reduced compared to the previous year, with significant reductions to the charge for bad and doubtful debts, and energy costs, and there were efficiency savings across a range of activities.

Total HEFCW grant income increased by less than 1% in 2009/10. There was a 10% increase in tuition fee income, arising from a modest increase in tuition fees, and the number of students. Research income increased by 42% with the largest increase in the income from Research Councils.

Other operating income fell by just under 5%, with reductions in income from UK and EU government bodies, offset in part by increases in other areas. Investment income fell by 46% as the University experienced the first full year of interest rates at record low levels.

• Financial Position

The University's net asset position improved by £3.5 million which includes a £0.6 million decrease in the pension deficit as calculated under FRS 17. The net book value of fixed assets increased by £20.1 million during the year, mainly attributable to the City Campus project, where construction remained on time and on budget at the end of the financial year. Much of the work was financed by drawing down from Lloyds TSB loan facilities agreed for the project in 2006 and 2008.

At the end of the year loan balances were £33.7 million, exceeding cash and short-term investments to create a net debt position of £16.0 million. This position will be reversed through a combination of grants, property sale proceeds, and operating cash flow over the forthcoming years.

• Key Performance Indicators

The University's current ratio increased during the year from 2.11 to 2.14 (KPI: current ratio greater than 1), and its historical cost surplus equated to 4.16% (KPI: historical cost surplus between 1% and 3%) and net assets continued to grow (KPI: Net assets to exceed previous year value). Income from sources other than the funding council (HEFCW) increased by 4.17% during 2009/10 (KPI: income from non-HEFCW sources to exceed previous year value), with

increases in tuition fee and research income outweighing reductions in investment and other operating income.

3. Student Recruitment

The number of higher education level students enrolled during 2009/10 increased by 2.5% to 9,290. Of this total, 57% were female students and 43% were male; 45% were full-time and 55% were part-time. Enrolment on to the small number of further education courses reduced slightly to 232. The number of students (including overseas students) from black, minority and ethnic backgrounds increased from 12.2% to 13.2%. The number of students declaring a disability increased from 10.6% to 11.1% of the total. During the year the University increased the amount spent on bursaries to students from £0.8 million to £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 32, with disclosures in accordance with Financial Reporting Standard 17. The University's salary costs include employers' pension costs for three pension schemes amounting to £3.3 million (previous year £3.4 million). In addition there is a net finance cost of £1.2 million relating to the Greater Gwent (Torfaen) Pension Fund compared to £1.0 million in the previous year.

For the Greater Gwent (Torfaen) Pension Fund, the net deficit calculated under FRS17 has decreased by £0.6 million during the year. A gain of £5.3 million in the scheme assets was largely offset by a £4.6 million increase in scheme liabilities. The net increase in liabilities is after allowing for a reduction of £3 million attributable to the inflation assumption changing from RPI to CPI, and an increase of £3.6

million arising from the reduction in discount rate from 6.3% to 5.5%.

5. Capital Expenditure

During the year, the University incurred £21.7 million on additions to buildings, of which £20.8 million was for our city campus project, and £0.9 million was for other improvements to the estate. £1.2 million was incurred on equipment and fittings and implementing our carbon management strategy. At the year end date the University had £7.6 million in capital expenditure commitments (£2.5 million contracted plus a further £5.1 million authorised but not contracted) to complete the city campus project.

6. Cash Flows

Net cash inflow from continuing operating activities was £4.8 million, £0.2 million higher than the previous year. £17.6 million was drawn down from Lloyds TSB loan facilities to finance the city campus construction, which formed the major component of total capital expenditure of £22.9 million. Net cash balances increased by £0.5 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 has a Race Equality Policy and Action Plan in place with targets that are reviewed and monitored on a regular basis. The targets are linked to the relevant areas of the Strategic Plan.

Departments and Schools have continued to take on board the issue of Diversity and Race Equality Action Plans are now in place in many areas and will be reviewed regularly.

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 current focus of the work on Diversity and Equality is in the areas of disability, age and gender equality in anticipation of forthcoming legislation.

9. Employee Involvement

The University places considerable value on the involvement of its employees and on good communications with them. It has Investors in People accreditation for the whole Institution.

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

The prospects for the UK, European and global economies remain unclear with conflicting indications of risk. Despite this the University will continue to pursue its mission and fulfil its public benefit responsibilities, working with partners where appropriate like in the case of the Universities of the Heads of the Valleys Institute (UHOV)I. The University expects to complete the City Campus project during 2010/11, and commence a new chapter in the regeneration and economic prosperity of Newport and its hinterland in south-east Wales. This will be at a time of continuing uncertainty over future income streams to the University, particularly those associated with tuition fee income and funding council grants. The 2010/11 financial year sees the start of new arrangements for the financial support of Welsh domiciled students, and further changes may follow in the wake of the Browne Review of tuition fees. The Welsh Assembly Government has announced large reductions to the recurrent and capital budgets for higher education from 2011/12 onwards, and more detailed plans to cap the number of full time students that can be recruited. The University's cost base, will remain under scrutiny to bring about further efficiency savings where possible.

11. Conclusion

The University exercised strong financial controls during 2009/10 in order to deliver performance which exceeded its financial targets. Firm financial discipline will continue to be needed as we face uncertain future challenges.

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 Assembly 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 action research through the BeWEHL initiative (Bettering Wellbeing, Education, Health and Lifestyle) in Bettws, Newport;
- 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

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 guidance to universities provided by the Committee of University Chairs (CUC), in particular the CUC Governance Code of Practice last issued in March 2009. 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 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 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 2010 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 Management Board of the University completes an annual review of the corporate risk register, and a quarterly review of the key risks. Significant risks identified below this level are

reported up to Management Board 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 the University of Wales, Newport for the year ended 31 July 2010 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Consolidated and Parent Institution Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Respective responsibilities of the Board of Governors and auditors

The Board of Governors' responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) is set out in the Statement of the Board of Governors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Board of Governors of the institution 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 this opinion, accept or assume responsibility for any other purpose or to any other person to whom this

report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales, the Statement of Recommended Practice - Accounting for Further and Higher Education and United Kingdom Generally Accepted Accounting Practice.

We report to you whether in our opinion, in all material respects, funds 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 and whether in our opinion, in all material respects, funds provided by the Higher Education Funding Council for Wales have been applied in accordance with the financial memorandum with the Higher Education Funding Council for Wales.

We report to you if, in our opinion, the information given in the Operating and Financial Review and Corporate Governance Statement is not consistent with those financial statements, if the institution has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Operating and Financial Review, and the Corporate Governance Statement.

We also review the statement of internal control included as part of the Corporate Governance Statement and comment if the statement is inconsistent with our knowledge of the institution and

group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for Wales. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and institution'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:

- i. the financial statements give a true and fair view of the state of the group's and the institution's affairs as at 31 July 2010, and

of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;

- ii. the financial statements have been properly prepared 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, and United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, funds 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; and
- iv. in all material respects, income has been applied in accordance with the institution's Statutes and funds provided by the Higher Education Funding Council for Wales have been applied in accordance with the financial memorandum dated with the Higher Education Funding Council for Wales and any other terms and conditions attached to them.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered
Auditors
Cardiff
December 2010

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 2010. 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, and depreciated, on a straight line basis, over its expected useful life, as follows:

Computer equipment and motor vehicles - 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.

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 in the year in which they are incurred.

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 2010

	Notes	2009/2010 £000	2008/2009 £000
Continuing Operations			
Income			
Funding council grants	1	23,946	23,867
Tuition fees and education contracts	2	15,626	14,162
Research grants and contracts	3	435	307
Other operating income	4	7,482	7,831
Endowment income and interest receivable	5	323	610
Total income		47,812	46,777
Expenditure			
Staff costs	6	29,606	28,931
Other operating expenses	7	12,456	13,680
Depreciation and amortisation	12	2,798	2,656
Interest payable	8	1,488	1,231
Total expenditure	9	46,348	46,498
Surplus after depreciation of assets at valuation and before taxation		1,464	279
Taxation	10	-	-
Surplus after depreciation of assets at valuation and taxation		1,464	279
Transfer from accumulated income within endowments		20	8
Surplus for the year retained within reserves	25	1,484	287

Consolidated statement of historical cost surpluses For the year ended 31 July 2010

	Notes	2009/2010 £000	2008/2009 £000
Surplus after depreciation of assets at valuation before and after taxation		1,464	279
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	23	524	524
Historical cost surplus before and after taxation		1,988	803

**Statement of consolidated total recognised gains and losses
For the year ended 31 July 2010**

	2009/2010	2008/2009
	£000	£000
Surplus for the year after taxation	1,464	279
Additional endowment funds received	14	19
Appreciation of Endowment Assets	20	3
Actuarial gain in respect of pension scheme	1,805	1,142
Total recognised gains relating to the year	3,303	1,443
Reconciliation		
Opening reserves and endowments	18,611	17,168
Total recognised gains for the year	3,303	1,443
Closing reserves and endowments	21,914	18,611

Balance sheets as at 31 July 2010

	Notes	Consolidated		University	
		2010 £000	2009 £000	2010 £000	2009 £000
Fixed Assets					
Tangible assets	12	67,704	47,572	67,678	47,533
Investments	13	-	-	200	200
		67,704	47,572	67,878	47,733
Endowment Asset Investments	14	307	293	307	293
Current Assets					
Stocks	15	57	63	23	26
Debtors	16	1,740	1,931	1,639	2,002
Short term investments		16,822	17,049	16,822	17,049
Cash at bank and in hand		850	359	665	3
		19,469	19,402	19,149	19,080
Creditors: amounts falling due within one year	17	(9,084)	(9,204)	(8,876)	(9,044)
Net current assets		10,385	10,198	10,273	10,036
Total assets less current liabilities		78,396	58,063	78,458	58,062
Creditors: amounts falling due after more than one year	18	(33,596)	(16,143)	(33,596)	(16,143)
Provisions for liabilities and charges	20	(57)	(45)	(57)	(45)
NET ASSETS excluding pension liability		44,743	41,875	44,805	41,874
Pension Liability	32	(19,272)	(19,915)	(19,272)	(19,915)
NET ASSETS		25,471	21,960	25,533	21,959
Deferred capital grants	21	3,557	3,349	3,557	3,349
Endowments	22	307	293	307	293
Reserves					
Revenue reserve excluding pension deficit		25,548	22,378	25,647	22,414
Pension deficit	32	(19,272)	(19,915)	(19,272)	(19,915)
Revenue reserve including pension deficit	25	6,276	2,463	6,375	2,499
Revaluation reserve	23	15,294	15,818	15,294	15,818
Capital reserve	24	37	37	-	-
Total reserves		21,607	18,318	21,669	18,317
TOTAL FUNDS		25,471	21,960	25,533	21,959

The financial statements on pages 13 to 37 were approved by the Board of Governors on 16 December 2010 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 2010

	Notes	2009/2010 £000	2008/2009 £000
Net cash inflow from continuing operating activities	28	4,758	4,546
Returns on investments and servicing of finance	29	82	700
Capital expenditure and financial investment	29	(21,985)	(10,008)
		<hr/>	<hr/>
		(17,145)	(4,762)
Management of liquid resources	29	125	(2,777)
Financing	29	17,497	7,829
		<hr/>	<hr/>
Increase in cash in the year		477	290
		<hr/>	<hr/>

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

	Notes	2009/2010 £000	2008/2009 £000
Increase in cash in the year		477	290
Cash (withdrawn from) / placed on short term deposit		(227)	2,672
Loans taken out		(17,580)	(7,909)
Loans repaid		83	80
		<hr/>	<hr/>
Change in net (debt) / funds		(17,247)	(4,867)
Net funds at 1 August	30	1,267	6,134
		<hr/>	<hr/>
Net (debt) / funds at 31 July	30	(15,980)	1,267
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

1. Funding Council Grants

	2009/2010 £000	2008/2009 £000
Higher Education Funding Council for Wales		
Recurrent grant – teaching	19,083	18,906
Recurrent grant – research	573	474
Specific grants	3,152	3,400
Welsh Assembly Government		
Recurrent grant for Further Education	432	414
Deferred capital grants released in year in respect of:		
Minor works (note 21)	349	318
Equipment (note 21)	357	355
	23,946	23,867

2. Tuition Fees and Education Contracts

	2009/2010 £000	2008/2009 £000
Higher Education:		
UK full-time	10,511	9,383
UK part-time	2,183	2,105
European Union (EU) students (excluding UK)	317	317
Non-EU students	2,561	2,280
Other:		
Short course fees	54	77
	15,626	14,162

3. Research Grants and Contracts

	2009/2010 £000	2008/2009 £000
Research councils	189	101
UK based charities	38	13
UK Government funded	68	52
EU Government funded	140	81
UK Industry	-	60
	435	307

4. Other Operating Income

	2009/2010 £000	2008/2009 £000
Other services rendered:		
UK industry, commerce or public corporation	593	420
UK central government & local authority	1,468	1,665
EU Government bodies	589	1,336
Other overseas	1,086	405
Residence, catering & conferences	2,687	2,885
Other general income:		
Student Union	655	631
Other	373	464
Deferred capital grants released in year (note 21)	31	25
	<hr/> 7,482	<hr/> 7,831

5. Endowment Income and Interest Receivable

	2009/2010 £000	2008/2009 £000
Interest on specific endowments (note 22)	6	8
Interest on short term deposits	317	602
Total	<hr/> 323	<hr/> 610

6. Staff

	2009/2010 £000	2008/2009 £000
Staff Costs:		
Wages and salaries	24,428	23,704
Social security costs	1,787	1,762
Other pension costs (note 32)	3,301	3,436
	<hr/> 29,516	<hr/> 28,902
Restructuring costs	90	29
	<hr/> 29,606	<hr/> 28,931

6. Staff (continued)

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

	2009/2010 £000	2008/2009 £000
Salary	162	150
Benefits in kind	1	1
	<hr/> 163	<hr/> 151
Pension contributions	23	21
Total emoluments	<hr/> 186	<hr/> 172

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:

	2009/2010 Number	2008/2009 Number
£100,000 - £109,999	3	3
£110,000 - £119,999	<hr/> 2	<hr/> 1
£120,000 - £129,999	<hr/> -	<hr/> 1
£150,000 - £159,999	<hr/> -	<hr/> -
£170,000 - £179,999	<hr/> -	<hr/> 1
£180,000 - £189,999	<hr/> 1	<hr/> -

NOTES TO THE FINANCIAL STATEMENTS Continued...**7. Other Operating Expenses**

	2009/2010	2008/2009
	£000	£000
Academic departments	3,992	4,714
Research grants and contracts	153	69
Academic services	847	818
Premises including long-term maintenance	2,268	2,362
Residences, catering and conferences	527	680
Administration & central services	2,388	2,369
Bursaries	995	821
Telephone, fax, postage and courier	242	235
Auditors' remuneration:		
Audit of university	23	22
Audit of subsidiaries	4	4
Non audit services - external	2	8
Bad & doubtful debts	36	598
Loss on disposal of fixed assets	0	6
Equipment operating lease rentals	34	47
Staff and student facilities:		
Students Union costs	604	563
Careers, medical and welfare services	157	139
Sports hall (excluding maintenance)	77	73
City Centre Campus non-capital expenditure	107	152
	<hr/>	<hr/>
	12,456	13,680
	<hr/>	<hr/>

8. Interest Payable

	2009/2010	2008/2009
	£000	£000
Bank loans	241	246
Interest element of pension cost (note 32)	1,044	783
Interest element of early retirement provision (note 32)	203	202
	<hr/>	<hr/>
	1,488	1,231
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS Continued...

9. Analysis of 2009/2010 Expenditure by Activity

	Staff Costs £000	Dep'n & Amort'n £000	Operating Expenses £000	Other Interest Payable £000	Total £000
Academic departments	17,955	393	4,145	0	22,493
Academic services	1,935	298	847	0	3,080
Residences, catering and conferences	1,069	305	527	0	1,901
Premises and long-term maintenance	2,005	1,693	2,268	241	6,207
Administration, central and student services	6,412	109	4,669	0	11,190
FRS 17 interest	0	0	0	1,247	1,247
FRS 17 service cost adjustment	140	0	0	0	140
Restructuring costs	90	0	0	0	90
Total expenditure	29,606	2,798	12,456	1,488	46,348

The depreciation charge has been funded by:

Deferred capital grants released (note 21)	736
Revaluation reserve released (note 23)	524
General income	1,538
	<u>2,798</u>

10. Taxation

	2009/2010 £000	2008/2009 £000
UK Corporation Tax at 20%	-	-

11. Surplus

	2009/2010 £000	2008/2009 £000
University's surplus for the year	1,527	553
Deficit generated by subsidiary undertakings	(63)	(274)
Total	<u>1,464</u>	<u>279</u>

12. Tangible Assets

CONSOLIDATED

	Land and Buildings Freehold £000	Assets in the Course of Construction £000	Equipment Fixtures and Fittings £000	Total £000
Valuation/Cost				
At 1 August 2009				
Valuation	29,777	-	-	29,777
Cost	16,280	12,484	10,232	38,996
Additions at cost	916	20,794	1,220	22,930
Disposals	-	-	(284)	(284)
At 31 July 2010				
Valuation	29,777	-	-	29,777
Cost	17,196	33,278	11,168	61,642
	46,973	33,278	11,168	91,419
Depreciation				
At 1 August 2009				
	13,188	-	8,013	21,201
Charge for year	1,758	-	1,040	2,798
Eliminated on disposal	-	-	(284)	(284)
At 31 July 2010				
	14,946	-	8,769	23,715
Net Book Value				
At 31 July 2010				
	32,027	33,278	2,399	67,704
At 31 July 2009				
	32,869	12,484	2,219	47,572
Funding Sources:				
Inherited assets	14,055	-	-	14,055
Financed by capital grants	2,507	-	1,088	3,595
Other	15,465	33,278	1,349	50,092
Net Book Value at 31 July 2010				
	32,027	33,278	2,437	67,742

12. Tangible Assets (continued)

UNIVERSITY

	Land and Buildings Freehold £000	Assets in the Course of Construction £000	Equipment Fixtures and Fittings £000	Total £000
Valuation/Cost				
At 1 August 2009				
Valuation	29,777	-	-	29,777
Cost	16,280	12,484	10,002	38,766
Additions at cost	916	20,794	1,220	22,930
Disposals	-	-	(284)	(284)
At 31 July 2010				
Valuation	29,777	-	-	29,777
Cost	17,196	33,278	10,938	61,412
	46,973	33,278	10,938	91,189
Depreciation				
At 1 August 2009	13,188	-	7,822	21,010
Charge for year	1,758	-	1,027	2,785
Eliminated on disposal	-	-	(284)	(284)
At 31 July 2010	14,946	-	8,565	23,511
Net Book Value				
At 31 July 2010	32,027	33,278	2,373	67,678
At 31 July 2009	32,869	12,484	2,180	47,533
Funding Sources:				
Inherited assets	14,055	-	-	14,055
Financed by capital grants	2,507	-	1,050	3,557
Other	15,465	33,278	1,323	50,066
Net Book Value at 31 July 2010	32,027	33,278	2,373	67,678

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 £179k of capitalised interest (2009 £113k). The total amount of capitalised interest at 31 July amounted to £328k (2009 £149k).

13. Investments

£000

University investments in subsidiary companies:

At 1 August 2009 and 31 July 2010

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

14. Endowment Asset investments

Consolidated
And University

	2010 £000	2009 £000
Balance at 1 August	293	279
Additional funds received	14	19
Appreciation of endowment asset investments	20	3
Prizes and bursaries awarded	(26)	(16)
Income	6	8
Balance at 31 July	307	293
Represented by:	2010 £000	2009 £000
UK Government Bonds	17	16
UK Bond Funds	83	74
UK Equities	87	24
North American Equities	17	-
European Equities	5	-
Pacific ex Japan Equities	13	-
Emerging Market Equities	8	6
Property	6	-
Cash	71	173
Total	307	293

15. Stocks

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Bar and catering	27	28	19	22
Shops	30	35	4	4
	57	63	23	26

16. Debtors

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts falling due within one year:				
Trade debtors	772	976	696	870
Amounts owed by subsidiary undertakings	-	-	6	272
Other debtors	26	71	8	3
Prepayments and accrued income	942	884	929	857
	1,740	1,931	1,639	2,002

17. Creditors: amounts falling due within one year

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank Overdraft	-	88	-	88
Bank Loans	127	83	127	83
Payments in advance from Funding Councils	1,425	1,766	1,425	1,766
Other payments in advance	288	27	288	27
Trade creditors	903	1,331	886	1,315
Amounts owed to subsidiary undertakings	-	-	304	1
Other creditors	207	242	207	242
Social security and other taxation payable	653	665	651	663
Accruals and deferred income	5,481	5,002	4,988	4,859
	9,084	9,204	8,876	9,044

18. Creditors: amounts falling due after more than one year

	<u>Consolidated</u>		<u>University</u>	
	2010 £000	2009 £000	2010 £000	2009 £000
Analysis of loans payable after more than one year:				
Bank loans	33,596	16,143	33,596	16,143

19. Borrowings

	<u>Consolidated</u>		<u>University</u>	
	2010 £000	2009 £000	2010 £000	2009 £000
Total loans are repayable as follows:				
In one year or less	127	83	127	83
Between one and two years	268	127	268	127
Between two and five years	1,017	932	1,017	932
In five years or more	32,311	15,084	32,311	15,084
Total	33,723	16,226	33,723	16,226

The bank loans relate to:

- (i) an unsecured 30 year loan for £5 million with Lloyds TSB with a fixed interest rate of 4.95%, payable in quarterly instalments commencing on 1 February 2007.
- (ii) £15 million has been drawn down from an unsecured £15 million revolving credit facility with Lloyds TSB arranged in 2006 which has a variable rate of base rate + 0.22% and no repayments due until 2010. A further unsecured £14 million has been drawn down on a revolving credit facility with Lloyds TSB was arranged in 2008 which has a variable rate of LIBOR + 0.22% and no repayments due until 2011. Two fixed interest rate arrangements have been entered into with Lloyds TSB. The first provides a fixed rate of interest of 4.995% in respect of £4 million of the £30 million total loan facilities that have been arranged, commencing on 3 August 2010 and amortising over 33 years, with Lloyds TSB having the option on 3 August 2012 to revert to a variable rate. The second provides a fixed rate of interest of 5% in respect of £15 million of the £30 million total loan facilities that have been arranged, commencing on 3 August 2011 and amortising over 32 years.

20. Provisions for liabilities and charges

	<u>Consolidated and University</u>
	Restructuring £000
At 1 August 2009	45
Payments from provision in year	(18)
Net charge to the income and expenditure account	57
Utilised during the year	(27)
At 31 July 2010	<u>57</u>

21. Deferred Capital Grants

	<u>Consolidated and University</u>				
	<u>Funding Council</u>		<u>Other</u>		<u>Total</u>
	Minor Works £000	Equipment £000	Minor Works £000	Equipment £000	£000
At 1 August 2009	2,544	731	3	71	3,349
Received in year	307	579	-	59	945
Released to income:					
Depreciation	(349)	(357)	-	(31)	(737)
At 31 July 2010	2,502	953	3	99	3,557

22. Endowments

	<u>Consolidated and University</u>
	£000
At 1 August 2009	293
Additional funds received	14
Appreciation of endowment asset investments	20
Prizes and bursaries awarded	(26)
Interest on endowment accounts (note 5)	6
At 31 July 2010	307
Representing:	
Specific prize and bursary funds	307

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

23. Revaluation Reserve

	<u>Consolidated and University</u>
	Inherited Assets £000
At 1 August 2009	15,818
Movement during the year:	
Depreciation transferred to revenue reserve (note 25)	(524)
At 31 July 2010	15,294

24. Capital Reserve

	<u>Consolidated</u>
	£000
Capital reserve arising on consolidation of Students Union	
At 1 August 2009 and 31 July 2010	<u>37</u>

25. Revenue Reserve

	<u>Consolidated</u>	<u>University</u>
	£000	£000
At 1 August 2009	2,463	2,499
Movements during the year:		
Surplus for the year	1,464	1,527
Transfer from endowments	20	20
Actuarial gain in respect of pension scheme	1,805	1,805
Depreciation transferred from revaluation reserve (note 23)	524	524
At 31 July 2010	<u>6,276</u>	<u>6,375</u>

26. Lease and hire purchase commitments

	<u>Consolidated</u>		<u>University</u>	
	2010	2009	2010	2009
	£000	£000	£000	£000
Operating leases				
Annual operating lease commitments in respect of equipment, on leases expiring:				
Within one year	-	14	-	14
Between one and two years	26	-	26	-
Between two and five years	8	33	8	33
	<u>34</u>	<u>47</u>	<u>34</u>	<u>47</u>

27. Capital commitments

	<u>Consolidated</u>		<u>University</u>	
	2010 £000	2009 £000	2010 £000	2009 £000
Commitments contracted	2,488	22,900	2,488	22,900
Authorised but not contracted	5,114	6,045	5,114	6,045
	7,602	28,945	7,602	28,945

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

	2009/2010 £000	2008/2009 £000
Continuing operations:		
Surplus before tax	1,464	279
Depreciation (note 12)	2,798	2,656
Loss on disposal of tangible fixed assets	-	6
Deferred capital grants released to income (note 21)	(737)	(698)
Interest payable	1,488	1,231
Interest receivable	(323)	(602)
Decrease/ (increase) in stocks	6	(4)
Decrease in debtors	200	595
Increase/ (decrease) in creditors and accruals	(65)	855
Increase/ (decrease) in provisions	12	(31)
Pension contributions (in excess of)/ less than charge	(85)	259
Net cash inflow from continuing operating activities	4,758	4,546

29. Analysis of cash flows for headings netted in cash flow statement

	2009/2010 £000	2008/2009 £000
Returns on investment & servicing of finance		
Income from endowments	20	3
Interest received	314	953
Interest paid	(252)	(256)
Net cash inflow from returns on investment and servicing of finance	82	700

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

Capital expenditure & financial investment	2009/2010 £000	2008/2009 £000
Payments to acquire tangible fixed assets	(22,930)	(11,075)
Receipts from sale of tangible fixed assets	-	15
Deferred capital grants received	945	1,052
Net cash outflow from capital expenditure & financial investment	(21,985)	(10,008)
Management of liquid resources		
Cash placed on short term deposit	227	(2,672)
Additional endowment funds received	(26)	(18)
Purchase of fixed interest securities for endowments	(96)	(116)
Endowment prizes given	14	21
Interest on endowment funds	6	8
Net cash outflow from management of liquid resources	125	(2,777)
Financing		
Bank loan taken out	17,580	7,909
Repayments made on bank loan	(83)	(80)
Net cash inflow from financing	17,497	7,829

30. Analysis of changes in net funds/ (debt)

	At 1 Aug 2009 £000	Cash flows £000	At 31 July 2010 £000
Cash at bank and in hand	359	491	850
Cash held for endowment investments	173	(102)	71
Bank overdraft	(88)	88	-
	444	477	921
Loans within 1 year	(83)	(44)	(127)
Loans after 1 year	(16,143)	(17,453)	(33,596)
Short term investments	17,049	(227)	16,822
	1,267	(17,247)	(15,980)

31. 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.

32. 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, which changed from 14% to 16% on 1 October 2009.

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:

	2009/10	2008/2009
	£'000	£'000
Cost for TPS	1,416	1,308
Cost for USS	76	49
Cost for GGPF	1,809	2,079
	3,301	3,436

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%

32. 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 2007 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:

	2009/10	2008/2009
Rate of RPI inflation	3.3%	3.7%
Rate of CPI inflation	2.8%	3.2%
Rate of increase in salaries	4.8%	5.2%
Rate of increase in pensions	2.8%	3.7%
Discount rate	5.5%	6.3%
Life Expectancy:		
- male future pensioner aged 65 in 20 years time	22.2	22.2
- female future pensioner aged 65 in 20 years time	25.0	25.0
- male current pensioner aged 65	21.2	21.2
- female current pensioner aged 65	24.1	24.0

The expected rate of return, the assets and scheme valuation as at 31 July 2010 are:

	Long term rate of return expected at 31 July 2010	Value at 31 July 2010	Long term rate of return expected at 31 July 2009	Value at 31 July 2009
	%	£'000	%	£'000
Equities	7.5	21,286	7.5	16,343
Government Bonds	4.2	2,408	4.5	2,184
Other Bonds	5.1	2,298	5.8	1,919
Property	6.5	657	6.5	287
Cash/ liquidity	0.5	684	0.5	1,325
Other	0.1	27	0.0	-
Total market value of assets		<u>27,360</u>		<u>22,058</u>
Present value of scheme liabilities		<u>(43,424)</u>		<u>(38,640)</u>
Deficit in the scheme		<u>(16,064)</u>		<u>(16,582)</u>
Early retirement liability		<u>(3,208)</u>		<u>(3,333)</u>
Total Deficit		<u><u>(19,272)</u></u>		<u><u>(19,915)</u></u>

NOTES TO THE FINANCIAL STATEMENTS Continued...

32. Pension schemes (continued)

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

	2009/2010	2009/2010 Early Retirement	2008/2009	2008/2009 Early Retirement
	£'000	£'000	£'000	£'000
Analysis of amounts charged to the income and expenditure account:				
Operating - Current service cost	1,805	-	2,085	-
- Past service gain/ (cost)	-	4	-	(6)
	1,805	4	2,085	(6)
Finance - Expected return on assets	1,444	-	1,538	-
- Interest on pension liabilities	(2,488)	(203)	(2,321)	(202)
	(1,044)	(203)	(783)	(202)

The total contributions expected to be made to the scheme by the University in the year to 31 July 2011 is £1,667k.

	2009/2010	2009/2010 Early Retirement	2008/2009	2008/2009 Early Retirement
	£'000	£'000	£'000	£'000
Change in benefit obligation in the University's share of the scheme deficit during the year:				
Benefit obligation at 1 August	(38,640)	(3,333)	(38,254)	(3,539)
Movement in the year - Current service cost	(1,805)	-	(2,085)	-
- Past service (gain)/ cost	-	(4)	-	6
- Interest on pension liabilities	(2,488)	(203)	(2,321)	(202)
- Member contributions	(694)	-	(665)	-
- Actuarial gain - change from RPI to CPI	3,009	183	-	-
- Actuarial (loss)/ gain	(3,617)	(76)	4,098	194
- Benefits/ transfers paid	811	225	587	208
Benefit obligation at 31 July	(43,424)	(3,208)	(38,640)	(3,333)

	2009/2010	2009/2010 Early Retirement	2008/2009	2008/2009 Early Retirement
	£'000	£'000	£'000	£'000
Change in plan assets in the University's share of the scheme deficit during the year:				
Fair value of assets at 1 August	22,058	-	21,980	-
Movement in the year - Expected return on assets	1,444	-	1,538	-
- Actuarial gain/ (loss)	2,306	-	(3,150)	-
- Employer Contributions	1,669	-	1,612	-
- Member contributions	694	-	665	-
- Benefits/ transfers paid	(811)	-	(587)	-
Fair value of assets at 31 July	27,360	-	22,058	-

The employer's contributions for the Greater Gwent (Torfaen) Pension Fund are 15.8% (2009 15.8%).

32. 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:

	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
	£000's	£000's	£000's	£000's	£000's
Fair value of assets	27,360	22,058	21,980	23,577	19,640
Present value of liabilities (including early retirements)	(46,632)	(41,973)	(41,793)	(34,819)	(31,495)
Deficit	(19,272)	(19,915)	(19,813)	(11,242)	(11,855)

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

	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
	£000's	£000's	£000's	£000's	£000's
Experience gain/ (loss) on assets	2,306	(3,150)	(4,115)	1,433	1,397
Experience losses on liabilities	-	-	(162)	-	(734)
Change in assumptions	(501)	4,292	(3,497)	(277)	(1,110)
Total actuarial gain/(loss) recognised	1,805	1,142	(7,774)	1,156	(447)

33. 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 £103k (2009 £164k) 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.

34. Hardship/ Mature Student Bursary fund

	2009/10	2008/2009
	£	£
Income		
Funding Council grant	485,965	463,149
Interest	779	1,836
Miscellaneous income	17	-
	<hr/>	<hr/>
	486,761	464,985
Expenditure		
Grants	355,016	388,568
Art Foundation Bursaries	46,376	86,732
Tuition fees	53,480	-
Admin fee	14,579	15,694
Repayment to Funding Council	-	19,213
Bank charges	58	222
	<hr/>	<hr/>
	469,509	510,429
	<hr/>	<hr/>
Balance unspent at 1 August	31,838	77,282
Balance unspent at 31 July	49,090	31,838
	<hr/>	<hr/>

Teacher Training funds

	2009/10	2008/2009
	£	£
Income		
Funding Council grant	508,350	654,175
Expenditure		
Distributed to students	508,350	654,175
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 16-19.