

**University of Wales,
Newport Financial
Statements for the year
ended 31 July 2007**

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REPORT OF THE BOARD OF GOVERNORS

1. Scope of Financial Statements

These Financial Statements cover the activities of the University of Wales, Newport ('the University') and its subsidiary undertakings for the year ended 31 July 2007. The University has three trading subsidiary companies which are detailed in note 15 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 results of the Allt-yr-yn and Caerleon Environmental Association (ACEA) have also been consolidated into the Group results due to the control exercised over this unincorporated association.

2. Board of Governors

During the year ended 31 July 2007, the following have served as members of the University Board of Governors:

Mr A Wilkinson (Chairman)
Mr M Knight (Deputy Chairman)
Professor J R Lusty (Vice-Chancellor until November 2006)
Dr P Noyes (Vice-Chancellor from November 2006)
Ms S Burton
Ms N Channon (appointed April 2007)
Mrs P E Davies
Mr R Flatman
Ms C Freeman (SU representative)
Mr S Howell
Mr E Jones (tenure ended July 2007)
Sir H Jones
Mr G Keighley
Mr K Perkins (tenure ended July 2007)
Professor P S J Spencer (retired June 2007)
Mrs H Taylor
The Rt Rev. D Walker

3. Results for the year

The University's Consolidated Income and Expenditure Account for the year ended 31 July 2007 is summarised as follows:

	2006/07	2005/06
	£000	£000
Income	39,279	35,894
Expenditure	38,801	35,830
Surplus	478	64
Transfer from Reserves	526	526
Historical Cost Surplus	1,004	590

The University produced an operating surplus of £0.5 million, and a historical cost surplus of £1 million. This was an acceptable result which fell within the University's target historical cost surplus range of between 1% and 3% of income, and it was arrived at after covering higher than expected FRS 17 pension costs of £0.75 million and writing-off £0.8 million of pre construction costs associated with our city centre campus project. The planning for the financial year was assisted by the award of £1.9 million of HEFCW's Supplementary Income Stream (SIS) grant, a one-off grant to compensate for Welsh HEIs not being able to charge variable tuition fees during 2006/07. The outturn result was better than forecast, with most of the improvement coming from the non-salary categories through a mixture of underspends and substitution of capital expenditure for revenue expenditure. The University also benefited from a very generous donation to our endowment funds from Mrs Helen Kegie. The income from the endowment will be used to provide financial assistance for students.

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• Financial Position

The University's net asset position increased by £2 million. Fixed assets increased slightly during the year, with £3 million of additions to equipment and minor works being offset by £2.4 million of depreciation. Delays in the processing of claims for income relating to project based work led to debtors rising faster than income, but that aside the recovery of income due to the University improved compared to previous year. At the start of the year our short term deposits were replenished as planned, by drawing down a new long term loan from Lloyds TSB, and remained above £10 million for most of the year enabling the University to take advantage of favourable market conditions and boost its interest receivable income, as interest rates rose through the year. The interest rate for the new long term loan was fixed at 4.95% for thirty years from the start of November 2006.

• Student Recruitment

The number of full-time equivalent students enrolled during 2006/07 by the University increased again, with increases in most categories apart from part-time numbers

4. Pension costs

The University's salary costs include employers' pension costs to the Greater Gwent (Torfaen) Pension Fund of £1.47 million compared to only £0.72 million in the previous year. This is because the previous year benefited from a one-off past service gain of £0.5 million, and other factors have led to an underlying increase of £0.25 million. Pension costs are explained in detail in note 34. The disclosures in this note are in accordance with Financial Reporting Standard 17. For the Greater Gwent (Torfaen) Pension Fund, the estimated net liabilities have fallen by nearly £0.8 million in the past twelve months. The fall was due to an actuarial gain of £1.36 million, offset by the difference between

contributions and current service cost. To deal with these liabilities the University's contributions to the scheme increased as planned on 1 April 2007 from 13.3% to 13.6%, and they will increase again on 1 April 2008 when they will be set at 13.9%. Despite these contribution increases, it is not yet clear whether they will be sufficient to deal with the increase in pension liabilities that will arise from the national pay award agreement and the pay framework agreement, both of which increase salary costs by more than the rate of inflation. The issue of dealing with higher final-salary pension costs is one which faces the whole higher education sector, but the reporting is distorted by the different accounting treatment permitted by FRS 17 for different multi-employer schemes. The University will continue to plan to cover the additional costs arising from FRS 17 calculations.

5. Capital Expenditure

During the year, the University incurred £2.1 million on additions to buildings, most of which related to completing the new Kegie Building at the Caerleon campus. Pre-construction work continued for our city centre campus project, and by the year end the University was well on the way to completing the design process to Stage D as part of the preparation of a planning application. As planning consent was not in place at the year end, the expenditure to date was written-off as an exceptional item rather than capitalised as an asset in the course of construction. The programme of improvements to the estate in accordance with the disability audit continued, together with other minor works aimed at improving the student experience. £0.9 million was incurred on equipment and fittings and implementing our new carbon management strategy.

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6. Cash Flows

Net cash inflow from continuing operating activities was £2.2 million, up from £0.5 million the previous year. Debtors and prepayments increased by £0.4 million, while creditors due within one year increased by £0.1 million. Short-term deposit balances increased by £5.4 million, mainly due to replenishment of the balances by drawing down a £5 million long term loan at the start of the year, as referred to earlier. After allowing for capital expenditure of £3 million offset by grants and investment returns of £1.2 million, net cash balances increased by £0.1 million. Taking cash, deposits and loans together gives the University's net funds, and these increased by £0.68 million to £6.35 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.

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, 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.

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. Conclusion

The University's net assets and net funds have both grown, and a healthy surplus has been achieved despite increased pension costs and writing-off pre-construction expenditure linked to our estates strategy and our vision of a new campus in the centre of Newport.

Mr A Wilkinson
Chairman

CORPORATE GOVERNANCE

The Board of Governors welcomes the report of the Committee on the Financial Aspects of Corporate Governance (“the Cadbury Committee”), and the Cadbury Committee’s Code of Best Practice. Whilst the University, being a corporation formed by Act of Parliament with charitable status, does not fall within the regulation of the London Stock Exchange, the Board of Governors is satisfied that the University and the Group has complied throughout the year with the provisions of the Code, other than those relating to directors’ service contracts and stock options which cannot be applied to Universities.

• 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 Finance, Employment Policy and General

Purposes Committee, a Remuneration Committee and an Audit 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 Finance, Employment Policy and General Purposes Committee, inter alia, recommends to the Board of Governors, the University’s annual budgets and monitors performance in relation to the approved budgets.

The Remuneration Committee determines the annual remuneration of senior staff.

The Audit 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. 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.

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

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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 2007 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 Committee receives regular reports on risk management.

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 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 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 ('the financial statements') of the University of Wales, Newport for the year ended 31 July 2007 which comprise the Consolidated Income and Expenditure Account, the 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) and in accordance with the accounting policies set out in the Statement of Accounting Policies.

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 United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) is set out in the Statement of the responsibilities of the Board of Governors.

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 and the Statement of Recommended Practice - Accounting for Further and Higher Education. We also report to you whether in our opinion, in all material respects, monies expended out of Higher Education Funding Council for Wales grants and other funds from whatever sources administered by the Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation and whether in our opinion, in all material respects, income has been applied in accordance with the financial memorandum with the Higher Education Funding Council for Wales. We also report to you if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, 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. The other information comprises only the Report of the Board of Governors and the statement on Corporate Governance.

We also review the statement of internal control included as part of the statement on Corporate Governance and comment if the statement is

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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 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 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 affairs of the institution and the group at 31 July 2007, and of the surplus of income over expenditure and cashflows of the group for the year then ended, and have been properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education, and with United Kingdom Generally Accepted Accounting Practice;
- ii. in all material respects, monies expended out of Higher Education Funding Council for Wales grants and other funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation;
- iii. in all material respects, income has been applied in accordance with the institution's Statutes and where appropriate in accordance with the financial memorandum with the Higher Education Funding Council for Wales.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff
13 December 2007

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.

1.1 BASIS OF ACCOUNTING

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

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements consolidate the financial statements of the University, all of its subsidiary companies, Allt-yr-yn and Caerleon Environmental Association (ACEA) and the Students Union for the financial year ended 31 July 2007. Uniform accounting policies are adopted throughout the Group.

The results of ACEA and the Students Union are consolidated into the University Group due to the level of control exercised.

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.

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 fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the asset.

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

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accounted for as a defined contribution scheme with the contributions accruing being charged to staff costs during the year.

4. INTANGIBLE ASSETS

4.1 Goodwill

Goodwill arising on consolidation, which represents the difference between purchase consideration and the fair value of net assets acquired, is stated at cost less amortisation. Amortisation is calculated to write off the cost of goodwill, on a straight line basis, over its estimated useful life of 10 years.

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

5. TANGIBLE FIXED ASSETS

5.1 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.

5.2 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.

5.3 Equipment

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 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.

5.4 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.

5.5 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.

6. 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.

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7. 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.

8. INVESTMENTS

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

Short-term investments are included in the balance sheet at the lower of their original cost and net realisable value.

9. STOCKS

Stocks are valued at the lower of cost and net realisable value.

10. 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.

11. 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.

12. 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.

13. LEASES

Operating lease payments are charged to the Income and Expenditure Account in the year in which they are incurred.

Fixed assets, held under finance leases or similar financing arrangements, and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Consolidated income and expenditure account For the year ended 31 July 2007

	Notes	2006/2007 £000	2005/2006 £000
Continuing Operations			
Income			
Funding council grants	1	22,988	21,622
Tuition fees and education contracts	2	6,906	6,235
Research grants and contracts	3	338	356
Other operating income	4	8,494	7,287
Endowment income and interest receivable	5	553	394
Total income		39,279	35,894
Expenditure			
Staff costs	6	23,259	22,318
Other operating expenses	7	11,735	10,800
Exceptional pre-construction costs	8	791	113
Depreciation and amortisation	13 & 14	2,490	2,288
Interest payable	9	526	311
Total expenditure	10	38,801	35,830
Surplus after depreciation of assets at valuation and before taxation		478	64
Taxation	11	-	-
Surplus after depreciation of assets at valuation and taxation		478	64
Transfer to accumulated income within endowments	24	(11)	(1)
Surplus for the year retained within reserves	27	467	63

Consolidated statement of historical cost surpluses For the year ended 31 July 2007

	Notes	2006/2007 £000	2005/2006 £000
Surplus after depreciation of assets at valuation and taxation		478	64
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	25	526	526
Historical cost surplus after taxation		1,004	590

**Statement of consolidated total recognised gains and losses
For the year ended 31 July 2007**

	2006/2007	2005/2006
	£000	£000
Surplus for the year after taxation	478	64
Additional endowment funds received	170	-
Actuarial gain/(loss) for the year on pension scheme	1,156	(447)
Total recognised gains/ (losses) relating to the year	1,804	(383)

Reconciliation

Opening reserves and endowments	22,534	22,917
Total recognised gains/ (losses) for the year	1,804	(383)
Closing reserves and endowments	24,338	22,534

Balance sheets as at 31 July 2007

	Notes	Consolidated		University	
		2007 £000	2006 £000	2007 £000	2006 £000
Fixed Assets					
Intangible Assets	13	-	75	-	-
Tangible assets	14	36,144	35,664	36,080	35,586
Investments	15	-	-	200	356
		36,144	35,739	36,280	35,942
Endowment Asset Investments	16	267	86	267	86
Current Assets					
Stocks	17	49	46	25	19
Debtors	18	2,803	2,308	2,749	2,175
Short term investments		10,819	5,370	10,819	5,370
Cash at bank and in hand		286	302	3	2
		13,957	8,026	13,596	7,566
Creditors: amounts falling due within one year	19	(6,841)	(6,633)	(6,868)	(6,533)
Net current assets		7,116	1,393	6,728	1,033
Total assets less current liabilities		43,527	37,218	43,275	37,061
Creditors: amounts falling due after more than one year	20	(4,886)	-	(4,886)	-
Provisions for liabilities and charges	22	(41)	-	(41)	-
NET ASSETS excluding pension liability		38,600	37,218	39,348	37,061
Pension Liability	34	(11,242)	(11,855)	(11,242)	(11,855)
NET ASSETS		27,358	25,363	27,106	25,206
Deferred capital grants	23	3,020	2,829	3,020	2,829
Endowments	24	267	86	267	86
Reserves					
Revenue reserve excluding pension liability		18,410	16,874	18,195	16,754
Pension liability	34	(11,242)	(11,855)	(11,242)	(11,855)
Revenue reserve including pension liability	27	7,168	5,019	6,953	4,899
Revaluation reserve	25	16,866	17,392	16,866	17,392
Capital reserve	26	37	37	-	-
Total reserves		24,071	22,448	23,819	22,291
TOTAL FUNDS		27,358	25,363	27,106	25,206

The financial statements on pages 10 to 35 were approved by the Board of Governors on 13 December 2007 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 2007

	Notes	2006/07 £000	2005/06 £000
Net cash inflow from continuing operating activities	30	2,232	519
Returns on investments and servicing of finance	31	425	394
Capital expenditure and financial investment	31	(2,157)	(5,409)
Acquisitions	31	-	(85)
		500	(4,581)
Management of liquid resources	31	(5,268)	4,711
Financing	31	4,962	-
Increase in cash in the year		194	130

Reconciliation of net cash flow to movement in net funds

	Notes	2006/2007 £000	2005/2006 £000
Increase in cash in the year		194	130
Cash placed on/ (withdrawn from) short term deposit		5,449	(4,710)
Loans taken out		(5,000)	-
Loans repaid		38	-
Change in net funds		681	(4,580)
Net funds at 1 August	32	5,667	10,247
Net funds at 31 July	32	6,348	5,667

NOTES TO THE FINANCIAL STATEMENTS**1. Funding Council Grants**

	2006/2007 £000	2005/2006 £000
Higher Education Funding Council for Wales		
Recurrent grant – teaching	17,984	17,389
Recurrent grant – research	451	427
Specific grants	3,541	2,879
Further Education Funding Council for Wales		
Recurrent grant	415	376
Deferred capital grants released in year in respect of:		
Minor works (note 23)	240	200
Equipment (note 23)	357	351
	22,988	21,622

2. Tuition Fees and Education Contracts

	2006/2007 £000	2005/2006 £000
Higher Education:		
UK full-time	3,708	3,392
UK part-time	1,681	1,556
European Union (EU) students (excluding UK)	151	126
Non-EU students	1,233	1,008
Other:		
Short course fees	133	153
	6,906	6,235

3. Research Grants and Contracts

	2006/2007 £000	2005/2006 £000
Research councils	13	43
UK based charities	22	13
UK Government funded	284	248
EU Government funded	-	35
UK Industry	19	17
	338	356

NOTES TO THE FINANCIAL STATEMENTS Continued...**4. Other Operating Income**

	2006/2007 £000	2005/2006 £000
Other services rendered:		
UK industry, commerce or public corporation	449	358
UK central government & local authority	2,001	1,490
Other UK sources	2	93
EU Government bodies	2,526	1,741
Other overseas	316	332
Residence, catering & conferences	2,255	2,287
Other general income:		
Student Union	551	537
Other	384	441
Deferred capital grants released in year (note 23)	10	8
	<hr/> 8,494	<hr/> 7,287

5. Endowment Income and Interest Receivable

	2006/2007 £000	2005/2006 £000
Interest on specific endowments (note 24)	13	3
Interest on short term deposits	540	391
Total	<hr/> 553	<hr/> 394

6. Staff

	2006/2007 £000	2005/2006 £000
Staff Costs:		
Wages and salaries	19,248	18,621
Social security costs	1,424	1,358
Other pension costs	2,528	2,266
	<hr/> 23,200	<hr/> 22,245
Exceptional FRS17 pension past service gain (note 34)	-	(497)
Restructuring costs	59	570
	<hr/> 23,259	<hr/> 22,318

NOTES TO THE FINANCIAL STATEMENTS Continued...**6. Staff (continued)**

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

	2006/07 £000	2005/06 £000
Current Vice-Chancellor		
Salary	70	-
Benefits in kind	1	-
	71	-
Pension contributions	10	-
Total emoluments	81	-
Previous Vice-Chancellor		
Salary	121	157
Benefits in kind	-	1
	121	158
Pension contributions	9	21
Total emoluments	130	179

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 £70,000 were as follows:

	2006/2007 Number	2005/2006 Number
£70,000 - £79,999	2	2
£80,000 - £89,999	2	1
£90,000 - £99,999	-	2
£100,000 - £109,999	1	-
£110,000 - £119,999	-	1
£130,000 - £139,999	2	-
£170,000 - £179,999	-	1

NOTES TO THE FINANCIAL STATEMENTS Continued...**6. Staff (continued)**

Average full-time equivalent staff numbers (including higher paid staff) by major category:

	2006/2007 Number	2005/2006 Number
Academic departments	347	333
Research grants & contracts	9	9
Academic services	63	59
Residences and catering	24	23
Premises	76	83
Administration, central and student services	137	128
	656	635

7. Other Operating Expenses

	2006/2007 £000	2005/2006 £000
Academic departments	5,122	4,520
Research grants and contracts	206	178
Academic services	750	802
Premises including long-term maintenance	1,935	1,847
Residences, catering and conferences	552	481
Administration & central services	1,931	1,731
Telephone, fax, postage and courier	206	234
Auditors' remuneration:		
Audit of university	19	18
Audit of subsidiaries	5	5
Non audit services - external	13	14
Bad & doubtful debts	222	339
Equipment operating lease rentals	49	39
Preparation of Allt-yr-yn Campus planning application	139	-
Loss on disposal of fixed assets	60	1
Staff and student facilities:		
Students Union costs	432	455
Careers, medical and welfare services	23	66
Sports hall (excluding maintenance)	71	70
	11,735	10,800

8. Exceptional Item

The exceptional item relates to expenditure on the proposed City Centre Campus site. In line with previous years, these pre-construction fees have been written off as planning permission has not yet been granted.

NOTES TO THE FINANCIAL STATEMENTS Continued...**9. Interest Payable**

	2006/2007 £000	2005/2006 £000
Bank loans	123	-
Interest element of pension cost (note 34)	252	164
Interest element of early retirement provision (note 34)	151	147
	<hr/> 526	<hr/> 311

10. Analysis of 2006/2007 Expenditure by Activity

	Staff Costs £000	Dep'n & Amort'n £000	Operating Expenses £000	Other Interest Payable £000	Total £000
Academic departments	13,819	425	5,253	-	19,497
Academic services	1,692	396	750	-	2,838
Residences, catering and conferences	784	199	552	-	1,535
Premises and long-term maintenance	1,812	1,345	1,935	123	5,215
Administration, central and student services	4,751	125	4,036	-	8,912
FRS 17 interest	-	-	-	403	403
FRS 17 service cost adjustment	342	-	-	-	342
Restructuring costs	59	-	-	-	59
Total expenditure	<hr/> 23,259	<hr/> 2,490	<hr/> 12,526	<hr/> 526	<hr/> 38,801

The depreciation charge has been funded by:

Deferred capital grants released (note 23)	607
Revaluation reserve released (note 25)	526
General income	1,357
	<hr/> 2,490

11. Taxation

	2006/2007 £000	2005/2006 £000
UK Corporation Tax at 20%	<hr/> -	<hr/> -

12. Surplus/ (Deficit)

	2006/2007 £000	2005/2006 £000
University's surplus for the year	372	135
Consolidation adjustments	80	-
Surplus/(Deficit) generated by subsidiary undertakings	15	(71)
Total	<hr/> 467	<hr/> 64

NOTES TO THE FINANCIAL STATEMENTS Continued...**13. Intangible Assets - Goodwill**

	<u>Consolidated</u> £000	<u>University</u> £000
At 1 August 2006	75	-
Write down of goodwill	(75)	-
At 31 July 2007	-	-

14. 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 2006				
Valuation	29,853	-	-	29,853
Cost	7,823	4,251	9,327	21,401
Additions at cost	2,087	-	868	2,955
Transfer to Land & Buildings	4,251	(4,251)	-	-
Disposals	(76)	-	(124)	(200)
At 31 July 2007				
Valuation	29,777	-	-	29,777
Cost	14,161	-	10,071	24,232
Depreciation				
At 1 August 2006	8,497	-	7,093	15,590
Charge for year	1,468	-	947	2,415
Eliminated on disposal	(20)	-	(120)	(140)
At 31 July 2007	9,945	-	7,920	17,865
Net Book Value				
At 31 July 2007	33,993	-	2,151	36,144
At 31 July 2006	29,179	4,251	2,234	35,664
Funding Sources:				
Inherited assets	15,530	-	-	15,530
Financed by capital grants	2,358	-	662	3,020
Other	16,105	-	1,489	17,594
Net Book Value at 31 July 2007	33,993	-	2,151	36,144

NOTES TO THE FINANCIAL STATEMENTS Continued...**14. 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 2006				
Valuation	29,853	-	-	29,853
Cost	7,823	4,251	9,049	21,123
Additions at cost	2,087	-	863	2,950
Transfer from the Dyscovery Centre Ltd under gift aid	-	-	15	15
Transfer to Land & Buildings	4,251	(4,251)	-	-
Disposals	(76)	-	(91)	(167)
At 31 July 2007				
Valuation	29,777	-	-	29,777
Cost	14,161	-	9,836	23,997
Depreciation				
At 1 August 2006				
	8,497	-	6,893	15,390
Transfer from the Dyscovery Centre Ltd under gift aid	-	-	11	11
Charge for year	1,468	-	932	2,400
Eliminated on disposal	(20)	-	(87)	(107)
At 31 July 2007				
	9,945	-	7,749	17,694
Net Book Value				
At 31 July 2007				
	33,993	-	2,087	36,080
At 31 July 2006				
	29,179	4,251	2,156	35,586
Funding Sources:				
Inherited assets	15,530	-	-	15,530
Financed by capital grants	2,358	-	662	3,020
Other	16,105	-	1,425	17,530
Net Book Value at 31 July 2007				
	33,993	-	2,087	36,080

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 surveyors service.

Included within additions to freehold land and buildings is £107k of capitalised interest (2006 £nil)

NOTES TO THE FINANCIAL STATEMENTS Continued...**15. Investments**

	Cost £000	Amortisation £000	Net Book Value £000
University investments in subsidiary companies:			
At 1 August	356	-	356
Write down of Dyscovery Centre Ltd	-	(156)	(156)
At 31 July	356	(156)	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
Centurion Consultants Limited	Professional business services	2	100%	England & Wales
Dyscovery Centre Limited	Assessment & Treatment services Re: Living & Learning Difficulties	8	100%	England & Wales

16. Endowment Asset investments

	Consolidated And University	
	2007 £000	2006 £000
Balance at 1 August	86	85
Additional funds received	170	-
Prizes awarded	(2)	(2)
Interest on endowment accounts	13	3
Balance at 31 July	267	86

The investments are held in fixed interest securities £1,000 (2005/2006 £1,000) and cash £266,000 (2005/2006 £85,000)

NOTES TO THE FINANCIAL STATEMENTS Continued...**17. Stocks**

	<u>Consolidated</u>		<u>University</u>	
	2007 £000	2006 £000	2007 £000	2006 £000
Bar and catering	24	24	19	19
Shops	25	22	6	-
	49	46	25	19

18. Debtors

	<u>Consolidated</u>		<u>University</u>	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts falling due within one year:				
Trade debtors	961	1,263	850	983
Amounts owed by subsidiary undertakings	-	-	184	229
Other debtors	64	46	1	-
Prepayments and accrued income	1,778	999	1,714	963
	2,803	2,308	2,749	2,175

19. Creditors: amounts falling due within one year

	<u>Consolidated</u>		<u>University</u>	
	2007 £000	2006 £000	2007 £000	2006 £000
Bank Overdraft	61	90	61	90
Bank Loans	76	-	76	-
Payments in advance from Funding Councils	1,663	1,272	1,663	1,272
Other payments in advance	120	341	120	341
Trade creditors	2,204	941	2,193	933
Amounts owed to subsidiary undertakings	-	-	61	47
Other creditors	236	297	236	297
Social security and other taxation payable	555	576	553	570
Accruals and deferred income	1,926	3,116	1,905	2,983
	6,841	6,633	6,868	6,533

NOTES TO THE FINANCIAL STATEMENTS Continued...**20. Creditors: amounts falling due after more than one year**

	<u>Consolidated</u>		<u>University</u>	
	2007 £000	2006 £000	2007 £000	2006 £000
Analysis of loans payable after more than one year:				
Bank loans	4,886	-	4,886	-

21. Borrowings

Total loans are repayable as follows:

In one year or less	76	-	76	-
Between one and two years	81	-	81	-
Between two and five years	266	-	266	-
In five years or more	4,539	-	4,539	-
Total	4,962	-	4,962	-

The bank loan relates to an unsecured 30 year loan with Lloyds TSB with a fixed interest rate of 4.95%.

22. Provisions for liabilities and charges

	<u>Consolidated and University</u>	
	<u>Restructuring</u>	
	<u>£000</u>	
At 1 August 2006		-
Increase in provision in year		41
At 31 July 2007		41

NOTES TO THE FINANCIAL STATEMENTS Continued...**23. Deferred Capital Grants**

	<u>Consolidated and University</u>				Total £000
	Funding Council		Other		
	Minor Works £000	Equipment £000	Minor Works £000	Equipment £000	
At 1 August 2006	2,043	757	-	29	2,829
Received in year	548	236	6	8	798
Released to income:					
Depreciation	(240)	(357)	(1)	(9)	(607)
At 31 July 2007	2,351	636	5	28	3,020

24. Endowments

	<u>Consolidated and University</u>
	£000
At 1 August 2006	86
Additional funds received	170
Prizes awarded	(2)
Interest on endowment accounts (note 5)	13
At 31 July 2007	267
Representing:	
Specific prize and bursary funds	267

25. Revaluation Reserve

	<u>Consolidated and University</u>
	Inherited Assets £000
At 1 August 2006	17,392
Movement during the year:	
Depreciation transferred to revenue reserve (note 27)	(526)
At 31 July 2007	16,866

NOTES TO THE FINANCIAL STATEMENTS Continued...**26. Capital Reserve**

Capital reserve arising on consolidation of Students Union	£000
At 1 August 2006 and 31 July 2007	<u>37</u>

27. Revenue Reserve

	<u>Consolidated</u>	<u>University</u>
	£000	£000
At 1 August 2006	5,019	4,899
Movements during the year:		
Surplus for the year	467	372
Actuarial gain for the year in respect of pension scheme	1,156	1,156
Depreciation transferred from revaluation reserve (note 25)	526	526
At 31 July 2007	<u>7,168</u>	<u>6,953</u>

28. Lease and hire purchase commitments

	<u>Consolidated</u>		<u>University</u>	
	2007	2006	2007	2006
	£000	£000	£000	£000
Operating leases				
Annual operating lease commitments in respect of equipment, on leases expiring:				
Within one year	29	23	29	23
Between one and two years	-	16	-	16
Between two and five years	35	-	20	-
	<u>64</u>	<u>39</u>	<u>49</u>	<u>39</u>

29. Capital commitments

	<u>Consolidated</u>		<u>University</u>	
	2007	2006	2007	2006
	£000	£000	£000	£000
Commitments contracted	127	590	127	590
Authorised but not contracted	1,591	1,840	1,591	1,840
	<u>1,718</u>	<u>2,430</u>	<u>1,718</u>	<u>2,430</u>

NOTES TO THE FINANCIAL STATEMENTS Continued...**30. Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	2006/2007 £000	2005/2006 £000
Continuing operations:		
Surplus before tax	478	64
Depreciation (note 14)	2,415	2,280
Write off of goodwill (note 13)	75	8
Loss on disposal of tangible fixed assets	60	1
Deferred capital grants released to income (note 23)	(607)	(559)
Interest payable	526	311
Interest receivable	(553)	(394)
(Increase)/ decrease in stocks	(3)	2
Increase in debtors	(441)	(381)
Increase/ (decrease) in creditors and accruals	101	(289)
Increase/ (decrease) in provisions	41	(50)
Pension contributions in excess of charge	140	(474)
Net cash inflow from continuing operating activities	2,232	519

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

	2006/2007 £000	2005/2006 £000
Returns on investment & servicing of finance		
Interest received	486	394
Interest paid	(61)	-
Net cash inflow from returns on investment and servicing of finance	425	394
Capital expenditure & financial investment		
Payments to acquire tangible fixed assets	(2,955)	(6,496)
Deferred capital grants received	798	1,087
Net cash outflow from capital expenditure & financial investment	(2,157)	(5,409)
Acquisition		
Purchase of subsidiary undertaking	-	(155)
Cash acquired with subsidiary	-	70
Net cash outflow from acquisition	-	(85)

NOTES TO THE FINANCIAL STATEMENTS Continued...**31. Analysis of cash flows for headings netted in cash flow statement (continued)****Management of liquid resources**

Cash (placed on)/ withdrawn from short term deposit	(5,449)	4,710
Additional endowment funds received	170	-
Endowment prizes given	(2)	(2)
Interest on endowment funds	13	3
	<hr/>	<hr/>
Net cash (outflow)/ inflow from management of liquid resources	(5,268)	4,711
	<hr/>	<hr/>

Financing

Bank loan taken out	5,000	-
Repayments made on bank loan	(38)	-
	<hr/>	<hr/>
Net cash inflow from financing	4,962	-
	<hr/>	<hr/>

32. Analysis of changes in net funds

	At 1 Aug 2006	Cash flows	At 31 July 2007
	£000	£000	£000
Cash at bank and in hand	302	(16)	286
Cash held for endowment investments	85	181	266
Bank overdraft	(90)	29	(61)
	<hr/>	<hr/>	<hr/>
	297	194	491
Loans within 1 year	-	(76)	(76)
Loans after 1 year	-	(4,886)	(4,886)
Short term investments	5,370	5,449	10,819
	<hr/>	<hr/>	<hr/>
	5,667	681	6,348
	<hr/>	<hr/>	<hr/>

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.

NOTES TO THE FINANCIAL STATEMENTS Continued...**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 14%.

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:

	2006/2007	2005/2006
	£'000	£'000
Cost for TPS	1,036	1,038
Cost for USS	20	14
Cost for GGPF	1,472	717
	2,528	1,769
	2,528	1,769

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 2005
Investment return per annum	6.5%	4.5%
Salary scale increases per annum	4.5%	3.9%
Pension increases per annum	-	2.9%
Market value of assets at date of last valuation	£163,240M	£21,740M
Deficit of assets at date of last valuation	£3,260M	£6,568M
Proportion of members' accrued benefits covered by the actuarial valuation of the assets	98%	77%

NOTES TO THE FINANCIAL STATEMENTS Continued...**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 2004 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:

	2006/2007	2005/2006	2004/2005
Rate of inflation	3.2%	3.0%	2.7%
Rate of increase in salaries	4.7%	4.5%	4.2%
Rate of increase in pensions	3.2%	3.0%	2.7%
Discount rate	5.8%	5.1%	5.0%

The expected rate of return, the assets and scheme valuation as at 31 July 2007 are:

	Long term rate of return expected at 31 July 2007 %	Value at 31 July 2007 £'000	Long term rate of return expected at 31 July 2006 %	Value at 31 July 2006 £'000	Long term rate of return expected at 31 July 2005 %	Value at 31 July 2005 £'000
Equities	7.5	18,885	7.0	15,495	7.5	12,834
Government Bonds	4.9	1,556	4.4	1,316	4.4	1,130
Other Bonds	5.8	1,580	5.1	1,316	5.0	1,146
Property	6.5	401	6.0	177	6.5	164
Other	5.75	1,155	4.5	1,336	4.75	1,097
Total market value of assets		<u>23,577</u>		<u>19,640</u>		<u>16,371</u>
Present value of scheme liabilities		(31,611)		(28,445)		(24,902)
Deficit in the scheme		<u>(8,034)</u>		<u>(8,805)</u>		<u>(8,531)</u>

The unfunded liabilities in respect of additional benefits that arise as a result of early retirements have been properly excluded from the above. These are separately analysed below.

NOTES TO THE FINANCIAL STATEMENTS Continued...**34. Pension schemes (continued)**

The amounts recognised in the University's consolidated financial statements as at 31 July 2007 are as follows:

	2006/2007	2006/2007 Early Retirement	2005/2006	2005/2006 Early Retirement
	£'000	£'000	£'000	£'000
Analysis of amounts charged to the income and expenditure account:				
Operating - Current service cost	1,433	-	1,214	-
- Past service cost/ (gain)	39	-	(497)	-
	1,472	-	717	-
Finance - Expected return on assets	1,239	-	1,106	-
- Interest on pension liabilities	(1,491)	(151)	(1,270)	(147)
	(252)	(151)	(164)	(147)
Analysis of amount recognised in the statement of total recognised gains and losses:				
Actual less expected return on assets	1,433	-	1,397	-
Experience loss on liabilities	-	-	(734)	-
Change in assumptions	(68)	(209)	(1,052)	(58)
Total actuarial gain/ (loss) recognised	1,365	(209)	(389)	(58)
Total movement in the University's share of the scheme deficit during the year:				
Deficit on the scheme at 1 August	(8,805)	(3,050)	(8,531)	(3,041)
Movement in the year - Current service cost	(1,433)	-	(1,214)	-
- Net finance expense	(252)	(151)	(164)	(147)
- Past service (loss)/ gain	(39)	-	497	-
- Contributions	1,130	202	996	196
- Actuarial gain/ (loss)	1,365	(209)	(389)	(58)
Deficit on the scheme at 31 July	(8,034)	(3,208)	(8,805)	(3,050)

The full actuarial valuation of the GGPF at 31 March 2004 showed a deficit of £522.5M. It was agreed with the trustees that contributions would be increased from 210% to 232% of employees contributions, being 12.6% to 13.9% of pensionable salary. This would be staged over a four-year period starting with 12.9% from 1 April 2005; 13.3% from 1 April 2006; 13.6% from 1 April 2007; then 13.9% from 1 April 2008.

NOTES TO THE FINANCIAL STATEMENTS Continued...**34. Pension schemes (continued)**

Amounts recognised in the statement of total recognised gains and losses:		2006/2007	2005/2006
Actual less expected return on assets	- Amount	£1,433k	£1,397k
	- Percentage of scheme assets	6.1%	7.1%
Experience gain on losses on liabilities	- Amount	-	(£734k)
	- Percentage of scheme liabilities	0.0%	(2.6%)
Total	- Amount	£1,156	(£447k)
	- Percentage of scheme assets	4.9%	(2.3%)

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. No transactions were identified which should be disclosed under Financial Reporting Standard 8 – Related Party Disclosures.

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

NOTES TO THE FINANCIAL STATEMENTS Continued...**36. Hardship/ Mature Student Bursary fund**

	2006/2007	2005/2006
	£	£
Income		
Funding Council grant	442,617	458,300
Repayment of loans	-	80
Interest	4,166	2,647
Miscellaneous income	500	1,620
	<hr/> 447,283	<hr/> 462,647
Expenditure		
Grants	381,069	461,731
Loans	-	430
Tuition fees	8,562	667
Admin fee	17,444	8,300
Bank charges	214	282
	<hr/> 407,289	<hr/> 471,410
Balance unspent at 1 August	<hr/> 1,626	<hr/> 10,389
Balance unspent at 31 July	<hr/> 41,620	<hr/> 1,626

Teacher Training funds

	2006/2007	2005/2006
	£	£
Income		
Funding Council grant	776,050	792,450
Expenditure		
Distributed to students	776,050	792,450
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 the NatWest 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 13-16.