

University of Wales, Newport

Financial Statements for the year ended 31 July 2009

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OPERATING AND FINANCIAL REVIEW

1. The University of Wales, Newport

The University of Wales, Newport is an exempt 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. 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 2009, 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
Mr O Evans
Mr R Flatman
Sir H Jones
Mr G Keighley
Mr R Lawson
Dr N Lewis
Mr G Moore
Ms H Mortlock (appointed October 2008)
Mr K Perkins
Mrs G Sheddick
Mrs H Taylor OBE
The Rt Rev. D Walker

2. Financial performance in 2008/09

These Financial Statements cover the activities of the University of Wales, Newport ('the University') and its subsidiary undertakings for the year

ended 31 July 2009. 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 2009 can be summarised as follows:

	2008/09	2007/08
	£000	£000
Income	46,769	42,746
Expenditure	46,487	42,154
Operating Surplus	282	592
Historical Cost Surplus	806	1,116

The University produced an operating surplus of £0.3 million, and a historical cost surplus of £0.8 million. This was an acceptable result continuing the trend of meeting the University's target historical cost surplus range of between 1% and 3% of income. It was arrived at after covering FRS 17 pension costs of £1.4 million (previous year £1.0 million) and the effects of a 5% pay award, the final stage of a two-year national pay award which was linked to the September 2008 RPI.

Total HEFCW grant income increased by 7% in 2008/09, but the underlying teaching grant only increased by 2%. There was a further increase in tuition fee income, partly arising from the ability to charge "top-up" fees to full time students from the UK and elsewhere in the EU (in the previous year they were only chargeable to students in the first and second year of their courses), and partly from

the growth in the number of overseas students. Research income held steady, but the underlying mix changed, with an increase in the income from Research Councils. This derived from Newport's share of a £1 million "New Dynamics of Ageing" award to consider the potential for a new generation of monitoring and responsive devices that address the design requirements of an active ageing generation.

Other operating income fell as a number of European grants came to an end, offset in part by an increase in our conference income areas. Investment income fell by 15% even though short-term investment balances increased by nearly 20%, but this was a creditable performance against the backdrop of interest rates at record low levels, and the turmoil in global financial markets that characterised the first half of the year.

• Financial Position

The University's net asset position improved by £1.8 million after allowing for a £0.1 million increase in the pension deficit as calculated under FRS 17. The net book value of fixed assets increased by £8.4 million during the year, attributable to the City Centre Campus project, where construction commenced mid-way through the Financial Year. The work was financed by drawing down a long term loan from Lloyds TSB from a facility agreed for the project in 2006.

At the end of the year, approximately 30% of the University's long-term loans had fixed interest rates, and 70% were variable and linked to the Bank of England base rate. The proportions changed during the year as drawdowns were made from the variable-rate loan facility with Lloyds TSB as referred to above. Throughout the year, there were large reductions in base rate which caused a decrease in

interest receivable income, despite an increase in short-term investments.

• Key Performance Indicators

During the year the University continued to develop key performance indicators (KPIs) aligned to its strategies. In Financial terms, the University's current ratio increased during the year from 2.06 to 2.11 (KPI: current ratio greater than 1), and its historical cost surplus equated to 1.72% (KPI: historical cost surplus between 1% and 3%). Net assets grew again, outweighing a small increase in the pension deficit (KPI: Net assets to exceed previous year value). Income from sources other than the funding council (HEFCW) increased during 2008/09 (KPI: income from non-HEFCW sources to exceed previous year value), but this was again distorted by the introduction of "top-up" fees. Apart from conferences, income from other sources fell slightly, in particular EU grant income.

3. Student Recruitment

There was mixed news regarding the number of students enrolled during 2008/09, with a small net decrease in the total number of enrolled students. Reductions in the number of students enrolled on our distance learning courses and on courses delivered at the premises of partner colleges under franchise arrangements in the UK and overseas were partly offset by an increase in full time numbers. Enrolment on to the small number of further education courses reduced slightly. The number of students recruited from state schools increased again from 99.2% to 99.5%, and the percentage of our undergraduate students in receipt of disabled students allowance (DSA) fell from 8.1% to 6.9%. During the year the University increased the amount spent on bursaries to students from £0.6 million to £0.8 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 to the Greater Gwent (Torfaen) Pension Fund of £2.1 million compared to £1.9 million in the previous year.

For the Greater Gwent (Torfaen) Pension Fund, the net liabilities calculated under FRS17 have increased by £0.3 million in the past twelve months representing a very modest increase in the scheme deficit attributable to the University. An actuarial loss for the scheme assets (£3.2 million) offset the beneficial effect of the higher discount rate to calculate the present value of estimated future payments. As reported last year, the University's contributions to the scheme increased significantly on 1 April 2008 from 13.6% to 15.8%, (compared to the planned increase to 13.9% which was superseded following the triennial valuation exercise).

5. Capital Expenditure

During the year, the University incurred £10.0 million on additions to buildings, of which £9.1 million was for our city campus project, and £0.9 million was for other improvements to the estate. £1.0 million was incurred on equipment and fittings and implementing our carbon management strategy. At the year end date the University had £28.9 million in capital expenditure commitments (£22.9 million contracted plus a further £6.0 million authorised but not contracted) to complete the city campus project.

6. Cash Flows

Net cash inflow from continuing operating activities was £4.5 million, the same as the previous year. Debtors and prepayments decreased by £0.5 million, while creditors due within one year increased by £0.8 million. Short-term deposit balances increased by £2.67 million, and £7.9 million was drawn down from a long term loan to finance the city campus construction. After allowing for capital expenditure of £11 million offset by grants and investment returns of £1.3 million, net cash balances decreased by £0.1 million. Taking cash, deposits and loans together gives the University's net funds, and these decreased by £5.3 million to £0.8 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

The University is committed to promoting diversity and ensuring equality of opportunity for all staff, students and visitors. Initiatives such as diversity committees, the Promoting Abilities Network and involvement in the Women's University Mentoring Scheme have continued to take forward the Equality and Diversity agenda, both strategically and at operational levels within academic schools and corporate departments. As required by current legislation, the University has developed schemes and action plans for three specific areas of equality i.e. gender, race and disability. However the

University is also considering wider issues such as age, sexual orientation and religion or belief within its equality action plans, monitoring and reporting procedures. This approach will prepare the University for the introduction of new broader equality legislation planned for the next year.

Over the last year the Race, Disability and Gender policies have been combined into a single Equality and Diversity policy and issues relating to age, sexual orientation and religion or belief have also been considered. This policy will be further supported by the introduction of a single Equality action plan for the whole institution, following a trial of this format at school and departmental level. Adopting one action plan for all of the equality and diversity strands, linked to the Strategic Plan, enables the University to take a cohesive approach to the equality agenda and to ensure that all progress on actions is easy to monitor.

Training is also considered a vital means of ensuring that all University staff have an awareness of the Equality and Diversity agenda and its importance to academic and support functions alike. Equality and Diversity concepts are embedded throughout courses offered to University staff and specific diversity and cultural awareness course are included in the induction programme for all new members of staff.

9. Employee Involvement

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

During the year the University gained 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 University continues to seek to grow, and is actively working to develop its collaborative arrangements with many stakeholders. The regeneration and economic prosperity of Newport and its hinterland in south-east Wales are seen as crucial to the future success of the University. Working with employers, government and other higher education institutions the University is seeking to maximise the public benefit it provides to society through innovative teaching and learning, research and enterprise. The 2009/10 financial year will see the start of the University of the Heads of the Valleys Initiative (UHOVI), an important collaborative venture with the University of Glamorgan and partners from the Further Education sector. 2009/10 will also mark the first year of the 'QWEST' Project, a £5 million European-funded collaborative project, aimed at helping disadvantaged citizens to enter Higher Education and employment. Both of these major projects exemplify the public benefit that the University creates through its work in South East Wales. By the end of 2009/10, the city campus construction will be substantially complete, and the University will not be complacent in managing the capital project risks to ensure delivery remains on time and within budget. Pressure on salary costs, and the related pension liabilities continues to increase. The Higher Education National Pay Award of 5% that was paid from 1 September

2008 added considerably to the University's cost base, and the resultant cost legacy adds to the sustainability challenges. The continuing trend of costs increasing faster than existing income streams results in a constant search for new sources of income, or lower-cost ways of delivering our services without impairing quality. The increase in national debt that has accumulated during the recession adds to the uncertainty over future levels of income from Government sources. The University will continue to pursue its mission and fulfil its public benefit responsibilities, despite the challenges that lie ahead.

11. Conclusion

The University completed a successful year in 2008/09, having absorbed significant cost increases, weathered the storm in the financial markets and made significant progress with existing and new projects.

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, a Human Resources Committee 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 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 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 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 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 2009 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 a report of the most recent Audit Committee meeting from the Chair of the Audit Committee.

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' of The University of Wales, Newport for the year ended 31 July 2009 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 accounting policies set out therein.

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 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. 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 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 in all material respects for the purposes for which they are received 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 whether, in our opinion, the information given in the Financial Statements is consistent with those financial statements. In addition we report to you if, in our opinion, the institution has not kept adequate accounting records, if the financial statements are not in agreement with the 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 institution's or 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 2009, and of the institution's / group's income and

expenditure, recognised gains and losses and cashflows 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 and the Statement of Recommended Practice - Accounting for Further and Higher Education, and with United Kingdom Generally Accepted Accounting Practice;
- iii. 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; and
- iv. 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

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 and the Students Union for the financial year ended 31 July 2008. 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.

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 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.

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

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 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.

14. 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.

15. 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 2009

	Notes	2008/2009 £000	2007/2008 £000
Continuing Operations			
Income			
Funding council grants	1	23,867	22,267
Tuition fees and education contracts	2	14,162	11,191
Research grants and contracts	3	307	303
Other operating income	4	7,831	8,277
Endowment income and interest receivable	5	602	708
Total income		46,769	42,746
Expenditure			
Staff costs	6	28,931	25,877
Other operating expenses	7	13,669	13,055
Depreciation and amortisation	12	2,656	2,565
Interest payable	8	1,231	657
Total expenditure	9	46,487	42,154
Surplus after depreciation of assets at valuation and before taxation		282	592
Taxation	10	-	-
Surplus after depreciation of assets at valuation and taxation		282	592
Transfer from accumulated income within endowments		5	-
Surplus for the year retained within reserves	25	287	592

Consolidated statement of historical cost surpluses For the year ended 31 July 2009

	Notes	2008/2009 £000	2007/2008 £000
Surplus after depreciation of assets at valuation and taxation		282	592
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 after taxation		806	1,116

**Statement of consolidated total recognised gains and losses
For the year ended 31 July 2009**

	2008/2009	2007/2008
	£000	£000
Surplus for the year after taxation	282	592
Additional endowment funds received	19	12
Actuarial gain/ (loss) for the year on pension scheme	1,142	(7,774)
Total recognised gains/ (losses) relating to the year	1,443	(7,170)

Reconciliation

Opening reserves and endowments	17,168	24,338
Total recognised gains/ (losses) for the year	1,443	(7,170)
Closing reserves and endowments	18,611	17,168

Balance sheets as at 31 July 2009

	Notes	Consolidated		University	
		2009 £000	2008 £000	2009 £000	2008 £000
Fixed Assets					
Tangible assets	12	47,572	39,167	47,533	39,116
Investments	13	-	-	200	200
		47,572	39,167	47,733	39,316
Endowment Asset Investments	14	293	279	293	279
Current Assets					
Stocks	15	63	59	26	31
Debtors	16	2,366	2,877	2,437	2,864
Short term investments		16,614	13,942	16,614	13,942
Cash at bank and in hand		359	409	3	2
		19,402	17,287	19,080	16,839
Creditors: amounts falling due within one year	17	(9,204)	(8,364)	(9,044)	(8,335)
Net current assets		10,198	8,923	10,036	8,504
Total assets less current liabilities		58,063	48,369	58,062	48,099
Creditors: amounts falling due after more than one year	18	(16,143)	(8,317)	(16,143)	(8,317)
Provisions for liabilities and charges	20	(45)	(76)	(45)	(76)
NET ASSETS excluding pension liability		41,875	39,976	41,874	39,706
Pension Liability	32	(19,915)	(19,813)	(19,915)	(19,813)
NET ASSETS		21,960	20,163	21,959	19,893
Deferred capital grants	21	3,349	2,995	3,349	2,995
Endowments	22	293	279	293	279
Reserves					
Revenue reserve excluding pension deficit		22,378	20,323	22,414	20,090
Pension deficit	32	(19,915)	(19,813)	(19,915)	(19,813)
Revenue reserve including pension deficit	25	2,463	510	2,499	277
Revaluation reserve	23	15,818	16,342	15,818	16,342
Capital reserve	24	37	37	-	-
Total reserves		18,318	16,889	18,317	16,619
TOTAL FUNDS		21,960	20,163	21,959	19,893

The financial statements on pages 12 to 36 were approved by the Board of Governors on 10 December 2009 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 2009

	Notes	2008/09 £000	2007/08 £000
Net cash inflow from continuing operating activities	28	4,549	4,588
Returns on investments and servicing of finance	29	262	182
Capital expenditure and financial investment	29	(10,008)	(4,996)
		(5,197)	(226)
Management of liquid resources	29	(2,777)	(3,111)
Financing	29	7,829	3,435
(Decrease)/ increase in cash in the year		(145)	98

Reconciliation of net cash flow to movement in net funds

	Notes	2008/2009 £000	2007/2008 £000
(Decrease)/ increase in cash in the year		(145)	98
Cash placed on short term deposit		2,672	3,123
Loans taken out		(7,909)	(3,511)
Loans repaid		80	76
Change in net funds		(5,302)	(214)
Net funds at 1 August	30	6,134	6,348
Net funds at 31 July	30	832	6,134

NOTES TO THE FINANCIAL STATEMENTS

1. Funding Council Grants

	2008/2009 £000	2007/2008 £000
Higher Education Funding Council for Wales		
Recurrent grant – teaching	18,906	18,514
Recurrent grant – research	474	463
Specific grants	3,400	2,178
Welsh Assembly Government		
Recurrent grant for Further Education	414	507
Deferred capital grants released in year in respect of:		
Minor works (note 21)	318	271
Equipment (note 21)	355	334
	23,867	22,267

2. Tuition Fees and Education Contracts

	2008/2009 £000	2007/2008 £000
Higher Education:		
UK full-time	9,383	7,502
UK part-time	2,105	1,967
European Union (EU) students (excluding UK)	317	338
Non-EU students	2,280	1,282
Other:		
Short course fees	77	102
	14,162	11,191

3. Research Grants and Contracts

	2008/2009 £000	2007/2008 £000
Research councils	101	27
UK based charities	13	-
UK Government funded	52	114
EU Government funded	81	34
UK Industry	60	128
	307	303

4. Other Operating Income

	2008/2009 £000	2007/2008 £000
Other services rendered:		
UK industry, commerce or public corporation	420	422
UK central government & local authority	1,665	2,003
EU Government bodies	1,336	2,276
Other overseas	405	168
Residence, catering & conferences	2,885	2,381
Other general income:		
Student Union	631	597
Other	464	418
Deferred capital grants released in year (note 21)	25	12
	<hr/> 7,831	<hr/> 8,277

5. Endowment Income and Interest Receivable

	2008/2009 £000	2007/2008 £000
Interest on specific endowments (note 22)	13	14
Interest on short term deposits	589	694
Total	<hr/> 602	<hr/> 708

6. Staff

	2008/2009 £000	2007/2008 £000
Staff Costs:		
Wages and salaries	23,704	21,223
Social security costs	1,762	1,505
Other pension costs	3,436	3,073
	<hr/> 28,902	<hr/> 25,801
Restructuring costs	29	76
	<hr/> 28,931	<hr/> 25,877

6. Staff (continued)

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

	2008/2009 £000	2007/08 £000
Salary	150	135
Benefits in kind	1	1
	<hr/>	<hr/>
	151	136
Pension contributions	21	19
	<hr/>	<hr/>
Total emoluments	172	155
	<hr/>	<hr/>

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:

	2008/2009 Number	2007/2008 Number
£100,000 - £109,999	3	1
	<hr/>	<hr/>
£110,000 - £119,999	1	1
	<hr/>	<hr/>
£120,000 - £129,999	1	-
	<hr/>	<hr/>
£150,000 - £159,999	-	1
	<hr/>	<hr/>
£170,000 - £179,999	1	-
	<hr/>	<hr/>

7. Other Operating Expenses

	2008/2009 £000	2007/2008 £000
Academic departments	4,714	5,153
Research grants and contracts	69	80
Academic services	818	1,018
Premises including long-term maintenance	2,362	2,276
Residences, catering and conferences	680	439
Administration & central services	2,374	2,042
Bursaries	805	626
Telephone, fax, postage and courier	235	260
Auditors' remuneration:		
Audit of university	22	21
Audit of subsidiaries	4	4
Non audit services - external	8	11
Bad & doubtful debts	598	212
Loss on disposal of fixed assets	6	-
Equipment operating lease rentals	47	34
Staff and student facilities:		
Students Union costs	563	508
Careers, medical and welfare services	139	92
Sports hall (excluding maintenance)	73	79
City Centre Campus non-capital expenditure	152	200
	13,669	13,055
	13,669	13,055

8. Interest Payable

	2008/2009 £000	2007/2008 £000
Bank loans	246	247
Interest element of pension cost (note 32)	783	230
Interest element of early retirement provision (note 32)	202	180
	1,231	657
	1,231	657

9. Analysis of 2008/2009 Expenditure by Activity

	Staff Costs £000	Dep'n & Amort'n £000	Operating Expenses £000	Other Interest Payable £000	Total £000
Academic departments	17,327	384	4,783	0	22,494
Academic services	2,004	341	818	0	3,163
Residences, catering and conferences	929	251	680	0	1,860
Premises and long-term maintenance	2,024	1,567	2,362	246	6,199
Administration, central and student services	6,151	113	5,026	0	11,290
FRS 17 interest	0	0	0	985	985
FRS 17 service cost adjustment	467	0	0	0	467
Restructuring costs	29	0	0	0	29
Total expenditure	28,931	2,656	13,669	1,231	46,487

The depreciation charge has been funded by:

Deferred capital grants released (note 21)	698
Revaluation reserve released (note 23)	524
General income	1,434
	<u>2,656</u>

10. Taxation

	2008/2009 £000	2007/2008 £000
UK Corporation Tax at 20%	-	-

11. Surplus

	2008/2009 £000	2007/2008 £000
University's surplus for the year	556	574
(Deficit)/ surplus generated by subsidiary undertakings	(274)	18
Total	282	592

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 2008				
Valuation	29,777	-	-	29,777
Cost	15,373	3,355	10,987	29,715
Additions at cost	907	9,129	1,039	11,075
Disposals	-	-	(1,794)	(1,794)
At 31 July 2009				
Valuation	29,777	-	-	29,777
Cost	16,280	12,484	10,232	38,996
	46,057	12,484	10,232	68,773
Depreciation				
At 1 August 2008				
	11,521	-	8,804	20,325
Charge for year	1,667	-	989	2,656
Eliminated on disposal	-	-	(1,780)	(1,780)
At 31 July 2009				
	13,188	-	8,013	21,201
Net Book Value				
At 31 July 2009				
	32,869	12,484	2,219	47,572
At 31 July 2008				
	33,629	3,355	2,183	39,167
Funding Sources:				
Inherited assets	14,546	-	-	14,546
Financed by capital grants	2,549	-	800	3,349
Other	15,774	12,484	1,419	29,677
Net Book Value at 31 July 2009				
	32,869	12,484	2,219	47,572

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 2008				
Valuation	29,777	-	-	29,777
Cost	15,373	3,355	10,758	29,486
Additions at cost	907	9,129	1,038	11,074
Disposals	-	-	(1,794)	(1,794)
At 31 July 2009				
Valuation	29,777	-	-	29,777
Cost	16,280	12,484	10,002	38,766
	46,057	12,484	10,002	68,543
Depreciation				
At 1 August 2008	11,521	-	8,626	20,147
Charge for year	1,667	-	976	2,643
Eliminated on disposal	-	-	(1,780)	(1,780)
At 31 July 2009	13,188	-	7,822	21,010
Net Book Value				
At 31 July 2009	32,869	12,484	2,180	47,533
At 31 July 2008	33,629	3,355	2,132	39,116
Funding Sources:				
Inherited assets	14,546	-	-	14,546
Financed by capital grants	2,549	-	800	3,349
Other	15,774	12,484	1,380	29,638
Net Book Value at 31 July 2009	32,869	12,484	2,180	47,533

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 £113k of capitalised interest (2008 £36k). The total amount of capitalised interest at 31 July amounted to £149k (2008 £36k).

13. Investments

£000

University investments in subsidiary companies:

At 1 August 2008 and 31 July 2009

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**

**2009
£000** **2008
£000**

Balance at 1 August	279	267
Additional funds received	19	12
Appreciation of endowment asset investments	3	-
Prizes awarded	(16)	(14)
Income	8	14
Balance at 31 July	<u>293</u>	<u>279</u>

Represented by:

**2009
£000** **2008
£000**

UK Government Bonds	16	1
UK Bond Funds	74	-
UK Equities	24	-
Emerging Market Equities	6	-
Cash	173	278
Total	<u>293</u>	<u>279</u>

15. Stocks

	<u>Consolidated</u>		<u>University</u>	
	2009 £000	2008 £000	2009 £000	2008 £000
Bar and catering	28	29	22	25
Shops	35	30	4	6
	63	59	26	31

16. Debtors

	<u>Consolidated</u>		<u>University</u>	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts falling due within one year:				
Trade debtors	976	1,003	870	860
Amounts owed by subsidiary undertakings	-	-	272	239
Other debtors	71	54	3	1
Prepayments and accrued income	1,319	1,820	1,292	1,764
	2,366	2,877	2,437	2,864

17. Creditors: amounts falling due within one year

	<u>Consolidated</u>		<u>University</u>	
	2009 £000	2008 £000	2009 £000	2008 £000
Bank Overdraft	88	97	88	97
Bank Loans	83	80	83	80
Payments in advance from Funding Councils	1,766	2,491	1,766	2,491
Other payments in advance	27	58	27	58
Trade creditors	1,331	1,540	1,315	1,533
Amounts owed to subsidiary undertakings	-	-	1	-
Other creditors	242	151	242	151
Social security and other taxation payable	665	798	663	797
Accruals and deferred income	5,002	3,149	4,859	3,128
	9,204	8,364	9,044	8,335

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

	<u>Consolidated</u>		<u>University</u>	
	2009 £000	2008 £000	2009 £000	2008 £000
Analysis of loans payable after more than one year:				
Bank loans	16,143	8,317	16,143	8,317

19. Borrowings

Total loans are repayable as follows:

In one year or less	83	80	83	80
Between one and two years	127	83	127	83
Between two and five years	932	423	932	423
In five years or more	15,084	7,811	15,084	7,811
Total	16,226	8,397	16,226	8,397

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) The University also has two unsecured £15m revolving credit facilities with Lloyds TSB.

£11.4m of the first facility, arranged in 2006, has been drawn down at the balance sheet date. This has a variable rate of Bank of England base rate + 0.22% and no repayments due until 2010. The first £4 million of this facility will be repaid under a fixed interest rate arrangement of 4.995% commencing on 3 August 2010 with Lloyds TSB having the option on 3 August 2012 to revert to a variable rate. The remaining balance is repayable over 33 years. However, the balance is expected to be repaid from the proceeds of grants received and property sales over a shorter timescale.

The second £15 million revolving credit facility with Lloyds TSB was arranged in 2008 and has a variable rate of LIBOR + 0.22% and no repayments due until 2011. This will be repaid under a second fixed interest rate arrangement of 5% commencing on 3 August 2011 and is repayable over 32 years. As at the balance sheet date no amounts have been drawn down from this facility.

20. Provisions for liabilities and charges

	<u>Consolidated and University</u>
	Restructuring £000
At 1 August 2008	76
Payments from provision in year	(36)
Net charge to the income and expenditure account	29
Utilised during the year	(24)
At 31 July 2009	<u>45</u>

21. Deferred Capital Grants

	<u>Consolidated and University</u>				Total
	<u>Funding Council</u>		<u>Other</u>		
	Minor Works £000	Equipment £000	Minor Works £000	Equipment £000	
At 1 August 2008	2,393	570	4	28	2,995
Received in year	469	516	-	67	1,052
Released to income:					
Depreciation	(318)	(355)	(1)	(24)	(698)
At 31 July 2009	2,544	731	3	71	3,349

22. Endowments

	<u>Consolidated and University</u>
	£000
At 1 August 2008	279
Additional funds received	19
Appreciation of endowment asset investments	3
Prizes awarded	(16)
Interest on endowment accounts (note 5)	8
At 31 July 2009	293
Representing:	
Specific prize and bursary funds	293

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 2008	16,342
Movement during the year:	
Depreciation transferred to revenue reserve (note 25)	(524)
At 31 July 2009	15,818

24. Capital Reserve

Capital reserve arising on consolidation of Students Union	£000
At 1 August 2008 and 31 July 2009	<u>37</u>

25. Revenue Reserve

	<u>Consolidated</u>	<u>University</u>
	£000	£000
At 1 August 2008	510	277
Movements during the year:		
Surplus for the year	287	556
Actuarial gain for the year in respect of pension scheme	1,142	1,142
Depreciation transferred from revaluation reserve (note 23)	524	524
At 31 July 2009	<u>2,463</u>	<u>2,499</u>

26. Lease and hire purchase commitments

	<u>Consolidated</u>		<u>University</u>	
	2009	2008	2009	2008
	£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	-	15	-	15
Between two and five years	33	19	33	19
	<u>47</u>	<u>34</u>	<u>47</u>	<u>34</u>

27. Capital commitments

	<u>Consolidated</u>		<u>University</u>	
	2009	2008	2009	2008
	£000	£000	£000	£000
Commitments contracted	22,900	497	22,900	497
Authorised but not contracted	6,045	37,469	6,045	37,469
	<u>28,945</u>	<u>37,966</u>	<u>28,945</u>	<u>37,966</u>

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

	2008/2009 £000	2007/2008 £000
Continuing operations:		
Surplus before tax	282	592
Depreciation (note 12)	2,656	2,565
Loss on disposal of tangible fixed assets	6	-
Deferred capital grants released to income (note 21)	(698)	(617)
Interest payable	1,231	657
Interest receivable	(602)	(708)
Increase in stocks	(4)	(10)
Decrease/ (increase) in debtors	595	225
Increase in creditors and accruals	855	1,462
(Decrease)/ increase in provisions	(31)	35
Pension contributions in excess of charge	259	387
Net cash inflow from continuing operating activities	4,549	4,588

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

	2008/2009 £000	2007/2008 £000
Returns on investment & servicing of finance		
Interest received	518	409
Interest paid	(256)	(227)
Net cash inflow from returns on investment and servicing of finance	262	182
Capital expenditure & financial investment		
Payments to acquire tangible fixed assets	(11,075)	(5,588)
Receipts from sale of tangible fixed assets	15	-
Deferred capital grants received	1,052	592
Net cash outflow from capital expenditure & financial investment	(10,008)	(4,996)

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

	2008/2009 £000	2007/2008 £000
Management of liquid resources		
Cash placed on short term deposit	(2,672)	(3,123)
Additional endowment funds received	(18)	(14)
Purchase of fixed interest securities for endowments	(116)	-
Endowment prizes given	21	12
Interest on endowment funds	8	14
	<hr/>	<hr/>
Net cash outflow from management of liquid resources	(2,777)	(3,111)
	<hr/>	<hr/>
Financing		
Bank loan taken out	7,909	3,511
Repayments made on bank loan	(80)	(76)
	<hr/>	<hr/>
Net cash inflow from financing	7,829	3,435
	<hr/>	<hr/>

30. Analysis of changes in net funds

	At 1 Aug 2008 £000	Cash flows £000	At 31 July 2009 £000
Cash at bank and in hand	409	(50)	359
Cash held for endowment investments	278	(105)	173
Bank overdraft	(98)	10	(88)
	<hr/>	<hr/>	<hr/>
	589	(145)	444
Loans within 1 year	(80)	(3)	(83)
Loans after 1 year	(8,317)	(7,826)	(16,143)
Short term investments	13,942	2,672	16,614
	<hr/>	<hr/>	<hr/>
	6,134	(5,302)	832
	<hr/>	<hr/>	<hr/>

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, currently 14%. This rate will increase 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:

	2008/2009	2007/2008
	£'000	£'000
Cost for TPS	1,308	1,139
Cost for USS	49	27
Cost for GGPF	2,079	1,907
	3,436	3,073

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 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:

	2008/2009	2007/2008
Rate of inflation	3.7%	3.8%
Rate of increase in salaries	5.2%	5.3%
Rate of increase in pensions	3.7%	3.8%
Discount rate	6.3%	5.9%
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	21.1
- female current pensioner aged 65	24.0	24.0

The expected rate of return, the assets and scheme valuation as at 31 July 2009 are:

	Long term rate of return expected at 31 July 2009	Value at 31 July 2009	Long term rate of return expected at 31 July 2008	Value at 31 July 2008
	%	£'000	%	£'000
Equities	7.5	16,343	7.5	17,289
Government Bonds	4.5	2,184	4.8	1,738
Other Bonds	5.8	1,919	5.9	1,672
Property	6.5	287	6.5	308
Other	0.5	1,325	5.0	973
Total market value of assets		<u>22,058</u>		<u>21,980</u>
Present value of scheme liabilities		(38,640)		(38,254)
Deficit in the scheme		<u>(16,582)</u>		<u>(16,274)</u>
Early retirement liability		(3,333)		(3,539)
Total Deficit		<u>(19,915)</u>		<u>(19,813)</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...

32. Pension schemes (continued)

The amounts recognised in the University's consolidated financial statements as at 31 July 2009 are as follows:

	2008/2009	2008/2009 Early Retirement	2007/2008	2007/2008 Early Retirement
	£'000	£'000	£'000	£'000
Analysis of amounts charged to the income and expenditure account:				
Operating - Current service cost	2,085	-	1,484	-
- Past service cost	-	(6)	420	3
	2,085	(6)	1,904	3
Finance - Expected return on assets	1,538	-	1,634	-
- Interest on pension liabilities	(2,321)	(202)	(1,864)	(180)
	(783)	(202)	(230)	(180)

The total contributions expected to be made to the scheme by the University in the year to 31 July 2010 is £1,615k.

	2008/2009	2008/2009 Early Retirement	2007/2008	2007/2008 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	(38,254)	(3,539)	(31,611)	(3,208)
Movement in the year - Current service cost	(2,085)	6	(1,484)	(3)
- Interest on pension liabilities	(2,321)	(202)	(1,864)	(180)
- Member contributions	(665)	-	(546)	-
- Past service cost	-	-	(420)	-
- Actuarial gain/ (loss)	4,098	194	(3,305)	(354)
- Benefits/ transfers paid	587	208	976	206
Benefit obligation at 31 July	(38,640)	(3,333)	(38,254)	(3,539)

	2008/2009	2008/2009 Early Retirement	2007/2008	2007/2008 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	21,980	-	23,577	-
Movement in the year - Expected return on assets	1,538	-	1,634	-
- Actuarial (loss)/ gain	(3,150)	-	(4,115)	-
- Employer Contributions	1,612	-	1,314	-
- Member contributions	665	-	546	-
- Benefits/ transfers paid	(587)	-	(976)	-
Fair value of assets at 31 July	22,058	-	21,980	-

The employers contributions for the Greater Gwent (Torfaen) Pension Fund are 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:

	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005
	£000's	£000's	£000's	£000's	£000's
Fair value of assets	22,058	21,980	23,577	19,640	16,371
Present value of liabilities (including early retirements)	(41,973)	(41,793)	(34,819)	(31,495)	(27,943)
Deficit	(19,915)	(19,813)	(11,242)	(11,855)	(11,572)

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

	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005
	£000's	£000's	£000's	£000's	£000's
Actuarial (loss)/ gain on assets	(3,150)	(4,115)	1,433	1,397	1,962
Experience losses on liabilities	-	(162)	-	(734)	(676)
Change in assumptions	4,292	(3,497)	(277)	(1,110)	(3,915)
Total actuarial gain/(loss) recognised	1,142	(7,774)	1,156	(447)	(2,629)

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

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 £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

	2008/2009	2007/2008
	£	£
Income		
Funding Council grant	463,149	580,698
Interest	1,836	8,363
Miscellaneous income	-	854
	<hr/> 464,985	<hr/> 589,915
Expenditure		
Grants	388,568	527,451
Art Foundation Bursaries	86,732	-
Tuition fees	-	703
Admin fee	15,694	25,784
Repayment to Funding Council	19,213	-
Bank charges	222	315
	<hr/> 510,429	<hr/> 554,253
Balance unspent at 1 August	<hr/> 77,282	<hr/> 41,620
Balance unspent at 31 July	<hr/> 31,838	<hr/> 77,282

Teacher Training funds

	2008/2009	2007/2008
	£	£
Income		
Funding Council grant	654,175	722,150
Expenditure		
Distributed to students	654,175	722,150
Balance unspent at 31 July	<hr/> -	<hr/> -

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