

University of Wales, Newport

Financial Statements for the year ended 31 July 2008

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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. While remaining true to this Community University ethos, the University has increased its recruitment of students from other parts of the UK, and from outside the European Union. During 2007/08 the University sought to effect a culture change in its staff, so that without losing sight of its roots, core values and role as a Community University, it became more able to meet the needs of its students and other stakeholders in a way that befits a fast moving world. Our approach is

summarised by our revised 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 2008, 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 A Cargill (SU representative)
Ms N Channon
Mrs P E Davies
Mr O Evans (appointed May 2008)
Mr R Flatman
Mr S Howell (resigned November 2007)
Sir H Jones
Mr G Keighley
Mr R Lawson (elected October 2007)
Dr N Lewis (Academic Board nominee October 2007)
Mr G Moore (appointed December 2007)
Mr K Perkins (re-elected October 2007)
Mrs G Sheddick (appointed December 2007)
Mrs H Taylor OBE
The Rt Rev. D Walker

2. Financial performance in 2007/08

These Financial Statements cover the activities of the University of Wales, Newport ('the University') and its subsidiary undertakings for the year ended 31 July 2008. The University has one

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trading subsidiary company as detailed in note 14 to the Financial Statements.

As a result of changes made by the Education Act 1994 and the level of control exercised, the results of the Students Union are consolidated into the University's Group results.

The University's Consolidated Income and Expenditure Account for the year ended 31 July 2008 can be summarised as follows:

	2007/08	2006/07
	£000	£000
Income	42,746	39,279
Expenditure	42,154	38,801
Operating Surplus	592	478
Historical Cost Surplus	1,116	1,004

The University produced an operating surplus of £0.6 million, and a historical cost surplus of £1.1 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 higher than expected FRS 17 pension costs of £1 million (previous year £0.75 million) and writing-off a further £0.2 million of pre construction costs associated with our city centre campus project. Total HEFCW grant income fell slightly in 2007/08, mainly because the prior year benefited from £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. This was more than offset by the increase in tuition fee income arising from the ability to charge "top-up" fees to full time students from the UK and elsewhere in the EU in the first and second year of their courses. The additional income from the

fees has been used to provide additional resources in many areas of the University's operations, including financial assistance for students in the form of bursaries and payments from a hardship fund. Although the additional income was a welcome increase, the University benefited less than most other institutions because of its atypical mix of full-time and part-time students, having a much higher proportion of part-time students than the "average" university. After the financial year started, HEFCW announced an additional grant for funding of part-time students arising from the "Graham Review" report that was published in June 2006. The grant had to be spent on additional activity associated with part-time students, and therefore although it enabled the University to undertake work and projects that would otherwise have been unaffordable, it did not provide any financial assistance towards increasing underlying cost pressures such as energy, pensions and the higher education national pay award. In a few areas there were small unplanned income reductions (such as research grants and contracts, and income from overseas franchise operations). In other areas, such as investment income, circumstances favoured the University.

• Financial Position

The University's net asset position deteriorated for the first time in many years as a result of the increase in the pension deficit as calculated under FRS 17. This is discussed more fully further on in this report, but the £8.6 million worsening due to this factor wiped out the net improvement of £1.4 million arising from all other factors. The net book value of fixed assets increased by £3 million during the year, attributable to the City Centre Campus project, where the combination of obtaining planning consent, and signing a Development Agreement with Newport City Council and the Welsh Assembly Government, meant that the detailed design phase

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of the project could proceed, alongside removal of obstructions and preparation of the ground in the chosen site on the banks of the River Usk in the centre of Newport. The work is being financed by drawing down a new long term loan from Lloyds TSB from a facility agreed for the project in 2006. A further loan facility was negotiated and agreed during 2007/08 to cover the costs of dealing with the ground conditions at the site, the eventual payment of the lease premium to acquire a long-leasehold interest in the site when construction is complete, and to provide bridging finance until other funding streams from the business plan are realised. At the end of the year, approximately 60% of the University's long-term loans had fixed interest rates, and 40% were variable and linked to the Bank of England base rate. Throughout the year, the fixed rate of 4.95% was lower than the variable rate, but since the year end the position has reversed due the large reductions in base rate. LIBOR remained above base rate throughout the year, and utilising its treasury management policy which was revised from 1 August 2007, the University increased its interest receivable income.

• Key Performance Indicators

During the year the University continued to develop key performance indicators (KPIs) aligned to its strategies, and took part in a national higher education sector project to develop good practice in this field. The University's current ratio increased during the year from 2.04 to 2.06 (KPI: current ratio greater than 1), and its historical cost surplus equated to 2.65% (KPI: historical cost surplus between 1% and 3%). Net assets fell for the first time due to the large increase in the pension deficit (KPI: Net assets to exceed previous year value). Income from sources other than the funding council (HEFCW) increased during 2007/08 (KPI: income from non-HEFCW sources to exceed previous year value), but this was distorted by the non-recurrence

of the one-off SIS grant, and the introduction of "top-up" fees. Income from other sources fell slightly, in particular EU grant income and overseas franchise income.

3. Student Recruitment

There was mixed news regarding the number of students enrolled during 2007/08, with a small net decrease in the total number of enrolled students. New entrant enrolments on higher education courses taught at Newport increased by 4%, and enrolment on to the small number of further education courses held steady. Using the Higher Education Statistics Agency (HESA) calculations for "full time equivalent" (FTE) numbers, the University recorded a very small increase. There were 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. The number of students recruited from state schools increased from 99.0% to just over 99.1%, and the percentage of our undergraduate students in receipt of disabled students allowance (DSA) rose from 7.9% to 8.1%.

4. Pension costs

Pension costs are set out in detail in note 33, 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 £1.90 million compared to £1.47 million in the previous year. £0.42 million of the cost is attributable to a "past service cost" that has arisen because the provisions of the Local Government Pension Scheme (LGPS) were changed during the year, following the introduction of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations

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2007, together with other supplementary sets of Regulations. The Regulations most significantly introduce a “new look” LGPS with effect from 1 April 2008. In the main, the changes only affect benefits accruing and member contributions from 1 April 2008 onwards, with the result that employers’ current service costs change with effect from that date.

However, the new provisions do give rise to some changes in death benefits in relation to accrued service (for example, the introduction of pensions for cohabiting partners and an increase in the “guarantee” period during which a pension continues after a pensioner’s death). These particular changes give rise to an increase in the value of the accrued liabilities, which comes through as a “past service cost” in the FRS17 figures. The cost varies from employer to employer, but typically it is between 0.5% and 1% of the value of the employer’s FRS17 pension liabilities as at the year end, so Newport’s cost was at the high end of the range. For the Greater Gwent (Torfaen) Pension Fund, the net liabilities calculated under FRS17 have increased by £8.2 million in the past twelve months representing a doubling in the scheme deficit attributable to the University. The increase was due to a combination of increased benefit obligations (£6.6 million) and reduced scheme assets (£1.6 million). Some of the reasons for the increased benefit obligations have already been discussed. Two other significant factors were the changes in life expectancy assumptions for current pensioners aged 65, and the choice of the discount rate to calculate the present value of estimated future payments. Although the discount rate used by the actuary is slightly higher than in the previous year (5.9% up from 5.8%) it is not as high as it could have been under the methods allowed by FRS17. A higher discount rate would have reduced the calculated liability for benefit obligations, but the University has not sought to

substitute a less prudent value in the calculation. To deal with these liabilities 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). As stated in previous years, it is not clear whether the contribution increases 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, which combined to increase salary costs by more than the rate of inflation.

5. Capital Expenditure

During the year, the University incurred £1.2 million on additions to buildings. Projects included the fitting-out of the top floor of the new Kegie Building at the Caerleon campus, and commencing a major refurbishment of one of our lecture theatres. 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. Pre-construction work continued for our city centre campus project, and by the year end the University had all but completed the Stage E detailed design, and commenced Stages F to H. Planning consent was obtained during the year, so design and site enablement works expenditure was capitalised as an asset in the course of construction. £1 million was incurred on equipment and fittings and implementing our carbon management strategy.

6. Cash Flows

Net cash inflow from continuing operating activities was £4.6 million, up from £2.2 million the previous year. Debtors and prepayments increased by £0.1 million, while creditors due within one year increased by £1.5 million. Short-

term deposit balances increased by £3.1 million, by £3.4 million was drawn down from a new long term loan to finance the city centre campus project, as referred to earlier. After allowing for capital expenditure of £5.6 million offset by grants and investment returns of £0.8 million, net cash balances increased by £0.1 million. Taking cash, deposits and loans together gives the University's net funds, and these decreased by £0.2 million to £6.1 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. The Welsh Assembly Government initiative to reduce the time taken to pay small suppliers is supported by the University, and payment terms will be reviewed during 2008/09.

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. 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 its benefit to society through innovative teaching and learning, research and enterprise. The 2008/09 financial year will see the start of two important collaborative ventures with partners from the private sector. The first of these is the opening of the Wales International Study Centre at our Caerleon campus, in partnership with Study Group International. This project will

deliver English language skills to students recruited from all over the world, in preparation for their higher education studies at institutions throughout Wales. The second collaborative project involves the opening of new purpose-built "Opal One" student accommodation in the centre of Newport. The building will be operated by the Opal property group who are specialists in the provision of student accommodation, and it forms part of our city centre campus project. The remainder of the city centre campus project is about to enter the construction phase, and the successful delivery of the University's biggest ever capital project carries risks which have been mitigated wherever possible. The design and build contract will contain a guaranteed maximum price, and its execution will be overseen by external project managers. Future interest rate exposure has been limited through agreements put in place with Lloyds TSB bank. The funding package agreed with Newport City Council and the Welsh Assembly Government under the Development Agreement confers obligations as well as rights, but they will be delivered in the same spirit of partnership as the one that led to their creation. The timing of asset sales will be planned to maximise their contribution. Like all other HEI's Newport faces pressures on its salary costs, and the related pension liabilities, and from time to time, non-salary areas will pose challenges, such as the recent rise in energy costs. Our atypical mix of full-time and part-time students, and the associated atypical age profile of our students make it more difficult to assess the likely impact of demographic changes or student funding changes. The relative under-funding of part-time students continues to be an issue for Newport.

11. Conclusion

The University achieved its target surplus and made significant progress in the delivery of its city centre campus project. The University continues to deliver its mission through the execution of its strategies in partnership with its key stakeholders. It will continue to face challenges and take opportunities as they arise against a background of sound internal control and risk management.

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 effectiveness and efficiency of its operations and

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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 2008 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 2008 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 2008, 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
11 December 2008

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

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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

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 2008

	Notes	2007/2008 £000	2006/2007 £000
Continuing Operations			
Income			
Funding council grants	1	22,267	22,988
Tuition fees and education contracts	2	11,191	6,906
Research grants and contracts	3	303	338
Other operating income	4	8,277	8,494
Endowment income and interest receivable	5	708	553
Total income		42,746	39,279
Expenditure			
Staff costs	6	25,877	23,259
Other operating expenses	7	12,855	11,735
Exceptional pre-construction costs	8	200	791
Depreciation and amortisation	13	2,565	2,490
Interest payable	9	657	526
Total expenditure	10	42,154	38,801
Surplus after depreciation of assets at valuation and before taxation		592	478
Taxation	11	-	-
Surplus after depreciation of assets at valuation and taxation		592	478
Transfer to accumulated income within endowments	23	-	(11)
Surplus for the year retained within reserves	26	592	467

Consolidated statement of historical cost surpluses For the year ended 31 July 2008

	Notes	2007/2008 £000	2006/2007 £000
Surplus after depreciation of assets at valuation and taxation		592	478
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	24	524	526
Historical cost surplus after taxation		1,116	1,004

**Statement of consolidated total recognised gains and losses
For the year ended 31 July 2008**

	2007/2008	2006/2007
	£000	£000
Surplus for the year after taxation	592	478
Additional endowment funds received	12	170
Actuarial (loss)/ gain for the year on pension scheme	(7,774)	1,156
Total recognised (losses)/ gains relating to the year	(7,170)	1,804

Reconciliation

Opening reserves and endowments	24,338	22,534
Total recognised (losses)/ gains for the year	(7,170)	1,804
Closing reserves and endowments	17,168	24,338

Balance sheets as at 31 July 2008

	Notes	Consolidated		University	
		2008 £000	2007 £000	2008 £000	2007 £000
Fixed Assets					
Tangible assets	13	39,167	36,144	39,116	36,080
Investments	14	-	-	200	200
		39,167	36,144	39,316	36,280
Endowment Asset Investments	15	279	267	279	267
Current Assets					
Stocks	16	59	49	31	25
Debtors	17	2,877	2,803	2,864	2,749
Short term investments		13,942	10,819	13,942	10,819
Cash at bank and in hand		409	286	2	3
		17,287	13,957	16,839	13,596
Creditors: amounts falling due within one year	18	(8,364)	(6,841)	(8,335)	(6,868)
Net current assets		8,923	7,116	8,504	6,728
Total assets less current liabilities		48,369	43,527	48,099	43,275
Creditors: amounts falling due after more than one year	19	(8,317)	(4,886)	(8,317)	(4,886)
Provisions for liabilities and charges	21	(76)	(41)	(76)	(41)
NET ASSETS excluding pension liability		39,976	38,600	39,706	39,348
Pension Liability	33	(19,813)	(11,242)	(19,813)	(11,242)
NET ASSETS		20,163	27,358	19,893	27,106
Deferred capital grants	22	2,995	3,020	2,995	3,020
Endowments	23	279	267	279	267
Reserves					
Revenue reserve excluding pension deficit		20,323	18,410	20,090	18,195
Pension deficit	33	(19,813)	(11,242)	(19,813)	(11,242)
Revenue reserve including pension deficit	26	510	7,168	277	6,953
Revaluation reserve	24	16,342	16,866	16,342	16,866
Capital reserve	25	37	37	-	-
Total reserves		16,889	24,071	16,619	23,819
TOTAL FUNDS		20,163	27,358	19,893	27,106

The financial statements on pages 10 to 35 were approved by the Board of Governors on 11 December 2008 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 2008

	Notes	2007/08 £000	2006/07 £000
Net cash inflow from continuing operating activities	29	4,588	2,232
Returns on investments and servicing of finance	30	182	425
Capital expenditure and financial investment	30	(4,996)	(2,157)
		(226)	500
Management of liquid resources	30	(3,111)	(5,268)
Financing	30	3,435	4,962
Increase in cash in the year		98	194

Reconciliation of net cash flow to movement in net funds

	Notes	2007/2008 £000	2006/2007 £000
Increase in cash in the year		98	194
Cash placed on short term deposit		3,123	5,449
Loans taken out		(3,511)	(5,000)
Loans repaid		76	38
Change in net funds		(214)	681
Net funds at 1 August	31	6,348	5,667
Net funds at 31 July	31	6,134	6,348

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

	2007/2008 £000	2006/2007 £000
Higher Education Funding Council for Wales		
Recurrent grant – teaching	18,514	17,984
Recurrent grant – research	463	451
Specific grants	2,178	3,541
Welsh Assembly Government		
Recurrent grant for Further Education	507	415
Deferred capital grants released in year in respect of:		
Minor works (note 22)	271	240
Equipment (note 22)	334	357
	22,267	22,988
	22,267	22,988

2. Tuition Fees and Education Contracts

	2007/2008 £000	2006/2007 £000
Higher Education:		
UK full-time	7,502	3,708
UK part-time	1,967	1,681
European Union (EU) students (excluding UK)	338	151
Non-EU students	1,282	1,233
Other:		
Short course fees	102	133
	11,191	6,906
	11,191	6,906

3. Research Grants and Contracts

	2007/2008 £000	2006/2007 £000
Research councils	27	13
UK based charities	-	22
UK Government funded	114	284
EU Government funded	34	-
UK Industry	128	19
	303	338
	303	338

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

	2007/2008	2006/2007
	£000	£000
Other services rendered:		
UK industry, commerce or public corporation	422	449
UK central government & local authority	2,003	2,001
Other UK sources	-	2
EU Government bodies	2,276	2,526
Other overseas	168	316
Residence, catering & conferences	2,381	2,255
Other general income:		
Student Union	597	551
Other	418	384
Deferred capital grants released in year (note 22)	12	10
	8,277	8,494

5. Endowment Income and Interest Receivable

	2007/2008	2006/2007
	£000	£000
Interest on specific endowments (note 23)	14	13
Interest on short term deposits	694	540
Total	708	553

6. Staff

	2007/2008	2006/2007
	£000	£000
Staff Costs:		
Wages and salaries	21,223	19,248
Social security costs	1,505	1,424
Other pension costs	3,073	2,528
	25,801	23,200
Restructuring costs	76	59
	25,877	23,259

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:

	2007/08 £000	2006/07 £000
Current Vice-Chancellor		
Salary	135	70
Benefits in kind	1	1
	<hr/> 136	<hr/> 71
Pension contributions	19	10
Total emoluments	<hr/> 155	<hr/> 81
Previous Vice-Chancellor		
Salary	-	121
Benefits in kind	-	-
	<hr/> -	<hr/> 121
Pension contributions	-	9
Total emoluments	<hr/> -	<hr/> 130

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:

	2007/2008 Number	2006/2007 Number
£100,000 - £109,999	1	1
£110,000 - £119,999	<hr/> 1	<hr/> -
£130,000 - £139,999	<hr/> -	<hr/> 2
£150,000 - £159,999	<hr/> 1	<hr/> -

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

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

	2007/2008 Number	2006/2007 Number
Academic departments	355	338
Research grants & contracts	5	9
Academic services	62	66
Residences and catering	32	35
Premises	90	94
Administration, central and student services	140	125
	684	667

7. Other Operating Expenses

	2007/2008 £000	2006/2007 £000
Academic departments	5,153	4,956
Research grants and contracts	80	206
Academic services	1,018	750
Premises including long-term maintenance	2,276	1,935
Residences, catering and conferences	439	552
Administration & central services	2,042	1,837
Bursaries	626	260
Telephone, fax, postage and courier	260	206
Auditors' remuneration:		
Audit of university	21	19
Audit of subsidiaries	4	5
Non audit services - external	11	13
Bad & doubtful debts	212	222
Equipment operating lease rentals	34	49
Preparation of Allt-yr-yn Campus planning application	-	139
Loss on disposal of fixed assets	-	60
Staff and student facilities:		
Students Union costs	508	432
Careers, medical and welfare services	92	23
Sports hall (excluding maintenance)	79	71
	12,855	11,735

NOTES TO THE FINANCIAL STATEMENTS Continued...**8. Exceptional Item**

The exceptional item relates to expenditure on the proposed City Centre Campus site. In the previous financial year pre-construction fees were written off as planning permission had not yet been granted at the time. In the current year costs associated with the project that are not directly linked to the design and construction have also been written off.

9. Interest Payable

	2007/2008 £000	2006/2007 £000
Bank loans	247	123
Interest element of pension cost (note 33)	230	252
Interest element of early retirement provision (note 33)	180	151
	657	526

10. Analysis of 2007/2008 Expenditure by Activity

	Staff Costs £000	Dep'n & Amort'n £000	Operating Expenses £000	Other Interest Payable £000	Total £000
Academic departments	15,134	373	5,233	0	20,740
Academic services	1,683	367	1,018	0	3,068
Residences, catering and conferences	898	221	439	0	1,558
Premises and long-term maintenance	2,057	1,473	2,276	247	6,053
Administration, central and student services	5,395	131	4,089	0	9,615
FRS 17 interest	0	0	0	410	410
FRS 17 service cost adjustment	634	0	0	0	634
Restructuring costs	76	0	0	0	76
Total expenditure	25,877	2,565	13,055	657	42,154

The depreciation charge has been funded by:

Deferred capital grants released (note 22)	617
Revaluation reserve released (note 24)	524
General income	1,424
	2,565

11. Taxation

	2007/2008 £000	2006/2007 £000
UK Corporation Tax at 20%	-	-

NOTES TO THE FINANCIAL STATEMENTS Continued...**12. Surplus**

	2007/2008 £000	2006/2007 £000
University's surplus for the year	574	372
Consolidation adjustments	-	80
Surplus generated by subsidiary undertakings	18	15
Total	592	467

13. 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 2007				
Valuation	29,777	-	-	29,777
Cost	14,161	-	10,071	24,232
Additions at cost	1,212	3,355	1,021	5,588
Disposals	-	-	(105)	(105)
At 31 July 2008				
Valuation	29,777	-	-	29,777
Cost	15,373	3,355	10,987	29,715
	45,150	3,355	10,987	59,492
Depreciation				
At 1 August 2007				
	9,945	-	7,920	17,865
Charge for year	1,576	-	989	2,565
Eliminated on disposal	-	-	(105)	(105)
At 31 July 2008				
	11,521	-	8,804	20,325
Net Book Value				
At 31 July 2008				
	33,629	3,355	2,183	39,167
At 31 July 2007				
	33,993	-	2,151	36,144
Funding Sources:				
Inherited assets	15,038	-	-	15,038
Financed by capital grants	2,398	-	597	2,995
Other	16,193	3,355	1,586	21,134
Net Book Value at 31 July 2008				
	33,629	3,355	2,183	39,167

NOTES TO THE FINANCIAL STATEMENTS Continued...**13. 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 2007				
Valuation	29,777	-	-	29,853
Cost	14,161	-	9,836	23,997
Additions at cost	1,212	3,355	1,021	5,588
Disposals	-	-	(99)	(99)
At 31 July 2008				
Valuation	29,777	-	-	29,777
Cost	15,373	3,355	10,758	29,486
	45,150	3,355	10,758	59,263
Depreciation				
At 1 August 2007	9,945	-	7,749	17,694
Charge for year	1,576	-	976	2,552
Eliminated on disposal	-	-	(99)	(99)
At 31 July 2008	11,521	-	8,626	20,147
Net Book Value				
At 31 July 2008	33,629	3,355	2,132	39,116
At 31 July 2007	33,993	-	2,087	36,080
Funding Sources:				
Inherited assets	15,038	-	-	15,038
Financed by capital grants	2,398	-	597	2,995
Other	16,193	3,355	1,535	21,083
Net Book Value at 31 July 2008	33,629	3,355	2,132	39,116

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 assets in the course of construction is £36k of capitalised interest (2007 £107k)

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

	Cost £000	Amortisation £000	Net Book Value £000
University investments in subsidiary companies:			
At 1 August 2007	356	(156)	200
Dissolution of Centurion Consultants Ltd	-	-	-
Dissolution of Discovery Centre Ltd	(156)	156	-
At 31 July 2008	200	-	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

15. Endowment Asset investments

	Consolidated And University	
	2008 £000	2007 £000
Balance at 1 August	267	86
Additional funds received	12	170
Prizes awarded	(14)	(2)
Interest on endowment accounts	14	13
Balance at 31 July	279	267

The investments are held in fixed interest securities £1,000 (2006/2007 £1,000) and cash £278,000 (2006/2007 £266,000)

NOTES TO THE FINANCIAL STATEMENTS Continued...**16. Stocks**

	<u>Consolidated</u>		<u>University</u>	
	2008 £000	2007 £000	2008 £000	2007 £000
Bar and catering	29	24	25	19
Shops	30	25	6	6
	59	49	31	25

17. Debtors

	<u>Consolidated</u>		<u>University</u>	
	2008 £000	2007 £000	2008 £000	2007 £000
Amounts falling due within one year:				
Trade debtors	1,003	961	860	850
Amounts owed by subsidiary undertakings	-	-	239	184
Other debtors	54	64	1	1
Prepayments and accrued income	1,820	1,778	1,764	1,714
	2,877	2,803	2,864	2,749

18. Creditors: amounts falling due within one year

	<u>Consolidated</u>		<u>University</u>	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank Overdraft	97	61	97	61
Bank Loans	80	76	80	76
Payments in advance from Funding Councils	2,491	1,663	2,491	1,663
Other payments in advance	58	120	58	120
Trade creditors	1,540	2,204	1,533	2,193
Amounts owed to subsidiary undertakings	-	-	-	61
Other creditors	151	236	151	236
Social security and other taxation payable	798	555	797	553
Accruals and deferred income	3,149	1,926	3,128	1,905
	8,364	6,841	8,335	6,868

NOTES TO THE FINANCIAL STATEMENTS Continued...**19. Creditors: amounts falling due after more than one year**

	<u>Consolidated</u>		<u>University</u>	
	2008 £000	2007 £000	2008 £000	2007 £000
Analysis of loans payable after more than one year:				
Bank loans	8,317	4,886	8,317	4,886

20. Borrowings

Total loans are repayable as follows:

In one year or less	80	76	80	76
Between one and two years	83	81	83	81
Between two and five years	423	266	423	266
In five years or more	7,811	4,539	7,811	4,539
Total	8,397	4,962	8,397	4,962

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) £3.5 million has been drawn down from an unsecured £15 million revolving credit facility with Lloyds TSB which has a variable rate of base rate + 0.22% and no repayments are due until 2011. An interest rate swap has been entered into which provides a fixed rate of interest of 5% in respect of the £15 million of the £30 million total loan facility that has been arranged.

21. Provisions for liabilities and charges

	<u>Consolidated and University</u>
	Restructuring £000
At 1 August 2007	41
Payments from provision in year	(41)
Increase in provision in year	76
At 31 July 2008	<u>76</u>

NOTES TO THE FINANCIAL STATEMENTS Continued...**22. Deferred Capital Grants**

	<u>Consolidated and University</u>				
	<u>Funding Council</u>		<u>Other</u>		<u>Total</u>
	<u>Minor Works £000</u>	<u>Equipment £000</u>	<u>Minor Works £000</u>	<u>Equipment £000</u>	<u>£000</u>
At 1 August 2007	2,351	636	5	28	3,020
Received in year	313	268	-	11	592
Released to income:					
Depreciation	(271)	(334)	(1)	(11)	(617)
At 31 July 2008	2,393	570	4	28	2,995

23. Endowments

	<u>Consolidated and University</u>
	<u>£000</u>
At 1 August 2007	267
Additional funds received	12
Prizes awarded	(14)
Interest on endowment accounts (note 5)	14
At 31 July 2008	279
Representing:	
Specific prize and bursary funds	279

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

24. Revaluation Reserve

	<u>Consolidated and University</u>
	<u>Inherited Assets £000</u>
At 1 August 2007	16,866
Movement during the year:	
Depreciation transferred to revenue reserve (note 26)	(524)
At 31 July 2008	16,342

NOTES TO THE FINANCIAL STATEMENTS Continued...**25. Capital Reserve**

Capital reserve arising on consolidation of Students Union	£000
At 1 August 2007 and 31 July 2008	<u>37</u>

26. Revenue Reserve

	<u>Consolidated</u>	<u>University</u>
	£000	£000
At 1 August 2007	7,168	6,953
Movements during the year:		
Surplus for the year	592	574
Actuarial loss for the year in respect of pension scheme	(7,774)	(7,774)
Depreciation transferred from revaluation reserve (note 24)	524	524
At 31 July 2008	<u>510</u>	<u>277</u>

27. Lease and hire purchase commitments

	<u>Consolidated</u>		<u>University</u>	
	2008	2007	2008	2007
	£000	£000	£000	£000
Operating leases				
Annual operating lease commitments in respect of equipment, on leases expiring:				
Within one year	-	29	-	29
Between one and two years	15	-	15	-
Between two and five years	19	35	19	20
	<u>34</u>	<u>64</u>	<u>34</u>	<u>49</u>

28. Capital commitments

	<u>Consolidated</u>		<u>University</u>	
	2008	2007	2008	2007
	£000	£000	£000	£000
Commitments contracted	497	127	497	127
Authorised but not contracted	37,469	1,591	37,469	1,591
	<u>37,966</u>	<u>1,718</u>	<u>37,966</u>	<u>1,718</u>

NOTES TO THE FINANCIAL STATEMENTS Continued...**29. Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	2007/2008	2006/2007
	£000	£000
Continuing operations:		
Surplus before tax	592	478
Depreciation (note 13)	2,565	2,415
Write off of goodwill	-	75
Loss on disposal of tangible fixed assets	-	60
Deferred capital grants released to income (note 22)	(617)	(607)
Interest payable	657	526
Interest receivable	(708)	(553)
Increase in stocks	(10)	(3)
Decrease/ (increase) in debtors	225	(441)
Increase in creditors and accruals	1,462	101
Increase in provisions	35	41
Pension contributions in excess of charge	387	140
Net cash inflow from continuing operating activities	4,588	2,232

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

	2007/2008	2006/2007
	£000	£000
Returns on investment & servicing of finance		
Interest received	409	486
Interest paid	(227)	(61)
Net cash inflow from returns on investment and servicing of finance	182	425
Capital expenditure & financial investment		
Payments to acquire tangible fixed assets	(5,588)	(2,955)
Deferred capital grants received	592	798
Net cash outflow from capital expenditure & financial investment	(4,996)	(2,157)

NOTES TO THE FINANCIAL STATEMENTS Continued...**30. Analysis of cash flows for headings netted in cash flow statement (continued)**

	2007/2008 £000	2006/2007 £000
Management of liquid resources		
Cash placed on short term deposit	(3,123)	(5,449)
Additional endowment funds received	(14)	170
Endowment prizes given	12	(2)
Interest on endowment funds	14	13
	<hr/>	<hr/>
Net cash outflow from management of liquid resources	(3,111)	(5,268)
	<hr/>	<hr/>
Financing		
Bank loan taken out	3,511	5,000
Repayments made on bank loan	(76)	(38)
	<hr/>	<hr/>
Net cash inflow from financing	3,435	4,962
	<hr/>	<hr/>

31. Analysis of changes in net funds

	At 1 Aug 2007 £000	Cash flows £000	At 31 July 2008 £000
Cash at bank and in hand	286	123	409
Cash held for endowment investments	266	12	278
Bank overdraft	(61)	(37)	(98)
	<hr/>	<hr/>	<hr/>
	491	98	589
Loans within 1 year	(76)	(4)	(80)
Loans after 1 year	(4,886)	(3,431)	(8,317)
Short term investments	10,819	3,123	13,942
	<hr/>	<hr/>	<hr/>
	6,348	(214)	6,134
	<hr/>	<hr/>	<hr/>

32. 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...**33. 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:

	2007/2008	2006/2007
	£'000	£'000
Cost for TPS	1,139	1,036
Cost for USS	27	20
Cost for GGPF	1,907	1,472
	3,073	2,528
	3,073	2,528

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...**33. 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:

	2007/2008	2006/2007	2005/2006
Rate of inflation	3.8%	3.2%	3.0%
Rate of increase in salaries	5.3%	4.7%	4.5%
Rate of increase in pensions	3.8%	3.2%	3.0%
Discount rate	5.9%	5.8%	5.1%
Life Expectancy:			
- male future pensioner aged 65 in 20 years time	22.2	22.2	18.6
- female future pensioner aged 65 in 20 years time	25.0	25.0	21.6
- male current pensioner aged 65	21.1	19.7	16.9
- female current pensioner aged 65	24.0	22.6	19.9

The expected rate of return, the assets and scheme valuation as at 31 July 2008 are:

	Long term rate of return expected at 31 July 2008 %	Value at 31 July 2008 £'000	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
Equities	7.5	17,289	7.5	18,885	7.0	15,495
Government Bonds	4.8	1,738	4.9	1,556	4.4	1,316
Other Bonds	5.9	1,672	5.8	1,580	5.1	1,316
Property	6.5	308	6.5	401	6.0	177
Other	5.0	973	5.75	1,155	4.5	1,336
Total market value of assets		<u>21,980</u>		<u>23,577</u>		<u>19,640</u>
Present value of scheme liabilities		(38,254)		(31,611)		(28,445)
Deficit in the scheme		<u>(16,274)</u>		<u>(8,034)</u>		<u>(8,805)</u>
Early retirement liability		(3,539)		(3,208)		(3,050)
Total Deficit		<u>(19,813)</u>		<u>(11,242)</u>		<u>(11,855)</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...**33. Pension schemes (continued)**

The amounts recognised in the University's consolidated financial statements as at 31 July 2008 are as follows:

	2007/2008	2007/2008 Early Retirement	2006/2007	2006/2007 Early Retirement
	£'000	£'000	£'000	£'000
Analysis of amounts charged to the income and expenditure account:				
Operating - Current service cost	1,484	-	1,433	-
- Past service cost	420	3	39	-
	1,904	3	1,472	-
Finance - Expected return on assets	1,634	-	1,239	-
- Interest on pension liabilities	(1,864)	(180)	(1,491)	(151)
	(230)	(180)	(252)	(151)
Analysis of amount recognised in the statement of total recognised gains and losses:				
Actuarial (loss)/ gain on assets	(4,115)	-	1,433	-
Experience loss on liabilities	(42)	(120)	-	-
Change in assumptions	(3,263)	(234)	(68)	(209)
Total actuarial gain/ (loss) recognised	(7,420)	(354)	1,365	(209)
Change in benefit obligation in the University's share of the scheme deficit during the year:				
Benefit obligation at 1 August	(31,611)	(3,208)	(28,445)	(3,050)
Movement in the year - Current service cost	(1,484)	(3)	(1,433)	-
- Interest on pension liabs	(1,864)	(180)	(1,491)	(151)
- Member contributions	(546)	-	(488)	-
- Past service cost	(420)	-	(29)	-
- Actuarial loss	(3,305)	(354)	(68)	(209)
- Curtailments	-	-	(10)	-
- Benefits/ transfers paid	976	206	353	202
Benefit obligation at 31 July	(38,254)	(3,539)	(31,611)	(3,208)

NOTES TO THE FINANCIAL STATEMENTS Continued...**33. Pension schemes (continued)**

	2007/2008	2007/2008 Early Retirement	2006/2007	2006/2007 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	23,577	-	19,640	-
Movement in the year				
- Expected return on assets	1,634	-	1,239	-
- Actuarial (loss)/ gain	(4,115)	-	1,433	-
- Employer Contributions	1,314	-	1,130	-
- Member contributions	546	-	488	-
- Benefits/ transfers paid	(976)	-	(353)	-
Fair value of assets at 31 July	21,980	-	23,577	-

The employers contributions for the Greater Gwent (Torfaen) Pension Fund increased to 15.8% from 1 April 2008.

Amounts recognised in the statement of total recognised gains and losses:		2007/2008	2006/2007
Experience (loss)/ gain on assets	- Amount	(£4,115k)	£1,433k
	- Percentage of scheme assets	(18.7%)	6.1%
Experience losses on liabilities	- Amount	(£162k)	-
	- Percentage of scheme liabilities	(0.4%)	0.0%
Total	- Amount	(£7,420)	£1,156k
	- Percentage of scheme assets	(33.8%)	4.9%

34. 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...**35. Hardship/ Mature Student Bursary fund**

	2007/2008	2006/2007
	£	£
Income		
Funding Council grant	580,698	442,617
Interest	8,363	4,166
Miscellaneous income	854	500
	<hr/> 589,915	<hr/> 447,283
Expenditure		
Grants	527,451	381,069
Tuition fees	703	8,562
Admin fee	25,784	17,444
Bank charges	315	214
	<hr/> 554,253	<hr/> 407,289
Balance unspent at 1 August	<hr/> 41,620	<hr/> 1,626
Balance unspent at 31 July	<hr/> 77,282	<hr/> 41,620

Teacher Training funds

	2007/2008	2006/2007
	£	£
Income		
Funding Council grant	722,150	776,050
Expenditure		
Distributed to students	722,150	776,050
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.