

**University of Wales, Newport
Financial Statements for the year ended 31 July 2006**

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REPORT OF THE BOARD OF GOVERNORS

1. Scope of Financial Statements

These Financial Statements cover the activities of the University of Wales, Newport ('the University') and its subsidiary undertakings for the year ended 31 July 2006. The University has three trading subsidiary companies which are 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 results of the Allt-yr-yn and Caerleon Environmental Association (ACEA) have also been consolidated into the Group results due to the control exercised over this unincorporated association.

2. Board of Governors

During the year ended 31 July 2006, the following have served as members of the University Board of Governors:

Mr R Peachey (Chairman until May 2006)
 Mr A Wilkinson (Deputy Chairman and Acting Chairman from May 2006)
 Mr M Knight (Acting Deputy Chairman from May 2006)
 Professor J R Lusty (Vice-Chancellor)
 Ms S Burton
 Mrs P E Davies
 Mr R Flatman (appointed Dec 2005)
 Mr S Howell (appointed Dec 2005)
 Mr E Jones
 Sir H Jones
 Mr G Keighley
 Mr C Griffiths (SU representative)
 Mr K Perkins
 Professor P S J Spencer
 Mrs H Taylor
 The Rt Rev. D Walker

3. Results for the year

The University's Consolidated Income and Expenditure Account for the year ended 31 July 2006 is summarised as follows:

	2005/06 £000	2004/05 Restated £000
Income	35,894	33,784
Expenditure	35,830	34,198
Surplus/ (deficit)	64	(414)
Transfer from Reserves	526	526
Historical Cost Surplus	590	112

The University produced a small operating surplus, and a historical cost surplus of £0.6 million. Now that the transitional period has passed, the accounts reflect the adoption of the pensions accounting standard FRS17. This made very little difference to the net result for the current year, but the restated figures for the previous year are worsened by £426 thousand. Income grew in line with expectations, and costs were kept under control. The University incurred restructuring costs as part of its curriculum development, but despite this its overall result was better than budget.

• Financial Position

The adoption of FRS 17 led to the incorporation of a pension liability which has reduced the University's net asset position by £9 million. Fixed assets increased during the year, mainly due to the construction of a new building at our Caerleon campus. During the year this was financed by utilising our short term deposits, but these were

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replenished after the year end by drawing down a new long term loan.

• **Student Recruitment**

The number of full-time equivalent students enrolled during 2005/06 by the University once again exceeded the places funded by HEFCW. The number of full-time UK and EU students increased slightly, while part-time numbers fell. Overseas student numbers were similar to the previous year, but fee income increased.

4. Pension costs

The University's salary costs include employers' pension costs to the Greater Gwent (Torfaen) Pension Fund of £0.7 million. Pension costs are explained in detail in note 31. The disclosures in this note are in accordance with Financial Reporting Standard 17 which has been fully adopted now that the transitional period has passed. For the Greater Gwent (Torfaen) Pension Fund, the estimated net liabilities have risen by nearly £0.3 million in the past twelve months. To deal with these liabilities the University's contributions to the scheme increased from 12.9% to 13.3% on 1 April 2006. They will increase on 1 April each future year until 1 April 2008 when they will be set at 13.9%. This staged increase in contributions means that in 2005/06, the contributions were less than the current service cost calculated under FRS 17. Additionally a net finance cost and an actuarial loss have been calculated, offset by a past service gain.

5. Capital Expenditure

During the year, the University incurred £5.4 million on additions to buildings, £4.1 million of which related to a new building at the Caerleon campus. Other projects from the 2005 – 2006 programme included a state-of-the art sound and music studio within the Rathmell Building, the completion of the refectory refurbishment, and

the housing of the newly acquired Dyscovery Centre at the Allt-yr-yn campus. The programme of improvements to the estate in accordance with the disability audit continued. Over £1 million was incurred on equipment and fittings.

6. Cash Flows

Net cash inflow from continuing operating activities was £0.5 million, a poorer performance than the previous year. Debtors and prepayments increased by £0.4 million, reversing the previous year's fall, while creditors due within one year reduced. Short-term deposit balances decreased by £4.7 million, mainly due to the use of our balances to finance a construction project prior to drawing down a long term loan shortly after the year end. After allowing for capital expenditure of £6.5 million offset by grants and investment returns of £1.5 million, net cash balances increased by £0.1 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.

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

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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.

The University continues to prudently manage its financial affairs, allowing it to grow and develop in a sustainable fashion.

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.

Mr A Wilkinson
Chairman

9. Employee Involvement

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

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

10. Conclusion

The full adoption of FRS 17 has led to a reduction in the University's reported net assets.

The operating surplus, and the historical cost surplus of £0.6 million, were calculated after writing-off restructuring costs associated with the development of our portfolio, and other expenditure linked to our estates strategy and our vision of a new campus in the centre of Newport.

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

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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 2006 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 2006 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 2006, and of the surplus of income over expenditure and cashflows 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
14 December 2006

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.

The University has adopted FRS 17 – Retirement Benefits during the year and the comparative figures have been restated to reflect this change in accounting policy with respect to pension costs.

The effect of the change in accounting policy to adopt FRS 17 was to decrease staff costs by £279k (2005: increase of £70k), increase interest payable by £311k (2005: £356k), leading to a decrease in the operating surplus for the year of £32k (2005: £426k). In addition, the amounts charged to the statement of total recognised gains and losses have increased by £447k (2005: £2,629k).

1.1 BASIS OF ACCOUNTING

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

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements consolidate the financial statements of the University, all of its subsidiary companies, Allt-yr-yn and Caerleon Environmental Association (ACEA) and the Students Union for the financial year ended 31 July 2006. Uniform accounting policies are adopted throughout the Group.

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

2. RECOGNITION OF INCOME

Income from specific endowments and donations, research grants, contracts and other services

rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

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

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

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

3. PENSION SCHEMES

The two main pension schemes for the University's staff are the Greater Gwent (Torfaen) Pension Fund ('GGPF') and the Teachers' Pension Scheme ('TPS'). The schemes are funded defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme. The GGPF fund is valued every three years by a professionally qualified actuary using the projected unit method, the rate of contribution payable being determined by the Administering Authority on the advice of the actuary. The TPS is subject to actuarial valuation every five years by the Government actuarial Department using the entry age method. The rate of contribution for the TPS is determined by the Teachers' Pension Agency on the advice of the actuary.

In respect of the GGPF, the net asset or liability recognised in the balance sheet represents the present value of the defined benefit obligations less the fair value of the plan's assets. Plan assets are measured using closing market rates and the pension liabilities are measured using the projected unit method and discounted at the

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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

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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 2006

	Notes	2005/2006 £000	2004/2005 Restated £000
Continuing Operations			
Income			
Funding council grants	1	21,622	20,812
Tuition fees and education contracts	2	6,235	5,582
Research grants and contracts	3	356	323
Other operating income	4	7,287	6,586
Endowment income and interest receivable	5	394	481
Total income		35,894	33,784
Expenditure			
Staff costs	6	22,318	20,833
Other operating expenses	7	10,913	10,762
Depreciation and amortisation	12 & 13	2,288	2,067
Interest payable	8	311	536
Total expenditure	9	35,830	34,198
Surplus/ (deficit) after depreciation of assets at valuation and before taxation		64	(414)
Taxation	10	-	-
Surplus/ (deficit) after depreciation of assets at valuation and taxation		64	(414)
Transfer to accumulated income within endowments	21	(1)	(1)
Surplus/ (deficit) for the year retained within reserves	24	63	(415)

Consolidated statement of historical cost surpluses For the year ended 31 July 2006

	Notes	2005/2006 £000	2004/2005 Restated £000
Surplus/ (deficit) after depreciation of assets at valuation and taxation		64	(414)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	526	526
Historical cost surplus after taxation		590	112

**Statement of consolidated total recognised gains and losses
For the year ended 31 July 2006**

	2005/2006	2004/2005
	£000	Restated £000
Surplus/ (deficit) for the year after taxation	64	(414)
Actuarial loss for the year on pension scheme	(447)	(2,629)
Repayment of inherited liabilities	-	2,571
Total recognised losses relating to the year	(383)	(472)
Prior year adjustment (note 24)	(9,095)	-
Total recognised losses since last annual report	(9,478)	(472)
 Reconciliation		
Opening reserves and endowments – as previously stated	32,012	29,429
Prior year adjustment (note 24)	(9,095)	(6,040)
	22,917	23,389
Total recognised losses for the year	(383)	(472)
Closing reserves and endowments	22,534	22,917

Balance sheets as at 31 July 2006

	Notes	Consolidated		University	
		2006 £000	2005 Restated £000	2006 £000	2005 Restated £000
Fixed Assets					
Intangible Assets	12	75	-	-	-
Tangible assets	13	35,664	31,441	35,586	31,363
Investments	14	-	-	356	200
		35,739	31,441	35,942	31,563
Endowment Asset Investments	15	86	85	86	85
Current Assets					
Stocks	16	46	45	19	18
Debtors	17	2,308	1,915	2,175	1,769
Short term investments		5,370	10,080	5,370	10,080
Cash at bank and in hand		302	259	2	4
		8,026	12,299	7,566	11,871
Creditors: amounts falling due within one year	18	(6,633)	(6,985)	(6,533)	(6,908)
Net current assets		1,393	5,314	1,033	4,963
Total assets less current liabilities		37,218	36,840	37,061	36,611
Provisions for liabilities and charges	19	-	(50)	-	(50)
NET ASSETS excluding pension liability		37,218	36,790	37,061	36,561
Pension Liability	31	(11,855)	(11,572)	(11,855)	(11,572)
NET ASSETS		25,363	25,218	25,206	24,989
Deferred capital grants	20	2,829	2,301	2,829	2,301
Endowments	21	86	85	86	85
Reserves					
Revenue reserve excluding pension liability		16,874	16,449	16,754	16,257
Pension reserve	31	(11,855)	(11,572)	(11,855)	(11,572)
Revenue reserve including pension liability	24	5,019	4,877	4,899	4,685
Revaluation reserve	22	17,392	17,918	17,392	17,918
Capital reserve	23	37	37	-	-
Total reserves		22,448	22,832	22,291	22,603
TOTAL FUNDS		25,363	25,218	25,206	24,989

The financial statements on pages 10 to 35 were approved by the Board of Governors on 14 December 2006 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 2006

	Notes	2005/06 £000	2004/2005 £000
Net cash inflow from continuing Operating activities	27	519	1,814
Returns on investments and servicing of finance	28	394	434
Capital expenditure and financial investment	28	(5,409)	(1,577)
Acquisitions	28	(85)	-
		(4,581)	671
Management of liquid resources	28	4,711	(1,259)
Financing	28	-	-
Increase/ (decrease) in cash in the year		130	(588)

Reconciliation of net cash flow to movement in net funds

	Notes	2005/2006 £000	2004/2005 £000
Increase/ (decrease) in cash in the year		130	(588)
Cash (withdrawn from)/ placed on short term deposit		(4,710)	1,260
Loans repaid		-	2,571
Change in net funds		(4,580)	3,243
Net funds at 1 August	29	10,247	7,004
Net funds at 31 July	29	5,667	10,247

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

	2005/2006 £000	2004/2005 £000
Higher Education Funding Council for Wales		
Recurrent grant – teaching	17,389	16,611
Recurrent grant – research	427	426
Specific grants	2,879	2,930
Further Education Funding Council for Wales		
Recurrent grant	376	354
Deferred capital grants released in year in respect of:		
Minor works (note 20)	200	114
Equipment (note 20)	351	377
	21,622	20,812

2. Tuition Fees and Education Contracts

	2005/2006 £000	2004/2005 £000
Higher Education:		
UK full-time	3,392	3,068
UK part-time	1,556	1,491
European Union (EU) students (excluding UK)	126	97
Non-EU students	1,008	731
Further Education:		
UK part-time	-	1
Other:		
Short course fees	153	194
	6,235	5,582

3. Research Grants and Contracts

	2005/2006 £000	2004/2005 £000
Research councils	43	27
UK based charities	13	15
UK Government funded	248	238
EU Government funded	35	37
UK Industry	17	6
	356	323

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

	2005/2006 £000	2004/2005 £000
Other services rendered:		
UK industry, commerce or public corporation	358	308
UK central government & local authority	1,490	1,090
Other UK sources	93	78
EU Government bodies	1,741	1,604
Other overseas	332	584
Residence, catering & conferences	2,287	2,046
Other general income:		
Student Union	537	501
Other	441	363
Deferred capital grants released in year (note 20)	8	12
	7,287	6,586

5. Endowment Income and Interest Receivable

	2005/2006 £000	2004/2005 £000
Interest on specific endowments (note 21)	3	3
Interest on short term deposits	391	478
Total	394	481

6. Staff

	2005/2006 £000	2004/2005 Restated £000
Staff Costs:		
Wages and salaries	18,621	17,535
Social security costs	1,358	1,259
Other pension costs	2,266	1,967
	22,245	20,761
Net restructuring provision movement	-	72
	22,245	20,833
Exceptional FRS17 pension past service gain (note 31)	(497)	-
Exceptional restructuring costs	570	-
	22,318	20,833

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

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

	2005/2006 £000	2004/2005 £000
Salary	157	145
Other contractual payments	-	5
Benefits in kind	1	1
	<hr/>	<hr/>
	158	151
Pension contributions	21	20
	<hr/>	<hr/>
Total emoluments	179	171

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

The number of higher paid employees, including the Vice-Chancellor, whose emoluments including employer's pension contributions, exceeded £70,000 were as follows:

	2005/2006 Number	2004/2005 Number
£70,000 - £79,999	2	2
	<hr/>	<hr/>
£80,000 - £89,999	1	3
	<hr/>	<hr/>
£90,000 - £99,999	2	-
	<hr/>	<hr/>
£100,000 - £109,999	-	1
	<hr/>	<hr/>
£110,000 - £119,999	1	-
	<hr/>	<hr/>
£170,000 - £179,999	1	1

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

	2005/2006 Number	2004/2005 Number
Academic departments	333	333
Research grants & contracts	9	6
Academic services	59	60
Residences and catering	23	23
Premises	83	84
Administration, central and student services	128	131
	<hr/>	<hr/>
	635	637

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

	2005/2006 £000	2004/2005 £000
Academic departments	4,520	5,036
Research grants and contracts	178	78
Academic services	802	673
Premises including long-term maintenance	1,847	1,482
Residences, catering and conferences	481	340
Administration & central services	1,731	1,946
Telephone, fax, postage and courier	234	252
Auditors' remuneration:		
Audit services - external *	22	21
Non audit services - external	15	9
Bad & doubtful debts	339	63
Equipment operating lease rentals	39	59
City Centre Campus costs written off	113	213
Loss on disposal of fixed assets	1	25
Staff and student facilities:		
Students Union costs	455	417
Careers, medical and welfare services	66	65
Sports hall (excluding maintenance)	70	83
	10,913	10,762

* External auditors remuneration includes £18.0K in respect of the University (2004/2005: £17.3K).

8. Interest Payable

	2005/2006 £000	2004/2005 Restated £000
Loans from the local authority	-	180
Interest element of pension cost (note 31)	164	176
Interest element of early retirement provision (note 31)	147	180
	311	536

NOTES TO THE FINANCIAL STATEMENTS Continued...**9. Analysis of 2005/2006 Expenditure by Activity**

	Staff Costs £000	Dep'n & Amort'n £000	Operating Expenses £000	Other Interest Payable £000	Total £000
Academic departments	13,260	301	4,698	-	18,259
Academic services	1,614	465	802	-	2,881
Residences, catering and conferences	701	180	481	-	1,362
Premises and long-term maintenance	1,727	1,214	1,847	-	4,788
Administration, central and student services	4,725	128	3,085	311	8,249
FRS 17 current service cost adjustment	218	-	-	-	218
Exceptional restructuring costs net of exceptional FRS 17 pension past service gain	73	-	-	-	73
Total expenditure	22,318	2,288	10,913	311	35,830

The depreciation charge has been funded by:

Deferred capital grants released (note 20)	559
Revaluation reserve released (note 22)	526
General income	1,203
	<u>2,288</u>

10. Taxation

	2005/2006 £000	2004/2005 £000
UK Corporation Tax at 20%	-	-

11. Surplus/ (Deficit)

	2005/2006 £000	2004/2005 Restated £000
University's surplus/ (deficit) for the year	135	(436)
(Deficit)/ surplus generated by subsidiary undertakings	(71)	22
Total	64	(414)

12. Intangible Assets - Goodwill

	<u>Consolidated</u> £000	<u>University</u> £000
At 1 August 2005	-	-
Goodwill arising on the acquisition of the Dyscovery Centre Ltd	83	-
Amortisation for the year	(8)	-
At 31 July 2006	75	-

NOTES TO THE FINANCIAL STATEMENTS Continued...**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 2005				
Valuation	29,853	-	-	29,853
Cost	6,258	346	8,422	15,026
Additions at cost	1,355	4,115	1,026	6,496
Acquisition of Discovery Centre Limited	-	-	15	15
Transfer to Land & Buildings	210	(210)	-	-
Disposals	-	-	(136)	(136)
At 31 July 2006				
Valuation	29,853	-	-	29,853
Cost	7,823	4,251	9,327	21,401
Depreciation				
At 1 August 2005				
	7,207	-	6,231	13,438
Charge for year	1,290	-	990	2,280
Acquisition of Discovery Centre Limited	-	-	7	7
Eliminated on disposal	-	-	(135)	(135)
At 31 July 2006				
	8,497	-	7,093	15,590
Net Book Value				
At 31 July 2006				
	29,179	4,251	2,234	35,664
At 31 July 2005				
	28,904	346	2,191	31,441
Funding Sources:				
Inherited assets	16,079	-	-	16,079
Financed by capital grants	2,043	-	786	2,829
Other	11,057	4,251	1,448	16,756
Net Book Value at 31 July 2006				
	29,179	4,251	2,234	35,664

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

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

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 2005				
Valuation	29,853	-	-	29,853
Cost	6,258	346	8,106	14,710
Additions at cost	1,355	4,115	1,016	6,486
Transfer to Land & Buildings	210	(210)	-	-
Disposals	-	-	(73)	(73)
At 31 July 2006				
Valuation	29,853	-	-	29,853
Cost	7,823	4,251	9,049	21,123
Depreciation				
At 1 August 2005				
	7,207	-	5,993	13,200
Charge for year	1,290	-	972	2,262
Eliminated on disposal	-	-	(72)	(72)
At 31 July 2006				
	8,497	-	6,893	15,390
Net Book Value				
At 31 July 2006				
	29,179	4,251	2,156	35,586
At 31 July 2005				
	28,904	346	2,113	31,363
Funding Sources:				
Inherited assets	16,079	-	-	16,079
Financed by capital grants	2,043	-	786	2,829
Other	11,057	4,251	1,370	16,678
Net Book Value at 31 July 2006				
	29,179	4,251	2,156	35,586

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

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

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

	<u>University</u>	
	2005/2006 £000	2004/2005 £000
Investments in subsidiary companies:		
Cost and net book value		
At 1 August	200	200
Additions	156	-
At 31 July	356	200

During the year, the University acquired a new subsidiary undertaking the Dyscovery Centre Limited for a total consideration of £156,000. The fair value of the assets and liabilities acquired (all of which equated to book value) are set out below:

	£'000
Fixed assets	8
Stock	4
Debtors	14
Cash	70
Creditors	(23)
Net assets acquired	73
Goodwill	83
Consideration (cash)	156

INVESTMENTS IN SUBSIDIARY COMPANIES

Company	Principal Activities	Issued £1 Ordinary Shares	% of Shares Held by University	Location of Registration & Operation
Caerleon & Newport Enterprises Limited ('CANE')	Dormant	2	100%	England & Wales
University of Wales, Newport Enterprises Limited	Short courses & other commercial activities	200,000	100%	England & Wales
Centurion Consultants Limited	Professional business services	2	100%	England & Wales
Dyscovery Centre Limited	Assessment & Treatment services Re: Living & Learning Difficulties	8	100%	England & Wales

NOTES TO THE FINANCIAL STATEMENTS Continued...**15. Endowment Asset investments**

	Consolidated And University	
	2006 £000	2005 £000
Balance at 1 August	85	84
Prizes awarded	(2)	(2)
Interest on endowment accounts	3	3
Balance at 31 July	86	85

The investments are held in fixed interest securities £1,000 (2004/2005 £1,000) and cash £85,000 (2004/2005 £84,000)

16. Stocks

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Bar and catering	24	24	19	18
Shops	22	21	-	-
	46	45	19	18

17. Debtors

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 Restated £000
Amounts falling due within one year:				
Trade debtors	1,263	1,194	983	1,005
Amounts owed by subsidiary undertakings	-	-	229	145
Other debtors	46	87	-	10
Prepayments and accrued income	999	634	963	609
	2,308	1,915	2,175	1,769

NOTES TO THE FINANCIAL STATEMENTS Continued...**18. Creditors: amounts falling due within one year**

	<u>Consolidated</u>		<u>University</u>	
	2006 £000	2005 £000	2006 £000	2005 £000
Bank Overdraft	90	176	90	176
Payments in advance from Funding Councils	1,272	1,425	1,293	1,425
Other payments in advance	341	103	341	103
Trade creditors	941	1,179	933	1,172
Amounts owed to subsidiary undertakings	-	-	47	-
Other creditors	297	489	297	489
Social security and other taxation payable	576	558	570	539
Accruals and deferred income	3,116	3,055	2,962	3,004
	6,633	6,985	6,533	6,908

19. Provisions for liabilities and charges

	<u>Consolidated and University</u>	
	Restructuring £000	As Restated Total £000
At 1 August 2005	50	50
Expenditure during the year	(50)	(50)
At 31 July 2006	-	-

NOTES TO THE FINANCIAL STATEMENTS Continued...**20. 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>Equipment £000</u>	<u>£000</u>
At 1 August 2005	1,415	866	20	2,301
Received in year	828	242	17	1,087
Released to income:				
Depreciation	(200)	(351)	(8)	(559)
At 31 July 2006	2,043	757	29	2,829

21. Endowments

	<u>Consolidated and University</u>
	<u>£000</u>
At 1 August 2005	85
Prizes awarded	(2)
Interest on endowment accounts (note 5)	3
At 31 July 2006	86
Representing:	
Specific prize funds	86

22. Revaluation Reserve

	<u>Consolidated and University</u>
	<u>Inherited Assets £000</u>
At 1 August 2005	17,918
Movement during the year:	
Depreciation transferred to revenue reserve (note 24)	(526)
At 31 July 2006	17,392

NOTES TO THE FINANCIAL STATEMENTS Continued...**23. Capital Reserve**

Capital reserve arising on consolidation of Students Union	£000
At 1 August 2005 and 31 July 2006	<u>37</u>

24. Revenue Reserve

	<u>Consolidated</u>	<u>University</u>
	£000	£000
At 1 August 2005	13,972	13,725
Prior Year Adjustment – gift aid receipt from subsidiary	-	55
Prior Year Adjustment - FRS 17	(9,095)	(9,095)
Restated opening balance	<u>4,877</u>	<u>4,685</u>
Movements during the year:		
Surplus for the year	63	135
Actuarial loss for the year in respect of pension scheme	(447)	(447)
Depreciation transferred from revaluation reserve (note 22)	526	526
At 31 July 2006	<u>5,019</u>	<u>4,899</u>

25. Lease and hire purchase agreements

	<u>Consolidated</u>		<u>University</u>	
	2006	2005	2006	2005
	£000	£000	£000	£000
Operating leases				
Annual operating lease commitments in respect of equipment, on leases expiring:				
Within one year	23	14	23	991
Between one and two years	16	16	16	16
Between two and five years	-	29	-	29
	<u>39</u>	<u>59</u>	<u>39</u>	<u>1,036</u>

The inter-company equipment lease was collapsed during the year ended 31 July 2006 and there was no charge for the year. Credit notes were raised for the leases that have been made since the start of the leasing agreement that amount to £2,795k.

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

	<u>Consolidated</u>		<u>University</u>	
	2006 £000	2005 £000	2006 £000	2005 £000
Commitments contracted	590	339	590	339
Authorised but not contracted	1,840	5,962	1,840	5,962
	<u>2,430</u>	<u>6,301</u>	<u>2,430</u>	<u>6,301</u>

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

	2005/2006 £000	2004/2005 Restated £000
Continuing operations:		
Surplus/ (deficit) before tax	64	(414)
Depreciation (note 13)	2,280	2,067
Amortisation of goodwill (note 12)	8	-
Write off of abortive development costs	-	168
Loss on disposal of tangible fixed assets	1	25
Deferred capital grants released to income (note 20)	(559)	(503)
Interest payable	311	536
Interest receivable	(394)	(661)
Decrease/ (increase) in stocks	2	(8)
(Increase)/ decrease in debtors	(381)	325
(Decrease)/ increase in creditors and accruals	(289)	633
Decrease in provisions	(50)	(25)
Pension contributions in excess of charge	(474)	(329)
Net cash inflow from continuing operating activities	<u>519</u>	<u>1,814</u>

NOTES TO THE FINANCIAL STATEMENTS Continued...

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

	2005/2006 £000	2004/2005 £000
Returns on investment & servicing of finance		
Interest received	394	503
Interest paid	-	(249)
HEFCW interest reimbursement	-	180
Net cash inflow from returns on investment and servicing of finance	394	434
Capital expenditure & financial investment		
Payments to acquire tangible fixed assets	(6,496)	(2,591)
Deferred capital grants received	1,087	1,014
Net cash outflow from capital expenditure & financial investment	(5,409)	(1,577)
Acquisition		
Purchase of subsidiary undertaking	(155)	-
Cash acquired with subsidiary	70	-
Net cash outflow from acquisition	(85)	-
Management of liquid resources		
Cash withdrawn from/(placed on) from short term deposit	4,710	(1,260)
Endowment prizes given	(2)	(2)
Interest on endowment funds	3	3
Net cash inflow/(outflow) from management of liquid resources	4,711	(1,259)
Financing		
Local Authority loan principal repayment	-	(2,571)
HEFCW principal reimbursement	-	2,571
Net cash inflow from financing	-	-

NOTES TO THE FINANCIAL STATEMENTS Continued...**29. Analysis of changes in net funds**

	At 1 Aug 2005 £000	Cash flows £000	At 31 July 2006 £000
Cash at bank and in hand	259	43	302
Cash held for endowment investments	84	1	85
Bank overdraft	(176)	86	(90)
	167	130	297
Short term investments	10,080	(4,710)	5,370
	10,247	(4,580)	5,667

30. 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.

31. 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 13.5%. This contribution rate is expected to rise to 14.1% as a result of the actuarial valuation as at 31 March 2004.

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.

NOTES TO THE FINANCIAL STATEMENTS Continued...**31. Pension schemes (continued)**

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

	2005/2006	2004/2005
	£'000	Restated £'000
Cost for TPS	1,038	905
Cost for USS	14	16
Cost for GGPF	717	907
	1,769	1,828
	1,769	1,828

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	£163.2400M	£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%

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:

	2005/2006	2004/2005	2003/2004
Rate of inflation	3.0%	2.7%	2.8%
Rate of increase in salaries	4.5%	4.2%	3.8%
Rate of increase in pensions	3.0%	2.7%	2.8%
Discount rate	5.1%	5.0%	5.7%

NOTES TO THE FINANCIAL STATEMENTS Continued...**31. Pension schemes (continued)**

The expected rate of return, the assets and scheme valuation as at 31 July 2006 are:

	Long term rate of return expected at 31 July 2006 %	Value at 31 July 2006 £'000	Long term rate of return expected at 31 July 2005 %	Value at 31 July 2005 £'000	Long term rate of return expected at 31 July 2004 %	Value at 31 July 2004 £'000
Equities	7.0	15,495	7.5	12,834	7.5	9,998
Government Bonds	4.4	1,316	4.4	1,130	5.0	863
Other Bonds	5.1	1,316	5.0	1,146	5.7	863
Property	6.0	177	6.5	164	6.5	127
Other	4.5	1,336	4.75	1,097	4.5	837
Total market value of assets		<u>19,640</u>		<u>16,371</u>		<u>12,688</u>
Present value of scheme liabilities		(28,445)		(24,902)		(18,612)
Deficit in the scheme		<u>(8,805)</u>		<u>(8,531)</u>		<u>(5,924)</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.

The amounts recognised in the University's consolidated financial statements as at 31 July 2006 are as follows:

	2005/2006 £'000	2005/2006 Early Retirement £'000	2004/2005 £'000	2004/2005 Early Retirement £'000
Analysis of amounts charged to the income and expenditure account:				
Operating - Current service cost	1,214	-	907	-
- Past service gain & curtailment	(497)	-	-	-
	<u>717</u>	<u>-</u>	<u>907</u>	<u>-</u>
Finance - Expected return on assets	1,106	-	928	-
- Interest on pension liabilities	(1,270)	(147)	(1,104)	(180)
	<u>(164)</u>	<u>(147)</u>	<u>(176)</u>	<u>(180)</u>
Analysis of amount recognised in the statement of total recognised gains and losses:				
Actual less expected return on assets	1,397	-	1,962	-
Experience loss on liabilities	(734)	-	(668)	(8)
Change in assumptions	(1,052)	(58)	(3,655)	(260)
Total actuarial loss recognised	<u>(389)</u>	<u>(58)</u>	<u>(2,361)</u>	<u>(268)</u>

NOTES TO THE FINANCIAL STATEMENTS Continued...**31. Pension schemes (continued)**

	2005/2006	2005/2006 Early Retirement	2004/2005	2004/2005 Early Retirement
Total movement in the University's share of the scheme deficit during the year:	£'000	£'000	£'000	£'000
Deficit on the scheme at 1 August	(8,531)	(3,041)	(5,924)	(2,992)
Movement in the year				
- Current service cost	(1,214)	-	(907)	-
- Net finance expense	(164)	(147)	(176)	(180)
- Past service gain	497	-	-	-
- Contributions	996	196	837	399
- Actuarial loss	(389)	(58)	(2,361)	(268)
Deficit on the scheme at 31 July	(8,805)	(3,050)	(8,531)	(3,041)

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

The exceptional past service gain of £497k has arisen from a change in the LGPS regulations which allows members to take a higher lump sum than the standard 3/80ths by commuting part of their pension. This is less costly for the scheme to provide and it has been assumed that 50% of the members will take up this option.

Amounts recognised in the statement of total recognised gains and losses:	2005/2006	2004/2005
Actual less expected return on assets		
- Amount	£1,397K	£1,962K
- Percentage of scheme assets	7.1%	12.0%
Experience gain on losses on liabilities		
- Amount	(£734k)	(£668K)
- Percentage of scheme liabilities	(2.6%)	(2.7%)
Total		
- Amount	(£447K)	(£2,629K)
- Percentage of scheme assets	(2.3%)	(16.0%)

32. 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...**33. Hardship/ Mature Student Bursary fund**

	2005/2006	2004/2005
	£	£
Income		
Funding Council grant	458,300	463,883
Repayment of loans	80	510
Interest	2,647	3,792
Miscellaneous income	1,620	-
	<hr/> 462,647	<hr/> 468,185
Expenditure		
Grants	461,731	417,371
Loans	430	7,092
Food coupons	-	1,000
Special equipment	-	50
Tuition fees	667	45,059
Medical fees	-	7,820
Admin fee	8,300	11,913
Sundries	-	3,606
Bank charges	282	406
	<hr/> 471,410	<hr/> 494,317
Balance unspent at 1 August	10,389	36,521
Balance unspent at 31 July	<hr/> 1,626	<hr/> 10,389

Teacher Training funds

	2005/2006	2004/2005
	£	£
Income		
Funding Council grant	792,450	792,200
Expenditure		
Distributed to students	792,450	792,200
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.