

NORTH EAST WALES INSTITUTE OF HIGHER EDUCATION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

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REPORT OF THE BOARD OF GOVERNORS

Annual Report

A Year of Recognition and Celebration

The past twelve months saw NEWI receiving the official and popular recognition for the hard work and dedication shown by NEWI staff and students over many years. Its academic quality, educational profile, research capabilities and sporting facilities were all in the public eye in a year of exciting developments.

The most high profile recognition of NEWI's success came in its quinquennial Institutional Review by the Quality Assurance Agency, in which NEWI received one of the best reports in the UK. The review team was particularly impressed with NEWI's ability to build multi-faceted employer links and the easy access that students have to academic and personal support, which the report put down to the commitment of staff in enabling students to achieve the most from their learning experience. These reflect the two key elements of NEWI's vision, which are to be market led and student centred. As the report from the QAA demonstrated these are now firmly embedded in the culture of the Institute.

NEWI also celebrated receiving a number of other special recognitions last year. The social work degree programme received a Social Care Accolade in the category of 'being a learning organisation'. The Social Care Accolades recognise outstanding work in all areas of Social Work and Care and NEWI was nominated for its work in involving service users and carers in the design of the content of the degree course, how the students are taught and the recruitment process. NEWI also became an approved centre for the Institute of Leadership and Management (ILM) creating the opportunity for NEWI to deliver ILM professional programmes in leadership, management and coaching and mentoring. It was also awarded Fairtrade status in recognition of its work and commitment to promote Fairtrade on campus and amongst the local community.

The series of high profile visits continued with the First Minister, the Rt Hon Rhodri Morgan AM addressing the Institute's graduation ceremony. NEWI's long standing relationship with the Duke and Duchess of Gloucester also continued with a visit by HRH the Duke of Gloucester to open the recently re-furnished Regent Street campus. This came two years after his wife HRH the Duchess of Gloucester visited the Institute and 54 years after his mother opened the Plas Coch campus in 1953.

Last year also saw the official launch of several new facilities at NEWI including the Terry Hands Theatre Studios and the North Wales Regional Hockey stadium with its international standard water-based pitch. The opening ceremony was followed by an international hockey match between Wales and England. The home team proved victorious and was presented with the NEWI Cup. A month later

the Institute was host to the Celtic Cup with teams from Wales, Scotland, Ireland and France. The Scottish women and Welsh men carried off the prizes on this occasion.

The Institute's facilities were also boosted by the opening in January 2007 of the North Wales Clinical School by Dr Tony Jewell, Chief Medical Officer for Wales. This facility is an integral part of the clinical training programme for doctors in Wales and for the first time brings medical students to North Wales. This complements NEWI's existing nursing provision which received a major vote of confidence when NEWI won the contract to provide all the nursing training for Denbighshire and Conwy NHS Trust.

All academic areas were active in applied research over the year. The Centre of Applied Internet Research received a quarter of a million pounds to design the user interface for a range of intelligent white goods which are being designed specifically with the elderly and the disabled in mind. This project will involve NEWI's computer academics working alongside industrial and academic partners in Spain and Germany. Academics from the Social Inclusion Research Unit also worked on an international project building on the existing links between Wales and Lesotho. The visit was funded by UNESCO Cymru-Wales as part of a project to tackle the HIV/AIDS problem in the southern African kingdom. Through their research, based on knowledge about the experiences and beliefs of those affected, they hope to inform the development of health promoting strategies and services which target those most at risk of developing HIV/AIDS.

NEWI has long been recognised for its work on supporting disabled students. This reputation was further strengthened by a pioneering disability conference held at NEWI to look at disability and higher education opportunities. The conference attracted delegates from all over the UK and included academics, practitioners, students with disabilities, as well as relatives and carers.

On top of all these successes NEWI has been awarded £5.3 million as part of HEFCW's Strategic Development Fund. A significant share of the funding will go towards a new Design Technology Building, which will bring together engineering, design and computer science, revamping both the departments and curricula in the process. The remaining funding will be used to boost NEWI's human resources. This will include a suite of staff development activities and a number of new appointments to build capacity in several subject and operational areas.

This investment, the excellent institutional review, the appointment of Professor Graeme Wilkinson as Assistant Principal alongside Professor Kate Sullivan and the strong political support for NEWI to be a university in its own right will help NEWI to continue the good work the Institute does in producing employable graduates and supporting the social and economic development of the region.

2 **Scope of the financial statements**

These financial statements cover the activities of the Institute and its subsidiary companies for the thirteenth period of operation, being the year ended 31 July 2007.

3 **Board of Governors**

The membership of the Board of Governors during the year has been as follows:

Independent Members

Mr T Jones CBE LL

Mr B Howes OBE DL BSc

Chairman (retired 18/10/07)

(Term started 19/4/07)

(appointed Chairman 18/10/07)

Vice Chairman

Professor J Last CBE MA DLitt Hon FMA FRSA

Mr T Burman C.Eng F.I.STRUCT.E

His Honour Judge R Dutton BA

Professor B Bhowmick OBE MD FRCP

(Term started 19/4/07)

Mr B Towers BA FCIPR

Mr R Hill BSc FRICS

Mr A Robarts DL ACBA, FLJMU FRAS

Mr C Burgoyne ACIB

Mr G Andrews BSc MSc

Lady Janet Jones JP DL

Mrs Jane James ARAgS

Mr P Purdom

Co-opted Members

Professor K Perera BA MA PhD LLD

Professor E Baker OBE BA MSc PGCE DLitt FRSA

Principal & Chief Executive

Professor M Scott BA MA PhD FRSA

Academic Board Nominee

Dr Hastings McKenzie

Students' Nominee

Ms Katie Tilsley

(Term started 01/7/07)

Mrs Lesley O'Neill

(Term ended 30/6/07)

Co-opted member of teaching staff

Dr Alex Carson

Co-opted member of operational staff

Ms Anna-Marie Brown

Co-opted member of Audit Committee

Ms Jill Jones

(Term ended 30/11/06)

Mr Bruce Roberts

4 **Auditors**

The Institute has, for the year, appointed the firm PricewaterhouseCoopers LLP as its external auditors and Bentley Jennison as internal auditors for the year to 31 July 2007.

5 Financial Highlights

Results for the year

The Institute's consolidated Income and Expenditure account for the year ended 31 July 2007 is summarised as follows:

	<u>Year ended</u> <u>31 July 2007</u>	<u>Year ended</u> <u>31 July 2006</u>
	£000	£000
Income	29,532	27,307
Expenditure	(28,005)	(25,635)
Surplus for year	<u>1,527</u>	<u>1,672</u>

The following item has been credited to the I & E Reserve during the year:

Depreciation on assets funded from Revaluation Reserve	460	334
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The cash flow statement shows that there was a net increase in cash and cash equivalents of £1,911,000 (this compares to a net decrease in 2006 of £313,000). The increase from 2006 in the net cash inflow from operating activities is £1,165,000 (this compares to a net increase in 2006 of £854,000) and is mainly due to an increase in the surplus on continuing operations. A detailed analysis can be found in Note 25 of the Financial Statements.

6 Graduate Employment

The practical effects of NEWI's commitment to improving the employability of its graduates were seen in the figures for graduate employment for 2005/06. The DLHE report (Destination for Leavers from Higher Education) shows a significant increase in the number of graduates in employment. Even after taking into account the change in the method of calculating graduates in employment which came into effect in this year, the figures for 2005/06 show an increase of 4% in the number of graduates in employment over 2004/05. In addition, over 70% of jobs are of a professional or senior managerial level.

7 Equality of Opportunity

NEWI is committed to promoting diversity and ensuring equality of opportunity for both staff and students and several policies and initiatives are in place to support this. NEWI has continued to improve its provision under the terms of the equality legislation. A formal Race Equality Policy and Action Plan are in place with targets that are linked to NEWI's strategic plan that are reviewed and monitored on a regular basis.

REPORT OF THE BOARD OF GOVERNORS – Continued

8 Health and Safety at Work

NEWI has a Health & Safety Committee, a sub committee of Senior Executive, which receives regular reports on health & safety policy, updates on current legislation and disseminates information and good practice. The committee also monitors accidents and staff absence and regular reports are presented to the Human Resources Committee and the Board of Governors in order to exercise its statutory obligation to ensure compliance with health and safety legislation.

9 Corporate Governance

The Governing Body is responsible for internal control and overseeing the embedding of risk management processes during the period.

10 Payment of Creditors

It is the Institute's policy to obtain the best terms for all business and, thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the Institute endeavours to include and abide by specific payment terms.

11 Disclosure of Information to Auditors

The Governors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Institute's auditors are unaware; and each Governor has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the Institute's auditors are aware of that information.

Signed on behalf of the Board:

Mr B Howes OBE DL BSc
Chairman

Date:

CORPORATE GOVERNANCE

As the governing body of the North East Wales Institute of Higher Education (“the Institute”), we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the instrument and articles and the Financial Memorandum with HEFCW.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement or loss.

The system of internal control is based on an ongoing process recorded as the risk register designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. A strategic risk register has been in place all year up to 31 July 2007. Risk management and control processes have been in place throughout the period and risk review is embedded within the management culture and applied to the risks on the register and to all new initiatives identified during the year. These processes have been applied up to the date of approval of the financial statements and accords with HEFCW guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- We meet at regular intervals to consider the plans and strategic direction of the Institute.
- We receive periodic reports from the Chair of the Audit Committee concerning internal control and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects and issues.
- We have requested the Audit Committee to provide oversight of the Institute’s management of risks.
- The Audit Committee receives regular reports from the independent internal audit provider, Bentley-Jennison, which include the internal audit’s independent opinion on the adequacy and effectiveness of the Institute’s system of internal control, together with recommendations for improvement.
- A programme of facilitated workshops is held for Governors, senior and other managers to identify and keep up to date the key issues and risks for the Institute.
- The Institute-wide risk register is maintained and a system of reporting on risk management has been agreed by the Board and Audit Committee. This involves a range of formal reports received during the year.
- At the end of the year the Chair of the Audit Committee formally reports to the full Board on the Committee’s activities during the year in accordance with relevant guidance. This report includes an assessment of the effectiveness of the Internal Control System (including risk management) during the year.
- A risk prioritisation methodology based on risk ranking has been established and reviewed.
- Each risk is assigned to a relevant director who reports regularly to the Senior Executive on the actions taken.

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCW Audit Code of Practice, and was itself audited by the ELWa Audit Service in October 2004.

The key risks for NEWI arise from the potential failure to recruit and retain students, retain key staff capability and maintain business systems. Student recruitment was at its highest level for some years in 2006/07 and NEWI again met funded student numbers. These risks are of sufficient concern to be the subject of regular review at meetings of both Senior Executive and the Governing Body.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive directors within the Institute, 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 from external bodies such as the Wales Audit Office.

THE KEY ELEMENTS OF THE INSTITUTE'S SYSTEM OF INTERNAL FINANCIAL CONTROLS

The key elements of the Institute's system of internal financial controls, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, directors of academic and operational areas;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of student recruitment and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approved levels set by the Board of Governors or HEFCW;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Board of Governors;
- a professional independent Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Board of Governors, has reviewed the effectiveness of the system of internal control of both the Institute and the group. Any systems of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

RESPONSIBILITIES OF THE INSTITUTE'S BOARD OF GOVERNORS

In accordance with the Institute's Financial Memorandum, the Governing body is responsible for the administration and management of the affairs of the Institute and is required to present audited financial statements for each financial year.

The Governing body is responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time, the financial position of the Institute and to enable it to ensure that the financial statements are prepared in accordance with the Financial Memorandum, the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for Wales and the Board of Governors of the Institute, the Board of Governors, through its designated office 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 Institute 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 ensured 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 disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institute will continue in operation. The governing body is satisfied that it 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.

The Governing body has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for Wales are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions, which the Funding Council 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 Institute and prevent and detect fraud
- secure the economical, efficient and effective management of the Institute's resources and expenditure.

Independent auditors' report to the governing body of the North East Wales Institute of Higher Education

We have audited the financial statements' ('the financial statements') of the North East Wales Institute of Higher Education for the year ended 31 July 2007 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Statement of Historic Cost Surplus and Deficits 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 therein.

Respective responsibilities of the governing body and auditors

The governing body's 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 Governing Body's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the governing body of the institution in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education. We report to you whether in our opinion, in all material respects, monies expended out of Higher Education Funding Council for Wales grants and other funds from whatever sources administered by the Institution for specific purposes have been properly applied in all material respects for the purposes for which they are received and, if appropriate, managed in compliance with all relevant legislation and whether in our opinion, in all material respects, income has been applied in accordance with the financial memorandum with the Higher Education Funding Council for Wales. We also report to you 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 within it. The other information comprises only the Report of the Board of Governors, the Corporate Governance Statement and the Responsibilities of the Institute's Board of Governors.

We also review the key elements of the Institute's system of internal financial controls included as part of the Corporate Governance Statement and comment if the statement is inconsistent with our knowledge of the institution and group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the institution and the group at 31 July 2007, and of the surplus of income over expenditure and cashflows 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 Articles of Government and where appropriate in accordance with the financial memorandum dated 1 January 1997 with the Higher Education Funding Council for Wales.

PricewaterhouseCoopers LLP
Chartered Accountants
Manchester

The maintenance and integrity of the North East Wales Institute of Higher Education website is the responsibility of the Governing Body; 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.

North East Wales Institute of Higher Education
Consolidated Income and Expenditure Account for the year ended 31 July 2007

	Notes	Year ended 31 July 2007	Year ended 31 July 2006
		£000	£000
Income			
Funding Council Grants	2	17,407	16,020
Tuition fees and education contracts	3	6,812	6,124
Research grants and contracts	4	1,301	1,225
Other income	5	3,589	3,555
Endowment and Investment income	6	423	383
Total Income		<u>29,532</u>	<u>27,307</u>
Expenditure			
Staff costs	7	16,714	15,183
Exceptional restructuring costs	7	513	151
Staff restructuring	7	513	151
Other operating expenses	9	9,519	8,986
Depreciation	13	998	1,112
Interest payable	10	261	203
Total Expenditure		<u>28,005</u>	<u>25,635</u>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before tax		1,527	1,672
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets but before tax		1,527	1,672
Taxation	11	-	-
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax	12	<u>1,527</u>	<u>1,672</u>
Transfer from accumulated income within specific endowments		-	-
Surplus for the year retained within general reserves		<u><u>1,527</u></u>	<u><u>1,672</u></u>

The income and expenditure account is in respect of continuing activities

**North East Wales Institute of Higher Education
Consolidated Statement of Historical Cost Surpluses and Deficits for
the year ended 31 July 2007**

	Notes	Year ended 31 July 2007	Year ended 31 July 2006
		£000	£000
Surplus on continuing operations before taxation		1,516	1,672
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	23	460	334
Realisation of property revaluation gains of previous years	23	-	-
Historical cost surplus for the period before taxation		<u>1,976</u>	<u>2,006</u>
Historical cost surplus for the period after taxation		<u>1,976</u>	<u>2,006</u>

Consolidated Statement of the Total Recognised Gains and Losses for

	Notes	Year ended 31 July 2007	Year ended 31 July 2006
		£000	£000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		1,516	1,672
Unrealised surplus on revaluation of fixed assets	13	-	3,690
Appreciation of endowment asset investments	22	1	-
Actuarial gain / (loss) in respect of pension scheme	33	1,269	(389)
New endowments	22	-	-
Total recognised (losses) / gains relating to the period		<u>2,786</u>	<u>4,973</u>
Total recognised (losses) / gains since last report		<u>2,786</u>	<u>4,973</u>
Reconciliation			
Opening reserves and endowments		24,695	25,903
Reclassification to Deferred Capital Grant		(303)	
Prior Year Adjustment (FRS17) and SSAP 24 release		-	(6,181)
Total recognised gains for the year		2,786	4,973
Closing reserves and endowments		<u>27,178</u>	<u>24,695</u>

**North East Wales Institute of Higher Education
Balance Sheets as at 31 July 2007**

	Notes	Consolidated	Institute	Consolidated	Institute
		2007	2007	2006	2006
		£000	£000	£000	£000
Fixed assets					
Tangible assets	13	34,788	33,978	35,302	34,527
Investments	14	-	2,800	-	2,800
Total fixed assets		34,788	36,778	35,302	37,327
Endowment Assets	15	11	11	10	10
Current assets					
Stock		30	21	26	18
Debtors	16	2,788	2,560	2,298	2,159
Cash at bank and in hand		10,264	9,800	8,353	7,846
		13,082	12,381	10,677	10,023
Creditors: amounts falling due within one year	17	(7,279)	(7,151)	(6,797)	(6,304)
Net current assets		5,803	5,230	3,880	3,719
Total assets less current liabilities		40,602	42,019	39,192	41,056
Less: Creditors - amounts falling due after more than one year	18	-	(2,243)	-	(2,243)
Less: Provisions for liabilities & charges	20	(2,838)	(2,838)	(3,444)	(3,444)
Net assets excluding pension liability		37,764	36,938	35,748	35,369
Net pension liability	33	(6,342)	(6,342)	(7,416)	(7,416)
NET ASSETS INCLUDING PENSION LIABILITY		31,422	30,596	28,332	27,953
Deferred capital grants	21	4,222	3,442	3,630	3,630
Endowments					
Specific	22	-	-	-	-
General	22	11	11	10	10
Total endowments		11	11	10	10
Income and expenditure account excluding pension reserve		13,740	13,736	11,857	11,525
Pension reserve	33	(6,342)	(6,342)	(7,416)	(7,416)
Income and expenditure account including pension reserve		7,398	7,394	4,441	4,109
Specific reserve	22	200	200	200	200
Revaluation reserve	23	19,591	19,549	20,051	20,004
Total reserves		27,189	27,143	24,692	24,313
TOTAL		31,422	30,596	28,332	27,953

The financial statements on pages 21 to 44 were approved by the governing body on
and were signed on its behalf by:-

Mr B Howes OBE DL BSc
Chairman

Professor M Scott
Principal

**North East Wales Institute of Higher Education
Consolidated Cash Flow Statement for the year ended 31 July 2007**

	Notes	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Cash flow from operating activities	25	1,165	854
Returns on investments and servicing of finance	26	423	383
Taxation	11	-	-
Capital expenditure and financial investment	27	322	(1,548)
Management of liquid resources	28	1	(1)
Financing	29	-	-
Increase / (decrease) in cash in the period	30	<u><u>1,911</u></u>	<u><u>(314)</u></u>

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the period		1,911	(314)
Cash inflow from new secured loan	29	-	-
Cash inflow from liquid resources	28	-	-
Change in net debt resulting from cash flows	29	<u>-</u>	<u>-</u>
Movement in net funds in period		1,911	(314)
Net funds at 1 August		8,353	8,667
Net funds at 31 July		<u><u>10,264</u></u>	<u><u>8,353</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

1. STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

(a). **Basis of preparation and accounting policies**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets. They are in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2003) and applicable accounting standards in the United Kingdom. Where relevant the accounts adhere to the accounting directives of HEFCW.

(b). **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the Institute and its subsidiary undertakings for the financial year to 31 July 2007 namely Plas Coch Sports Ltd, NEWI Innovation Ltd and North Wales Science Ltd.

The consolidated financial statements do not include those of the Institute's Students' Union because NEWI does not control those activities.

(c). **Recognition of Income**

Recurrent grants from the Funding Councils are recognised in the period to which they relate, which is also when they are receivable.

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors, e.g. National Health Service.

Income from research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year or the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

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 assets.

Income from specific endowments is included to the extent of the relevant expenditure incurred during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(d). Pension contributions

Retirement benefits to employees are provided by The Teachers' Pension (TPS), the Universities' Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives with the Institute in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. Variations from regular costs are spread over the expected average remaining working lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method. NEWI's financial element of the TPS and USS cannot be defined.

(e). Leases

Rental costs under operating leases are charged to expenditure in equal instalments over the period of the lease.

(f). Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

(g). Tangible Fixed Assets

i. Land and Buildings

The Institute's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value.

Land and buildings inherited on incorporation are stated at valuation. Sites used by NEWI during the period are valued at depreciated replacement cost on an existing education use basis. In accordance with FRS15 the Institute is to revalue its properties every three years. G Eve (Chartered Surveyors) conducted a revaluation of Land and Buildings as at 31st July 2006.

Freehold land is not depreciated. Freehold buildings are depreciated over the expected useful economic life to the Institute of 50 years. Capital expenditure applied to existing buildings is depreciated over its estimated useful life of 10 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

NOTES TO THE FINANCIAL STATEMENTS (continued)

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

ii. Equipment

Equipment including microcomputer software costing less than £10,000 per individual item or group of related items is written off to the Income and Expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local Education Authority is included in the balance sheet at valuation.

The value of equipment included in the balance sheet is depreciated on a straight-line basis over its remaining useful economic life to the Institute of 5 years.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account, released to the income and expenditure account over the expected useful life of the related equipment.

iii. Motor Vehicles

Vehicles are capitalised at cost and depreciated over three years factoring in a residual value.

(h). **Stocks**

Stocks consist of provisions and resources stock and are stated at the lower of their cost and net realisable value.

(i). **Maintenance of Premises**

The Institute has a ten-year rolling maintenance plan, which is reviewed on an annual basis. The cost of maintenance is charged to income and expenditure account as incurred.

(j). **Cash flows and liquid resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Liquid resources include sums on short-term deposit with recognised banks.

(k). **Taxation status**

The Institute is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning the Section 506(1) of the Income & Corporation Taxes Act 1988. Accordingly, the Institute is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Income & Corporation Taxes Act 1988 or Section 256 of the Taxation of Charitable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The Institute receives no similar exemption in respect of Value Added Tax.

The Institute's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(m). 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.

(n). Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the Institute annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the Institute's income and expenditure in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by HEFCW.

Notes to the Financial Statements

2 Funding Council Grants

	HEFCW	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000	£000
Recurrent grant	14,100	14,100	13,928
Specific grants :			
Research grants	120	120	129
Other	2,820	2,820	1,646
Releases of deferred capital grants (note 21) :			
Buildings	-	-	-
Equipment	367	367	317
	17,407	17,407	16,020

3 Tuition Fees and Support Grants

	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000
UK Higher Education students	3,055	3,068
European Union (EU) (excluding UK) students	535	538
Non-EU students	905	364
Higher Education Contract (Welsh Assembly Nursing)	2,317	2,154
Total fees paid by or on behalf of individual students	6,812	6,124
	6,812	6,124

4 Research Grants and Contracts

	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000
Research Council	83	130
UK based charities	124	3
European Commission	78	105
Other grants and contracts	1,016	987
Total	1,301	1,225

5 Other Income

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Residences, catering and conferences	1,654	1,447
Other income generating activities	1,432	1,717
Research grants and contracts and other income	355	328
Releases from deferred capital grant	148	63
	3,589	3,555

6 Endowment and Investment Income

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Endowment income	-	-
Other interest receivable (This includes interest receivable in respect of specific reserves)	423	383
	423	383

7 Staff Costs

	Year ended 31 July 2007 Number	Year ended 31 July 2006 Number
Teaching departments - teaching staff	209	191
Teaching support services	45	24
Other support services	32	33
Administration and central services	163	184
Premises	26	29
Other		
	475	461

Staff costs for the above persons:

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Wages and salaries	14,142	13,028
Social security costs	1,202	1,087
Other pension costs (including FRS 17 adjustments)	1,370	1,068
Payroll sub-total	16,714	15,183
Exceptional restructuring costs	513	151
	17,227	15,334

Note 7 Staff Costs (continued)

	Year ended 31 July 2007	Year ended 31 July 2006 As restated
	£000	£000
Teaching departments -staff	8,947	8,367
Teaching support services	1,156	1,088
Other support services	1,028	918
Administration and central services	3,864	3,285
Premises	688	693
Other income-generating activities	341	700
Catering and residences	495	443
FRS 17 retirement benefit charges	195	(311)
	<hr/>	<hr/>
Payroll sub-total	16,714	15,183
Contracted out staffing services		
Sub total	16,714	15,183
Exceptional restructuring costs	513	151
	<hr/>	<hr/>
Total	17,227	15,334
	<hr/> <hr/>	<hr/> <hr/>

The pay increase awarded to staff in year was 3.5%

The number of senior post-holders (including the Principal) was as follows:
Emoluments including salaries, employer pension contributions and benefits in kind, in the following ranges was:

Emoluments Band	Senior Post-holders	
	2007 No.	2006 No.
£ 70,001 to £ 80,000	1	1
£ 80,001 to £ 90,000	5	4
£ 160,001 to £ 170,000	-	1
£ 180,001 to £ 190,000	1	-
	<hr/>	<hr/>
	7	6
	<hr/> <hr/>	<hr/> <hr/>

8 Senior Post-holders' Emoluments

Senior postholders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the Institute relating to the appointment and promotion of staff who are appointed by the Governing Body

	Number 2007	Number 2006
The number of senior post-holders including the principal was:	13	12
Senior post-holders' emoluments are made up as follows:		
	£'000	£'000
Salaries	793	772
Benefits in kind	15	13
Pension contributions	109	115
Total emoluments	917	900

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	Year ended 31 July 2007	Year ended 31 July 2006
	£'000	£'000
Salary	154	144
Benefits in kind	10	10
	<u>164</u>	<u>154</u>
Pension contributions	<u>21</u>	<u>19</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers Pension Scheme and Local Government Scheme and are paid at the same rate as for other employees.

There was no compensation for loss of office paid in year to senior post-holders.

Overseas activities

The following costs were incurred by members and senior post-holders during 2006-2007 in respect of overseas activities which were carried out in accordance with the strategy approved by the governing body:

	Total cost £'000	Contributions received £'000	Net costs to Institute £'000
Senior post -holders	5	-	5
	<u>5</u>	<u>-</u>	<u>5</u>

9 Other Operating Expenses

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Teaching departments	1,318	753
Teaching support services	739	536
Administration and central services	1,133	1,169
General education	898	1,148
Premises costs : Running costs	1,229	1,287
Premises costs: Maintenance	162	100
Staff and student facilities	398	377
Planned maintenance	116	153
Other income generating activities	803	1,554
Catering and residence operations	563	563
Franchised provision	983	862
Research	464	287
Bursary payments to HE students	158	-
Other expenses	555	197
Total	9,519	8,986
Other operating expenses include:	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Auditors' remuneration:		
external audit	23	22
internal audit	21	20
other services from external audit	5	5
Hire of other assets - operating leases	38	62

10 Interest Payable

	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000
Loans not wholly repayable within 5 years	-	1
Repayable within 5 years, by instalments	-	-
Repayable wholly or partly in more than 5 years	-	-
	<hr/>	<hr/>
On finance leases	-	1
Pension finance costs (note 33)	261	202
Total	<u>261</u>	<u>203</u>

11 Taxation

	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000
UK corporation tax		
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
	<hr/>	<hr/>
Total	<u>-</u>	<u>-</u>

In the opinion of the Board of Governors, the criteria of s505 ICTA 1988 and s256 TCGA 1992 are fulfilled and there is no Corporation Tax liability arising on the Institute's activities for the period ended 31st July 2007.

12 Surplus on continuing operations for the Period

The surplus on continuing operations for the period is made up as follows:

	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000
Institute's surplus for the period	1,557	1,709
Deficits generated by subsidiary undertakings:		
Plas Coch Sports Ltd	(13)	(9)
NEWI Innovation Limited	(3)	(2)
North Wales Science Limited	(14)	(26)
	<hr/>	<hr/>
Total	<u>1,527</u>	<u>1,672</u>

13 Tangible Fixed Assets (Consolidated)

	Freehold Land & Buildings	Equipment	Motor Vehicle	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 August 2006	34,717	2,744	34	37,495
Additions	340	112	-	452
Assets in construction	31	-	-	31
Disposals	-	-	-	-
At 31 July 2007	<u>35,088</u>	<u>2,856</u>	<u>34</u>	<u>37,978</u>
Depreciation				
At 1 August 2006	-	2,162	30	2,192
Charge for year	710	284	4	998
Eliminated in respect of disposals	-	-	-	-
At 31 July 2007	<u>710</u>	<u>2,446</u>	<u>34</u>	<u>3,190</u>
Net book value At 31 July 2007	<u>34,378</u>	<u>410</u>	<u>-</u>	<u>34,788</u>
 Net book value At 31 July 2006	 <u>34,717</u>	 <u>581</u>	 <u>4</u>	 <u>35,302</u>

The transitional rules set out in FRS 15 'Tangible Fixed Assets' have been applied on implementing FRS 15. Accordingly the book values at implementation have been retained.

Land and buildings were valued in 2006 at depreciated replacement cost by a G Eves, independent chartered surveyors. Land and buildings with a net book value of £34,378,000 have been financed by exchequer funds. Should these assets be sold, the Institute may be required, under the terms of the Finance Memorandum with the funding council, to surrender the proceeds.

13 Tangible Fixed Assets (Institute)

	Freehold Land & Buildings £000	Equipment £000	Motor Vehicle £000	Total £000
Cost or Valuation				
At 1 August 2006	33,942	2,704	34	36,680
Additions	215	112	-	327
Assets in construction	31	-	-	31
Disposals				-
At 31 July 2007	<u>34,188</u>	<u>2,816</u>	<u>34</u>	<u>37,038</u>
Depreciation				
At 1 August 2006	-	2,122	30	2,152
Charge for year	620	284	4	908
Revaluation	-	-	-	-
Eliminated in respect of disposals	-	-	-	-
At 31 July 2007	<u>620</u>	<u>2,406</u>	<u>34</u>	<u>3,060</u>
Net book value At 31 July 2007	<u>33,568</u>	<u>410</u>	<u>-</u>	<u>33,978</u>
Net book value At 31 July 2006	<u>33,942</u>	<u>581</u>	<u>4</u>	<u>34,527</u>

see notes on consolidated Fixed Asset schedule.

14 Investments

	Institute Year ended 31 July 2007 £000	Institute Year ended 31 July 2006 £000
Investments in subsidiary companies	2,800	2,800
	<u>2,800</u>	<u>2,800</u>

The Institute owns 100% of the issued ordinary £1 share capital of NEWI Innovation Ltd, a company incorporated in England and Wales and 100% of the issued ordinary £1 share capital of Plas Coch Sports Limited, a company incorporated in England and Wales. The principal business activity of NEWI Innovation Limited is consultancy and trading activities not associated with NEWI's charitable purposes. The principal activity of Plas Coch Sports Ltd is the management of a sports centre.

The Institute also has an interest in North Wales Science which is a company limited by guarantee whose principal activity is a science discovery centre.

15 Endowment Assets

	Consolidated Year ended 31 July 2007 £000	Institute Year ended 31 July 2007 £000
Balance at 1 August 2006	10	10
Additions (note 27)	-	-
Disposals (note 27)	-	-
Appreciation on disposals/revaluation (note 22)	1	1
Balance at 31 July 2007	<u>11</u>	<u>11</u>
Represented by:		
Cash balances (note 30)	11	11
Total	<u>11</u>	<u>11</u>

16 Debtors

	Consolidated Year ended 31 July 2007 £000	Institute Year ended 31 July 2007 £000	Consolidated Year ended 31 July 2006 £000	Institute Year ended 31 July 2006 £000
Amounts falling due within one year:				
Trade debtors	2,538	2,265	2,036	1,902
Amounts owed by group undertakings:				
Subsidiary undertakings	-	22	-	8
Prepayments and accrued income	250	273	262	249
Total	2,788	2,560	2,298	2,159

17 Creditors: Amounts Falling Due Within One Year

	Consolidated Year ended 31 July 2007 £000	Institute Year ended 31 July 2007 £000	Consolidated Year ended 31 July 2006 £000	Institute Year ended 31 July 2006 £000
Payments received in advance	-	-	-	-
Other creditors	488	759	2,015	1,558
Amounts owed to group undertakings:				
Subsidiary undertakings	-	9	-	101
Associate undertakings	-	-	-	-
Accruals and Deferred Income	6,791	6,383	4,782	4,645
Total	7,279	7,151	6,797	6,304

18 Creditors: Amounts Falling Due After More Than One Year

	Consolidated Year ended 31 July 2007 £000	Institute Year ended 31 July 2007 £000	Consolidated Year ended 31 July 2006 £000	Institute Year ended 31 July 2006 £000
Bank loans				
Obligations under finance leases				
Loans from subsidiary undertakings	-	2,243	-	2,243
Total	-	2,243	-	2,243

19 Borrowings

	Consolidated Year ended 31 July 2007 £000	Institute Year ended 31 July 2007 £000	Consolidated Year ended 31 July 2006 £000	Institute Year ended 31 July 2006 £000
a) Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less or on demand	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	-	-	-	-

b) Finance Leases

The net finance lease obligations to which the institution is committed are:

	Consolidated Year ended 31 July 2007 £000	Institute Year ended 31 July 2007 £000	Consolidated Year ended 31 July 2006 £000	Institute Year ended 31 July 2006 £000
In one year or less	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	-	-	-	-

20 Provisions for Liabilities and Charges (Consolidated and Institute)

	Restructuring £000	Enhanced Pensions £000	Other £000	Total £000
At 1 August 2006	-	3,444	-	3,444
Released in Year	-	(606)	-	(606)
At 31 July 2007	-	2,838	-	2,838

Enhanced Pension comprises a release in year to reflect the actuarial liability remaining for all TPS members.

21 Deferred Capital Grants

	HEFCW grants £000	Institute	
		Other grants £000	Total £000
At 1 August 2006			
Land and buildings	2,312	962	3,274
Equipment	280	76	356
	<u>2,592</u>	<u>1,038</u>	<u>3,630</u>
Cash received			
Land and buildings	151	-	151
Equipment	91	-	91
	<u>242</u>	<u>-</u>	<u>242</u>
Released to income and expenditure account			
Land and buildings	(208)	(25)	(233)
Equipment	(159)	(38)	(197)
	<u>(367)</u>	<u>(63)</u>	<u>(430)</u>
At 31 July 2007			
Land and buildings	2,255	937	3,192
Equipment	212	38	250
Total	<u>2,467</u>	<u>975</u>	<u>3,442</u>

21 Deferred Capital Grants

	HEFCW grants £000	Consolidated	
		Other grants £000	Total £000
At 1 August 2006			
Land and buildings	2,312	962	3,274
Equipment	280	76	356
	<u>2,592</u>	<u>1,038</u>	<u>3,630</u>
Cash received			
Land and buildings	151	865	1,016
Equipment	91	-	91
	<u>242</u>	<u>865</u>	<u>1,107</u>
Released to income and expenditure account			
Land and buildings	(208)	(110)	(318)
Equipment	(159)	(38)	(197)
	<u>(367)</u>	<u>(148)</u>	<u>(515)</u>
At 31 July 2007			
Land and buildings	2,255	1,717	3,972
Equipment	212	38	250
Total	<u>2,467</u>	<u>1,755</u>	<u>4,222</u>

Note: A change in deferred capital

22 Endowments

	Consolidated and Institute		
	Specific £000	General £000	Total £000
At 1 August 2006	-	10	10
Additions	-	-	-
Appreciation of endowment asset investments	-	1	1
Income for year	-	-	-
Expenditure for year	-	-	-
At 31 July 2007	<u>-</u>	<u>11</u>	<u>11</u>
Specific Reserve			
Covenant on behalf of Charity Commission for sale of property	200	-	200
	-	-	-
	-	-	-
Total	<u>200</u>	<u>-</u>	<u>200</u>

23 Revaluation Reserve

	Consolidated Year ended 31 July 2007 £000	Institute Year ended 31 July 2007 £000	Consolidated Year ended 31 July 2006 £000	Institute Year ended 31 July 2006 £000
At 1 August	20,051	20,004	16,695	16,695
Revaluations in the period	-	-	3,690	3,643
Transfer from revaluation reserve to general reserve in respect of:				
Disposals	-	-	-	-
Depreciation on revalued assets	(460)	(455)	(334)	(334)
At 31 July	<u>19,591</u>	<u>19,549</u>	<u>20,051</u>	<u>20,004</u>

24 Movement on General Reserves

	Consolidated Year ended 31 July 2007 £000	Institute Year ended 31 July 2007 £000	Consolidated Year ended 31 July 2006 £000	Institute Year ended 31 July 2006 £000
Income and Expenditure Account Reserve				
At 1 August	4,441	4,109	2,824	2,756
Reclassified to Deferred Capital Grant *	(299)	-	-	-
Surplus retained for the year	1,527	1,561	1,672	1,408
Transfer from revaluation reserve	460	455	334	334
Actuarial gain / (loss) in respect of pension scheme	1,269	1,269	(389)	(389)
At 31 July	<u>7,398</u>	<u>7,394</u>	<u>4,441</u>	<u>4,109</u>
* reclassified to amend prior year misclassification				
Balance represented by:				
Pension reserve	(6,342)	(6,342)	(7,416)	(7,416)
Income and expenditure reserve excluding pension reserve	13,740	13,736	11,857	11,525
At 31 July	<u>7,398</u>	<u>7,394</u>	<u>4,441</u>	<u>4,109</u>

25 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000
Surplus on continuing operations after depreciation of assets at valuation	1,527	1,369
Depreciation (note 1 & 13)	998	1,112
Deferred capital grants released to income (note 2&5)	(515)	(493)
(Loss)/profit on disposal of tangible fixed assets	-	-
Interest payable (note 10)	261	203
Pension cost less contributions payable (notes 7&33)	(65)	(513)
Increase in stocks	(4)	(3)
Increase in debtors	(490)	(708)
Increase in creditors	482	617
Decrease in provisions	(606)	(347)
Interest receivable (note 6)	(423)	(383)
Net cash inflow from operating activities	1,165	854

26 Returns on Investments and Servicing of Finance

	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000
Income from endowments	-	1
Other interest received	423	383
Interest paid		
Interest element of finance lease rental payment		
Net cash inflow from returns on investment and servicing of finance	423	384

27 Capital Expenditure and Financial Investment

	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000
Purchase of tangible fixed assets	(483)	(2,119)
Payments to acquire endowment assets	-	-
Sales of tangible fixed assets (see note 31)	-	-
Receipt from sale of endowment assets	-	-
Deferred capital grants received	804	570
Endowments received	1	1
Net cash inflow/outflow from capital expenditure and financial investment	322	(1,548)

28 Management of Liquid Resources

	Year ended 31 July 2007	Year ended 31 July 2006
	£000	£000
Sale of investments	-	-
Withdrawals from deposits	-	-
Purchase of investments	-	-
Placing of deposits	-	-
Movement in endowment assets	1	-
Net cash inflow from management of liquid resources	1	-

29 Financing

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Debt due beyond a year:		
Capital grants received	-	-
Capital element of finance lease rental payments	-	-
Net cash inflow/(outflow) from financing	-	-

30 Analysis of Changes in Net Funds

	At 1 August 2006 £000	Cashflows £000	Other changes £000	At 31 July 2007 £000
Cash in hand, and at bank	8,353	1,911	-	10,264
Endowment asset investments (note15)	10	1	-	11
Overdrafts	-	-	-	-
	<u>8,363</u>	<u>1,912</u>	<u>-</u>	<u>10,275</u>
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	-	-	-
Finance leases	-	-	-	-
Current Asset Investments	-	-	-	-
Total	<u>8,363</u>	<u>1,912</u>	<u>-</u>	<u>10,275</u>

31 Cash Flow Relating to Exceptional Items

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Provision as at 1 August	-	-
Income and Expenditure account charge	-	-
Operating cash outflow	-	-
Provision as at 31 July	-	-

32 Major non-cash transactions

none none

33 Pension and similar obligations

The Institute's employees belong to three principal pension schemes: the Teachers Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, both are defined benefit schemes and the USS. The total pension cost for the period was £1,370,000 (2006 - £1,068,000)

Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The pensions cost is assessed every five years in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2004 as follows:

Latest actuarial valuation	31st March 2004
Actuarial method	Prospective Benefits
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.88%

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2005 to 31 December 2006 the employer contribution was 13.5%. The rate increased to 14.1% from 1 January 2007. The employee rate increased from 6% to 6.4% at the same date. An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (FRS17) Retirement Benefits, the TPS and the USS are multi employer pension scheme. The Institute is unable to identify its share of the underlying assets and liabilities of the scheme.

33 Pension and similar obligations (continued)

Local Government Pension Scheme

FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2004 updated to 31 July 2007 by a qualified independent actuary.

	At 31 July 2007	At 31 July 2006	At 31 July 2005
Rate of increase in salaries	3.2%	3.0%	2.7%
Rate of increase for pensions in payment/inflation	4.4%	4.25%	3.95%
Discount rate for liabilities	5.8%	5.1%	5%

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 July 2007	Value at 31 01 July 2007 £000	Long-term rate of return expected at 31 July 2006	Value at 31 01 July 2006 £000	Long-term rate of return expected at 31 July 2005	Value at 31 01 July 2005 £000
Equities	7.5%	9,295	7.0%	8,428	7.5%	7,202
Government Bonds	4.9%	-	4.4%	388	4.4%	286
Other Bonds	5.8%	1,862	5.1%	1,164	5.0%	1,040
Property	6.5%	1,033	6.0%	776	6.5%	640
Cash	5.75%	595	4.5%	1,391	4.75%	995
Other	7.0%	2,864	7.0%	1,231	7.5%	1,269
Total market value of assets		15,649		13,378		11,432
Present value of scheme liabilities		(21,991)		(20,794)		(18,770)
Related deferred tax liability		-		-		-
Deficit in the scheme		(6,342)		(7,416)		(7,338)

	Year Ended 31 July 2007 £000	Year ended 31 July 2006 £000
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Analysis of the amount charged to income and expenditure account

Employer service cost (net of employee contributions)	(855)	(755)
Past service cost	-	417
Total operating charge	(855)	(338)

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	819	742
Interest on pension liabilities	(1,079)	(944)
Pension finance income / (costs)	(260)	(202)

Amount recognised in the statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets	642	359
Experience gains and losses arising on the scheme liabilities	627	(748)
Actuarial gain / (loss) recognised in STRGL	1,269	(389)

Movement in deficit during year

Deficit in scheme at 1 August	(7,416)	(7,338)
Movement in year:		
Current employer service charge	(855)	(755)
Employer Contributions	920	851
Past service costs	-	417
Net interest / return on assets	(260)	(202)
Actuarial gain or loss	1,269	(389)
Deficit in scheme at 31 July	(6,342)	(7,416)

33 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

History of experience gains and losses (in practice, from 2006, 5 years must be shown)

	2007	2006	2005
Difference between the expected and actual return on assets:			
amount £'000	642	359	969
% of scheme assets	4.10%	2.68%	9.80%
Experience gains and losses on scheme liabilities:			
amount £'000	627	(748)	(2,766)
% of scheme liabilities	2.85%	3.60%	14.70%
Total amount recognised in STRGL			
amount £'000	1,269	(389)	(1,797)
% of scheme liabilities	5.77%	1.87%	9.60%

Universities Superannuation Scheme (USS)

The Institute participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee acting on actuarial advice.

The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date.

It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

At the valuation date, the market value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million leaving a deficit of assets of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension contributions to USS for the Institute was £42k (2006 : £40k). The contribution rate payable by the Institute was 14% of pensionable salaries

34 Post Balance Sheet Events

There were no material post balance sheet events.

35 Capital Commitments

	Consolidated Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Commitments contracted for at 31 July	-	1,059
	Nil	Nil

36 Financial Commitments

At 31 July had annual commitments under non-cancellable operating leases as follows:

	Consolidated Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Expiring within one year	-	13
Expiring within two and five years inclusive	59	63
Expiring in over five years	-	0
	59	76

37 Contingent Liability

There are no material contingent liabilities.

38 Related Party Transactions

Due to the nature of the Institute's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisation in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No such transactions took place in this financial year.

39 Disability Grants

Access Funds	31 July 2007 £000	31 July 2006 £000
Balance unspent as at 1st August	296,491	178,077
Income - Funding Council	269,183	289,811
Income - Interest earned	6,763	7,154
Income - Repaid loans	150,319	238,764
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	722,756	713,806
Disbursed to students	(525,720)	(415,860)
Administration costs	(550)	(867)
Audit fees	(587)	(588)
Amount consolidated in financial statements		
	<hr/>	<hr/>
Balance unspent as at 31 July	<u>195,899</u>	<u>296,491</u>

Funding Council grants are available solely for students. In the majority of instances, the Institute only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Income and Expenditure Account. The income and expenditure consolidated in the Institute's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the Institute on the student's behalf