

*Financial Statements  
for the  
Year ending  
31 July 2016*

## CONTENTS

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	<i>Page</i>
UNIVERSITY TRUSTEES .....	1
PROFESSIONAL ADVISORS .....	2
TREASURER'S REPORT .....	3-8
CORPORATE GOVERNANCE.....	9-10
PUBLIC BENEFIT STATEMENT .....	11
RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL .....	12
INDEPENDENT AUDITORS' REPORT.....	13-14
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES.....	15-21
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	22
CONSOLIDATED AND UNIVERSITY BALANCE SHEET .....	23
CONSOLIDATED AND UNIVERSITY CHANGES IN RESERVES .....	24
CONSOLIDATED CASH FLOW STATEMENT .....	25
NOTES TO THE FINANCIAL STATEMENTS .....	26-50

## UNIVERSITY TRUSTEES

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The University's Trustees for the year ended 31 July 2016, and subsequently to the Council meeting where these financial statements were formally approved, were:

### Independent Members

#### Ex-officio

Sir Emyr Jones Parry, Chancellor and Chair of Council (5/5)  
Mrs Elizabeth France CBE, Pro-Chancellor (5/5)  
Miss Gwerfyl Pierce Jones, Pro-Chancellor (5/5)  
Dr Glyn Rowlands, Pro-Chancellor (4/5)  
Dr Timothy Brain OBE, Treasurer (5/5)  
Mr George Ashworth (2/5)  
Ms Anne Davies (4/5)  
Mrs Janet Davies (3/5)  
Mr Keith Evans (5/5)  
Mr Richard John (4/5)  
The Right Honourable Elfyn Llwyd (3/5)  
Mr Ian MacEachern OBE (5/5)  
Dr Emyr Roberts (3/5)

### Staff / Student Members

#### Ex-officio

Prof April McMahon, Vice-Chancellor [until 31 January 2016] (2/2)  
Prof John Grattan, Acting Vice-Chancellor [from 01 February 2016, previously Pro Vice-Chancellor] (5/5)  
Ms Rebecca Davies, Pro Vice-Chancellor (4/5)  
Dr Rhodri Llwyd Morgan, Pro Vice-Chancellor (5/5)  
Prof Chris Thomas, Pro Vice-Chancellor (4/5)

### Senate Members

Dr Hazel Davey [from 01 September 2016]  
Prof Neil Glasser (4/5)  
Dr Joseph Ironside [until 31 August 2016] (5/5)  
Dr Jenny Mathers [from 30 September 2015] (5/5)  
Prof David Trotter [until 24 August 2015] (0/0)

### Non-academic Staff Member

Mr Nigel Thomas [until 30 October 2015] (1/1)  
Ms Jackie Sayce [from 31 October 2015] (2/4)

### Student Representative Members

Mr Rhun Dafydd, UMCA President [from 01 July 2016]  
Mr Lewis Donnelly, Aberystwyth University Students' Union President [until 30 June 2016] (5/5)  
Miss Lauren Marks, Aberystwyth University Students' Union President [from 01 July 2016]  
Miss Hanna Merrigan, UMCA President [until 30 June 2016] (4/5)

Attendance information is provided for those Council members serving during the year ended 31 July 2016, expressed as the number of Council meetings attended out of a total number of meetings the member was due to attend.

## PROFESSIONAL ADVISORS

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### External auditor and corporate tax advisors

#### **KPMG LLP**

3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX

### Internal auditor

Deloitte LLP  
The Pinnacle  
150 Midsummer Boulevard  
Milton Keynes  
Buckinghamshire  
MK9 1FD

### Bankers

Lloyds Bank  
4th Floor  
St William House  
Tresillian Terrace  
Cardiff  
CF10 5BH

### Solicitors

Eversheds LLP  
Bridgewater Place  
Water Lane  
Leeds  
LS11 5DR

Bond Dickinson LLP  
3 Temple Quay  
Temple Back East  
Bristol  
BS1 6DZ

### Actuarial and pension advisors

Mercer Limited  
1 Tower Place West  
Tower Place  
London  
EC3R 5BU

## TREASURER'S REPORT

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Aberystwyth University operates in challenging academic and economic environments but despite these circumstances it has continued to effectively and efficiently manage its financial position.

It is the aim of Aberystwyth University to allow students to 'Learn and Live in an Exceptional Environment'.

Our financial strategy is accordingly designed to ensure the long term viability and sustainability of the University by creating student focussed financial plans that match academic provision to student requirements, and that aim to create financial surpluses that are in turn invested in maintaining and enhancing an attractive learning environment.

These Financial Statements differ in appearance to those presented in previous years because these are the first to be prepared under the Financial Reporting Standards Council new reporting standards, known as FRS102.

These statements also include, for the first time, consolidated financial statements respecting two new subsidiary operations, the Aberystwyth Innovation and Enterprise Campus Ltd (AIEC) and Aberystwyth University Mauritius (AUM).

### Financial Health Ratios

The University utilises a number of Key Performance Indicators (KPI) to monitor the financial health of the University. Three of the KPIs are outside the University target range as a result of the deficit position for 2015-16 that was planned as part of the University structural recovery programme. KPI performance is summarised as follows:

#### KPIs within target

- The Primary (cash reserve) cover has improved slightly from 142 days to 149 days driven by a £2.1 million increase in cash and bank.
- The debt ratio has improved slightly from 124 per cent to 121 per cent.

#### Out of target ratios

- The General Reserve cover has fallen from 139 days to 88 days because there has been an increase in the net pension liability driven by falls in bond yields. The General Reserve cover has also been affected by the introduction of FRS102 which introduces a liability for the Universities Superannuation Scheme (USS) for the first time.
- The Balance Sheet has fallen in value due to the University facing a higher pension liability and experiencing a loss for the year.
- The negative retained result represents a deficit performance as a proportion of the total income.

Financial Health measures	2015-16	2014-15
Reserve measures (days)		
Primary (cash) reserve cover	149 days	142 days
General (book) reserve cover	88 days	139 days
Debt ratio (external debt/cash)	121%	124%
Balance sheet growth ratio	(7.9%)	(0.1%)
Income replenishment		
Retained result (per cent of income)	(4.2%)	(1.1%)

## TREASURER’S REPORT (continued)

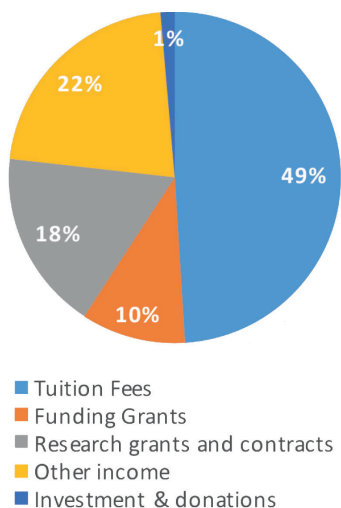
### Financial Performance 2015-16

As noted in the 2014-15 Financial Statements, deficits were projected for 2015-16 and 2016-17 as forecast student numbers reach their low point before a planned recovery. Having recognised this issue, the University has established a recovery plan to reduce the University’s cost infrastructure and to promote future income generation. Under the recovery plan, the University has a planned budget deficit before gains and losses of £7.9 million for 2015-16 and the actual financial performance is better than budget.

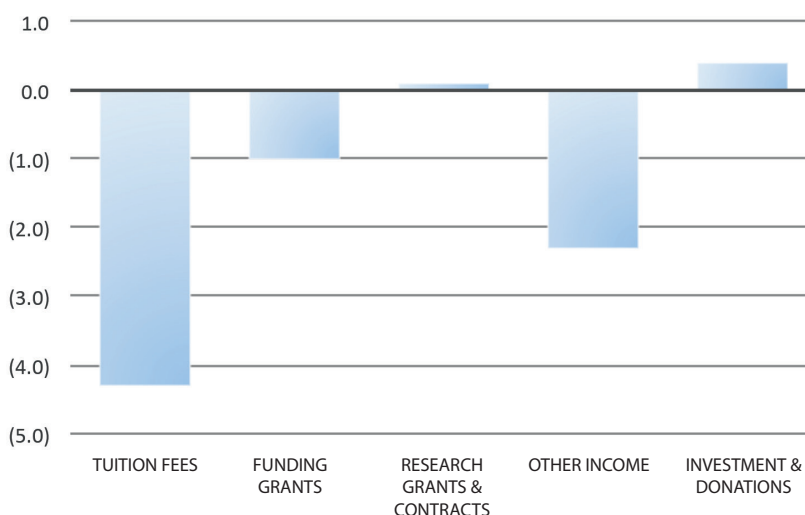
### Income

Lower student numbers account for the fall in University income of £7.2 million (5.5 per cent) compared to 2014-15. Of this, £4.2 million is due to the consequent reduction in tuition fee income, while £2.1 million relates to the similarly consequent fall in residential income.

#### Income Sources (2015-16)



#### Income Change £ million (2015-16 cf 2014-15)



### Expenditure

The University has efficiently managed its cost base. The Recovery Plan has continued to drive enhanced Value for Money in 2015-16. The core activities driving savings were:

- Close control over staff recruitment activity by academic and professional departments, assisted by Voluntary Severance and natural staff turnover; and
- Formal restructures of:
  - Arts Centre
  - Nursery (closed)
  - Campus Services (Phase 2)

As a result the University has managed to control spend on staff salaries. These costs fell by (£0.6 million) (1 per cent). This reflects real savings of 5 per cent considering that the University faced inflationary pressures of 4 per cent on staff costs.

An additional factor contributing to a decrease in staff cost is the reduction in the cost to the University of the USS pension scheme. In 2015-16, there was a non-cash accounting adjustment cost of £0.9 million due to the USS pension scheme, compared to a non-cash accounting adjustment cost of £3.9 million in 2014-15.

The total result is that staff costs are £5.1million lower in 2015-16 compared to 2014-15.

A clear focus on controlling other operating expenditure led to a saving of £2.3 million on ‘Other Operating Costs’.

## TREASURER'S REPORT (continued)

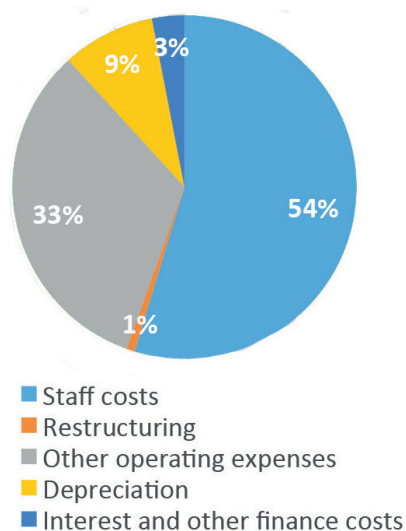
### Developments

In 2015-16 our joint venture in Mauritius Aberystwyth Ltd became operational and welcomed its first cohort of students. Aberystwyth Ltd generated income of £173,000 for the year and the University incurred net costs for the year of £375,000. This reflects the fact that there was only one year of fee-paying students at the campus.

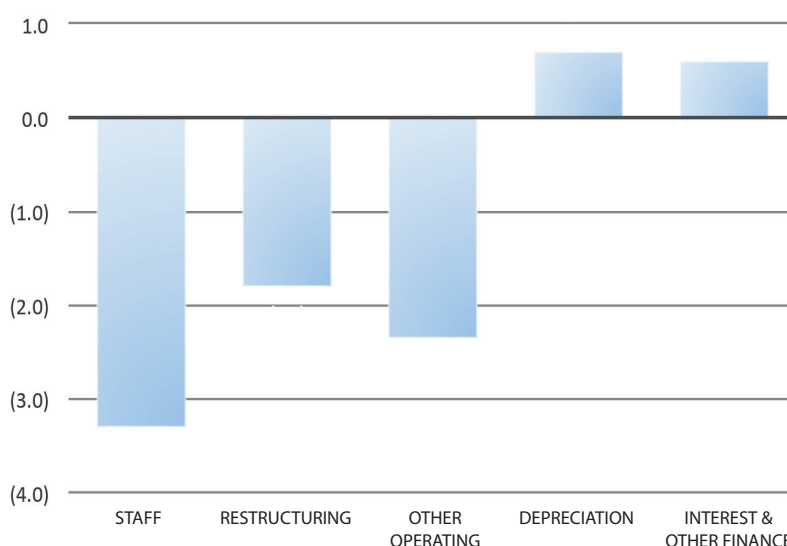
The second significant development underway is the development of a new Aberystwyth Innovation and Enterprise Campus (AIEC) at Penrhyncoch. At the year-end it was completing the design phase, and building contractors are likely to be appointed early in 2017.

The depreciation costs have increased as the first full year of depreciation for Fferm Penglais is included for the first time in the Consolidated Income Statement. During 2014-15 the University was drawing down cash from Legal & General to complete the Fferm Penglais building. 2015-16 is the first full year in which interest cost are included for the full cash draw down.

**Expenditure Split (2015-16)**



**Expenditure Change £ million (2015-16 cf 2014-15)**



### Balance Sheet

Overall, net assets have fallen in value by £12.9 million compared to the position in 2014-15. This has been mainly driven by an increase of £10.7 million in the value of the pension liability (see below 'Pensions').

£ millions	Fixed Assets	Investments	Bank & Cash	Long Term Creditors	Pension Liability
2015-16	237.7	34.0	40.2	101.6	37.0
2014-15	243.1	31.9	38.1	104.1	26.3
	↓	↑	↑	↓	↑

### Fixed Assets

Capital Additions in the year totalled £5.2 million. £1.2 million of this relates to new research equipment funded by grants. The remaining elements relate to works to improve the student experience on campus by upgrading and fully renovating our Teaching Rooms and to addressing work identified under the Protect and Stabilise capital programme. The total amount of capital spend was less than the value of depreciation for the year and overall there was a reduction of £5.4 million in the value of our fixed assets.

## TREASURER'S REPORT (continued)

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### Endowments

Investment performance has fluctuated. In the month following Britain's referendum vote to leave the European Union, investment asset values were volatile, first falling and then increasing in value. Our investments achieved a return of 9.2 per cent for the year. This compares to a policy benchmark of 9.8 per cent.

During the year we examined the profile of our investments and increased our exposure to both International Markets and Emerging Markets Equity.

We are also grateful to two of our alumni for providing a generous new endowment totalling £500,000 to support students facing hardship during the year.

### Cash and short term deposits

The University had a positive cash inflow from operational activities of £7.3 million (6 per cent of turnover) compared to £6.0 million (5 per cent of turnover) in 2014-15. £2.8 million of this cash flow is attributable to more effective management of working capital.

After accounting for investment activities and the purchase of new capital items and the payment of interest, there was a positive movement of £2.1 million in the value of Cash and Short-Term Deposits.

### Pension

The University participates in four schemes, University Superannuation Scheme (USS) (defined benefit multi-employer), Aberystwyth University Pension and Assurance Scheme (AUPAS) (defined benefit closed), Dyfed Pension Fund (DPF) (defined benefit closed to new entrants) and the Aberystwyth University Pension Plan (AUPP) (defined contribution).

- USS – the University has, under FRS102, recognised a liability on the balance sheet for the first time. The value of this liability is the best present value estimate of the deficit reduction payments that the University has committed to make to the USS over the next 20 years.
- AUPAS – A fall in bond yields has driven an increase in the actuarial value of AUPAS liabilities, with a resulting charge of £10.2 million.
- DPF – The fall in bond yields increased actuarial value of liabilities and results in a charge of £0.2 million.

### Principal risks and uncertainties

The University has identified a number of higher-level strategic risks that it monitors on a regular basis. These are grouped under Recruitment, Reputation and Financial Sustainability.

**Recruitment and retention** – The Higher Education Sector is a very competitive environment, and in recent years the University has not achieved its internal targets. The University differentiates itself from its competitors by offering students the opportunity to learn and live in an exceptional environment by focussing on high calibre research, teaching excellence and the student experience, and also giving students access to research-led teaching. However, the general restructuring of research funding in the UK and the outcome of the European Union referendum have increased uncertainties in both the ability to attract EU students and also the level of funding available to the UK higher education sector. These uncertainties exacerbate the inherent tension between the funding of research at a UK level and the devolved responsibility to the Welsh Government for higher education.

**Reputation** – The adverse position of the University in previously published league tables in recent years is likely to have contributed to under recruiting. The recent position in the tables has significantly improved led by the successful student satisfaction programme.

**Financial sustainability** – The University operates in a new and highly competitive market where competition for students is intense, tuition fee levels are capped and expenditure subject to inflationary price rises. It is more important than ever to be able to generate sufficient cash surpluses to allow strategic investment in the student experience, infrastructure and staff. The University is mitigating this risk through the implementation of the recovery plan and the academic matching plan, with a clear focus on matching necessary resources to student requirements.



## TREASURER'S REPORT (continued)

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The liabilities of the two defined benefit schemes, USS and AUPAS continue to be a concern but are regularly reviewed and professional advice taken. The University has closed the in house defined benefit scheme (AUPAS) which significantly mitigates the risk in this scheme.

### FRS102 and changes in presentation

FRS102 has introduced some structural changes to the Aberystwyth University Financial Statements. The most notable of these are shown in the tables below. The first table shows the adjustments that have needed to be made to arrive at the opening Consolidated Balance Sheet for 2015-16, consistent with FRS102.

<b>FRS102 adjustments to net assets</b>	<b>£m</b>
Deficit recognised in respect of the USS pension scheme	(13.0)
Capital grants now shown under creditors	(52.0)
An accrual recognised for staff holidays not yet taken in the year	(1.9)
Land and Buildings revalued as a one off exercise	46.7
Revaluation of investment property	4.6
<b>Total</b>	<b>(15.6)</b>

<b>FRS102 impact on Consolidated Income Statement for 2015-16</b>	<b>£m</b>
Gains for the Year previously shown in the Summary of Total Realised Gains and Losses schedule	
Gain on investments	2.7
Actuarial loss in respect of pension schemes	(10.5)
Other changes	(1.5)
<b>Total</b>	<b>(9.3)</b>

### Outlook and the Future

Our financial planning for 2016-17, including out years to 2019-20, is built around creating 'Excellence for Students'. This acknowledges the importance of students in the new competitive environment in which the University operates. The following sections outline key areas of the University plans.

### Principal University Objectives

Underpinning our future plans are the principal objectives of the University which are listed below:

- to advance learning and knowledge by teaching and research and by the example and influence of its corporate life;
- to provide instruction and courses of study for those seeking to qualify for degrees and other awards of the University, or of other institutions, and for other people;
- to promote and make provision for research and for the advancement, dissemination, preservation and application of knowledge by such methods as the University may determine;
- to develop the potential of the students of the University and prepare them for employment;
- to give special attention, itself or jointly with others, to the educational needs of Wales, having regard to the Welsh language and the culture, the economic development and the social traditions of Wales.

## TREASURER'S REPORT (continued)

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### Environment

The Competition for Students will intensify more with the 2016 Higher Education white paper, *Success as a Knowledge Economy: Teaching Excellence, Social Mobility and Student Choice* promoting new entrants to the sector and new modes of delivering the academic provision. In addition, the £9,000 tuition fee cap for the majority of Aberystwyth University students remains. This cap ignores inflationary pressures and the opening of a gap of £250 to students in England.

The uncertainties generated by the European Union referendum result further exacerbate the position of the University as it is likely to substantially impact the number of EU students wanting to study in the UK. The referendum result also creates uncertainty around research funding. Therefore, of the University's research grant funding, the 17 per cent from the EU is now more uncertain.

### Response

The University has been undertaking a recovery plan between 2013-14 and 2015-16, and this has allowed the cost base to be flat for 4 years, despite the impact of inflation.

In the future, the Academic Matching Plan will focus on ensuring that the teaching provision is matched to student university goals. On the back of the successful efficiency component of the recovery plan, a second dimension of efficiencies has been launched to ensure the cost of our infrastructure has been 'right-sized'. Voluntary Severance (VS) will continue to be used to manage staff costs and specific reorganisations have been planned for Farms and for Welsh for Adults.

The University must also focus on marketing and recruitment. This will be based around a developed portfolio of high quality programmes with clearly articulated identities; meaningful relationships with our feeder schools, and an individual and supportive relationship with our applicants.

The priorities underpinning the 'growth' component of our plans are to establish a uniformly excellent teaching provision and a leading marketing and recruitment division. Both are embedded in our financial plans for the future with significant stimulus funding to enact necessary change, and we have commissioned The Knowledge Partnership to undertake a review into the teaching and recruitment activities of all University departments.

Coupled to the work planned on the teaching provision, the recent focus on the student experience has resulted in Aberystwyth University rising to 4th in the UK for Student Satisfaction and 10th in the UK for Teaching Excellence. Our ranking has improved from 79th to 56th in the Times and Sunday Times Good University Guide. Our aim now is to capitalise on this improvement, and ensure that more students choose Aberystwyth University as a place where they can learn and live in an exceptional environment.

Once again I record my appreciation of Daniel Benham, the director of Finance, and his staff for their work throughout the year.

**Timothy Brain**  
Treasurer

## CORPORATE GOVERNANCE AND INTERNAL CONTROL

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In accordance with Aberystwyth University's Supplemental Royal Charter as revised in 2014, the institution's Council is 'the supreme governing body of the University' and is responsible for 'determining the University's strategic direction and for the conduct of the University's financial, administrative and other affairs, in accordance with its objects'.

As set out in the University's Statutes, the Council consists of: Independent Members (some of which serve in an ex-officio capacity); ex-officio staff members; and representative members elected by the Senate, the non-academic staff, and the students. The Council may also co-opt additional members should it so wish, although this is not current practice. In total, the membership of the Council shall not exceed 25.

The majority of Council members are non-executive, Independent Members who are not members of staff or students of the University. Further, the role of the Chair of the Council – which can only be undertaken by an Independent Member – is separated from the role of the University's Chief Executive, the Vice-Chancellor.

Aberystwyth University is committed to promoting equality and diversity, and endeavours to be inclusive, valuing the diverse nature of its staff, students and community. All vacancies for Independent Members on the Council are advertised externally, with expressions of interest particularly welcome from under-representative groups. Such expressions of interest are usually considered by the Nominations Committee against the Council's current composition to ensure that members possess a range of skills which meet the University's requirements.

The University aims to conduct its activities in an ethical manner in accordance with the seven principles set out in the Nolan Committee's 'Report on Standards in Public Life': selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

The University is also committed to exhibiting best practice in all aspects of corporate governance, applying the core values and associated seven primary elements of governance as set out in the Committee of University Chairs (CUC) 'Higher Education Code of Governance' (December 2014), as well as the relevant principles detailed in the 'UK Corporate Governance Code' issued by the Financial Reporting Council.

The Council last undertook a review of governance effectiveness during the spring of 2015, drawing on the CUC 'Higher Education Code of Governance' which had been published a few months earlier. The Council applies an approach of continuous improvement to governance and institutional performance, and a number of the enhancements proposed as part of the most recent governance effectiveness review are being taken forward over the following academic years.

The Council's primary responsibilities are set out in both the University's Statutes and Ordinances. By custom, and under the Memorandum of Assurance and Accountability agreed with the Higher Education Funding Council of Wales, the Council holds to itself, inter alia, the approval of major development and expenditure, as well as responsibility for the establishment and activities of any subsidiary companies.

The Council met on five occasions during the 2015–16 academic year. Much of the detailed work is initially handled by several sub-committees, including: an Audit and Risk Committee; a Finance and Strategy Committee; a Professional Development, Staffing and Equality Committee; and a Senior Remuneration Committee. All of these sub-committees report their decisions to the Council, and are formally constituted with their own terms of reference and a proportion of their membership drawn from the Independent Members serving on the Council. Detailed information on the membership and responsibilities of these sub-committees can be found on our website.

The Senior Remuneration Committee is constituted to consider and determine matters relating to the remuneration of Senior Staff at the University, within an overall framework approved by the Council as part of this sub-committee's defined terms of reference. In agreeing any changes to the remuneration of the Vice-Chancellor, the Pro Vice-Chancellors and other members of the University Executive Group, the Senior Remuneration Committee is mindful of the affordability of any such determinations. All decisions taken by the Senior Remuneration Committee is reported to the Council.

## **CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

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The University's Council is ultimately 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 will only provide reasonable – and not absolute – assurance against material misstatement or loss.

The Council is of the view that there is an on-going process for identifying, evaluating, and managing the University's significant risks; that it has been in place for the year ended 31 July 2016, and up to the date of approval of the annual report and financial statements; that it is regularly reviewed by the governing body; and that it accords with the internal control guidance for Directors on the UK Corporate Governance Code, as amended by the British Universities Finance Directors Group.

The Audit and Risk Committee is responsible for meeting with the External Auditors to discuss audit findings, and with the Internal Auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with the management's responses and implementation plans. This sub-committee also monitors adherence with regulatory requirements, and reviews the University's annual financial statements together with accounting policies. In addition, they may be required to investigate instances of non-compliance with legislation and other regulations.

Whilst senior executives attend meetings of the Audit and Risk Committee as necessary, they are not members of the sub-committee, and sub-committee members may meet with the Auditors on their own for independent discussions.

The University's executive-led Risk Management Committee has formal processes in place for evaluating and managing significant risks faced by the institution on an on-going basis. This involves identifying the types of risks the university faces, prioritising them in term of potential impact and likelihood of occurrence, and agreeing means of mitigating the risks. These risks include business, operation, reputational and financial risks, and are monitored along with the associated controls on an on-going basis, with appropriate reports and recommendations presented to the Council via the Audit and Risk Committee.

The University has an agreed Publication Scheme which sets out the information made publicly available by the institution. Further information can be found on our website. Once formally approved by the Council, these financial statements shall be published on the University's website alongside those statements relating to previous academic and financial years.

## PUBLIC BENEFIT STATEMENT

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Aberystwyth University is a Registered Charity (No 1145141) in accordance with the terms of the Charities Act 2011. In setting and reviewing the University's objectives and activities, the University Council has due regard for the Charity Commission's general guidance on public benefit and supplementary guidance for charities established for educational purposes.

Since 1872 the University has promoted excellence in research and teaching under its motto 'Nid byd, byd heb wybodaeth – A world without knowledge is no world at all'. It is our firm belief that the student experience should develop a passion for academic enquiry, learning and personal development which is both lifelong and life-changing. We value innovation and excellence in research in all fields and disciplines and we encourage an inter-disciplinary approach to seek solutions to global issues. We seek to break down barriers to education and work closely with the community to widen access to our provision. We are committed to student success in all its forms and to the beneficial impact of Aber alumni on the local, national and international community.

### Teaching

Our core mission is to produce well-educated, skilled and confident graduates, fully equipped for the world of work and for the work of the world. We provide this through excellent teaching across 18 academic areas and embedding employability, transferrable skills and issues of global citizenship into our curriculum. We draw on innovative technology and wide-ranging learning resources to support an Aberystwyth education. We support a range of projects for learning in the community and a portfolio of part-time and day courses. We recognize our special responsibility to further Welsh medium engagement and promote the Welsh language and are active in encouraging Welsh-speaking students to pursue their studies through the medium of Welsh.

### Research

We possess a long and distinguished record of undertaking cutting edge research of international significance, conducting research that addresses the major challenges society faces, including climate and environmental change, global inequality, space research, international economics, artificial intelligence and cultural identities. We work to engage the public with our research and are establishing ourselves as a centre for research collaborations with business through our future Innovation and Enterprise Campus. We value and invest in interdisciplinary research.

### Widening Participation

Our innovative approach to widening access includes projects aimed at raising school leaver aspirations and we work closely with schools and the local community on activities to improve skills, particularly in STEM (Science, Technology, Engineering and Maths) subjects. We provide a comprehensive range of Bursaries, Entrance Scholarships and Awards and provide a structure of financial support to ensure that students from all backgrounds can enjoy the benefits of Higher Education. We also provide targeted academic and personal support to students to aid retention and promote student success. We work with a range of organisations, including Stonewall, Buttle UK, Athena SWAN, the Equality Challenge Unit and the Welsh Language Commissioner.

### International Reach

We are a thriving international community, welcoming staff and students from over 90 countries worldwide and working in partnership with institutions, businesses and organisations across the world. We have a branch campus in Mauritius, Aberystwyth Ltd through which we are expanding our global reach and raising the international profile of West Wales Higher Education.

### Community Engagement

We engage fully with our local community through our Arts Centre's thriving cultural programmes (attracting 700,000 visitors per year), our partnership work with the National Library of Wales and with local schools and community groups, staff and student volunteering and services offered to regional businesses. We support the local hospital and community health programmes, and provide access to high quality sporting facilities and classes for the local community.

## RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL

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The University is committed to best practice in all aspects of corporate governance. The institution's governing body, the Council, is satisfied that the institution has complied throughout the period with the Committee of University Chairs 'Governance Code of Practice and General Principles' (March 2009) and more recently the 'Higher Education Code of Governance' (December 2014), as well as relevant provisions set out in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the group financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, and other relevant group accounting standards.

In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between Aberystwyth University's Council and the Higher Education Funding Council for Wales, the University's Council, through its designated officer, is required to prepare group financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and group cash flows for that year.

On 01 February 2016, the Acting Vice-Chancellor assumed the responsibilities of the designated officer and will continue to operate in this capacity until an appointment is made to the substantive post of Vice-Chancellor, and the successful individual has commenced in the role.

The Council also has responsibility for the maintenance and integrity of the group financial statements which are published on the University's website.

In preparing the group financial statements, the Council has ensured that

- suitable group 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 group financial statements; and
- group financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council 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 Memorandum of Assurance and Accountability with the Funding Council, 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 as well as funds from other sources;
- safeguard the assets of the University and prevent and detect fraud and other irregularities; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

It should be noted that legislation in the United Kingdom governing the preparation and dissemination of group financial statements may differ from legislation in other jurisdictions.

The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future as disclosed under the Basis of preparation on page 15, for this reason the going concern basis continues to be adopted in the preparation of the group financial statements.

## INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF ABERYSTWYTH UNIVERSITY

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We have audited the financial statements of Aberystwyth University ("the University") for the year ended 31 July 2016, set out on pages 15 to 50. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Council, in accordance with the Charters and Statutes of the institution and in accordance with section 144/145 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and its Council for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Council and Auditor

As explained more fully in the Statement of Responsibilities of the University's Council set out on page 12 (who are also trustees for the purposes of charity law), the Council is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144/145 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016, of the Group's and University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education;
- meet the requirements of HEFCW's *Accounts direction to higher education institutions for 2015-16 financial statements*; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

## **INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF ABERYSTWYTH UNIVERSITY (continued)**

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### **Opinion on other matters prescribed in the HEFCW Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes;
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCW's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Annual report is inconsistent in any material respect with the financial statements; or
- the University has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

**Emma Holiday**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
**Chartered Accountants**  
**3 Assembly Square**  
**Britannia Quay**  
**Cardiff**  
**CF10 4AX**

*KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006*



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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### 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015; Accounts Direction issued by HEFCW; and Financial Reporting Standards (FRS102).

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets).

The University has presented the Cash Flow Statement of the group only as permitted by the disclosure exemption available in FRS102.

The financial statements have been prepared on a going concern basis.

#### Going Concern

While the Consolidated Aberystwyth University Group incurred a deficit (before gains/losses and share of surplus-deficit of joint ventures) of £5.1 million in 2015-16 it had a positive net cash inflow of £2.1 million. Additionally the Group has net current assets of £18.4 million and net assets of £149.7 million, of which £23.7 million is represented by unrestricted reserves. Included within net current assets, are cash and short term investments of £40.2 million (£5.2 million of which are restricted) which may be used by the Group to settle its ongoing liabilities and support the Group's Capital Programme. Financial forecasts, including cash flow projections, have been prepared for the Group and these cover the short and medium term. The forecasts indicate that whilst a further deficit is forecast for 2016-17 (2017-18 breakeven), as the Group works through its recovery plans, it will maintain sufficient cash balances and reserves to meet liabilities as they fall due.

Consequently, on the basis of their assessment of the Group's financial position and projected activity, the Council has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future; they therefore continue to adopt the going concern basis in preparing the financial statements.

### 2. Basis of consolidation

The consolidated financial statements include the University, Aberystwyth Innovation and Enterprise Campus, and Aberystwyth Limited (Aberystwyth University Mauritius) for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

Other subsidiary companies, (Aber Trading Ltd and Aber Bangor Consultancy Ltd) have not been consolidated on the basis of materiality.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions. Associated companies and joint ventures are accounted for using the equity method.

### 3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment or guaranteed discount for all students, income receivable is shown net of the discount. Non general bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Funds the University receives and disburses as paying agent on behalf of a funding body, are excluded from the income and

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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expenditure of the University where: the University is exposed to minimal risk; or enjoys minimal economic benefit related to the transaction.

### Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year, and due after more than one year as appropriate.

Grants (including research grants) from non government sources are recognised in income when the University is entitled to the income, and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet, and released to income as the conditions are met.

### Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

### Donations and endowments

Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises, and as either restricted or unrestricted income. The classification depends on the term and restrictions applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

## 4. Accounting for retirement benefits

The three principal pension schemes for the University are:

- the Universities Superannuation Scheme (USS), this is a Multi-employer Defined Benefit scheme;
- the Aberystwyth University Pension Provision (AUPP), this is a Defined Contribution Plan; and
- the Aberystwyth University Pension and Assurance Scheme (AUPAS), this is a Defined Benefit Scheme closed to future employee contributions.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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### **Multi-employer Defined Benefit scheme**

Multi-employer Defined Benefit schemes are valued every three years by professionally qualified independent actuaries. Where the University is not able to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis due to the mutual nature of the scheme, the scheme is accounted for as a defined contribution retirement benefit scheme. A liability is recorded within provisions for any contractual commitment to fund any past deficits within the scheme.

### **Defined Contribution Plan**

The University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### **Defined Benefit Scheme**

Under defined benefit schemes the University's obligation is to provide the agreed benefits to current and former employees. The University bears the actuarial risk (that benefits will cost more or less than expected) and the investment risk (that returns on assets set aside to fund the benefits will differ from expectations).

The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Defined benefit schemes are valued every three years by professionally qualified independent actuaries.

## **5. Employment benefits**

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and the value of the liability is recognised as the additional amount the University expects to pay as a result of the unused entitlement.

## **6. Finance leases**

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## **7. Operating leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Income received in respect of awarding operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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### 8. Foreign currency

The functional currency of the Aberystwyth University Group is GBP (Sterling).

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation to the functional currency are recognised in Consolidated Statement of Comprehensive Income.

The assets and liabilities of foreign operations, are translated to Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

### 9. Fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 Higher Education SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

#### Land and buildings

The University's freehold property excluding Residences and other trading related buildings, were revalued on a depreciated replacement value basis as at 31 July 2014. These assets are carried at the 2014 valuation. Subsequent additions are held at cost.

Freehold buildings are depreciated on a straight line basis over their expected useful lives according to their constituent parts as follows:

Long term e.g. foundations & structure	40 to 60 years
Medium Term e.g. services	10 to 30 years
Short Term e.g. internal fittings	5 to 10 years

Costs incurred in relation to land and buildings after initial purchase or construction, are capitalised to the extent that they increase the expected future benefits to the University. No depreciation is charged on assets in the course of construction.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Leasehold land is depreciated over the life of the lease. The University's new student accommodation Fferm Penglais, was acquired using finance from L&G and Balfour Beatty. The building has been recognised at cost. The finance provided by L&G and Balfour Beatty has been recognised under long-term creditors based on the implicit interest rate of the arrangements.

#### Equipment

Equipment costing less than £10,000 per individual item is written off in the year of acquisition. Other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated on a straight line basis over its expected useful life of five years, other than equipment acquired for specific research projects which is depreciated over the life of the project (generally three years).

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## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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**Software**

Software development costs directly attributable to bringing a computer system or other computer-operated machinery into working condition for use within the business are classified as tangible fixed assets.

**Heritage assets**

Heritage assets represent paintings, works of art and ceramics held by the University. They are held and maintained principally for their contribution to knowledge and culture. Those items valued at over £10,000 have been capitalised and recognised at the cost or value of acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Any costs incurred relating to the restoration or conservation of these assets is included in the Consolidated Statement of Comprehensive Income and Expenditure in the year in which it is incurred.

**10. Investment properties**

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Consolidated Statement of Comprehensive Income. They are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

**11. Other investments**

Listed investments are valued at fair market value with gains and losses recognised in the Statement of Comprehensive income.

Non current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

**12. Stock**

Stock is held at the lower of cost and net realisable value.

**13. Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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### 14. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (i) the University has a present obligation (legal or constructive) as a result of a past event;
- (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### 15. Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations

The University accounts for its share of joint ventures using the equity method.

### 16. Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) 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's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax would be provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date.

The University's principal activities are exempt from Value Added Tax (VAT) but certain ancillary supplies and services are liable to VAT at various rates. Expenditure includes irrecoverable VAT charged by suppliers to the University.

### 17. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances for which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 18. Transition to 2015 Statement of Recommended Practice (SORP)

The University is preparing its financial statements in accordance with FRS102 for the first time in 2015-16 and consequently has applied the first time adoption requirements. An explanation of how the transition to FRS102 has affected the reported financial position, financial performance and cash flows of the consolidated and University results of the University is provided in note 29.

FRS102 has required the University to change a number of its accounting policy in relation to the following areas in 2015-16. The impact of the changes are included in note 29.

	<b>Before application of FRS102</b>	<b>After application of FRS102</b>
Land and Buildings	Freehold and leasehold property was revalued on a depreciated replacement value basis as at 31 July 1994.	Freehold and leasehold property were revalued on a depreciated replacement value basis as at 31 July 2014, these will be held at this new deemed cost and depreciated.
Short Term employee benefits	The University did not recognise a liability for any unused employee benefits such as unused annual leave.	The University recognises a liability for unused annual leave due to the employee.
Capital grants	Government capital grants are recognised in income over the expected useful life of the asset. Deferred capital grants are recognised within University Reserves.	Government capital grants are recognised in income over the expected useful life of the asset. Deferred capital grants are recognised as a creditor within net assets.
Non-Government grants	Non-Government grants are recognised as they are expended, any unexpended elements are treated as deferred income.	Non-Government grants are recognised in income when the University is entitled to the funds subject to any performance criteria.
Pensions	The University did not recognise a liability in relation to past deficits within the multiemployer USS scheme.	The University recognises a liability for any agreed contractual commitments to fund past deficits within the multiemployer USS scheme.
Endowments	Increases or decreases in value arising on the revaluation of endowment assets were reported in the statement of total recognised gains and losses.  Endowment Assets were a separate category and any investments or cash held in relation to endowments were recognised under Endowment Assets on the Balance Sheet.	Increases or decreases in value arising on the revaluation of endowment assets are reported in the Consolidated Statement of Comprehensive Income.  Endowment assets do not exist as a separate category on the balance sheet and any assets held are classified under, investments, short term deposits or cash at bank.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 July 2016

	Notes	2016		2015	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	60,445	60,445	64,685	64,685
Funding body grants	2	12,491	12,491	13,534	13,534
Research grants and contracts	3	21,712	21,712	21,609	21,609
Other income	4	26,848	26,848	29,193	29,193
Investment income	5	956	956	995	995
Total income before endowments and donations		122,452	122,452	130,016	130,016
Donations and endowments	6	724	724	312	312
Total income		<u>123,176</u>	<u>123,176</u>	<u>130,328</u>	<u>130,328</u>
<b>Expenditure</b>					
Staff costs	7/9	70,050	70,050	73,398	73,398
Fundamental restructuring costs	7/9	723	723	2,488	2,488
Other operating expenses	9	42,386	42,386	44,735	44,735
Depreciation	9/10	11,217	11,217	10,472	10,472
Interest and other finance costs	8/9	3,906	3,906	3,328	3,328
Total expenditure	9	<u>128,282</u>	<u>128,282</u>	<u>134,421</u>	<u>134,421</u>
Deficit before other gains losses and share of operating deficit of joint ventures and associates.		(5,106)	(5,106)	(4,093)	(4,093)
Share of operating deficit of joint ventures		-	-	-	-
Loss on disposal of fixed assets		(115)	(115)	(168)	(168)
Loss on impairment of fixed assets		-	-	(1,253)	(1,253)
Gain on investments	21/10	2,712	2,712	1,357	1,357
Deficit for the year		<u>(2,509)</u>	<u>(2,509)</u>	<u>(4,157)</u>	<u>(4,157)</u>
Actuarial (loss)/gain in respect of pension schemes	26	(10,455)	(10,455)	4,063	4,063
Total comprehensive income for the year		<u>(12,964)</u>	<u>(12,964)</u>	<u>(94)</u>	<u>(94)</u>
Represented by:					
Endowment comprehensive income for the year		3,206	3,206	1,361	1,361
Restricted comprehensive income (expenditure) for the year		(23)	(23)	203	203
Unrestricted comprehensive income for the year		(16,147)	(16,147)	(1,658)	(1,658)
		<u>(12,964)</u>	<u>(12,964)</u>	<u>(94)</u>	<u>(94)</u>
Total Comprehensive income for the year attributable to					
Non controlling interest		-	-	-	-
University		<u>(12,964)</u>	<u>(12,964)</u>	<u>(94)</u>	<u>(94)</u>



## CONSOLIDATED AND UNIVERSITY BALANCE SHEET as at 31 July 2016

	Notes	2016		2015	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non current assets</b>					
Fixed assets	10	237,686	236,277	243,058	242,418
Heritage assets	10	1,347	1,347	1,347	1,347
Investments	17	33,965	33,965	31,911	31,911
Investment in joint ventures		-	-	-	-
		<u>272,998</u>	<u>271,589</u>	<u>276,316</u>	<u>275,676</u>
<b>Current assets</b>					
Stock	14	1,509	1,509	2,030	2,030
Trade and other receivables	15	8,985	9,749	12,276	12,034
Investments	16	2,176	2,176	1,542	1,542
Cash and cash equivalents	23	40,209	39,285	38,124	37,673
		<u>52,879</u>	<u>52,719</u>	<u>53,972</u>	<u>53,279</u>
Less: Creditors: amounts falling due within one year	18	34,441	34,281	34,760	34,756
<b>Net current assets/(liabilities)</b>		<u>18,438</u>	<u>18,438</u>	<u>19,212</u>	<u>18,523</u>
<b>Total assets less current liabilities</b>		<u>291,436</u>	<u>290,027</u>	<u>295,528</u>	<u>294,199</u>
Creditors: amounts falling due after more than one year	19	101,628	100,219	104,131	102,802
<b>Provisions</b>					
Pension provisions	20	36,980	36,980	26,270	26,270
Other provisions	20	3,080	3,080	2,415	2,415
<b>Total net assets</b>		<u>149,748</u>	<u>149,748</u>	<u>162,712</u>	<u>162,712</u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	21	48,359	48,359	45,153	45,153
Income and expenditure reserve - restricted reserve	22	5,165	5,165	5,188	5,188
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		23,756	23,756	37,078	37,078
Revaluation reserve		72,468	72,468	75,293	75,293
<b>Total Reserves</b>		<u>149,748</u>	<u>149,748</u>	<u>162,712</u>	<u>162,712</u>

The financial statements were approved by the University Council on 29th November 2016 and were signed on its behalf by:

Dr Timothy Brain, Treasurer

Professor John Grattan, Acting Vice-Chancellor

## CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES year ended 31 July 2016

Consolidated	Income and expenditure account			Revaluation reserve	Total Including Non Controlling Interest
	Endowment	Restricted	Unrestricted		
	£000	£000	£000		
<b>Balance at 1 August 2014</b>	43,792	4,985	35,911	78,118	162,806
Surplus/(deficit) from the statement of comprehensive income	1,361	203	(1,658)	-	(94)
Transfers between revaluation and income and expenditure reserve	-	-	2,825	(2,825)	-
<b>Total comprehensive income for the year</b>	1,361	203	1,167	(2,825)	(94)
<b>Balance at 1 August 2015</b>	45,153	5,188	37,078	75,293	162,712
Surplus/(deficit) from the statement of comprehensive income	3,206	(23)	(16,147)	-	(12,964)
Transfers between revaluation and income and expenditure reserve	-	-	2,825	(2,825)	-
<b>Total comprehensive income for the year</b>	3,206	(23)	(13,322)	(2,825)	(12,964)
<b>Balance at 31 July 2016</b>	48,359	5,165	23,756	72,468	149,748

University	Income and expenditure account			Revaluation reserve	Total Including Non Controlling Interest
	Endowment	Restricted	Unrestricted		
	£000	£000	£000		
<b>Balance at 1 August 2014</b>	43,792	4,985	35,911	78,118	162,806
Surplus/(deficit) from the statement of comprehensive income	1,361	203	(1,658)	-	(94)
Transfers between revaluation and income and expenditure reserve	-	-	2,825	(2,825)	-
<b>Total comprehensive income for the year</b>	1,361	203	1,167	(2,825)	(94)
<b>Balance at 1 August 2015</b>	45,153	5,188	37,078	75,293	162,712
Surplus/(deficit) from the statement of comprehensive income	3,206	(23)	(16,147)	-	(12,964)
Transfers between revaluation and income and expenditure reserve	-	-	2,825	(2,825)	-
<b>Total comprehensive income for the year</b>	3,206	(23)	(13,322)	(2,825)	(12,964)
<b>Balance at 31 July 2016</b>	48,359	5,165	23,756	72,468	149,748

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 July 2016

	Notes	2016 £000	2015 £000
<b>Cash flow from operating activities</b>			
Deficit for the year		(2,509)	(4,157)
<b>Adjustment for non-cash items</b>			
Depreciation	10	11,217	10,472
Gain on investments	21/10	(2,712)	(1,357)
Decrease in stock	14	521	210
Decrease in debtors	15	3,291	319
Decrease in creditors	18/19	(997)	(2,386)
Pension interest cost	26	702	930
Contribution to pension greater than current service charge	26	(1,624)	(1,363)
Change in USS deficit reduction plan assumptions	26	1,174	4,593
Increase/(decrease) in other provisions	20	665	(66)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(956)	(995)
Interest payable	8	3,170	2,397
Endowment income	21	(520)	(4)
Loss on the disposal of fixed assets		115	1,421
Capital grant income within research grant	2/4	(4,247)	(4,038)
<b>Net cash inflow from operating activities</b>		<u>7,290</u>	<u>5,976</u>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		22	-
Capital grants receipts		1,039	1,060
Investment income	5	956	995
Payments made to acquire fixed assets		(5,956)	(17,762)
		<u>(3,939)</u>	<u>(15,707)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(1,786)	(248)
Endowment cash received	21	520	4
New long-term creditor		-	14,310
		<u>(1,266)</u>	<u>14,066</u>
<b>Increase in cash and cash equivalents in the year</b>		<u>2,085</u>	<u>4,335</u>
Cash and cash equivalents at beginning of the year	23	38,124	33,789
Cash and cash equivalents at end of the year	23	40,209	38,124

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 July 2016

	Notes	2016		2015	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>1 Tuition fees and education contracts</b>					
Full-time home and EU students		54,085	54,085	56,812	56,812
Full-time international students		5,377	5,377	6,560	6,560
Part-time students		614	614	582	582
Research Training Support Grant		369	369	731	731
		<u>60,445</u>	<u>60,445</u>	<u>64,685</u>	<u>64,685</u>
<b>2 Funding body grants</b>					
<i>Recurrent grant</i>					
Higher Education Funding Council		8,657	8,657	9,933	9,933
Capital grant		1,511	1,511	1,338	1,338
<i>Specific grants</i>					
Welsh Government Department for Education and Skills		2,323	2,323	2,263	2,263
		<u>12,491</u>	<u>12,491</u>	<u>13,534</u>	<u>13,534</u>
<b>3 Research grants and contracts</b>					
Research councils		10,886	10,886	9,526	9,526
Research charities		871	871	643	643
Government (UK and overseas)		7,800	7,800	9,099	9,099
Industry and commerce		2,111	2,111	2,202	2,202
Other		44	44	139	139
		<u>21,712</u>	<u>21,712</u>	<u>21,609</u>	<u>21,609</u>
<b>4 Other income</b>					
Residences, catering and conferences	27	11,445	11,445	13,579	13,579
Other revenue grants		1,602	1,602	1,504	1,504
Other services rendered		1,999	1,999	2,580	2,580
Arts Centre	28	3,043	3,043	3,489	3,489
Farms		1,513	1,513	1,572	1,572
Released from deferred capital grants		2,736	2,736	2,700	2,700
Other income		4,510	4,510	3,769	3,769
		<u>26,848</u>	<u>26,848</u>	<u>29,193</u>	<u>29,193</u>
<b>5 Investment income</b>					
Investment income on endowments	22	401	401	408	408
Other investment income		555	555	587	587
		<u>956</u>	<u>956</u>	<u>995</u>	<u>995</u>
<b>6 Donations and endowments</b>					
New endowments	21	520	520	4	4
Donations with restrictions	22	141	141	243	243
Unrestricted donations		63	63	65	65
		<u>724</u>	<u>724</u>	<u>312</u>	<u>312</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

7	Staff Costs	2016		2015	
		Consolidated £000	University £000	Consolidated £000	University £000
	Salaries	55,847	55,847	56,454	56,454
	Social security costs	4,325	4,325	4,191	4,191
	USS pension costs	7,465	7,465	10,070	10,070
	Other pension costs	2,413	2,413	2,683	2,683
		<u>70,050</u>	<u>70,050</u>	<u>73,398</u>	<u>73,398</u>
	Staff costs - restructuring	<u>723</u>	<u>723</u>	<u>2,488</u>	<u>2,488</u>

### Emoluments of the Vice-Chancellor (from 1st August 2015 to 31st July 2016)

Emoluments of the Vice-Chancellor	2016 £000	2015 £000
Salary	153	151
Non-pensionable allowance	52	52
Bonus	31	20
Taxable benefits in kind	1	1
Pension contributions to USS	17	24
	<u>254</u>	<u>248</u>

### Emoluments of the Acting Vice-Chancellor (from 1st February 2016 to 31st July 2016)

	2016 £000	2015 £000
Salary	61	-
Non-pensionable allowance	14	-
Pension contributions to USS	11	-
	<u>86</u>	<u>-</u>

On 04 December 2015, the Vice-Chancellor informed the University's Council that she wished to step down at the end of her term on 31 July 2016. As part of transitional arrangements, executive responsibilities were assumed by the Acting Vice-Chancellor (previously the Pro Vice-Chancellor for Student Experience and International) from 01 February 2016. The Acting Vice-Chancellor will continue in this role until an appointment is made to the substantive post of Vice-Chancellor and the successful individual has commenced in the role.

In addition to the disclosures above, £102,489 was paid to the Vice-Chancellor following the conclusion of her employment at Aberystwyth University, funded from normal operational activities. At 31 July 2016, the University has included a provision of £30,000 for any further sums which may be payable.

The emoluments of the Vice-Chancellor and Acting Vice-Chancellor are shown on the same basis as for higher paid staff.

The University's contributions to USS are paid at the same rate as for other academic staff.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7 Staff Costs (continued)

Remuneration of other higher paid staff, excluding employer's pension contributions (subject to relevant accounts direction) is shown below. All remunerations shown before any salary sacrifice:

	Number of Staff 2016	Number of Staff 2015
£100,000-£109,999	1	1
£110,000-£119,999	2	2
£120,000-£129,999	1	-
£220,000-£229,999	1	1
	<u>5</u>	<u>4</u>

<b>Average staff numbers by major category:</b>	2016 No.	2015 No.
Academic	424	407
Research	175	197
Management & specialist	353	366
Technical	150	118
Other	498	555
	<u>1,600</u>	<u>1,643</u>

	2016 £000	2015 £000
Key management personnel compensation	<u>1,365</u>	<u>1,440</u>

### Council Members

No member of Council has received any remuneration from the University for the year (2014-15 £nil). Members of the University staff appointed to the Council in respect of their membership of the Council. ting as a member of Council during the year (2014-15 £nil). Members of the University staff appointed to the Council not receive any additional remuneration in respect of their membership of the Council.

No member of Council has received payment for other services provided to the University during the year, other than under a contract of employment for members of Council who are also University employees, (2014-15 £nil).

The total expenses paid to or on behalf of 11 council members was £12,723 (2014-15 £16,053 to 12 council members). This represents travel and subsistence expenses incurred in attending Council and other meetings in their official capacity.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

8	Interest and other finance costs	2016		2015	
		Consolidated £000	University £000	Consolidated £000	University £000
	Interest on Fferm Penglais Students Accommodation	3,170	3,170	2,397	2,397
	Exchange differences	34	34	-	-
	Interest cost on USS pension liability	228	228	276	276
	Net charge on pension scheme	474	474	654	654
	Other	-	-	1	1
		3,906	3,906	3,328	3,328

### 9 Analysis of total expenditure by activity

Academic and related expenditure		58,678	58,678	58,178	58,178
Administration and central services		11,988	11,988	12,263	12,263
Premises		19,702	19,702	19,092	19,092
Residences, catering and conferences	27	9,110	9,110	9,851	9,851
Research grants and contracts		15,524	15,524	18,719	18,719
Other operating expenses		13,280	13,280	16,318	16,318
		128,282	128,282	134,421	134,421

Other operating expenses include:

External auditors remuneration in respect of audit services		60	60	59	59
External auditors remuneration in respect of non-audit services		245	245	150	150
Fundamental restructuring costs	7	723	723	2,488	2,488

### Voluntary Severance

The obligation to fund voluntary severance relates to arrangements that have been agreed and costs are expected to be incurred within one year.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10 Fixed Assets

#### Consolidated

	Freehold £000	Leasehold £000	Plant and Machinery £000	Software £000	Assets in the Course of Construction £000	Heritage Assets £000	Total £000
<b>Cost and valuation</b>							
At 1 August 2015	216,871	4,163	48,509	711	46,930	1,347	318,531
Additions	1,574	1,263	1,157	-	1,962	-	5,956
Transfers	1,715	44,575	-	-	(46,290)	-	-
Surplus on revaluation	26	-	-	-	-	-	26
Disposals	-	-	(411)	-	-	-	(411)
At 31 July 2016	220,186	50,001	49,255	711	2,602	1,347	324,102

Consisting of valuation cost	153,480	50,001	-	-	-	1,347	204,828
Cost	66,706	-	49,255	711	2,602	-	119,274
	220,186	50,001	49,255	711	2,602	1,347	324,102

#### Depreciation

At 1 August 2015	33,416	835	39,514	361	-	-	74,126
Charge for the year	7,053	1,124	2,898	142	-	-	11,217
Disposals	-	-	(274)	-	-	-	(274)
At 31 July 2016	40,469	1,959	42,138	503	-	-	85,069

#### Net book value

<b>At 31 July 2016</b>	<b>179,717</b>	<b>48,042</b>	<b>7,117</b>	<b>208</b>	<b>2,602</b>	<b>1,347</b>	<b>239,033</b>
At 31 July 2015	183,455	3,328	8,995	350	46,930	1,347	244,405

#### University

##### Cost and valuation

At 1 August 2015	216,871	4,163	48,509	711	46,290	1,347	317,891
Additions	1,574	1,263	1,157	-	1,193	-	5,187
Transfers	1,715	44,575	-	-	(46,290)	-	-
Surplus on revaluation	26	-	-	-	-	-	26
Disposals	-	-	(411)	-	-	-	(411)
At 31 July 2016	220,186	50,001	49,255	711	1,193	1,347	322,693

Consisting of valuation cost	153,480	50,001	-	-	-	1,347	204,828
Cost	66,706	-	49,255	711	1,193	-	117,865
	220,186	50,001	49,255	711	1,193	1,347	322,693

##### Depreciation

At 1 August 2015	33,416	835	39,514	361	-	-	74,126
Charge for the year	7,053	1,124	2,898	142	-	-	11,217
Disposals	-	-	(274)	-	-	-	(274)
At 31 July 2016	40,469	1,959	42,138	503	-	-	85,069

##### Net Book Value

<b>At 31 July 2016</b>	<b>179,717</b>	<b>48,042</b>	<b>7,117</b>	<b>208</b>	<b>1,193</b>	<b>1,347</b>	<b>237,624</b>
At 31 July 2015	183,455	3,328	8,995	350	46,290	1,347	243,765



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11 Investment in joint ventures

#### Investment in Aberystwyth Limited

The University holds a 51% share of Aberystwyth Limited, a company limited by shares and registered in Mauritius. The remaining 49% is owned by Boston Campus Limited. The company is treated as a joint venture and is accounted for using the equity method.

	2016	2015
	£000	£000
<b>Income and expenditure account</b>		
Income	173	-
Expenditure	173	-
Deficit before tax	-	-
<b>Balance sheet</b>		
Fixed assets	-	-
Current assets	79	2
Creditors: amounts due within one year	78	1
Creditors: amounts due after more than one year	-	-
Net assets	1	1

During 2015-16, Aberystwyth Ltd generated net tuition fee income of £174,718 (2014-15 £nil). At the year end the University was due £40,887 (2014-15 £nil) from Aberystwyth Ltd for its share of tuition fees. After accounting for this income, Aberystwyth University incurred net expenditure for delivering academic activities in Mauritius of £375,000 (2014-15 £1,377). These costs are Aberystwyth University costs and are included within other operating expenses.

#### Investment in Aber Bangor Consultancy Limited

Aberystwyth University and Bangor University both own a 50 per cent share of Aber Bangor Consultancy Ltd, which provides consultancy work undertaken for specialised projects which require a more substantial research and development component that can be developed and delivered by University researchers.

During the year the University charged Aber Bangor Consultancy Ltd £35,812 (2014-15 £8,950) and £11,461 (2014-15 £2,816) for administration services. At the year end Aber Bangor Consultancy Ltd owed the University £26,004 (2014-15 £993).

	Aber Bangor Consultancy Ltd	
	2016	2015
	£000	£000
<b>Income and expenditure account</b>		
Income	45	12
Expenditure	48	13
Deficit before tax	(3)	(1)
<b>Balance sheet</b>		
Fixed assets	-	-
Current assets	38	17
Creditors: amounts due within one year	30	10
Creditors: amounts due after more than one year	-	-
Net assets	8	7

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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### 12 Investments in University subsidiary companies

Company	Principal Activity	Status	Note
Abertec Ltd	Provider of research work	100% owned	-
Aber Trading Ltd	Provider of consultancy and research work	100% owned	-
Aberystwyth Innovation & Enterprise Campus Ltd (AIEC)	Provision of research in food, nutrition & energy security, renewable energies & biotechnologies	100% owned	-

#### Investment in Abertec Limited

The University owned the whole of the issued share capital of Abertec Limited, a company registered in England and Wales. This company ceased trading in 2013-14, and was dissolved on 5th July 2016 with £nil debtor (2014-15 £nil) owing to Aberystwyth University.

#### Investment in Aber Trading Limited

Abertec has been succeeded by Aber Trading Ltd. The University owns the whole of the issued share capital of Aber Trading Limited, a company registered in England and Wales, and performs research contract work and consultancy work on its behalf. Aber Trading Limited owed the University £11,611 at the year end (2014-15 £21,674).

During the year Aberystwyth University charged Aber Trading Limited £11,611 (2014-15 £28,565).

#### Investment in Aberystwyth University Innovation and Enterprise Campus Limited (AIEC)

Aberystwyth University Innovation and Enterprise Campus Limited (AIEC), is a company limited by shares and registered in England & Wales. AIEC is a wholly owned subsidiary of Aberystwyth University. A shareholders' agreement has been drafted to transfer 25 per cent of the share capital to Biotechnology and Biological Sciences Research Council (BBSRC) a government agency, but has not been signed to date. AIEC has obtained funding to build a new research centre. This centre will cost £40.5m to establish and will allow research into food, nutrition and energy security, renewable energies and biotechnologies.

During the year the University invoiced AIEC for expenditure the University had incurred on behalf of AIEC totalling £444,128 (2014-15 £698,732) and AIEC invoiced the University £63,189 (2014-15 £11,185). At the year end AIEC had a long-term creditor to the University of £1,068,487 (2014-15 £687,547).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12 Investments in University subsidiary companies (continued)

	<b>AIEC Limited</b>		<b>Abertec Limited</b>	
	2016 £000	2015 £000	2016 £000	2015 £000
<b>Income and expenditure account</b>				
Income	63	11	-	-
Expenditure	63	11	-	-
Deficit before tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance sheet</b>				
Fixed assets	1,410	640	-	-
Current assets	1,229	692	-	30
Creditors: amounts due within one year	160	4	-	-
Creditors: amounts due after more than one year	<u>2,479</u>	<u>1,328</u>	<u>-</u>	<u>-</u>
Net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>

	<b>Aber Trading Ltd</b>	
	2016 £000	2015 £000
<b>Income and expenditure account</b>		
Income	13	22
Expenditure	13	22
Deficit before tax	<u>-</u>	<u>-</u>
<b>Balance sheet</b>		
Fixed assets	-	-
Current assets	12	30
Creditors: amounts due within one year	-	-
Creditors: amounts due after more than one year	<u>12</u>	<u>30</u>
Net assets	<u>-</u>	<u>-</u>

### 13 Other related parties

#### **Aberystwyth University Pension and Assurance Scheme (AUPAS)**

The University runs a payroll service on behalf of AUPAS for which no administrative cost recharges are made. The Pension Scheme debtor at the year end was £232,919 (2014-15 £2,067,382).

#### **Aberystwyth Students Union**

Aberystwyth University Students' Union (AUSU) is a separate entity funded by the University by the provision of a grant. It is administered by elected student officers for the benefit of the students.

The University's grant to AUSU amounted to £663,000 (2014-15 £650,000).

The Students Union occupies premises owned by the University for which no rent is charged and received payroll services from the University for which no fee is charged. At the year end the University was owed £744,123 (2014-15 £682,141) of which a provision has been included for £653,734 (2014-15 £682,141).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	2016		2015	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>14 Stock</b>				
General consumables	1,509	1,509	2,030	2,030
<b>15 Trade and other receivables</b>				
Amounts falling due within one year:				
Research grants receivables	4,588	4,588	5,495	5,495
Other trade receivables	3,424	3,120	5,981	5,739
Prepayments and accrued income	973	973	800	800
Amounts due from subsidiary companies	-	1,068	-	-
	<u>8,985</u>	<u>9,749</u>	<u>12,276</u>	<u>12,034</u>
<b>16 Current investments</b>				
Bank balance	1,992	1,992	1,358	1,358
Cash deposits	184	184	184	184
	<u>2,176</u>	<u>2,176</u>	<u>1,542</u>	<u>1,542</u>
<b>17 Non-current investments</b>				
Fixed interest stocks	4,753	4,753	2,918	2,918
Non-equity investments	103	103	99	99
Equities	20,782	20,782	17,671	17,671
Absolute returns	6,505	6,505	9,523	9,523
Property unit trust	1,822	1,822	1,700	1,700
	<u>33,965</u>	<u>33,965</u>	<u>31,911</u>	<u>31,911</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

18	Creditors: amounts falling due within one year	2016		2015	
		Consolidated £000	University £000	Consolidated £000	University £000
	Payment received on account	3,390	3,230	4,792	4,792
	Research grant balances	9,962	9,962	11,313	11,309
	Unsecured loans	22	22	35	35
	Deferred income from Student Village Lease	680	680	680	680
	Short-term employee benefit	2,316	2,316	1,941	1,941
	Trade payables	4,704	4,704	4,850	4,850
	Social security and other taxation payable	3,396	3,396	2,670	2,670
	Accruals and deferred income	5,523	5,523	4,031	4,031
	Deferred capital grants less than 1 year	4,448	4,448	4,448	4,448
		<u>34,441</u>	<u>34,281</u>	<u>34,760</u>	<u>34,756</u>

### Accruals and deferred income

	2016		2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Trade creditors accrual	3,035	3,035	2,628	2,628
Grant income	2,142	2,142	1,281	1,281
Tuition fees	65	65	65	65
Other income	281	281	57	57
	<u>5,523</u>	<u>5,523</u>	<u>4,031</u>	<u>4,031</u>

19	Creditors: amounts falling due after more than one year	2016		2015	
		Consolidated £000	University £000	Consolidated £000	University £000
	Deferred income from Student Village lease	7,465	7,465	8,144	8,144
	Secured liabilities				
	- L&G finance	43,647	43,647	42,601	42,601
	- Balfour Beatty deferred consideration	4,870	4,870	4,532	4,532
	Deferred capital grants greater than 1 year	45,646	44,237	48,854	47,525
		<u>101,628</u>	<u>100,219</u>	<u>104,131</u>	<u>102,802</u>

Analysis of secured and unsecured loans:	2016		2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Due within one year or on demand (Note 18)	22	22	35	35
Due between one and two years	-	-	-	-
Due between two and five years	-	-	-	-
Due in five years or more	48,517	48,517	47,133	47,133
Total secured and unsecured loans	<u>48,539</u>	<u>48,539</u>	<u>47,168</u>	<u>47,168</u>
Secured loans repayable by 2048	48,517	48,517	47,133	47,133
Unsecured loans repayable by 2017	22	22	35	35
	<u>48,539</u>	<u>48,539</u>	<u>47,168</u>	<u>47,168</u>

Both the L&G and Balfour Beatty liabilities are repaid through annual payments that increase by RPI until 2048. The implicit interest rates are 6 per cent for the L&G finance and 12 per cent for Balfour Beatty.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20 Provisions for liabilities at 31 July 2016

<b>Consolidated</b>	Obligation to fund deficit on USS pension £000	Defined benefit obligations £000	Total pensions provisions £000	VAT £000	Voluntary severance £000	Other £000	Total other £000
At 1 August 2015	13,052	13,218	26,270	383	1,180	852	2,415
Utilised in year	-	-	-	-	(806)	-	(806)
Additions in 2015-16	870	9,840	10,710	1,210	-	484	1,694
Unused amounts reversed in 2015-16	-	-	-	-	-	(223)	(223)
At 31 July 2016	<u>13,922</u>	<u>23,058</u>	<u>36,980</u>	<u>1,593</u>	<u>374</u>	<u>1,113</u>	<u>3,080</u>

<b>University</b>	Obligation to fund deficit on USS pension £000	Defined benefit obligations £000	Total pensions provisions £000	VAT £000	Voluntary severance £000	Other £000	Total other £000
At 1 August 2015	13,052	13,218	26,270	383	1,180	852	2,415
Utilised in year	-	-	-	-	(806)	-	(806)
Additions in 2015-16	870	9,840	10,710	1,210	-	484	1,694
Unused amounts reversed in 2015-16	-	-	-	-	-	(223)	(223)
At 31 July 2016	<u>13,922</u>	<u>23,058</u>	<u>36,980</u>	<u>1,593</u>	<u>374</u>	<u>1,113</u>	<u>3,080</u>

#### USS Deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed projections for future employees within the USS scheme and projections for salary payment over the period of the contracted obligation in assessing the value of this provision.

#### VAT Provision

The VAT provision is in respect of VAT treatment of historic Hall of Residence transactions and resulting payments are expected to be incurred within one year.

#### Voluntary Severance

The obligation to fund voluntary severance relates to arrangements that have been agreed and costs are expected to be incurred within one year.

#### Other Provision

£958,000 of the other provision relates to backlog maintenance on leased property which the University is contractually obliged to restore back to its original condition for which payments are expected to be incurred within two to five years. £155,000 of the other provision relates to Aberystwyth University Students Union deficit to 30th June 2016 for which the University has provided a letter of comfort.

These outflows of economic resources are deemed probable and therefore a provision has been made rather than a contingent liability.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000	Unrestricted permanent endowments £000	Expendable endowments £000	Total £000
Balances at 1 August 2015	28,419	16,117	617	45,153
New endowments	510	-	10	520
Increase in market value of investments	1,304	1,347	35	2,686
Total endowment comprehensive income for the year	1,814	1,347	45	3,206
At 31 July 2016	30,233	17,464	662	48,359

In addition to the £2,686,000 (2014-15 £1,357,000) increase in market value of investments above, there has been an increase in the market value of £26,000 (2014-15 £nil) in the market value of investment properties. This is shown in note 10.

	2016		2015	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Analysis by type of purpose:</b>				
Lectureships	4,051	4,051	3,824	3,824
Scholarships and bursaries	15,449	15,449	14,577	14,577
Research support	3,532	3,532	3,334	3,334
Prize funds	2,499	2,499	1,873	1,873
General	22,828	22,828	21,545	21,545
	48,359	48,359	45,153	45,153

#### Analysis by asset

Investment	33,965	33,965	31,911	31,911
Land and Buildings	11,982	11,982	11,982	11,982
Cash & cash equivalents	2,412	2,412	1,260	1,260
	48,359	48,359	45,153	45,153

#### Deficit balances

The accumulated income relating to the following permanent endowment is currently in deficit. Income to cover this deficit is expected to be received by 31 July 2020.

	Capital £000	Income £000
Blaenllynant endowment	1,652	(115)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22 Restricted reserves

Reserves with restrictions are as follows

	2016			2015		
	Endowment £000	Donations £000	Total £000	Endowment £000	Donations £000	Total £000
At 1 August 2015	5,072	116	5,188	4,985	-	4,985
New donations	-	141	141	-	243	243
Investment income	401	-	401	408	-	408
Expenditure	(436)	(129)	(565)	(321)	(127)	(448)
Total restricted comprehensive income for the year	(35)	12	(23)	87	116	203
At 31 July 2016	5,037	128	5,165	5,072	116	5,188

Analysis of other restricted funds and donations by purpose:

	2016			2015		
	Endowment £000	Donations £000	Total £000	Endowment £000	Donations £000	Total £000
Lectureships	251	-	251	249	-	249
Scholarships and bursaries	1,124	112	1,236	1,225	45	1,270
Research support	480	-	480	469	-	469
Prize funds	387	-	387	365	-	365
General	2,795	16	2,811	2,764	71	2,835
At 31 July 2016	5,037	128	5,165	5,072	116	5,188

### 23 Cash and cash equivalents

	At 1st August 2015 £000	Cash flow £000	At 31st July 2016 £000
Consolidated			
Cash and cash equivalents	38,124	2,085	40,209
	38,124	2,085	40,209

### 24 Capital and other commitments

	Consolidated £000	University £000	Consolidated £000	University £000
Capital commitments	642	642	812	812
	642	642	812	812

### 25 Lease obligations

	Land and Buildings £000	Plant and Machinery £000	Other leases £000	Total 2016 £000	Total 2015 £000
Payable during the year	607	7	189	803	805
Not later than 1 year	23	7	-	30	32
Later than 1 year and not later than 5 years	427	-	189	616	616
Later than 5 years	157	-	-	157	157
<b>Total lease payable during the year</b>	<b>607</b>	<b>7</b>	<b>189</b>	<b>803</b>	<b>805</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 Pension schemes

The University participates in four different schemes:

Aberystwyth University Pension Plan (AUPP)	defined contribution
Universities' Superannuation Scheme (USS)	defined benefit multi-employer
Aberystwyth University Pension Assurance Scheme (AUPAS)	defined benefit closed
Dyfed Pension Fund (DPF)	defined benefit closed to new entrants

AUPAS has been closed to further member contributions since April 2015. The Dyfed Pension Fund is not open to new members.

#### Impact on Consolidated Statement of Comprehensive Income

	2016	2015
	£000	£000
Operating charge in staff costs		
AUPP	2,403	592
USS	7,465	10,070
AUPAS	-	2,079
DPF	10	12
Total pension charge in staff costs	<u>9,878</u>	<u>12,753</u>

	2016	2015
	£000	£000
Interest costs		
USS	228	276
AUPAS	445	623
DPF	29	31
Total interest costs	<u>702</u>	<u>930</u>

	2016	2015
	£000	£000
Actuarial gain/(loss) in respect of pension schemes		
AUPAS	(10,220)	4,152
DPF	(235)	(89)
Total actuarial gain/(loss)	<u>(10,455)</u>	<u>4,063</u>

#### Impact on Balance Sheet

	2016	2015
	£000	£000
Pension Provision		
USS	13,922	13,052
AUPAS	22,013	12,364
DPF	1,045	854
Total pension liability	<u>36,980</u>	<u>26,270</u>

#### (i) ABERYSTWYTH UNIVERSITY PENSION PLAN

The Aberystwyth University Pension Plan is a defined contribution pension plan which is administered by Legal & General. All employee and Institute contributions are invested in a Legal & General Group Personal Pension Plan. The University contributes 10 per cent of salary into the pension scheme. The total contribution in 2015-16 was £2,403,000 (2014-15 £592,000).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 Pension Schemes (continued)

#### (ii) THE UNIVERSITIES SUPERANNUATION SCHEME

A defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and 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 Section 28 of FRS102 'Employee 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. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The total cost charged to the profit and loss account is £7,693,000 (2014-15 £10,346,000). The latest available full actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89 per cent of the benefits which had accrued to members after allowing for expected future increases in earnings.

#### Assumptions

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.60%	3.30%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Pension increases (CPI)	2.20%	2.20%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's tables.

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5 per cent per annum long term rate were also adopted. The current life expectancies on retirement at age 65:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS102 total scheme deficit	£8.5bn	£11.1bn
FRS102 total funding level	85%	82%

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 Pension Schemes (continued)

The USS scheme is in deficit and a funding plan has been agreed. Aberystwyth University has therefore recognised a liability for the contributions payable that arise from the agreement to fund the scheme (to the extent that they relate to the deficit) and the resulting expense in profit and loss.

The University has agreed to a 16 year deficit reduction plan on the 31st July 2015. The present value of future payments under this deficit reduction plan has been determined using a deficit modeller produced by USS. A discount rate of 1.75 per cent (3.00 per cent in 2014-15) has been used to calculate the present value of future payments. This discount factor is based on the yield of high grade AA bonds as required by FRS102.

	2016 £000	2015 £000
Opening deficit	(13,052)	(9,198)
Current service cost	(6,291)	(5,477)
Change in deficit reduction plan assumptions	(1,174)	(4,593)
USS Pension cost in the Consolidated Income Statement	(7,465)	(10,070)
Net interest cost	(228)	(276)
Contribution from University	6,823	6,492
Closing deficit	<u>(13,922)</u>	<u>(13,052)</u>

#### (iii) ABERYSTWYTH UNIVERSITY PENSION AND ASSURANCE SCHEME

The University maintains a closed final salary defined benefit pension scheme called the Aberystwyth University Pension Assurance Scheme. The scheme is externally funded. The last formal triennial actuarial valuation of the scheme was performed as at 1 August 2014 by a professionally qualified actuary.

During the accounting period, the University paid contributions of £1,038,000 to the pension scheme as a contribution to reduce the value of the deficit. The scheme is closed and no contributions were made by members.

#### Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	2016 %pa	2015 %pa
Price inflation (RPI)	2.65	3.75
Price inflation (CPI)	1.65	2.15
Rate of increase in salaries	2.15	3.15
Rate of increase of pensions in payment for AUPAS members	1.65	2.15
Deferred pension revaluation	1.65	2.15
Discount rate	2.55	3.75

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	2016	2015
Males currently aged 65 (years)	21.1	21.0
Females currently aged 65 (years)	23.2	23.1
Males currently aged 45 (years)	23.2	23.1
Females currently aged 45 (years)	25.4	25.3

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 Pension Schemes (continued)

#### Analysis of the amount shown in the Consolidated Statement of Comprehensive Income for AUPAS

	2016 £000	2015 £000
Pension cost within surplus/deficit before other gains/losses		
Current service cost	-	1,962
Past service costs	-	117
Total operating charge in staff costs	-	2,079
Interest on plan assets	3,351	3,473
Interest on pension liabilities	3,796	4,096
Net interest cost	445	623
Administrative cost	22	182
Total pension cost within deficit before other gains/losses	467	2,884
Actuarial gain/(loss) in respect of pension schemes		
Gain on assets	781	8,020
Experience gain on liabilities	-	3,953
Loss on liabilities	(11,001)	(7,821)
Net Actuarial gain/(loss) in respect of pension schemes	(10,220)	4,152
Total comprehensive income/(cost) for the year	(10,687)	1,268

#### Summary of the amount shown in the balance sheet for AUPAS

Scheme assets	91,840	91,032
Scheme liabilities	113,853	103,396
Net pension liability	22,013	12,364

#### Analysis of movement in the present value of AUPAS liabilities

Present value of AUPAS liabilities at the start of the year	103,396	99,348
Current service cost (net of member contributions)	-	1,962
Loss on curtailments/changes	-	117
Interest cost	3,796	4,096
Actual member contributions (including notional contributions)	-	36
Actuarial loss due to changes in assumptions	11,001	3,868
Actual benefit payments	(4,340)	(6,031)
Present value of AUPAS liabilities at the end of the year	113,853	103,396

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 Pension Schemes (continued)

	2016	2015
	£000	£000
<b>Analysis of movement in the fair value of scheme assets</b>		
Fair value of assets at the start of the year	91,032	83,137
Expected interest income on plan assets	3,351	3,473
Actual return on plan assets (excluding interest income)	781	8,020
Actual contributions paid by University	1,038	2,579
Actual member contributions (including notional contributions)	-	36
Actual benefit payments	(4,340)	(6,031)
Administrative expenses paid from plan assets	(22)	(182)
Fair value of scheme assets at the end of the year	<u>91,840</u>	<u>91,032</u>
<b>Fair value of AUPAS scheme assets</b>		
Cash and cash equivalents	153	714
Equity instruments	32,172	35,389
Debt instruments	41,705	36,768
Real estate	9,245	9,179
Other	8,565	8,982
Total fair value of AUPAS scheme assets	<u>91,840</u>	<u>91,032</u>

AUPAS assets do not include any of the University's own financial instruments, or any property occupied by the University.

#### Actual return on scheme assets

Expected return on scheme assets	3,351	3,473
Asset gain/(loss)	781	8,020
Actual return on scheme assets	<u>4,132</u>	<u>11,493</u>
Per cent return on scheme assets at start of year	4.5%	13.8%

#### (iv) DYFED PENSION FUND

The University is an admitted member of the Dyfed Pension Fund which is a multi-employer Local Government Pension Scheme regulated by statute. The last full actuarial valuation was carried out at 31 March 2016 by a qualified independent actuary. An approximate actuarial valuation was carried out at 31 July 2016 by a qualified independent actuary.

#### Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	2016	2015
	% pa	% pa
Price inflation	1.7	2.2
Rate of increase in salaries	3.7	3.2
Rate of increase of pensions in payment for DPF members	1.8	2.2
Discount rate	2.4	3.6

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	2016	2015
Males currently aged 65 (years)	23.4	23.3
Females currently aged 65 (years)	25.9	25.8
Males currently aged 45 (years)	25.7	25.5
Females currently aged 45 (years)	28.2	28.1

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 Pension Schemes (continued)

#### Analysis of the amount shown in the Consolidated Statement of Comprehensive Income for DPF

	2016 £000	2015 £000
Pension cost within surplus/deficit before other gains/losses		
Current service cost	10	12
Total operating charge in staff costs	10	12
Interest on plan assets	152	162
Interest on pension liabilities	181	193
Net interest cost	29	31
Administrative cost	-	-
Total pension cost within surplus/deficit before other gains/losses	39	43
Actuarial gain/(loss) in respect of pension schemes		
Gain on assets	388	268
Loss on liabilities	(624)	(357)
Net Actuarial gain/(loss) in respect of pension schemes	(236)	(89)
Total Comprehensive income/(cost) for the year	(275)	(132)

#### Summary of the amount shown in the balance sheet for DPF

	2016 £000	2015 £000
Scheme assets	4,722	4,284
Scheme liabilities	5,767	5,138
Net pension liability	1,045	854

#### Analysis of movement in the present value of DPF liabilities

Present value of DPF liabilities at the start of the year	5,138	4,817
Current service cost (net of member contributions)	10	12
Interest cost	181	193
Actual member contributions (including notional contributions)	2	2
Actuarial loss due to changes in assumptions	624	357
Actual benefit payments	(188)	(243)
Present value of DPF liabilities at the end of the year	5,767	5,138

#### Analysis of movement in the fair value of scheme assets

Fair value of assets at the start of the year	4,284	4,052
Expected interest income on plan assets	152	162
Actual return on plan assets (excluding interest income)	388	268
Actual contributions paid by University	84	43
Actual member contributions (including notional contributions)	2	2
Actual benefit payments	(188)	(243)
Fair value of scheme assets at the end of the year	4,722	4,284

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 Pension Schemes (continued)

	2016	2015
<b>Fair value of DPF scheme assets</b>	£000	£000
Cash and cash equivalents	14	21
Equity instruments	3,253	2,986
Debt instruments	945	836
Real estate	510	441
Total fair value of DPF scheme assets	4,722	4,284
<b>Actual return on scheme assets</b>		
Expected return on scheme assets	152	162
Asset gain	388	268
Actual return on scheme assets	540	430
Per cent return on scheme assets at start of year	12.6%	10.6%

### 27 Residences and Catering Operations, Halls and Rented Properties income and expenditure account

Income	4	11,445	13,579
Expenditure	9	9,110	9,851
Surplus		2,335	3,728

### 28 Aberystwyth Arts Centre income and expenditure account

Income	4	3,043	3,489
Expenditure		3,510	3,686
Deficit		(467)	(197)

### 29 Transition to FRS102 and the 2015 Statement of Recommended Practice (SORP)

These are the University's first financial statements prepared in accordance with FRS102. The accounting policies set out on pages 15 to 21 have been applied in preparing the financial statements for the year ended 31 July 2016.

The 2014-15 financial statements were prepared in accordance with the old basis of accounting (2007 SORP). The comparative financial statements for the year 2014-15 have been adjusted in line with FRS102 requirements. The University has also applied FRS102 to obtain an adjusted financial position in the balance sheet at 1 August 2014.

An explanation of how the transition to FRS102 has affected the Consolidated Group and the University's financial position, financial performance is set out in the following tables.

The only impact of the transition to FRS102 on the cash flow for the University or the Group is the reclassification of some endowment assets to cash and cash equivalents as shown in the Balance Sheet.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29 Transition to FRS102 and the 2015 SORP (continued)

The University did not prepare and publish consolidated group financial statements for 2014-15 due to materiality. The table shown below therefore reconciles the University Financial Performance under 2007 SORP to 2015 SORP. The value of the changes caused by FRS102 for the Consolidated Group Financial Statements are the same as for the University Financial Statements.

Impact of FRS102 on the Financial Performance reported in the University's 2014-15 Financial Statements.

	University 2007 SORP £000	STRGL Items £000	Effect of transition to 2015 SORP £000	University 2015 SORP £000
<b>Income</b>				
Tuition fees and education contracts	64,685	-	-	64,685
Funding body grants	13,629	-	(95)	13,534
Research grants and contracts	21,627	-	(18)	21,609
Other income	30,149	-	(956)	29,193
Investment income	995	-	-	995
<b>Total income before other grants and donations</b>	<b>131,085</b>	<b>-</b>	<b>(1,069)</b>	<b>130,016</b>
Donations and endowments	-	4	308	312
<b>Total income</b>	<b>131,085</b>	<b>4</b>	<b>(761)</b>	<b>130,328</b>
<b>Expenditure</b>				
Staff costs	72,406	-	3,480	75,886
Other operating expenses	44,578	-	156	44,734
Depreciation	9,727	-	745	10,472
Interest and other finance costs	2,398	-	931	3,329
<b>Total expenditure</b>	<b>129,109</b>	<b>-</b>	<b>5,312</b>	<b>134,421</b>
Surplus/deficit before other gains losses and share of operating surplus/deficit of joint ventures and associates	1,976	4	(6,073)	(4,093)
Gain/(loss) on disposal of fixed assets	(168)	-	-	(168)
Gain/(loss) on investments	-	1,357	-	1,357
Loss on impairment of fixed assets	(1,253)	-	-	(1,253)
Surplus/(deficit) for the year	555	1,361	(6,073)	(4,157)
Actuarial (loss)/gain in respect of pension schemes	-	2,767	1,296	4,063
<b>Total comprehensive income for the year</b>	<b>555</b>	<b>4,128</b>	<b>(4,777)</b>	<b>(94)</b>
Represented by:				
Endowment comprehensive income for the year	379	982	-	1,361
Restricted comprehensive income for the year	-	-	203	203
Unrestricted comprehensive income for the year	176	3,146	(4,980)	(1,658)
	<b>555</b>	<b>4,128</b>	<b>(4,777)</b>	<b>(94)</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29 Transition to FRS102 and the 2015 SORP (continued)

The explanation for the movement in the University and the Consolidated Group Financial Performance is shown in the table below.

	Consolidated Year ended 31 July 2016 £000	University Year ended 31 July 2016 £000	Consolidated Year ended 31 July 2015 £000	University Year ended 31 July 2015 £000
<b>Financial performance</b>				
University surplus for the year under 2007 SORP	(3,628)	(3,628)	555	555
USS pension provision costs (A1)	(870)	(870)	(3,854)	(3,854)
Higher depreciation as a result of asset revaluation	(745)	(745)	(745)	(745)
Change in life of Capital Government grants	(302)	(302)	(302)	(302)
Change in income recognition policy for non-government grants	52	52	(18)	(18)
Annual leave accrual	(375)	(375)	26	26
Change in income recognition policy for donations	128	128	116	116
Items previously recognised in the Statement of Recognised Gains and Losses				
Change to AUPAS & DPF pension provision (A2)	(10,456)	(10,456)	2,767	2,767
Endowment asset revaluation (A3)	2,712	2,712	1,357	1,357
New endowments received	520	520	4	4
Total effect of transition to FRS102	(9,336)	(9,336)	(649)	(649)
Total comprehensive income for the year under 2015 SORP	(12,964)	(12,964)	(94)	(94)

A1 USS pension provision

During 2014-15 the University agreed to increase the value of the deficit reduction contribution that it would make to USS. This resulted in an additional employee cost that was recognised in the Consolidated Income Statement.

A2 Change to AUPAS and DPF pension provision

Movements in the value of the AUPAS and DPF pension liabilities are now recognised in full in the Consolidated Income Statement rather than in the Statement of Recognised Gains and Losses.

A3 Endowment asset revaluation

Gains on endowment investment are now recognised in full in the Consolidated Income Statement rather than in the Statement of Recognised Gains and Losses.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29 Transition to FRS102 and the 2015 SORP (continued)

The impact of FRS102 on the Balance Sheet position reported in the University's 2014-15 Financial Statements is shown below. The University did not prepare and publish Consolidated Financial Statement for 2014-15 under 2007 SORP.

	2014			2015		
	University 2007 SORP £000	Change due to 2015 SORP £000	University 2015 SORP £000	University 2007 SORP £000	Change due to 2015 SORP £000	University 2015 SORP £000
<b>Fixed Assets</b>						
Fixed assets	152,518	54,637	207,155	188,527	53,891	242,418
Heritage assets	1,347	-	1,347	1,347	-	1,347
Investments	95	30,916	31,011	99	31,812	31,911
<b>Total fixed assets</b>	<b>153,960</b>	<b>85,553</b>	<b>239,513</b>	<b>189,973</b>	<b>85,703</b>	<b>275,676</b>
Endowment assets	42,991	(42,991)	-	44,731	(44,731)	-
<b>Current Assets</b>						
Stocks	2,240	-	2,240	2,030	-	2,030
Debtors - due within one year	42,629	-	42,629	12,034	-	12,034
Short term deposits	182	894	1,076	184	1,358	1,542
Cash at bank and in hand	25,271	8,527	33,798	28,767	8,906	37,673
<b>Total current assets</b>	<b>70,322</b>	<b>9,421</b>	<b>79,743</b>	<b>43,015</b>	<b>10,264</b>	<b>53,279</b>
Creditors: amounts falling due within one year	30,730	6,415	37,145	28,465	6,291	34,756
<b>Net current assets</b>	<b>39,592</b>	<b>3,006</b>	<b>42,598</b>	<b>14,550</b>	<b>3,973</b>	<b>18,523</b>
<b>Total assets less current liabilities</b>	<b>236,543</b>	<b>45,568</b>	<b>282,111</b>	<b>249,254</b>	<b>44,945</b>	<b>294,199</b>
Creditors: amounts falling due after more than one year	39,495	-	39,495	55,277	-	55,277
Deferred capital grants	-	51,154	51,154	-	47,525	47,525
Provisions	2,481	-	2,481	2,415	-	2,415
Pension provisions	16,976	9,198	26,174	13,218	13,052	26,270
<b>Total net assets</b>	<b>177,591</b>	<b>(14,784)</b>	<b>162,807</b>	<b>178,344</b>	<b>(15,632)</b>	<b>162,712</b>
Deferred capital grants	55,602	(55,602)	-	51,672	(51,672)	-
Permanent	42,399	(42,399)	-	44,155	(44,155)	-
Expendable endowments	592	(592)	-	576	(576)	-
<b>Unrestricted Reserves</b>						
Revaluation reserve	39,944	38,083	78,027	37,955	37,338	75,293
I&E reserve - unrestricted	39,054	(3,051)	36,003	43,986	(6,908)	37,078
<b>Restricted Reserves</b>						
I&E reserve - restricted	-	4,985	4,985	-	5,188	5,188
I&E reserve - endowment	-	43,792	43,792	-	45,153	45,153
<b>Total funds</b>	<b>177,591</b>	<b>(14,784)</b>	<b>162,807</b>	<b>178,344</b>	<b>(15,632)</b>	<b>162,712</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29 Transition to FRS102 and the 2015 SORP (continued)

The explanation for the movement in the Balance Sheet position is set out in the table below. This shows the impact of implementing FRS102 on both the Consolidated Group Balance Sheet and on the University Balance Sheet.

		Consolidated 2014 £000	University 2014 £000	Consolidated 2015 £000	University 2015 £000
<b>Net Assets</b>					
Net assets under 2007 SORP		177,591	177,591	178,344	178,344
USS pension provision	B1	(9,198)	(9,198)	(13,052)	(13,052)
Revaluation of Land and Buildings	B2	47,411	47,411	46,486	46,486
Revaluation of investment property	B3	4,572	4,572	4,752	4,752
Reclassification of deferred capital grants as liabilities	B4	(55,602)	(55,602)	(51,974)	(51,974)
Annual leave accrual	B5	(1,967)	(1,967)	(1,942)	(1,942)
Change in income recognition for non-government grants		-	-	(18)	(18)
Change in income recognition for donations		-	-	116	116
Total effect of transition to FRS102		(14,784)	(14,784)	(15,632)	(15,632)
Net assets under 2015 SORP		162,807	162,807	162,712	162,712

B1 Explanation of movements

The University is required under FRS102 to recognise a liability for part of the USS pension deficit where it has committed to make contributions to reduce the deficit.

B2 Revaluation of Land and Buildings

The University revalued its Land and Buildings as a one off exercise for the 1st August 2014 opening Balance Sheet. The revaluation was undertaken by a qualified Chartered Surveyor and Registered Valuer under the RICS Valuer Registration Scheme (Cooke and Arkwright).

B3 Revaluation of investment property

The University is now required to revalue investment properties on an annual basis. The revaluation was undertaken by a qualified Chartered Surveyor and Registered Valuer under the RICS Valuer Registration Scheme (Cooke and Arkwright).

B4 Reclassification of deferred capital grants as liabilities

Under FRS102, deferred capital grants must be recognised as liabilities rather than under equity.

B5 Annual leave accrual

Under FRS102, the University must recognise a liability for annual leave that University employees are entitled to, but have not yet taken.

Reclassification of endowment assets

Under FRS102 and 2015 SORP, endowment assets ceased to exist as a separate line item and must be reclassified between its constituent assets. On converting the opening balance sheet, 1st August 2014 to FRS102, the endowment assets were split £30,916,000 to investments, £894,000 to short-term investments, £8,527,000 to cash and £2,654,000 to fixed assets.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 30 Significant judgements & sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the University regarding the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the University's Balance Sheet at 31 July 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pension liability	<p>A firm of consulting actuaries (Mercers) were engaged to provide expert advice about the pension assumptions to be applied.</p> <p>The estimation of the net pension liability depends on a number of complex judgements including the discount rate used, the rate of inflation, and mortality rates.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>A 0.25 per cent change in the discount rate assumption changes the AUPAS pension liability by £5.5 million. An increase in discount rate reduces the liability, a fall in the discount rate increases the liability.</p> <p>A 0.25 per cent change in the inflation rate assumption changes the AUPAS pension liability by £5.8 million. An increase in inflation rate increases the liability, a fall in the inflation rate reduces the liability</p> <p>A change of 1 year in life expectancy changes the pension liability by £3.6 million. An increase in life expectancy increases the liability, a fall in life expectancy reduces the liability.</p> <p>A 0.25 per cent change in the discount rate changes the USS pension liability by £271,000. An increase in discount rate reduces the liability, a fall in discount rate increases the liability</p>
Investment property	<p>Investment properties have been valued at £5.7 million by a Chartered Surveyor and Registered Valuer under the RICS Valuer Registration Scheme (Cooke and Arkwright).</p> <p>They have been valued at fair value which is the value for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The property market in Aberystwyth and surrounding area is less liquid and the values of property is subject to the demand for a specific property.</p>	<p>If the value of the investment properties are determined to be lower, this will be recognised as a charge to the University's Consolidated Statement of Comprehensive Income. If the value of investment properties are determined to be higher, this will be recognised as a gain in the University's Consolidated Statement of Comprehensive Income.</p>