

*Financial Statements  
for the  
Year ending  
31 July 2017*

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## UNIVERSITY TRUSTEES

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The University's Trustees for the year ended 31 July 2017, 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 (6/6)  
Mrs Elizabeth France CBE, Pro-Chancellor (5/6)  
Miss Gwerfyl Pierce Jones, Pro-Chancellor (6/6)  
Dr Glyn Rowlands, Pro-Chancellor [until 28 February 2017] (1/3)  
Dr Timothy Brain OBE, Treasurer (6/6)  
Mr George Ashworth (3/6)  
Ms Anne Davies (6/6)  
Mrs Janet Davies (4/6)  
Mr Keith Evans (5/6)  
Mr Richard John (5/6)  
The Right Honourable Elfyn Llwyd (2/6)  
Mr Ian MacEachern OBE (6/6)  
Dr Emyr Roberts (6/6)

### Staff / Student Members

#### Ex-officio

Prof Elizabeth Treasure, Vice-Chancellor [from 03 April 2017] (3/3)  
Prof John Grattan, Acting Vice-Chancellor [until 31 July 2017, including as Acting Vice-Chancellor until 02 April 2017] (6/6)  
Ms Rebecca Davies, Pro Vice-Chancellor [until 31 July 2017] (6/6)  
Dr Rhodri Llwyd Morgan, Pro Vice-Chancellor [until 31 July 2017] (6/6)  
Prof Chris Thomas, Pro Vice-Chancellor (5/6)

### Senate Members

Dr Hazel Davey (6/6)  
Prof Neil Glasser [until 31 July 2017] (5/6)  
Dr Jenny Mathers [until 31 July 2017] (5/6)  
Prof Reyer Zwiggelaar [from 01 August 2017]

### Non-academic Staff Member

Ms Kath Williams [from 01 August 2017]  
Ms Jackie Sayce [until 31 July 2017] (6/6)

### Student Representative Members

Mr Rhun Dafydd, UMCA President [until 30 June 2017] (6/6)  
Miss Lauren Marks, Aberystwyth University Students' Union President [until 30 June 2017] (5/6)  
Mr Bruce Wight, Aberystwyth University Students' Union Development Officer [from 01 July 2017]  
Mr Gwion Llwyd Williams, UMCA President [from 01 July 2017]

Attendance information is provided for those Council members serving during the year ended 31 July 2017, 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

Aberystwyth University operates in challenging academic and economic environments but despite these circumstances it has continued to carefully manage its financial position. In line with expectations, the University continues to incur a deficit before other gains and losses and shares of joint ventures and associates results (operating deficit), though at an operating deficit in the year to 31st July 2017 of £2.6m this represents an improvement on the previous year's operating deficit of £5.1m.

Aberystwyth University has an international reputation for research and teaching excellence. Our mission and commitment is to ensure the University delivers, and is increasingly recognised for, our long-standing commitment to higher education and academic leadership. The University operates in a dynamic, evidenced based manner to deliver our objectives, ensuring we are both agile and responsive and take full account of external challenges.

Following consecutive years of incurring deficits, during 2017 the University approved a Sustainability Implementation Plan (SIP) with the objectives of maximizing income, reducing the costs of running the institution and placing it on a sustainable footing for the future. The SIP covers a five year period and involves considered review of its academic portfolio, ensuring that the teaching it undertakes is sustainable and reflects the expertise of the academic faculty as well as the requirements of the 21st century student and modern society. The achievement of the SIP is essential to the future strategy of the University, setting the foundation for a sustainable financial strategy and enabling the University to meet its strategic aims.

The University will continue to pursue its strategic aims, building on its excellent reputation for teaching, research and student experience, celebrating its linguistic and cultural diversity, and as a leading provider of Welsh-medium education, it recognises the importance of supporting those who want to study in Welsh or who want to live their life through the medium of Welsh.

Professional services will be reviewed to ensure they better support teaching, scholarship and research through identifying synergies between departments and achieving efficiencies.

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.

The University welcomed Professor Elizabeth Treasure as Vice-Chancellor, her appointment commenced in April 2017. Professor Treasure joined from Cardiff University where she was Deputy Vice-Chancellor. Following the appointment the University is currently reviewing its Strategic Plan with the intention of publishing during 2018.

The consolidated financial statements continue to include the full results of 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. As a result of the deficit position for 2016-17 that was anticipated as part of the University Sustainability Implementation Plan (SIP) KPI performance has worsened in recent years and is summarised as follows:

Financial Health measures	2016-17	2015-16	2014-15
Reserve measures (days)			
Primary (cash) reserve cover	114 days	149 days	142 days
General (book) reserve cover	77 days	88 days	139 days
Debt ratio (external debt/cash)	158%	121%	124%
Balance Sheet growth ratio	(0.5%)	(7.9%)	(0.1%)
Income replenishment			
Retained Result (percent of income)	(0.6%)	(4.2%)	(1.1%)

## TREASURER’S REPORT (continued)

The Primary (cash reserve) cover has deteriorated to 114 days from 149 days driven by a £9.3 million decrease in cash and cash equivalents. General (Unrestricted) Reserve cover has fallen from 88 days to 77 days owing to the operating deficit in year attributable to the Unrestricted Income & Expenditure Reserve.

As a result of the decrease in cash the debt ratio has weakened from 121 per cent to 158 per cent.

The Balance Sheet has fallen in value marginally from £149.7 million to £149.0 million.

Negative retained result represents a deficit performance as a proportion of the total income.

It is therefore necessary for the University not to over extend itself financially and to deliver the Sustainability Implementation Plan.

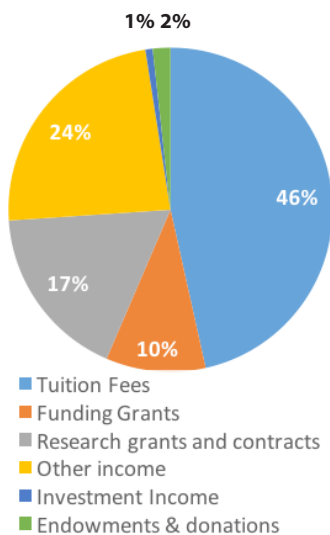
### Financial Performance 2016-17

As noted in the 2015-16 Financial Statements, deficits were projected for 2016-17 and 2017-18 as the recovery plan is implemented across the University. A SIP has been established to reduce the University’s cost infrastructure and to promote future income generation, which has already begun to yield recurrent savings. Whilst there remains significant further work to achieve the full level of proscribed savings, the University has defined plans and timescales in place to achieve these.

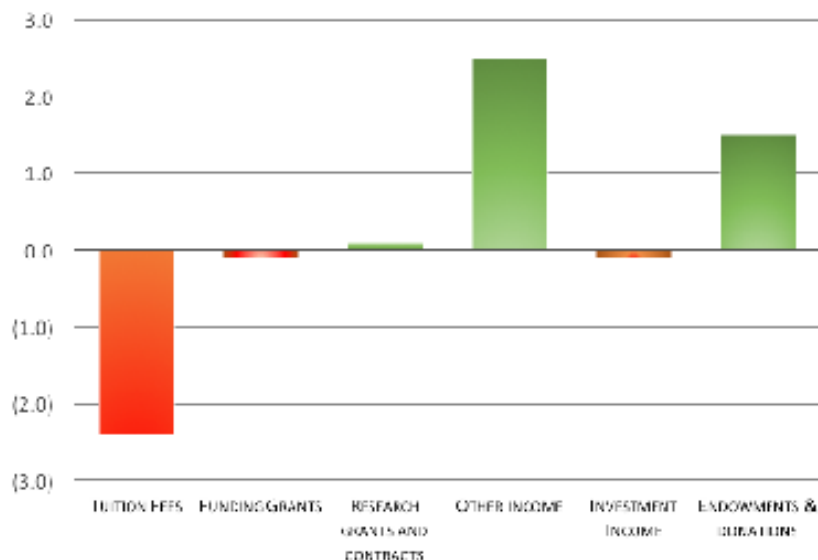
### Income

Overall during 2016-17, total income marginally increased by £1.3 million when compared to 2015-16; the main income movements are shown below. Lower student numbers account for the fall in University tuition income of £2.4 million (4.0 per cent). This reduction in income was offset by an increase in Endowments received of £1.5 million (115 per cent) as well as a general increase in trading income largely arising from the University taking over functions that were previously operated by the Students Union.

**Income Sources (2016-17)**



**Income Change £ million (2016-17 cf 2015-16)**



### Expenditure

The University has continued to manage its cost base. The SIP has continued to drive enhanced Value for Money in 2016- 17. Further reductions in both staff costs and operating costs are required to be delivered as part of the SIP during 2017-18 and 2018-19. The core activities driving savings were:

## TREASURER’S REPORT (continued)

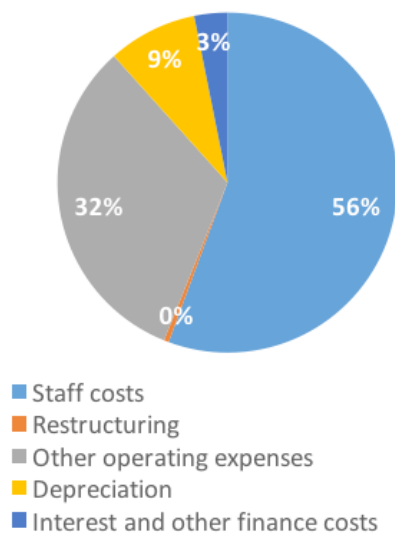
- Close control over staff recruitment activity by academic and professional departments, assisted by Voluntary Severance and natural staff turnover; and
- Close control over all operating costs of the University through regular monitoring and reporting
- Development of plans that focus on the delivery of efficient core services, whilst ensuring that the University is positioned to take advantage of strategic opportunities:

As a result, the University has managed to control spend on staff salaries. Although these costs increased by £0.7 million (1 per cent), they accommodate both a pay award of 1.0 per cent as well as the costs associated with those previously employed by the Students Union. Further staff reductions have been made through the Voluntary Severance scheme, as the University ‘right-sizes’ for the future.

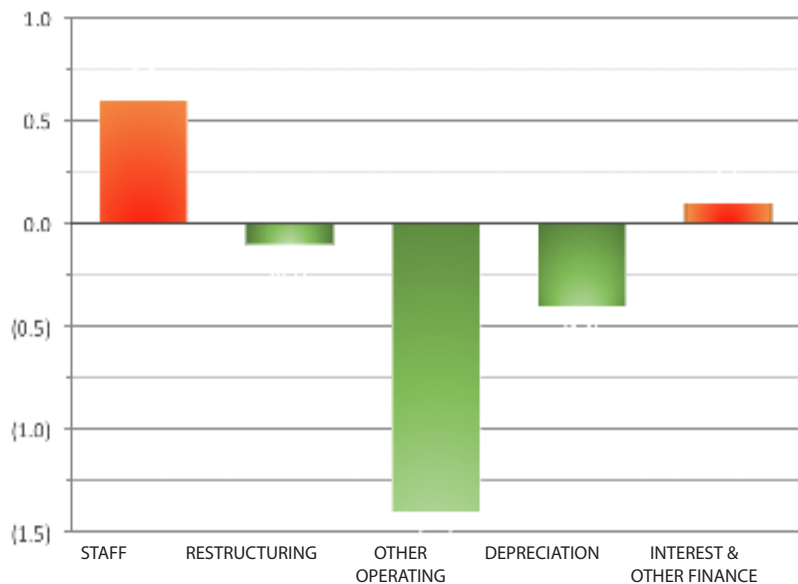
Additional reductions in consumable spends have been realised during the year, through robust budget management across all departments. This will continue to be a significant focus of the SIP. Similarly, the focus on reducing inefficient processes continues to yield benefits and reduce cost.

The University's total expenditure was £1.1 million lower in 2016-17 compared to 2015-16.

**Expenditure Split (2016-17)**



**Expenditure Change £ million (2016-17 cf 2015-16)**



### Balance Sheet

Overall, net assets have fallen marginally compared to the position in 2015-16.

£ millions	Fixed Assets	Investments	Bank & Cash	Long Term Creditors	Pension Liability
2016-17	235.6	37.8	30.9	99.9	37.3
2015-16	237.7	34.0	40.2	101.6	37.0
	↓	↑	↓	↓	↑

## TREASURER'S REPORT (continued)

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### Fixed Assets

Capital expenditure additions in the year were £8.8 million (of which £2.4 million was covered by capital grants). The majority of the remaining spend was to address works identified across the Estate under the Protect and Stabilise programme designed to ensure the existing estate of the University remains fit for purpose and meets all regulatory requirements, totalling £4.4 million.

Within the grant fund capital expenditure, the pre-construction design and development phase of Aberystwyth Innovation and Enterprise Campus (AIEC) at Penrhyncoch continued throughout the financial year, resulting in an additional £1.4 million held in Assets under Construction.

The depreciation charge for the year was £ 10.8 million.

### Investments

For the year ending 31 July 2017, the endowment investments returned 12.1 per cent, which was ahead of the policy benchmark return of 11.2 per cent. The best performing portion of the portfolio was the emerging market equity allocation which returned 21.7 per cent for the year.

There were several changes to the funds in which the University was invested, changing the manager line up to ensure diversification and limit fund specific risk while not overly complicating the portfolio.

### Cash and short term net deposits

The University had a cash outflow from operational activities of £1.7 million (1.3 per cent of turnover) compared to £7.3 million inflow (5.9 per cent of turnover) in 2015-16. £4.3 million of this cash out flow is attributable to movements in working capital.

Cash out flows from investing activities was £5.9 million, including £6.4 million in payments to acquire fixed assets less associated capital grant receipts. This was offset by cash inflow from other investing activities, including investment income, totalling £0.5 million. Cash out flows from financing activities was £3.8 million in interest paid offset by endowment cash received of £2.0 million.

This resulted in overall cash for the group reducing by £9.3 million to £30.9 million as at 31st July 2017. Of this £30.9 million, £5.6 million relates to cash held on behalf of restricted endowments. Due to the timings of cash inflows from the Student Loan Company, the University monitors its cash balances and commitments on a regular basis through reporting, the SIP and consideration of long term plans and investments.

### Principal risks and uncertainties

The University risk management process recognises both strategic risks, which identify the most significant risks to the University's objectives, and its operational risks, which identify those risks affecting each area of operation of the University. The risk registers are updated and reviewed by Council on a regular basis. The University has identified a number of principal risks that it monitors on a regular basis. These can be summarised as follows:

**Recruitment and retention** – The Higher Education Sector is a very competitive environment, and the University differentiates itself from its competitors by offering students the opportunity to learn and live in an exceptional environment by focusing on high calibre research, teaching excellence and the student experience, and also giving students access to research-led teaching. The 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. Tuition fees represent the largest element of the University's total income and recruitment is monitored throughout the year.

**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 Success Plan.



## TREASURER'S REPORT (continued)

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**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 SIP, with a clear focus on matching necessary resources to student requirements and control over expenditure. There is close monitoring of cash flows during the year due to the timing of the receipts from the Student Loan Company, which remits 50 per cent of tuition fees during May in the relevant academic year.

In addition, 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 though movements in the funding position regarding past benefits remain.

### 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.

### Environment

The Competition for Students will intensify with the passing of the 2017 Higher Education and Research Act, which facilitates entry of new providers to the sector and encourages 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 Brexit 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.

### Outlook and the Future

The University's financial planning for 2017-18, including years up to 2020-21, is built on the delivery of excellence for students, acknowledging the importance of students in the higher education environment in the UK.

Higher education continues to be increasingly competitive, including student recruitment and funding for research activity. Continued changes to government policy and funding regimes result in the income streams being increasingly unpredictable.

Student intake in September 2017 was in line with expectations and the University was recently awarded the University of the Year for Teaching Quality in The Times and Sunday Times Good University Guide for 2018. In addition, the University was in the top 10 of the higher education institutions in the UK and first in Wales for student satisfaction in the National Student Survey in 2017. These evidence that the University has delivered performance improvements in these key areas.

Given the significance of tuition fees as a percentage of total income, the University continues to monitor student recruitment and retention as part of its risk management process. Risks and uncertainties facing the Higher Education sector include changes in demography, government policy regarding higher education providers and changes arising from the results of the EU referendum (Brexit).

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## TREASURER'S REPORT (continued)

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The University is a member of a number of pension schemes (see note 25) and remains at risk to the outcome of valuation processes, though only USS remains open to new entrants.

Given these uncertainties it is important that the University generates an improved financial performance and controls expenditure incurred in acquiring fixed assets to within those amounts allowed for in the SIP and financial plans approved by Council up to 2020-21, while at the same time delivering the changes required by the SIP and remaining able to attract students to study at all levels at the University.

The SIP requires the University to deliver recurrent financial improvement across its activities of £11.4 million by the end of 2018-19. This is built on prudent planning and close monitoring of performance to ensure financial sustainability. The achievement of the SIP is essential to the future strategy of the University setting the foundation for strategic development. Change efficiencies are to deliver savings of £6 million in 2017-18 and £5.4 million in 2018-19, before inflation. The majority of the £11.4 million savings are due to be achieved through reduction in staff costs of £8.3 million in response to the reduction in student populations. Voluntary severance will continue to be used to contribute towards the savings required.

The outcomes of the SIP will help to mitigate the risks faced by the University and ensure it has the resources and agility to adapt to the increasingly competitive environment.

The University will continue to focus on marketing, recruitment and the student experience. 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 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 stimulus funding to enact necessary change.

The University aims to capitalise on the improvements in student experience and league table performance, 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 the work of the Finance department during 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 identified as part of the most recent governance effectiveness review will be conducted during the 2018–19 academic year.

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 six occasions during the 2016–17 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 are 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 2017, 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 terms of potential impact and likelihood of occurrence, and agreeing means of mitigating the risks. These risks include business, operational, 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.

### 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 support a range of projects for learning in the community including providing over 100 lifelong learning courses in languages, the sciences, arts and humanities, on the University campus as well as in community venues across Wales, providing a portfolio of part-time, evening and day courses. Our Arts Centre also provides a range of cultural and artistic courses, covering all ages, to the community. We recognise our special responsibility to further Welsh medium engagement and promote the Welsh language; through our Welsh Medium Academic Plan we 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 leading research of international significance. Our research addresses the major challenges society faces, including climate and environmental change, global inequality, space research, international economics, artificial intelligence and cultural identities. Community engagement with the research of the University includes health and wellbeing programmes with community groups and health practitioners, the beach lab outreach work by our Computer Science department, robotics workshops, creative writing workshops, monthly science cafes, community events to coincide with space events hosted by our Physics department, public lectures such as the EH Carr Memorial Lecture in our International Politics Department and lectures of interest to the local farming community by our Institute of Biological, Environmental and Rural Sciences, art exhibitions curated by members of our School of Art, and school visits hosted by our Upland Research Centre, Pwll Perian.

### Widening Participation

Our approach to widening access involves targeted 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 including bursaries for PGR students and general hardship support which are funded via University and alumni-funded endowments. We provide a structure of financial support to ensure that students from all backgrounds can enjoy the benefits of Higher Education. We also provide a range of 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 and we are proud to have received national recognition of our work in these areas, including being awarded Black History Month Diversity Champion in 2016 and climbing over 100 places in the Stonewall Workplace Index in 2017.

### 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.

## **PUBLIC BENEFIT STATEMENT (continued)**

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Of particular note during 2016-17 was the work of our International English Centre, which enhanced its provision through new links with schools in Korea and Vietnam, and was highly commended in its renewed accreditation exercise with the British Council.

### **Community Engagement**

We engage fully with our local community through our Arts Centre's thriving cultural programmes which include theatre, music, cinema, gallery exhibitions, film and literary festivals, dancing classes, summer projects for school children and evening classes and workshops for adults. The centre attracts 700,000 visitors per year. We are also proud of our partnership work with the National Library of Wales and with local schools and community groups and charities such as Mind, the RNLI and the West Wales Air Ambulance. We encourage staff and student volunteering and are proud of the involvement of both in activities such as working with women on probation, pro-bono legal work, beach conservation and engagement with St John's Ambulance Brigade. We offer services 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 (including sports classes, sports holiday clubs, activities to promote health and wellbeing in the over-50s and Aquafit courses in our swimming pool). We support the sport tournaments of the Urdd youth organisation in Wales.

## RESPONSIBILITIES OF THE UNIVERSITY'S GROUP COUNCIL

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The University Group 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 '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 April 2016.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University Group 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 and a Financial Management Code agreed between Aberystwyth University's Group 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 Group and the University and of the surplus or deficit and group cash flows for that year.

Between 01 February 2016 and 02 April 2017, the Acting Vice-Chancellor assumed the responsibilities of the designated officer. These responsibilities transferred to the new Vice-Chancellor when the individual appointed to that substantive post commenced in the role on 03 April 2017.

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 and University 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 and University 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 16, 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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### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Aberystwyth University ("the University") for the year ended 31 July 2017 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheet, Consolidated Cash Flow and related notes, including the Statement of Accounting Policies.

#### 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 2017, and of the Group's and the 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 UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCW's Accounts Direction to higher education institutions for 2016-17 financial statements; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### Other information

The Council is responsible for the other information, which comprises the Treasurer's Report, Corporate Governance Report and the Public Benefit Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

#### Council responsibilities

As explained more fully in their statement set out on page 13, the Council (who are also trustees for the purposes of charity law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

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

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### **Auditor's responsibilities**

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters under the HEFCW Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or 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; and
- 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.

### **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Council, in accordance with the Charters and Statutes of the Institution and in accordance with section 144 of the Charities Act 2011 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 them 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 the Council for our audit work, for this report, or for the opinions we have formed.

### **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 Treasurer's 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.

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

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**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

The maintenance and integrity of the Aberystwyth University website is the responsibility of the governing Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 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 comparative balance sheet for 2015-16 has been restated to reflect changes in the classification of restricted reserves. This error relates to the classification of accumulated income within restricted reserves of which £3,538,000 should have been classified as endowment accumulated income and £1,499,000 as unrestricted reserves. Details on the reclassification can be found in note 29.

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

#### Going Concern

The Consolidated Aberystwyth University Group incurred a deficit (before gains/losses and share of surplus-deficit of joint ventures) of £2.6 million in 2016-17 it had a negative net cash inflow of £9.3 million. Additionally the Group has net current assets of £14.5 million and net assets of £149.0 million, of which £21.5 million is represented by unrestricted reserves. Included within net current assets, are cash and short term investments of £30.9 million (£7.3 million of which are restricted) which may be used by the Group to settle its ongoing liabilities and support the Group's Capital Programme. During 2017 the University approved a Sustainability Implementation Plan (SIP) with the objectives of maximizing income, reducing the costs of running the institution and placing it on a sustainable footing for the future. The achievement of the SIP is essential to the future strategy of the University. 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 2017-18 (2019-20 breakeven), as the Group works through the SIP, 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, (subsidiary) and Aberystwyth Limited (Aberystwyth University Mauritius) (joint venture) for the financial year to 31 July 2017. The results of the subsidiary during the period are included in the consolidated statement of income and expenditure. Intra-group transactions are eliminated on consolidation.

Other related companies, Aber Trading Ltd (subsidiary) and Aber Bangor Consultancy Ltd (joint venture) 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.

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## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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### 3. Income recognition

Income from the sale of goods or services is credited to the Consolidated and University 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 and University 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 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. Restricted endowment income is retained within the endowment 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. Unrestricted endowment income is recognised in the period it is received.

Restricted donations are retained within restricted reserves 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

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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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.

#### 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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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.

### 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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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 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).

### 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 within plant and machinery.

### 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.

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## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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### 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.

### 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.



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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### 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.

## CONSOLIDATED & UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 July 2017

	Notes	2017		2016	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	58,016	58,016	60,445	60,445
Funding body grants	2	12,371	12,371	12,491	12,491
Research grants and contracts	3	21,836	21,836	21,712	21,712
Other income	4	29,184	29,184	26,848	26,848
Investment income	5	896	896	956	956
Total income before endowments and donations		122,303	122,303	122,452	122,452
Donations and endowments	6	2,218	2,218	724	724
Total income		<u>124,521</u>	<u>124,521</u>	<u>123,176</u>	<u>123,176</u>
<b>Expenditure</b>					
Staff costs	7/9	70,732	70,732	70,050	70,050
Fundamental restructuring costs	7/9	636	636	723	723
Other operating expenses	9	40,988	40,988	42,386	42,386
Depreciation	9/10	10,764	10,764	11,217	11,217
Interest and other finance costs	8/9	4,033	4,033	3,906	3,906
Total expenditure	9	<u>127,153</u>	<u>127,153</u>	<u>128,282</u>	<u>128,282</u>
Deficit before other gains losses and share of operating deficit of joint ventures and associates.		(2,632)	(2,632)	(5,106)	(5,106)
Share of operating income from joint ventures		252	252	-	-
(Loss)/gain on disposal of fixed assets		40	40	(115)	(115)
Gain on investments	21	3,709	3,709	2,712	2,712
Surplus/(deficit) before taxation		<u>1,369</u>	<u>1,369</u>	<u>(2,509)</u>	<u>(2,509)</u>
Taxation		(170)	(170)	-	-
Surplus/(deficit) after taxation		<u>1,199</u>	<u>1,199</u>	<u>(2,509)</u>	<u>(2,509)</u>
Actuarial (loss)/gain in respect of pension schemes	25	(1,956)	(1,956)	(10,455)	(10,455)
Total comprehensive income for the year		<u>(757)</u>	<u>(757)</u>	<u>(12,964)</u>	<u>(12,964)</u>
Represented by:					
Endowment comprehensive income for the year		5,754	5,754	3,425	3,425
Restricted comprehensive income (expenditure) for the year		70	70	12	12
Unrestricted comprehensive income for the year		(6,581)	(6,581)	(16,401)	(16,401)
		<u>(757)</u>	<u>(757)</u>	<u>(12,964)</u>	<u>(12,964)</u>
Total Comprehensive income for the year attributable to					
Non controlling interest		-	-	-	-
University		<u>(757)</u>	<u>(757)</u>	<u>(12,964)</u>	<u>(12,964)</u>

## CONSOLIDATED AND UNIVERSITY BALANCE SHEET as at 31 July 2017

	Notes	2017		2016 Restated	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non current assets</b>					
Fixed assets	10	235,615	232,835	237,686	236,277
Heritage assets	10	1,347	1,347	1,347	1,347
Investments	17	37,801	37,801	33,965	33,965
Investment in joint ventures		1	1	-	-
		<u>274,764</u>	<u>271,984</u>	<u>272,998</u>	<u>271,589</u>
<b>Current assets</b>					
Stock	14	1,500	1,500	1,509	1,509
Trade and other receivables	15	9,779	10,973	8,985	9,749
Investments	16	2,554	2,554	2,176	2,176
Cash and cash equivalents	23	30,865	29,439	40,209	39,285
		<u>44,698</u>	<u>44,466</u>	<u>52,879</u>	<u>52,719</u>
Less: Creditors: amounts falling due within one year	18	30,155	29,923	34,441	34,281
<b>Net current assets/(liabilities)</b>		<u>14,543</u>	<u>14,543</u>	<u>18,438</u>	<u>18,438</u>
<b>Total assets less current liabilities</b>		<u>289,307</u>	<u>286,527</u>	<u>291,436</u>	<u>290,027</u>
Creditors: amounts falling due after more than one year	19	99,906	97,126	101,628	100,219
<b>Provisions</b>					
Pension provisions	20	37,264	37,264	36,980	36,980
Other provisions	20	3,146	3,146	3,080	3,080
<b>Total net assets</b>		<u>148,991</u>	<u>148,991</u>	<u>149,748</u>	<u>149,748</u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	21	57,651	57,651	51,897	51,897
Income and expenditure reserve - restricted reserve	22	198	198	128	128
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		21,499	21,499	25,255	25,255
Revaluation reserve		69,643	69,643	72,468	72,468
<b>Total Reserves</b>		<u>148,991</u>	<u>148,991</u>	<u>149,748</u>	<u>149,748</u>

The financial statements were approved by the University Council on 27th November 2017 and were signed on its behalf by:

Dr Timothy Brain, Treasurer

Professor Elizabeth Treasure, Vice-Chancellor

## CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES year ended 31 July 2017

Consolidated	Income and expenditure account			Revaluation reserve	Total Including Non Controlling Interest
	Endowment £000	Restricted £000	Unrestricted £000		
Balance at 1 August 2015 (as previously stated)	45,153	5,188	37,078	75,293	162,712
Effect of prior year adjustment	3,538	(5,037)	1,499	-	-
<b>Restated balance at 1 August 2015</b>	48,691	151	38,577	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>Restated balance at 31 July 2016</b>	51,897	128	25,255	72,468	149,748
Surplus/(deficit) from the statement of comprehensive income	5,754	70	(6,581)	-	(757)
Transfers between revaluation and income and expenditure reserve	-	-	2,825	(2,825)	-
<b>Total comprehensive income for the year</b>	5,754	70	(3,756)	(2,825)	(757)
<b>Balance at 31 July 2017</b>	57,651	198	21,499	69,643	148,991

University	Income and expenditure account			Revaluation reserve	Total Including Non Controlling Interest
	Endowment £000	Restricted £000	Unrestricted £000		
Balance at 1 August 2015 (as previously stated)	45,153	5,188	37,078	75,293	162,712
Effect of prior year adjustment	3,538	(5,037)	1,499	-	-
<b>Restated balance at 1 August 2015</b>	48,691	151	38,577	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>Restated balance at 31 July 2016</b>	51,897	128	25,255	72,468	149,748
Surplus/(deficit) from the statement of comprehensive income	5,754	70	(6,581)	-	(757)
Transfers between revaluation and income and expenditure reserve	-	-	2,825	(2,825)	-
<b>Total comprehensive income for the year</b>	5,754	70	(3,756)	(2,825)	(757)
<b>Balance at 31 July 2017</b>	57,651	198	21,499	69,643	148,991

## CONSOLIDATED CASH FLOW STATEMENT

### for the year ended 31 July 2017

	Notes	2017 £000	2016 £000
<b>Cash flow from operating activities</b>			
Surplus/(deficit) for the year		1,199	(2,509)
<b>Adjustment for non-cash items</b>			
Depreciation	10	10,764	11,217
Gain on investments	21	(3,709)	(2,712)
Decrease in stock	14	9	521
(Increase)/decrease in debtors	15	(794)	3,291
Decrease in creditors	18/19	(3,492)	(997)
Pension interest cost	25	816	702
Contribution to pension greater than current service charge	25	(2,008)	(1,624)
Change in USS deficit reduction plan assumptions	25	(479)	1,174
Increase/(decrease) in other provisions	20	66	665
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(896)	(956)
Interest payable	8	3,152	3,170
Endowment income	21	(2,036)	(520)
(Profit)/loss on the disposal of fixed assets		(40)	115
Share of operating deficit in joint venture		(252)	-
Capital grant income within research grant	2/4	(3,964)	(4,247)
<b>Net cash inflow/(outflow) from operating activities</b>		<u>(1,664)</u>	<u>7,290</u>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		127	22
Capital grants receipts		2,374	1,039
Investment income	5	896	956
Payments made to acquire fixed assets		(8,778)	(5,956)
New non-current asset investments		(504)	-
		<u>(5,885)</u>	<u>(3,939)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(3,831)	(1,786)
Endowment cash received	21	2,036	520
		<u>(1,795)</u>	<u>(1,266)</u>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<u>(9,344)</u>	<u>2,085</u>
Cash and cash equivalents at beginning of the year	23	40,209	38,124
Cash and cash equivalents at end of the year	23	30,865	40,209

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 July 2017

	Notes	2017		2016	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>1 Tuition fees and education contracts</b>					
Full-time home and EU students		51,874	51,874	54,085	54,085
Full-time international students		5,075	5,075	5,377	5,377
Part-time students		715	715	614	614
Research Training Support Grant		352	352	369	369
		<u>58,016</u>	<u>58,016</u>	<u>60,445</u>	<u>60,445</u>
<b>2 Funding body grants</b>					
<i>Recurrent grant</i>					
Higher Education Funding Council		7,187	7,187	8,657	8,657
Capital grant		1,507	1,507	1,511	1,511
<i>Specific grants</i>					
Strategic Development Fund		1,422	1,422	-	-
Welsh Government Department for Education and Skills		2,255	2,255	2,323	2,323
		<u>12,371</u>	<u>12,371</u>	<u>12,491</u>	<u>12,491</u>
<b>3 Research grants and contracts</b>					
Research councils		11,451	11,451	10,886	10,886
Research charities		1,556	1,556	871	871
Government (UK and overseas)		6,052	6,052	7,800	7,800
Industry and commerce		2,730	2,730	2,111	2,111
Other		47	47	44	44
		<u>21,836</u>	<u>21,836</u>	<u>21,712</u>	<u>21,712</u>
<b>4 Other income</b>					
Residences, catering and conferences		12,434	12,434	11,445	11,445
Other revenue grants		3,926	3,926	1,602	1,602
Other services rendered		627	627	1,999	1,999
Arts Centre		3,300	3,300	3,043	3,043
Farms		1,362	1,362	1,513	1,513
Released from deferred capital grants		2,447	2,447	2,736	2,736
Other income		5,088	5,088	4,510	4,510
		<u>29,184</u>	<u>29,184</u>	<u>26,848</u>	<u>26,848</u>
<b>5 Investment income</b>					
Investment income on endowments	21	393	393	367	367
Investment income on restricted reserves	21	399	399	401	401
Other investment income		104	104	188	188
		<u>896</u>	<u>896</u>	<u>956</u>	<u>956</u>
<b>6 Donations and endowments</b>					
New endowments	21	2,036	2,036	520	520
Donations with restrictions	22	102	102	141	141
Unrestricted donations		80	80	63	63
		<u>2,218</u>	<u>2,218</u>	<u>724</u>	<u>724</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

7	Staff Costs	2017		2016	
		Consolidated £000	University £000	Consolidated £000	University £000
	Salaries	57,293	57,293	55,847	55,847
	Social security costs	5,024	5,024	4,325	4,325
	USS pension costs	6,016	6,016	7,465	7,465
	Other pension costs	2,399	2,399	2,413	2,413
		<u>70,732</u>	<u>70,732</u>	<u>70,050</u>	<u>70,050</u>
	Staff costs - restructuring	<u>636</u>	<u>636</u>	<u>723</u>	<u>723</u>

### Emoluments of the Vice-Chancellor (from 1st April 2017)

Emoluments of the Vice-Chancellor	2017 £000	2016 £000
Salary	73	153
Non-pensionable allowance	-	52
Bonus	-	31
Taxable benefits in kind	-	1
Pension contributions to USS	2	17
	<u>75</u>	<u>254</u>

### Emoluments of the Acting Vice-Chancellor (from 1st August 2016 to 31st March 2017)

	2017 £000	2016 £000
Salary	103	61
Non-pensionable allowance	35	14
Pension contributions to USS	19	11
	<u>157</u>	<u>86</u>

The University appointed the Vice-Chancellor, effective from 1st April 2017.

From 1st February 2016 an Acting Vice-Chancellor held the role and following the Vice-Chancellor appointment returned to their previous position of Pro-Vice Chancellor of Student Experience.

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 2017	Number of Staff 2016
£100,001-£110,000	4	4
£110,001-£120,000	1	1
£120,001-£130,000	1	2
£130,001-£140,000	1	1
£170,001-£180,000	1	-
£220,000-£229,999	-	1
	<u>8</u>	<u>9</u>

<b>Average staff numbers by major category:</b>	2017 No.	2016 No.
Academic	390	427
Research	167	176
Management & specialist	351	354
Technical	149	151
Other	533	502
	<u>1,590</u>	<u>1,610</u>

	2017 £000	2016 £000
Key management personnel compensation	<u>1,290</u>	<u>1,365</u>

### Council Members

No member of Council has received any remuneration or waived payments from the University for acting as a member of Council during the year (2015-16 £nil). Members of the University staff appointed to the Council do not receive any additional remuneration in respect of their membership of the Council.

The total expenses paid to or on behalf of 13 council members was £14,219 (2015-16 £12,723 to 11 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	2017		2016	
		Consolidated £000	University £000	Consolidated £000	University £000
	Interest on Fferm Penglais Students Accommodation	3,152	3,152	3,170	3,170
	Exchange differences	65	65	34	34
	Interest cost on USS pension liability	244	244	228	228
	Net charge on pension scheme	572	572	474	474
	Other	-	-	-	-
		<u>4,033</u>	<u>4,033</u>	<u>3,906</u>	<u>3,906</u>

### 9 Analysis of total expenditure by activity

	Staff costs			Other		Total 2017	Total 2016
	Operat ional staff costs	Restruc turing costs	Deprec iation	Other Operating expenses	Interest Payable		
Academic Department	29,184	-	2,419	3,646	-	35,249	37,078
Academic Services	5,013	-	131	4,669	881	10,694	10,988
Research Grants & Contracts	13,916	-	117	7,396	-	21,429	20,941
Residences, Catering & Conference	6,347	-	1,442	5,298	-	13,087	11,079
Premises	1,498	-	6,427	2,430	3,152	13,507	8,366
General Education Expenditure	1,351	-	12	6,378	-	7,741	9,958
Central Administration & services	7,712	-	116	4,499	-	12,327	10,111
Student & staff facilities & amenities	2,605	-	-	337	-	2,942	2,955
Other services rendered	311	-	-	287	-	598	1,057
Arts Centre	1,586	-	93	1,822	-	3,501	3,524
Farms	535	-	-	1,096	-	1,631	2,098
Auditor's remuneration	-	-	-	133	-	133	305
Other Expenses	674	636	7	2,997	-	4,314	9,822
	<u>70,732</u>	<u>636</u>	<u>10,764</u>	<u>40,988</u>	<u>4,033</u>	<u>127,153</u>	<u>128,282</u>

Auditor's remuneration includes

External auditors remuneration in respect of audit services	54	49	60	56
External auditors remuneration in respect of non-audit services	79	84	245	249
Consultancy	53	58	240	244
Taxation	26	26	5	5

#### Voluntary Severance

The obligation to fund voluntary severance included in restructuring costs 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 Land and Buildings £000	Freehold Investment Land and Buildings £000	Leasehold Land and Buildings £000	Plant and Machinery £000	Assets in the Course of construction £000	Heritage Assets £000	Total £000
<b>Cost and valuation</b>							
At 1 August 2016	203,606	16,580	50,001	49,966	2,602	1,347	324,102
Additions	2,710	-	-	2,066	4,003	-	8,779
Transfers	1,020	-	-	149	(1,169)	-	-
Surplus on revaluation	-	-	-	-	-	-	-
Disposals	(71)	-	-	(87)	-	-	(158)
At 31 July 2017	207,265	16,580	50,001	52,094	5,436	1,347	332,723
Consisting of valuation cost	137,220	16,260	-	-	-	1,347	154,827
Cost	70,045	320	50,001	52,094	5,436	-	177,896
	207,265	16,580	50,001	52,094	5,436	1,347	332,723
<b>Depreciation</b>							
At 1 August 2016	40,469	-	1,959	42,641	-	-	85,069
Charge for the year	6,413	-	1,347	3,004	-	-	10,764
Disposals	(6)	-	-	(66)	-	-	(72)
At 31 July 2017	46,876	-	3,306	45,579	-	-	95,761
<b>Net book value</b>							
<b>At 31 July 2017</b>	<b>160,389</b>	<b>16,580</b>	<b>46,695</b>	<b>6,515</b>	<b>5,436</b>	<b>1,347</b>	<b>236,962</b>
At 31 July 2016	163,137	16,580	48,042	7,325	2,602	1,347	239,033
<b>University</b>							
<b>Cost and valuation</b>							
At 1 August 2016	203,606	16,580	50,001	49,966	1,193	1,347	322,693
Additions	2,710	-	-	2,066	2,632	-	7,408
Transfers	1,020	-	-	149	(1,169)	-	-
Surplus on revaluation	-	-	-	-	-	-	-
Disposals	(71)	-	-	(87)	-	-	(158)
At 31 July 2017	207,265	16,580	50,001	52,094	2,656	1,347	329,943
Consisting of valuation cost	137,220	16,260	-	-	-	1,347	154,827
Cost	70,045	320	50,001	52,094	2,656	-	175,116
	207,265	16,580	50,001	52,094	2,656	1,347	329,943
<b>Depreciation</b>							
At 1 August 2016	40,469	-	1,959	42,641	-	-	85,069
Charge for the year	6,413	-	1,347	3,004	-	-	10,764
Disposals	(6)	-	-	(66)	-	-	(72)
At 31 July 2017	46,876	-	3,306	45,579	-	-	95,761
<b>Net Book Value</b>							
<b>At 31 July 2017</b>	<b>160,389</b>	<b>16,580</b>	<b>46,695</b>	<b>6,515</b>	<b>2,656</b>	<b>1,347</b>	<b>234,182</b>
At 31 July 2016	163,137	16,580	48,042	7,325	1,193	1,347	237,624

Freehold investment assets includes £11,982,000 in relation to endowment property (see note 21).

## 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.

	2017 £000	2016 £000
<b>Income and expenditure account</b>		
Income	484	173
Expenditure	484	173
Deficit before tax	<u>-</u>	<u>-</u>
<b>Balance sheet</b>		
Current assets	66	79
Creditors: amounts due within one year	<u>64</u>	<u>78</u>
Net assets	<u><u>2</u></u>	<u><u>1</u></u>

During 2016-17, Aberystwyth Ltd generated net tuition fee income of £484,443 (2015-16 £174,718). At the year end the University was due £12,571 (2015-16 £40,887) 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 £642,587 (2015-16 £375,000). These costs are included within other operating expenses in Aberystwyth University.

#### 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 £18,388 (2015-16 £8,950) and £2,000 (2015-16 £11,461) for administration services. At the year end Aber Bangor Consultancy Ltd owed the University £19,237 (2015-16 £26,004).

	<b>Aber Bangor Consultancy Ltd</b>	
	2017 £000	2016 £000
<b>Income and expenditure account</b>		
Income	21	45
Expenditure	22	48
Deficit before tax	<u>(1)</u>	<u>(3)</u>
<b>Balance sheet</b>		
Current assets	28	38
Creditors: amounts due within one year	<u>22</u>	<u>30</u>
Net assets	<u><u>6</u></u>	<u><u>8</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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### 12 Investments in University subsidiary companies

Company	Principal Activity	Status	Note
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 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 (2015-16 £11,611).

During the year Aberystwyth University charged Aber Trading Limited £11,611 (2015-16 £11,611).

#### 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. 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 £219,693 (2015-16 £444,128) and AIEC invoiced the University £135,606 (2015-16 £63,189). At the year end AIEC had a long-term creditor to the University of £1,288,180 (2015-16 £1,068,487).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

		<b>AIEC Limited</b>	
		2017	2016
		£000	£000
<b>Income and expenditure account</b>			
Income		136	63
Expenditure		136	63
Deficit before tax		-	-
<b>Balance sheet</b>			
Fixed assets		2,780	1,410
Current assets		1,521	1,229
Creditors: amounts due within one year		91	160
Creditors: amounts due after more than one year		4,210	2,479
Net assets		-	-

		<b>Aber Trading Ltd</b>	
		2017	2016
		£000	£000
<b>Income and expenditure account</b>			
Income		33	13
Expenditure		32	13
Deficit before tax		1	-
<b>Balance sheet</b>			
Current assets		33	13
Creditors: amounts due after more than one year		33	13
Net assets		-	-

### 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 £382,621 (2015-16 £232,919).

#### **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 £700,000 (2015-16 £663,000).

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 £6,633 (2015-16 £744,123) of which a provision has been included for £Nil (2015-16 £653,734).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	2017		2016	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>14 Stock</b>				
General consumables	1,500	1,500	1,509	1,509
<b>15 Trade and other receivables</b>				
Amounts falling due within one year:				
Research grants receivables	4,685	4,685	4,588	4,588
Other trade receivables	3,344	3,250	3,424	3,120
Taxation asset RDEC credit	652	652	-	-
Prepayments and accrued income	1,098	1,098	973	973
Amounts due from subsidiary companies	-	1,288	-	1,068
	<u>9,779</u>	<u>10,973</u>	<u>8,985</u>	<u>9,749</u>
<b>16 Current investments</b>				
Treasury bills	2,369	2,369	1,992	1,992
Cash deposits	185	185	184	184
	<u>2,554</u>	<u>2,554</u>	<u>2,176</u>	<u>2,176</u>
<b>17 Non-current investments</b>				
Fixed interest stocks	4,838	4,838	4,753	4,753
Non-equity investments	102	102	103	103
Equities	24,066	24,066	20,782	20,782
Absolute returns	6,908	6,908	6,505	6,505
Property unit trust	1,887	1,887	1,822	1,822
	<u>37,801</u>	<u>37,801</u>	<u>33,965</u>	<u>33,965</u>

Non-current investments includes £37,694,000 (2015-16 £33,862,000) that relate to endowments (see note 21).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

18	Creditors: amounts falling due within one year	2017		2016	
		Consolidated £000	University £000	Consolidated £000	University £000
	Payment received on account	3,246	3,246	3,390	3,230
	Research grant balances	6,561	6,561	9,962	9,962
	Unsecured loans	-	-	22	22
	Deferred income from Student Village Lease	680	680	680	680
	Short-term employee benefit	2,277	2,277	2,316	2,316
	Trade payables	3,978	3,746	4,704	4,704
	Social security and other taxation payable	3,210	3,210	3,396	3,396
	Accruals and deferred income	6,071	6,071	5,523	5,523
	Deferred capital grants less than 1 year	4,132	4,132	4,448	4,448
		<u>30,155</u>	<u>29,923</u>	<u>34,441</u>	<u>34,281</u>

### Accruals and deferred income

	2017		2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Trade creditors accrual	3,698	3,698	3,035	3,035
Grant income	1,493	1,493	2,142	2,142
Tuition fees	-	-	65	65
Other income	880	880	281	281
	<u>6,071</u>	<u>6,071</u>	<u>5,523</u>	<u>5,523</u>

19	Creditors: amounts falling due after more than one year	2017		2016	
		Consolidated £000	University £000	Consolidated £000	University £000
	Deferred income from Student Village lease	6,787	6,787	7,465	7,465
	Secured liabilities				
	- L&G finance	43,975	43,975	43,647	43,647
	- Balfour Beatty deferred consideration	4,975	4,975	4,870	4,870
	Deferred capital grants greater than 1 year	44,169	41,389	45,646	44,237
		<u>99,906</u>	<u>97,126</u>	<u>101,628</u>	<u>100,219</u>

Analysis of secured and unsecured loans:	2017		2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Due within one year or on demand (Note 18)	-	-	22	22
Due in five years or more	48,950	48,950	48,517	48,517
Total secured and unsecured loans	<u>48,950</u>	<u>48,950</u>	<u>48,539</u>	<u>48,539</u>
Secured loans repayable by 2048	48,950	48,950	48,517	48,517
Unsecured loans repayable by 2017	-	-	22	22
	<u>48,950</u>	<u>48,950</u>	<u>48,539</u>	<u>48,539</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 2017

	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
<b>Consolidated</b>							
At 1 August 2016	13,922	23,058	36,980	1,593	374	1,113	3,080
Utilised in year	(1,125)	-	(1,125)	(258)	(374)	(154)	(786)
Additions in 2016-17	-	1,409	1,409	-	298	554	852
At 31 July 2017	<u>12,797</u>	<u>24,467</u>	<u>37,264</u>	<u>1,335</u>	<u>298</u>	<u>1,513</u>	<u>3,146</u>

	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
<b>University</b>							
At 1 August 2016	13,922	23,058	36,980	1,593	374	1,113	3,080
Utilised in year	(1,125)	-	(1,125)	(258)	(374)	(154)	(786)
Additions in 2016-17	-	1,409	1,409	-	298	554	852
At 31 July 2017	<u>12,797</u>	<u>24,467</u>	<u>37,264</u>	<u>1,335</u>	<u>298</u>	<u>1,513</u>	<u>3,146</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

£1,513,000 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 one to five years. This value is based on current expected costs.

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
Capital brought forward	23,483	24,371	598	48,452
Accumulated income brought forward	3,535	-	(90)	3,445
Balances at 1 August 2016	27,018	24,371	508	51,897
New endowments	2,033	-	3	2,036
Investment income	391	393	8	792
Expenditure	(295)	(393)	(92)	(780)
Increase in market value of investments	1,791	1,869	46	3,706
Total endowment comprehensive income for the year	3,920	1,869	(35)	5,754
Capital carry forward	27,307	26,240	647	54,194
Accumulated income carry forward	3,631	-	(174)	3,457
At 31 July 2017	30,938	26,240	473	57,651

In addition to the £3,706,000 (2015-16 £2,686,000) increase in market value of investments above, there has been no movement in the market value of investment properties £Nil (2015-16 £26,000).

	2017		2016	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Analysis by type of purpose:</b>				
Lectureships	4,829	4,829	4,347	4,347
Scholarships and bursaries	18,418	18,418	16,579	16,579
Research support	4,210	4,210	3,791	3,791
Prize funds	2,979	2,979	2,682	2,682
General	27,215	27,215	24,498	24,498
	57,651	57,651	51,897	51,897

#### Analysis by asset

Investment	37,694	37,694	33,862	33,862
Land and Buildings	11,982	11,982	11,982	11,982
Endowment cash and treasury bills	7,975	7,975	6,053	6,053
	57,651	57,651	51,897	51,897

#### 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	1,959	(130)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22 Restricted reserves

Reserves with restrictions are as follows

	University and Consolidated		University and Consolidated	
	Donations £000	2017 Total £000	Donations £000	2016 Total £000
Capital brought forward	116	116	116	116
Accumulated income brought forward	12	12		
At 1 August 2016	<u>128</u>	<u>128</u>	<u>116</u>	<u>116</u>
New donations	102	102	141	141
Investment income	-	-	-	-
Expenditure	(32)	(32)	(129)	(129)
Total restricted comprehensive income for the year	<u>70</u>	<u>70</u>	<u>12</u>	<u>12</u>
Capital carry forward	128	128	116	116
Accumulated income carry forward	70	70	12	12
At 31 July 2017	<u>198</u>	<u>198</u>	<u>128</u>	<u>128</u>

Analysis of other restricted funds and donations by purpose:

	2017		2016	
	Donations £000	Total £000	Donations £000	Total £000
Lectureships	-	-	-	-
Scholarships and bursaries	25	25	45	45
Research support	-	-	-	-
Prize funds	2	2	-	-
General	171	171	71	71
At 31 July 2017	<u>198</u>	<u>198</u>	<u>116</u>	<u>116</u>

### 23 Cash and cash equivalents

	At 1st August 2016 £000	Cash flow £000	At 31st July 2017 £000
Consolidated			
Cash available to university	36,148	(10,888)	25,260
Restricted endowment cash	4,061	1,544	5,605
	<u>40,209</u>	<u>(9,344)</u>	<u>30,865</u>

### 24 Capital and other commitments

	Consolidated £000	University £000	Consolidated £000	University £000
Capital commitments	2,302	2,302	642	642
	<u>2,302</u>	<u>2,302</u>	<u>642</u>	<u>642</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25 University and consolidated 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

	2017	2016
	£000	£000
Operating charge in staff costs		
AUPP	3,148	2,403
USS	6,016	7,465
AUPAS	-	-
DPF	11	10
Total pension charge in staff costs	<u>9,175</u>	<u>9,878</u>

	2017	2016
	£000	£000
Interest costs		
USS	244	228
AUPAS	548	445
DPF	24	29
Total interest costs	<u>816</u>	<u>702</u>

	2017	2016
	£000	£000
Actuarial gain/(loss) in respect of pension schemes		
AUPAS	(2,431)	(10,220)
DPF	475	(235)
Total actuarial gain/(loss)	<u>(1,956)</u>	<u>(10,455)</u>

#### Impact on Balance Sheet

	2017	2016
	£000	£000
Pension Provision		
USS	12,798	13,922
AUPAS	23,946	22,013
DPF	520	1,045
Total pension liability	<u>37,264</u>	<u>36,980</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 2016-17 was £3,148,000 (2015-16 £2,403,000).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25 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 amount charged to the statement of comprehensive income is £6,260,000 (2015-16 £7,693,000). 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:

	2017	2016
Discount rate	2.57%	3.60%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	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:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS102 total scheme deficit	£17.5bn	£8.5bn
FRS102 total funding level	77%	85%

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25 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 1.85 per cent (1.75 per cent in 2015-16) 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.

	2017 £000	2016 £000
Opening deficit	(13,922)	(13,052)
Current service cost	(6,495)	(6,291)
Change in deficit reduction plan assumptions	479	(1,174)
USS Pension cost in the Consolidated Income Statement	(6,016)	(7,465)
Net interest cost	(244)	(228)
Contribution from University	7,384	6,823
Closing deficit	<u>(12,798)</u>	<u>(13,922)</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 £1,044,000 (2015-16 £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:

	2017 %pa	2016 %pa
Price inflation (RPI)	3.10	2.65
Price inflation (CPI)	2.10	1.65
Rate of increase in salaries	2.60	2.15
Rate of increase of pensions in payment for AUPAS members	2.10	1.65
Deferred pension revaluation	2.10	1.65
Discount rate	2.55	2.55

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.

	2017	2016
Males currently aged 65 (years)	21.1	21.1
Females currently aged 65 (years)	23.2	23.2
Males currently aged 45 (years)	23.2	23.2
Females currently aged 45 (years)	25.4	25.4

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25 Pension Schemes (continued)

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

	2017 £000	2016 £000
Pension cost within surplus/deficit before other gains/losses		
Current service cost	-	-
Past service costs	-	-
Total operating charge in staff costs	<u>-</u>	<u>-</u>
Interest on plan assets	2,308	3,351
Interest on pension liabilities	2,854	3,796
Net interest cost	<u>546</u>	<u>445</u>
Administrative cost	-	22
Total pension cost within deficit before other gains/losses	<u>546</u>	<u>467</u>
Actuarial gain/(loss) in respect of pension schemes		
Gain on assets	5,193	781
Experience gain on liabilities	-	-
Loss on liabilities	(7,624)	(11,001)
Net Actuarial gain/(loss) in respect of pension schemes	<u>(2,431)</u>	<u>(10,220)</u>
Total comprehensive income/(cost) for the year	<u><u>(2,977)</u></u>	<u><u>(10,687)</u></u>

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

Scheme assets	96,712	91,840
Scheme liabilities	<u>120,658</u>	<u>113,853</u>
Net pension liability	<u><u>23,946</u></u>	<u><u>22,013</u></u>

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

Present value of AUPAS liabilities at the start of the year	113,853	103,396
Current service cost (net of member contributions)	-	-
Loss on curtailments/changes	-	-
Interest cost	2,854	3,796
Actual member contributions (including notional contributions)	-	-
Actuarial loss due to changes in assumptions	7,624	11,001
Actual benefit payments	(3,673)	(4,340)
Present value of AUPAS liabilities at the end of the year	<u><u>120,658</u></u>	<u><u>113,853</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25 Pension Schemes (continued)

	2017	2016
	£000	£000
<b>Analysis of movement in the fair value of scheme assets</b>		
Fair value of assets at the start of the year	91,840	91,032
Expected interest income on plan assets	2,308	3,351
Actual return on plan assets (excluding interest income)	5,193	781
Actual contributions paid by University	1,044	1,038
Actual member contributions (including notional contributions)	-	-
Actual benefit payments	(3,673)	(4,340)
Administrative expenses paid from plan assets	-	(22)
Fair value of scheme assets at the end of the year	96,712	91,840
<b>Fair value of AUPAS scheme assets</b>		
Cash and cash equivalents	400	153
Equity instruments	36,833	32,172
Debt instruments	41,152	41,705
Real estate	9,535	9,245
Other	8,792	8,565
Total fair value of AUPAS scheme assets	96,712	91,840

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	2,308	3,351
Asset gain/(loss)	5,193	781
Actual return on scheme assets	7,501	4,132
Per cent return on scheme assets at start of year	8.2%	4.5%

#### (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:

	2017	2016
	% pa	% pa
Price inflation	2.2	1.7
Rate of increase in salaries	3.7	3.7
Rate of increase of pensions in payment for DPF members	2.2	1.8
Discount rate	2.5	2.4

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.

	2017	2016
Males currently aged 65 (years)	22.8	23.4
Females currently aged 65 (years)	25.5	25.9
Males currently aged 45 (years)	25.0	25.7
Females currently aged 45 (years)	27.8	28.2

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25 Pension Schemes (continued)

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

	2017 £000	2016 £000
Pension cost within surplus/deficit before other gains/losses		
Current service cost	11	10
Total operating charge in staff costs	11	10
Interest on plan assets	112	152
Interest on pension liabilities	136	181
Net interest cost	24	29
Administrative cost	-	-
Total pension cost within surplus/deficit before other gains/losses	35	39
Actuarial gain/(loss) in respect of pension schemes		
Gain on assets	497	388
Loss on liabilities	(22)	(624)
Net Actuarial gain/(loss) in respect of pension schemes	475	(236)
Total Comprehensive income/(cost) for the year	(440)	(275)

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

	2017 £000	2016 £000
Scheme assets	5,187	4,722
Scheme liabilities	5,707	5,767
Net pension liability	520	1,045

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

Present value of DPF liabilities at the start of the year	5,767	5,138
Current service cost (net of member contributions)	11	10
Interest cost	136	181
Actual member contributions (including notional contributions)	2	2
Actuarial loss due to changes in assumptions	22	624
Actual benefit payments	(231)	(188)
Present value of DPF liabilities at the end of the year	5,707	5,767

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

Fair value of assets at the start of the year	4,722	4,284
Expected interest income on plan assets	112	152
Actual return on plan assets (excluding interest income)	497	388
Actual contributions paid by University	85	84
Actual member contributions (including notional contributions)	2	2
Actual benefit payments	(231)	(188)
Fair value of scheme assets at the end of the year	5,187	4,722



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25 Pension Schemes (continued)

	2017	2016
<b>Fair value of DPF scheme assets</b>	£000	£000
Cash and cash equivalents	36	14
Equity instruments	3,678	3,253
Debt instruments	970	945
Real estate	503	510
<b>Total fair value of DPF scheme assets</b>	<b>5,187</b>	<b>4,722</b>
<b>Actual return on scheme assets</b>		
Expected return on scheme assets	112	152
Asset gain	497	388
<b>Actual return on scheme assets</b>	<b>609</b>	<b>540</b>
Per cent return on scheme assets at start of year	12.9%	12.6%

### 26 University and consolidated lease obligations

	Land and Buildings	Plant and Machinery	Other leases	Total 2017	Total 2016
	£000	£000	£000	£000	£000
Payable during the year	569	-	296	865	803
Not later than 1 year	3	-	17	20	152
Later than 1 year and not later than 5 years	362	-	151	513	788
Later than 5 years	3,146	-	451	3,597	3,397
<b>Total lease payable during the year</b>	<b>3,511</b>	<b>-</b>	<b>619</b>	<b>4,130</b>	<b>4,337</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 27 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 2017 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 £6.1 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 £6.4 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 £4.2 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 £233,087. 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 £16.3 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.</p> <p>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>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 28 Related party transactions

The University's Council, Senate and Senior Staff members are the Trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the trustees, it is inevitable that transactions will take place with organisations in which a member of the Trustees may have an interest. All transactions involving organisations in which a member of the Trustees may have an interest, including those identified below, are conducted at arms' length and in accordance with the University's Financial Regulations and usual procurement procedures.

	Income £'000	Expend- iture £'000	Debtor £'000	Creditor £'000
<b>Members of Council</b>				
Wales Millenium Centre - (Sir Emyr Jones Parry)	3	(9)	-	-
The Learned Society of Wales - (Sir Emyr Jones Parry)	-	(17)	-	-
Theatr Genedlaethol Cymru - (Miss Gwerfyl Pierce Jones)	-	(4)	-	-
Welsh Language Commissioner - (Mr Keith Evans)	1	-	-	-
Ceredigion County Council - (Mr Keith Evans)	-	(635)	-	-
Cerdd Dant Festival, Llandysul - (Mr Keith Evans)	-	(2)	-	-
Alun, Thomas & John Solicitors - (Mr Richard John)	-	(1)	-	-
Centre for Advanced Welsh & Celtic Studies - (The RH Elfyn Llwyd)	1	-	-	-
Natural Resources Wales - (Dr Emyr Roberts)	4	(5)	-	-
<b>Senior Staff Members</b>				
UCAS Media Limited - (Prof Elizabeth T Treasure)	-	(37)	-	(1)
UCAS - (Prof Elizabeth T Treasure)	-	(59)	-	-
Cardiff and Vale University Health Board - (Prof Elizabeth T Treasure)	-	(6)	-	-
Cam Wrth Gam CYF - (Dr Rhodri Llwyd Morgan)	3	-	-	-
Coleg Cymraeg Cenedlaethol - (Dr Rhodri Llwyd Morgan)	2	(11)	-	-

Miss Lauren Marks (11 months), Mr Rhun Daddyd (11 months), Mr Bruce Wight (1 month) and Mr Gwion Llwyd Williams (1 month), in addition to being University Trustees, were also members of the Aberystwyth University Students' Union. Transactions with a value of £700,000 relating to block grant took place between the University and the Students' Union.

The University has taken the advantage of the exemption allowed by FRS 102 not to disclose transactions between it's wholly owned subsidiary undertaking.

The University has a Shareholder Agreement as part of it's joint-venture investment in Mauritius, Aberystwyth Limited. This Agreement enables the University to charge academic service charge to Aberystwyth Limited. The value of transactions relating to the Agreement resulted in income of £196,576 being received by the University in the year.

There are also transactions relating to subsidiaries and joint ventures, details of these can be found in notes 11 and 13.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29 Prior year restatement to reserves

As part of completing the 2016-17 financial statements, the University reviewed the balances within reserves, with a particular focus on classification of endowment accumulated income. This highlighted an error in the classification of endowment accumulated income within reserves in the opening balance as at 1 August 2015, whereby £5,037,000 of accumulated income had been presented within the restricted income and expenditure reserve, which should have been split between the unrestricted income and expenditure reserve for amounts previously expended and the endowment reserve for amounts unspent.

The net effect on total reserves is nil, but as at 1 August 2015 has the effect of moving £1,499,000 from restricted reserves to the unrestricted income and expenditure reserve and £3,538,000 from restricted reserves to the endowment reserve. The table below shows the effect on the opening position for 2015-16, as at 1 August 2015, and as at 31 July 2016. There is no impact on the Consolidated and University Statement of Comprehensive Income for the year ended 31 July 2016.

<b>Consolidated and University</b>	Income and expenditure account			Revaluation reserve	Total Including Non Controlling Interest
	Endowment	Restricted	Unrestricted		
	£000	£000	£000	£000	£000
Balance at 1 August 2015 as previously reported	45,153	5,188	37,078	75,293	162,712
Prior year adjustment	3,538	(5,037)	1,499	-	-
Restated balance at 1 August 2015	<u>48,691</u>	<u>151</u>	<u>38,577</u>	<u>75,293</u>	<u>162,712</u>
Balance at 31 July 2016 as previously reported	48,359	5,165	23,756	72,468	149,748
Prior year adjustment	3,538	(5,037)	1,499	-	-
Restated balance at 31 July 2016	<u>51,897</u>	<u>128</u>	<u>25,255</u>	<u>72,468</u>	<u>149,748</u>