

UNIVERSITY OF WALES

Consolidated Financial Statements

31 July 2019

The University of Wales

Brought into being through the determination, enthusiasm for learning, and generosity of ordinary Welsh people, the establishment of the University of Wales by Royal Charter in 1893 was regarded as one of the most important political and social developments in the nineteenth century. The University of Wales has a long and proud history, playing an important role in the development of higher education in Wales.

Through the University's support for the Centre for Advanced Welsh and Celtic Studies (CAWCS), Geiriadur Prifysgol Cymru (Dictionary of the Welsh Language), Gregynog Hall (bequeathed to the University in the 1960's) and the University of Wales Press, it helped to promote and celebrate the language, heritage and culture of Wales.

Over the years the University has adapted in order to be in a position to respond to the needs of students, both in Wales and further afield.

In October of 2011, the governing bodies of the University of Wales, Swansea Metropolitan University and the University of Wales Trinity Saint David (UWTSD) made a commitment to irrevocable constitutional change and merger. In October of 2017, both the University of Wales and the University of Wales Trinity Saint David approved a Deed of Union, ahead of full constitutional merger, which delivered on the original policy objective of integrating two historic universities, thus creating a new University for Wales.

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Members

University of Wales Council 2018-2019

Member Ex Officio

The Vice-Chancellor

Independent Members

The Venerable A. J. Randolph Thomas (*Chair*)

Alun Thomas (*Vice-Chair*) (*End of Tenure 31 July 2019*)

Anthony Ball

Mrs Margaret Evans (*Vice Chair*)

Arwel Ellis Owen

Dr Elizabeth Siberry

Mrs Pamela Berry

Andrew Curl

Eifion Griffiths

Mark James (*Resigned 09 June 2019*)

Maria Stedman

Mr Gareth O Jones

Mr Nigel Roberts

Mrs Deris Davies Williams

Staff Member

Dr Stuart Robb

Clerk and Secretary: Sarah Clark

2018-19 Committees

Strategy Planning Resources and Governance Committee

(established from 1 August 2017)

Alun Thomas(*Chair*) (*End of Tenure 31 July 2019*)

Margaret Evans

Tony Ball

Dr Elizabeth Siberry

The Venerable Randolph Thomas

Andrew Curl

Mr Nigel Roberts

Professor Medwin Hughes (*ex-officio*)

Mrs Eirlys Pritchard Jones (*co-opted member*)

Members (continued)

Audit Committee 2018-19

Appointed by the University Council

Arwel Ellis Owen (Chair) (appointed 1 August 2017, Chair from 1 October 2017)

Mrs Pamela Berry (appointed 1 October 2017)

Mr Gareth O Jones (appointed 1 April 2018)

Mrs Deris Davies Williams (appointed 1 April 2018)

External Members

Alun J Walters (appointed by Council)

Dr Huw Jones (appointed by the Committee)

Philip Thomas (appointed by the Committee)

Mrs Eileen Curry (appointed 1 October 2017)

Ms Bethan Jones (appointed 1 October 2017)

Remuneration Committee 2018-19

Members Ex Officio

The Chair of Council

Appointed by the University Council

Mr Alun Thomas (Chair, appointed 1 October 2017)

Mr Eifion Griffiths (appointed 1 October 2017)

External Member

Dr Alex Stephenson (appointed 1 October 2017)(*Resigned 31 July 2018*)

Administration details and professional advisors

University Structure

The University of Wales is a degree-awarding body, rather than a teaching institution, comprised of departments that supported the delivery of the University's academic model and its administrative functions. The University's structure is different from that of most higher education institutions.

In addition to the University Registry, the University operates the Centre for Advanced Welsh and Celtic Studies, the University of Wales Press, the Dylan Thomas Centre and the Wales Centre for Advanced Batch Manufacture. The University also operated the Gregynog study conference and visitor centre in mid-Wales but this was transferred to an independent charitable trust under Adduned Cymru (the Wales Pledge) during the year. The University's academic model also supported the delivery of accredited studies to students in a reducing number of overseas collaboration centres, including in Malaysia at the International University of Malaya-Wales.

Established by Royal Charter in 1893 (RC000676) the University is a registered charity (number 1146516). The principal office is the University Registry, King Edward VII Avenue, Cathays Park, Cardiff CF10 3NS. The names of the members of the University Council (who also act as charity trustees) are stated are disclosed in the previous pages.

Professional Advisors

Independent Auditors

External	KPMG, Assembly Square, 3, Britannia Quay, Cardiff CF10 4AX
Internal	Mazars, One Caspian Point, Pierhead Street, Cardiff CF10 4DQ

Bankers HSBC Bank plc, 56 Queen Street, Cardiff. CF10 2PX

Insurance Advisers University Mutual Association Ltd,
4th Floor, 5 St. Helen's Place, London. EC3A 6AB

Pensions Advisers Mercer Ltd, 1 Whitehall Quay, Whitehall Road, Leeds. LS14HR

Investment Advisers Jagers & Associates, Exchange Quay, Salford. M5 3EQ

Solicitors Blake Morgan, Bradley Court, Park Place, Cardiff. CF10 3DP
Eversheds LLP, 1 Callaghan Square, Cardiff CF10 5BT

Operating & financial review

University Strategy

Since 2012, the strategy of the University has been to prepare for academic and administrative integration and merger with UWTSD. In July 2017 the University Council was satisfied that the University could move to the next phase of the formal merger. Pursuant to this decision, the academic and administrative functions of the University of Wales and UWTSD were integrated on 1 August 2017 with a formal Deed of Union to enable this being signed in October 2017. The next phase will be a formal constitutional merger.

Further information regarding the background to the merger can be found in previous annual reports or on the University website: www.wales.ac.uk/en/AboutUs/Developments/Developments-Merger-and-Reconfiguration.aspx

The priorities of the University throughout the pre constitutional merger period have been to manage the resources of the institution to:

- * Maintain the high quality and standards of a University of Wales degree.
- * Maintain the University's traditional contribution to the economic, social, cultural and intellectual wellbeing of a sustainable Wales.
- * Prepare for constitutional merger with UWTSD.
- * Ensure that the University is financially sustainable and able to meet its obligations to students and to enable constitutional merger with UWTSD.

The way in which the University has continued to safeguard its legacy for future generations, remain faithful to its core values, and ensure that assets are used their intended purpose are set out in Adduned Cymru (the Wales Pledge). For more information please see the University website: www.wales.ac.uk/Resources/Documents/Merger/Adduned-Cymru-English.pdf.

Public Benefit Statement

Delivery of the above-described strategic objectives has also met the charitable objects of the University, which are for the advancement of education, learning and research and to serve Wales and its people.

In setting and reviewing the University's objectives and activities, University Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education.

The operational review below sets out the Universities activities in support of its strategic and charitable objectives.

Operating & financial review (continued)

Principal risks and uncertainties

The principal risks and uncertainties faced by the University are as follows:

- The impact of Covid-19 on the University's ongoing activities at the date of signing the accounts.
- Managing in year cash-flows, particularly in light of the impact of the timing of income receipts upon cash balances held within the University at any one point in time.
- Recruitment at collaborative partners across the international stage served by the University.
- Home/EU student recruitment and retention given uncertain economic environment and demographic trends.
- Developing a sustainable financial strategy for discreet units that form part of the Wales Pledge.

Operating review

Collaborative Provision

The University's managed exit from collaborative provision is based on three principles. These affirm that during the exit process the University will: (i) take whatever additional steps are necessary to assure the quality of provision and ensure the academic standards of its awards; (ii) fulfil its responsibility to enable students to complete their studies leading to an award in a way that is consistent with the relevant University regulations; and (iii) honour the contracts which are in place for each collaborative centre which remains in good standing.

University of Wales Press (UW Press)

University of Wales Press (UWP) has enjoyed another exciting year, working with some of the best academic scholars within Wales and abroad in fulfilling its mission to produce works on Welsh history, literature, language and culture, and publishing more new titles in key humanities subjects internationally. This year, the UWP team have proudly published across a broad range of topics in both Welsh and English languages, totalling 39 new books and 10 new journal issues across seven journals.

UWP's new Welsh language publications this year include *Y Gyfraith yn ein Llên* by R. Gwynedd Parry and *Yr Anywmybod Cymreig* by Llion Wigley. We were delighted that *Y Gymru 'Ddu' a'r Ddalen 'Wen'* by Lisa Sheppard was nominated for Wales Book of the Year.

Other titles shortlisted for awards this year were; *Having a Go at the Kaiser* by Gethin Matthews also for Wales Book for the Year; *Performing Wales* by Lisa Lewis for the TaPRA David Bradby Award for outstanding research; *South African Gothic* by Rebecca Duncan and; *Werewolves, Wolves and the Gothic* edited by Robert McKay and John Miller, both for the Allan Lloyd Smith Prize.

The Press launched three new series this year: *Rethinking the History of Wales* with Series Editors Professors Paul O'Leary and Huw Pryce aims to stimulate fresh thinking about the history of Wales

Operating & financial review (continued)

by introducing particular periods and themes in ways that challenge established interpretations.

Horror Studies with Series Editor Dr. Xavier Aldana Reyes is the first series ever exclusively dedicated to the study of the genre in all its various manifestations.

This new series aims to explore the steady and ever-growing interest in Horror – from fiction to cinema and television, magazines to comics, and stretching to other forms of narrative texts such as video games or music. *Materialities in Anthropology and Archaeology* with Series Editors Drs. Luci Attala and Louise Steel offers a timely investigation into the material world and the place of peoples within it, demonstrating how the world is comprised of assemblages of interacting materials; the constitutive and agential role of matter in the formation of material worlds. The first titles in all of these new series are now available. The Press also put the first title for our forthcoming brand new *International Law* series into production, due for release next year.

The Press was delighted to join the 100th birthday celebrations of Emyr Humphries, one of Wales' foremost writers, with two publications; *Emyr Humphries* – a biographical and critical study of his work – by M. Wynn Thomas, and *Shards of Light*, a collection of new poems by Emyr himself. Amongst our other key titles in 2018/19 were; *The Arthur in the Celtic Languages* edited by Ceridwen Lloyd-Morgan and Erich Poppe, and funded by the Vinaver Trust; *Freedom Music* by Dr Jen Wilson – a landmark title in Welsh cultural history; *Pacifism, Peace and Modern Welsh Writing* by Linden Peach and; *The Tlateloloco Massacre* by V. Carpenter, published to coincide with the 50th anniversary of this significant event in Mexico's history.

The Press remains busy promoting new and existing works across our website, social media, and wide network of partners, distributors and aggregators all over the world. We attended dozens of events in 2018/19, including book launches; Eisteddfod Genedlaethol where we held six events; London and Frankfurt Book Fairs, the Association for Welsh Writing in English Annual Conference; Leeds International Medieval Congress; the International Gothic Association Conference; Emyr Humphreys Centenary Symposium and; Legal Wales Conference.

The Press was also delighted to be awarded the BIC Product Data Excellence award, highlighting the excellent quality of our data and ensuring that our publications are discoverable all over the world. The Press also received Investors In People accreditation, recognising the value in our excellent and committed staff.

Amongst the hive of activity of our current business, the Press is also pro-actively developing and implementing plans for the future.

With discussions and debates surrounding Open Access (OA) continuing apace, the Press continue to engage with peer presses, funders, policy makers, authors, universities and academic libraries. The Press contributed to on-going discussions and participated in several events across Wales and England throughout the year, including a Westminster Forum Conference in London in May, where the Director was a panel speaker.

This year, the Press was delighted to have secured financial support from Welsh Government to develop our Wales Journal of Education journal (WJE). WJE is now platinum Open Access, meaning that the journal is free to read in digital format from anywhere in the world, and free to contribute. More exciting plans are coming in 2020, including the introduction of a new practitioner-focused part to the journal, and all articles will be available in both Welsh and English. It is with sincere

Operating & financial review (continued)

gratitude for many years of excellent editorship, energy and commitment that we say goodbye to David Egan and Russell Grigg as Journal Editors, and we build a new Journal Editor team ready for launch in 2020.

The Press continues to develop exciting plans to support new bilingual resources for education in Wales in advance of curriculum reform from 2022, and is in advanced talks with partners including Canolfan Peniarth to support teachers in this exciting new opportunity. This year, the Press won three tenders with Coleg Cymraeg Cenedlaethol to produce Welsh language e-books for undergraduate students in

Historiography, Welsh Literature and Language and Accountancy/Business Studies, which are now underway.

The Press and University Council is extremely grateful to the members of the University of Wales Press Sub Committee (named in Appendix A) for their unfaltering commitment, guidance and support for the important work of the Press.

Centre for Advanced Welsh and Celtic Studies ('CAWCS')

CAWCS is a subsidiary of the University and an internationally recognised research centre of excellence in Celtic Studies.

2018-19 was another busy and productive year for research projects at CAWCS. The 'Curious Travellers' project officially finished at the end of 2018 with public events in London together with our Scottish partners, and the publication of an electronic edition of Pennant's correspondence and accounts by other travellers. A new four-year project on travel between Wales and Ireland, 'Ports Past and Present', funded by the EU Interreg scheme in collaboration with the universities of Cork and Aberystwyth and County Wexford, began in May 2019, and will be an opportunity to apply our research for the benefit of port communities in the two countries.

Work on the AHRC-funded 'Sacred Landscapes of Medieval Monasteries' project in partnership with UW Trinity Saint David and Leeds University began in January 2019, drawing on our expertise in medieval Welsh poetry relating to Strata Florida and Valle Crucis. And in March 2019 Professor John Koch joined the team of a new project based at Gothenburg University in Sweden which will explore connections between Scandinavia and the Iberian Peninsula in the Bronze Age focusing on striking parallels between the rock art of the two regions.

Geiriadur Prifysgol Cymru – The Dictionary of the Welsh Language continues to expand its coverage, with five hundred and fifty new articles appearing online this year. We are grateful once again to the Welsh Government for substantial funding which is essential to the sustainability of the Dictionary Unit.

Dr Diana Luft's three-year Research Fellowship funded by the Wellcome Trust came to an end in March 2019, and her work on Middle Welsh medical texts will soon be published as an e-book by the University of Wales Press.

Operating & financial review (continued)

Two of the Centre's postgraduate students gained their doctorates this year, and a former student, Dr Rhys Kaminski-Jones, took up a three-year British Academy Postdoctoral Fellowship at CAWCS in September 2018.

The University Council is grateful to the members of the CAWCS Board (named in Appendix A) for their commitment, guidance and support for the important work of the Centre. The financial challenge facing CAWCS continues and as such a decision has been taken to transfer the activities of CAWCS into the University of Wales Trinity St David in 2020-21 and as such the role of the Board will come to an end in 2019-20.

Wales Centre for Advanced Batch Manufacture ('CBM')

CBM is a subsidiary of the University of Wales and joint venture with UWTSD which offers a range of advance manufacturing and reverse engineering services, including cutting edge digital production, 3D printing and 3D scanning. In 2018-19 it continued to build on its early successes and has grown its income by 20% on the previous year. It was also a partner in three European grant projects led by the University of Wales Trinity St David being : Advanced Design Engineering (a £2.8m project); International Innovation Masters (a £4.3m project) and Upskilling for Industry 4.0 (a £3.6m project) which has enabled CBM to offset some of its staffing costs in support of these projects in 2018-19.

Dylan Thomas Centre

Located near UWTSD's SA1 Development, the Centre is home to a permanent exhibition to Dylan Thomas, which makes it a key part of Swansea's literary and cultural quarter. University investment in the building over the past few years has also transformed it into a multi-purpose and multi occupancy venue open to host a range of events and functions. The Centre is home to a 110 seat theatre and popular 1825 Coffee Shop.

During 2018-19 the Centre also became an integral part of the new UWTSD SA1 Campus which opened in September 2018. It also now hosts students and academic staff as part of the wider campus.

Gregynog

Gregynog Hall is a historic house in Montgomeryshire, the former home of arts collectors and benefactors Gwendoline and Margaret Davie, which is surrounded by 750 acres of grounds including a Grade 1 listed formal garden and National Nature Reserve. During the year the Gregynog Estate was formally passed across to a new independent charitable trust in its own name (The Gregynog Trust) , delivering an important strand of the University's Adduned Cymru (the Wales Pledge) to safeguard Gregynog for the nation.

Operating & financial review (continued)

Health and Safety

There were no reportable safety incidents in 2018-19 or significant near miss events. Arrangements for ensuring the health, safety and general wellbeing of University staff and students are overseen by a Health and Safety Steering Group, which is advised by the UWTSD Health and Safety Manager and reports to a committee of Council.

On 1 August 2017, the University adopted the health and safety systems and practices of UWTSD, which was a smooth transition as the two institutions had previously worked closely to align arrangements during the pre-merger period.

Welsh Language

The University's Welsh Language Scheme treats the Welsh and English languages equally – with both enjoying the same status and validity in all areas of service and student, staff and public engagement. On 1 August 2017, the University adopted the Welsh language policy and practices of UWTSD, which was a smooth transition as the two institutions had previously worked closely to align arrangements during the pre-merger period.

New members of staff receive Welsh language awareness training as part of induction and the training requirements of all staff are reviewed as part of the annual staff appraisal process.

Environmental Sustainability

Since 2012, when the proposed future merger with UWTSD was announced, the University has invested only modestly (and, for a non-teaching university with no campuses, proportionately) in matters of non-financial sustainability. On 1 August 2017, the University's continuing activities became subject to UWTSD's multi-faceted sustainability strategy and the focus in 2018-19 was to continue to prepare University departments and centres for this.

Employment, Equality and Diversity

As at 31 July 2019 the University had 71 employees compared with 102 employees as at the 31 July 2018. The reduction in the main is attributable to staff employed at the Gregynog Estate who were transferred to a Charitable Trust as at 22 June 2019. At the end of 2018-19, the workforce was of predominantly white ethnicity, was 69% female and was relatively evenly spread by age with no 5-year age bracket accounting for more than 21% of the workforce (range 5% -20%). 67 staff were employed full time and 39 part time, and 2% of staff had a declared disability.

During the financial year 2018-19 work has been undertaken to further integrate staff at the University with the University of Wales Trinity St David (UWTSD) in line with the Deed of Union signed between the two Universities in October 2017.

Operating & financial review (continued)

A published Strategic Equality Plan monitors performance in 38 areas of general objective, engagement, staff diversity, inclusive policies and practices, disability, race, gender and sexual orientation, religion and belief, pregnancy and maternity, and gender pay.

On 1 August 2017, the University adopted the employment, equality and diversity policies and practices of UWTSd, which was a smooth transition as the two institutions had previously worked closely to align employment arrangements during the pre-merger period.

Outlook for 2019-20

As outlined in the introduction, in October 2017 both the University of Wales and the University of Wales Trinity Saint David (UWTSd) approved a Deed of Union which delivered on the original policy objective of integrating the two Universities, thus creating a new University for Wales.

The University is confident that continuing progress will be made in the next twelve months to see further integration with UWTSd. This will initially include the transfer of CAWCS and CBM into the UWTSd to build future research capacity and deliver on commitments made in the Wales Pledge. In addition new funding streams for the University of Wales Press will be explored to build upon its brand identity and opportunities for integration into UWTSd will be taken forward. Under the above plans the University of Wales would remain as a separate legal entity with reduced powers to see out its obligations to registered students.

Reserves of the University will continue to be applied appropriately to help finance the costs of its current obligations to students and to further invest in forward looking strategies that have already embedded the heritage and services of the University of Wales in the transformed post-merger university. Further work on historical debts will be expedited to maximise cash reserves available to the University moving forward. Appropriate measures will continue to be taken during 2019-20 to ensure the University balances its budget prior to full constitutional merger. This will include further reviewing the pay and non-pay structures of the University.

The University has prepared cash flow forecasts that indicate it is able to operate within its currently available financial resources for the next 12 months. The forecasts includes new income streams and further cost savings across each area of the University's operations combined with the further transfer of activities to the University of Wales Trinity St David, in particular the activities of CAWCS and CBM.

Accordingly the Council have deemed it appropriate to use the going concern basis of preparation within these financial statements.

Future prospects

The current environment within the sector is challenging but the University is reviewing existing provision and delivery modes, and this will achieve efficiencies to compensate for some of the reduction in other income streams. This will, in the medium to long term, ensure its sustainability and success. In the short term generation of cash surpluses is a key objective and the University has taken focused action to reduce costs to ensure they are in line with income levels to achieve this.

Operating & financial review (continued)

Financial Review

Students Qualifying for University of Wales Awards

The following schedule shows the number of students qualifying for initial and higher awards of the University of Wales over the past three years:

	2019	2018	2017
Validated Institutions	1,480	1,631	1,848
Accredited Institutions		39	39
Affiliated Institutions	12	-	1
	<u>1,492</u>	<u>1,670</u>	<u>1,888</u>

Basis of Consolidation

The consolidated financial statements comprise of the University and its subsidiary companies Awen Wales Limited, UW Centre for Batch Manufacture Limited, and the Centre for Advanced Welsh and Celtic Studies.

Financial Results

The Deficit for the year (before other gains and losses) was £4.0m (£3.4m in 2017-18).

The Total comprehensive expense for the year was £5.6m (£2.4m in 2017-18)

This included a number of one off costs in 2018-19 such as the loss on the disposal of the Gregynog Estate amounting to £1.4m and impairment costs which amounted to further £0.2m.

The consolidated balance sheet for the University shows that total net assets were £2.2m as at 31 July 2019, a decrease of 72% on the 2017-18 value of £7.9m. The main contributing factors were a decrease in the value of non-current assets of £3.3m and an increase in pension provisions of £2.6m.

Further analysis is provided below.

Financial Health

The University is operating in a challenging economic environment which it is pro-actively managing. Key areas for management focus include:

- Managing the impact on income streams as a result of Covid-19
- maintaining and being pro-active in the recruitment and retention of students;
- managing a change in the nature of core business with reduced reliance on historical collaborative activity and increased development of new and innovative local delivery programmes in partnership the University of Wales Trinity Saint David;
- maintaining a sufficient level of cash reserves to support ongoing operations;
- managing cash flows, including the timely collection of receipts from collaborative partners, to ensure sufficient working capital;
- responding to the changing political context of Higher Education in Wales;
- securing commitments made in the Wales Pledge
- robustly managing increases in pension costs.

During the year ended 31 July 2019 the University experienced reductions in some income streams but took proactive action to build upon innovative areas of activity with key partners with an emphasis on recruitment to local skills based courses.

Operating & financial review (continued)

Income

Total consolidated income for the University increased by by £0.9m (17%) to a total of £5.8m (£5.0m in 2017-18). Collaborative provision income of £1.3m (£1.3m in 2017-18) continued to be the largest source of funding to the University accounting for 23% of total income (25% in 2017-18).

Income generated in respect of the residences, catering and conferences function at Gregynog Hall and the associated estate and woodlands was the next greatest source of income at £1.0m (18% of total income), albeit this was discontinued in June 2019. Research grant income secured by the Centre for Advanced Welsh and Celtic Studies was £0.5m for the year (£0.7m in 2017-18) , and the Centre was also in receipt of £0.2m of grant from the Higher Education Funding Council for Wales (£1.5m in 2017-18)

Other income increased by £1.1m which was in the main attributable to a new income stream from faciliation fees in relation to the Cert HE programme and one off settlement fees of £0.5m relating to a prior year.

Investment income for the year was £0.2m (£0.2m in 2017-18).

	2018-19		2017-18	
	£'000	%	£'000	%
Funding Council Grants	168	2.9	148	3.0
Research Grants & Other Contracts	542	9.3	712	14.3
Residencies, Catering and Conferences	1,031	17.7	1,129	22.7
Collaborative Provision	1,337	23.0	1,248	25.1
Other Income	2,553	43.9	1,491	30.0
Investment Income	183	3.1	238	4.8
	5,814	100.0	4,966	100.0

Operating & financial review (continued)

Expenditure

Total consolidated expenditure for the University increased by £1.5m (18%) to a total of £9.8m (£8.3m in 2017-18)

Staff costs decreased by £0.5m (12%) to £3.6m (£4.1m in 2017-18) however this was offset by an increase in pension service costs by £1.1m. Restructuring costs also reduced. The reduction in staff costs is in line with planned savings for the year.

Operating Expenses covering : residencies, catering and conferences; recurrent costs of premises; collaborative services and other operating costs decreased by £0.6m (15%) to £3.2m (£3.8m in 2017-18) and is in line with reduced activity and planned savings for the year.

One off costs attributable to the disposal of the Gregynog Estate and the impairment of an investment together amounted to £1.6m (£Nil in 2017-18)

Depreciation costs were £0.4m (£0.4m in 2017-18)

	2018-19		2017-18	
	£'000	%	£'000	%
Staff Costs	3,586	36.4	4,122	49.5
Pension Service Costs	961	9.8	(115)	(1.4)
Restructuring	2	0.0	79	0.9
	<u>4,549</u>	<u>46.2</u>	<u>4,086</u>	<u>49.0</u>
Residencies, Catering and Conferences	616	6.3	714	8.6
Recurrent Costs of Premises	423	4.3	423	5.1
Collaborative Services	447	4.5	658	7.9
Other Operating costs	1,715	17.4	1,979	23.7
	<u>3,201</u>	<u>32.5</u>	<u>3,774</u>	<u>45.3</u>
Loss on the disposal of Gregynog Estate	1,425	14.5	-	-
Impairment	224	2.3	-	-
Depreciation	386	3.9	407	4.9
Interest Payable	58	0.6	68	0.8
	<u>2,093</u>	<u>21.3</u>	<u>475</u>	<u>5.7</u>
Total Expenditure	<u>9,843</u>	<u>100.0</u>	<u>8,335</u>	<u>100.0</u>

UW Centre for Advanced Batch Manufacture Limited

The UW Centre for Advanced Batch Manufacture Ltd is a joint venture between the University and University of Wales Trinity St David which was established in 2014-15. Both universities have invested £500k into the subsidiary company which by the end of 2018-19 had fixed assets of £398k. All financial activities of the company are included in the consolidated out-turn for the University. For the year ended 31 July 2019 the deficit from the non controlling interest for the University of Wales Trinity St David was £157k. The University has undertaken to impair the value of this investment by £500k in 2017/18.

Operating & financial review (continued)

Investments

During the year the University sold fixed asset and endowment asset investments valued at £1.9m in line with a planned disinvestment and the transfer of restricted endowments to the new Gregynog Charitable trust. As at 31 July 2019 the value of fixed asset investments held by the University Group was £1.8m (2018: £2.7m) and the value of endowment asset investments was £3.7m (2018: £4.7m), of which £2.7m is still due for transfer to the UW Restricted Endowment Trust.

The University investment in the International University Malaya-Wales of £224k was impaired during the year.

Pensions

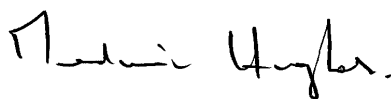
Note 23 provides full disclosure of the financial obligations of the University relating to the two pension schemes that University staff are eligible to participate in; the Universities Superannuation Scheme (USS) and the University of Wales Superannuation Scheme (UWSS). The obligation for the University to fund its share of the USS deficit was calculated to be £1.1m as at 31 July 2019 (2018: £0.4m). The deficit on the in-house pension scheme (UWSS) increased during the year from £1.6m to £3.5m.

Key Financial Indicators

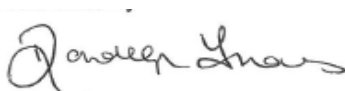
The following schedule provides some key indicators of liquidity and solvency of the consolidated financial standing of the University of Wales. It should be noted that the key financial indicators are particular to the University of Wales and reflect the status of the University as a non-teaching institution.

	measuremen	2018-19	2017-18
Deficit for the year as a percentage of total income	%	(69.2)	(67.8)
Ratio of available funds to total expenditure	days	150	353
<i>The number of days expenditure (excluding pensions current service costs and depreciation) that could be sustained from available funds</i>			
Ratio of Liquid Assets to Current Liabilities	equivalence	(0.17)	(0.23)
<i>Extent to which current liabilities could be met from cash and liquid investments</i>			
Days ratio of liquid assets to total expenditure	days	22	34
<i>Days that total expenditure (excluding pensions current service costs and depreciation) could be met from cash and liquid investments</i>			
Ratio of current assets to current liabilities	equivalence	1.00	0.87
<i>Extent to which current liabilities could be met from current assets</i>			
Days of total income represented by debtors	days	104	92
<i>Days of total income (excluding Funding Council grants) represented by debtors</i>			

Professor Medwin Hughes
Vice-Chancellor



Randolph Thomas
Chairman



Statement of council responsibilities in respect of the consolidated financial statements and corporate governance statement

Introduction

The University aspires to high standards of corporate governance. Although the University, as a corporation founded by Royal Charter with charitable status, does not fall within the corporate governance reporting requirements of the London Stock Exchange, the University wishes to demonstrate that its governance is undertaken in an open and accountable manner and that it aspires to best practice within the higher education sector. This summary describes the manner in which the University has applied the principles set out in the Committee of University Chairs The Higher Education Code of Governance, published in December 2014 and revised in June 2018.

The University's Council is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's ongoing risks; that this has been in place for the year ended 31 July 2019 and up to the date of the approval of the annual report and accounts; that it is regularly reviewed by the Council; and that it accords with the internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group.

This statement describes how the relevant principles of corporate governance are applied to the University.

Appointment of trustees

For independent trustees the University follows a practice of advertising the positions externally and then to select the successful candidate through a process of interview. For all appointments the policies and procedures for the identification, selection and appointment of trustees are set out in the University Ordinances

Trustee induction and training

Induction and training for trustees is overseen by the Nominations and Governance Committee. All trustees receive a comprehensive handbook and have access to dedicated intranet pages. Induction sessions are held for all new members and ongoing briefings are provided through scheduled meetings and events. Funding is provided for participation in external training activities, primarily those organised by Advance HE.

CUC Higher Education Senior Staff Remuneration Code

The University have reviewed its compliance with the 3 principles of the CUC code in June 2019 and are in compliance with all 3 of the principles.

Statement of council responsibilities in respect of the consolidated financial statements and corporate governance statement (continued)

Summary of the University's structure of Corporate Governance

The University's Council comprises lay and academic persons appointed under the Statutes of the University, the majority of whom are non-executive. The role of Chairman of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Council is served by a Clerk who is responsible to the Chairman.

The responsibilities of the Council are summarised on page 18 and 19. The Council, which meets at least four times a year, exercises its responsibilities through the executive management and several committees. The principal committees which reported to Council during the year 2018/19 are:

- **Strategic Planning, Resources & Governance Committee (SPRG)**

The SPRG Committee reports to the Council as to the financial affairs of the University and monitors performance in particular with regard to the allocation of funds, budgets, long term forecasts and the Annual Financial Report. It also oversees financial performance, estate and information management issues for the wider group. It oversees arrangements for the preparation of the University's Strategic plan and the integration of supporting strategies.

The Committee monitors nominations, having due regard to the balance of skills; knowledge and experience and in accordance with the Equality and Diversity Act as detailed in the CUC guide 2009. It also monitors governance matters for the wider University group in line with specific ordinances and the remit letters for group members.

The Committee oversees all matters relating to human resources at the University and throughout the Group. It makes recommendations to Council on human resources strategies, policies and practice; including recruitment, equality and diversity, contractual matters and training and development.

- **Remuneration Committee**

The Senior Remuneration Committee determines on an annual basis the salaries, terms and conditions and, where appropriate, the severance conditions of the Vice-Chancellor, Deputy Vice-Chancellors, the Pro Vice-Chancellors, the Clerk to the Council and such other senior members of staff above point 51, as the Council deems appropriate. As part of this process the Senior Remuneration Committee consider a range of external contextual and comparative measures in determining pay awards as set out in the annual Pay Policy Statement

- **Audit Committee**

The Audit Committee meets at least four times a year; twice with the external auditors, once to discuss the audit plan and once to discuss the audit findings and to review the University's financial statements and accounting policies; and at every meeting with the internal auditors to consider the review of internal control systems and to address recommendations for the improvement of such systems. Its role is to maintain overarching control of the UWTSD group audit.

In addition, the Academic Board, which is the academic authority of the University and draws its membership mainly from the academic staff and students of the institution, also reports to Council. Its role is to direct and regulate the teaching and research work of the University.

Statement of council responsibilities in respect of the consolidated financial statements and corporate governance statement (continued)

All of these committees are formally constituted with terms of reference and a membership which, includes lay members of Council. The Committees are chaired by a lay member of Council, and in the case of the Audit Committee, all the members are independent of the University's management, although senior executives attend meetings as necessary.

The University maintains a Register of Interests of members of the Council and of members of the senior executive which may be consulted by arrangement with the Clerk to the Council.

Delegation of Day to Day Management of the University

Under the Charter, the Vice-Chancellor is the Chief Executive, Principal Academic and Administrative Officer, and Chief Accounting Officer of the University and Chair of the Academic Board. Under Ordinances, the trustees have delegated the following to the Vice-Chancellor: long and short-term planning and allocation of resources to all parts of the University and producing plans in accordance with HEFCW requirements; the allocation of budgets; the development of all strategic and operational plans; the stewardship of all financial resources, capital and revenue, within limits prescribed by Ordinance; and the organisation and management of all staff resources.

The Vice-Chancellor, as chief executive officer, is the head of the University who has a responsibility to the Council for the organisation, direction and management of the University. Under the terms of the formal Memorandum of Assurance and Accountability between the University and the Higher Education Funding Council for Wales, the Vice-Chancellor is the designated officer of the University.

As chief executive, the Vice-Chancellor exercises considerable influence upon the development of University strategy, the identification and planning of new developments and the shaping of the University ethos. Members of the Executive Team also contribute in various ways to this aspect of the work but the ultimate responsibility for what is done rests with the Vice-Chancellor. In this respect the Vice-Chancellor reports to the Council.

The Council concur with the fact that the financial statements have been prepared on the going concern basis, reflecting the planned action to address the deficits in the last financial year note 2 on page 27 (Accounting Policies – Going Concern).

Internal Control

As the governing body of the University of Wales, Council has responsibility for maintaining a sound system of internal control that supports the achievement of the strategic plans, aims and objectives of the institution, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to Council in the Charter and Statutes, and the revised Memorandum of Assurance and Accountability issued in 2015 by the Higher Education Funding Council for Wales (HEFCW).

Statement of council responsibilities in respect of the consolidated financial statements and corporate governance statement (continued)

The system of internal control is designed to manage rather than eliminate the risk of failure in the achievement of strategic plans, aims and objectives; it therefore provides reasonable but not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of the strategic plans, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically. This process has been in place for the year ended 31 July 2019 and up to the date of approval of the financial statements.

Council has responsibility for reviewing the effectiveness of the system of internal control. It meets at regular intervals (four times a year) to consider the plans and strategic direction of the institution, and receives periodic reports from the Chair of the Audit Committee concerning internal control, and minutes of the Committee.

The Audit Committee has specific authority delegated by the Council to monitor and review internal control matters on its behalf and to report to Council its recommendations on these matters. Independent Internal Auditors undertake regular reviews of the systems of internal control; the scope of their work is determined, in advance, by the Audit Committee which receives their reports and recommendations. The areas for review are determined by their significance to the University's operations and the risks associated with their failure. Risk management is a standing item on the Audit Committee agenda.

The external auditors audit the financial statements prepared by the University and report to the Audit Committee on the results of their audit. The external auditors also report formally to the Council on whether or not the financial statements reflect a true and fair record.

The University has established a robust risk prioritisation methodology based on risk ranking, together with the on-going maintenance of the University risk register. Council is pleased to report that risk management procedures are in place and a risk register is updated on a regular basis and monitored by senior management. A report is presented to each Audit committee.

The Council's review of the effectiveness of the system of internal control is also informed by the work of senior officers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their year-end management letter and other reports.

The University Council are responsible for preparing the consolidated financial statements in accordance with the requirements of the Higher Education Funding Council for Wales's Memorandum of Assurance and Accountability issued by HEFCW and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCW's Accounts Direction

Statement of council responsibilities in respect of the consolidated financial statements and corporate governance statement (continued)

to higher education institutions. The Council are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council are also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCW and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCW may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the council of University of Wales

Opinion

We have audited the financial statements of University of Wales ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statements of Comprehensive Income and Expenditure, Consolidated and University Statements of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Statement of Cash Flows 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 2019, 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*;
- meet the requirements of HEFCW's Accounts Direction to Higher Education Institutions for 2018/19 issued on 11 July 2019; 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

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Independent auditor's report to the council of University of Wales (continued)

Other information

The Council is responsible for the other information, which comprises the Operating and Financial Review and Corporate Governance 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's responsibilities

As explained more fully in their statement set out on page 17, the Council 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.

Auditor's responsibilities

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCW Audit Code of Practice 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; and

Independent auditor's report to the council of University of Wales (continued)

- 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.

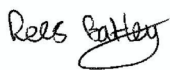
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 operating & financial review 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.

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 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to 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.



Rees Batley
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
29 May 2020

Consolidated and University Statements of Comprehensive Income and Expenditure
for the year ended 31 July 2019

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Funding Council Grants	1	168	-	148	-
Research grants and contracts	2	542	-	712	-
Other income	3	4,921	4,545	3,868	3,517
Investment income	4	183	183	238	109
Total Income before Donations and Endowments		5,814	4,728	4,966	3,626
Donations and endowments	5	3	-	1	-
Total income		5,817	4,728	4,967	3,626
Expenditure					
Staff Costs	6	4,547	3,228	4,007	2,442
Restructuring Costs	6	2	2	79	79
Operating Expenses	8	3,201	2,584	3,774	3,550
Loss on the disposal of the Gregynog Estate	8b	1,425	1,425	-	-
Depreciation and Impairments	9 & 10	610	206	407	716
Interest and other finance costs	7	58	58	68	68
Total expenditure	8a	9,843	7,503	8,335	6,855
Deficit for the year		(4,026)	(2,775)	(3,368)	(3,229)
Gain on Fixed Asset Investments	10	2	2	134	132
Gain on Endowment Investments	10	4	2	121	82
Actuarial (loss) /gain in respect of pension scheme	23	(1,608)	(1,608)	705	705
Total comprehensive expense for the year		(5,628)	(4,379)	(2,408)	(2,310)
Total comprehensive expense for the year from					
Continuing operations		(5,376)	(4,127)	(2,217)	(2,119)
Discontinued operations	8b	(252)	(252)	(191)	(191)
		(5,628)	(4,379)	(2,408)	(2,310)
Represented by:					
Endowment comprehensive income for the year		(964)	(274)	(2,619)	(2,665)
Unrestricted comprehensive expense for the year		(4,664)	(4,105)	211	355
		(5,628)	(4,379)	(2,408)	(2,310)
Deficit for the year attributable to:					
Non controlling interest	11	(157)	-	(316)	-
University		(3,869)	(2,775)	(3,052)	(3,229)
		(4,026)	(2,775)	(3,368)	(3,229)
Total Comprehensive expense for the year attributable to					
Non controlling interest	11	(157)	-	(316)	-
University		(5,471)	(4,379)	(2,092)	(2,310)
		(5,628)	(4,379)	(2,408)	(2,310)

Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2019

CONSOLIDATED	Income and Expenditure Account			Fixed Asset Investments Revaluation Reserve	Total excluding Non Controlling Interest	Non Controlling Interest	Total
	Endowment	Restricted	Unrestricted				
	£'000	£'000	£'000				
Balance at 1 August 2017	9,019	581	(303)	3,796	13,093	(181)	12,912
Transfer to Independent Trust	(2,645)	-	-	-	(2,645)	-	(2,645)
Surplus/(deficit) from the income and expenditure statement	26	-	(3,213)	134	(3,053)	(316)	(3,369)
Other comprehensive income	-	-	960	-	960	-	960
Transfers between revaluation and income and expenditure account	-	-	2,064	(2,064)	-	-	-
Release of restricted funds spent in year	-	(11)	11	-	-	-	-
	<u>(2,619)</u>	<u>(11)</u>	<u>(178)</u>	<u>(1,930)</u>	<u>(4,738)</u>	<u>(316)</u>	<u>(5,054)</u>
Balance at 1 August 2018	6,400	570	(481)	1,866	8,355	(497)	7,858
Transfer to Independent Trust	-	-	-	-	-	-	-
Surplus/(deficit) from the income and expenditure statement	(964)	-	(2,909)	3	(3,870)	(157)	(4,026)
Other comprehensive income	-	-	(1,601)	-	(1,601)	-	(1,601)
Transfers between revaluation and income and expenditure account	-	-	503	(503)	-	-	-
Release of restricted funds spent in year	-	(570)	570	-	-	-	-
Total comprehensive expense for the year	(964)	(570)	(3,437)	(500)	(5,471)	(157)	(5,628)
Balance at 31 July 2019	5,436	-	(3,917)	1,366	2,885	(654)	2,232

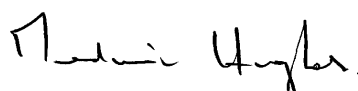
UNIVERSITY	Income and expenditure account			Fixed Asset Investments Revaluation Reserve	Total excluding Non Controlling Interest	Minority Interest	Total
	Endowment	Restricted	Unrestricted				
	£'000	£'000	£'000				
Balance at 1 August 2017	7,397	581	(590)	3,721	11,109	-	11,109
Transfer to Independent Trust	(2,645)	-	-	-	(2,645)	-	(2,645)
Surplus/(deficit) from the income and expenditure statement	(20)	-	(3,341)	132	(3,229)	-	(3,229)
Other comprehensive income	-	-	919	-	919	-	919
Transfers between revaluation and income and expenditure account	-	-	2,022	(2,022)	-	-	-
Release of restricted funds spent in year	-	(11)	11	-	-	-	-
	<u>(2,665)</u>	<u>(11)</u>	<u>(389)</u>	<u>(1,890)</u>	<u>(4,955)</u>	<u>-</u>	<u>(4,955)</u>
Balance at 1 August 2018	4,732	570	(979)	1,831	6,154	-	6,154
Transfer to Independent Trust	-	-	-	-	-	-	-
Surplus/(deficit) from the income and expenditure statement	(274)	-	(2,504)	3	(2,775)	-	(2,775)
Impairment on subsidiaries cash deficit	-	-	(724)	-	(724)	-	(724)
Other comprehensive income	-	-	(1,604)	-	(1,604)	-	(1,604)
Transfers between revaluation and income and expenditure account	-	-	494	(494)	-	-	-
Release of restricted funds spent in year	-	(570)	570	-	-	-	-
Total comprehensive expense for the year	(274)	(570)	(3,768)	(491)	(5,103)	-	(5,103)
Balance at 31 July 2019	4,458	-	(4,746)	1,340	1,052	-	1,052

**Consolidated and University Balance Sheet
as at 31 July 2019**

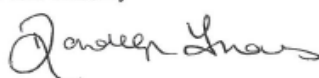
	Note	As at 31 July 2019		As at 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	9	2,205	1,294	3,340	2,248
Investments	10	5,485	4,562	7,642	5,788
		<u>7,690</u>	<u>5,856</u>	<u>10,982</u>	<u>8,036</u>
Current assets					
Stock	12	121	106	144	130
Trade and other receivables	13	1,607	1,324	1,217	1,547
Cash and cash equivalents	19	505	505	733	733
		<u>2,233</u>	<u>1,935</u>	<u>2,094</u>	<u>2,410</u>
Creditors: amounts falling due within one year	14	(2,238)	(2,072)	(2,420)	(2,252)
		<u>(5)</u>	<u>(137)</u>	<u>(326)</u>	<u>158</u>
Net current (liabilities)/assets					
Total assets less current liabilities		<u>7,685</u>	<u>5,719</u>	<u>10,656</u>	<u>8,194</u>
Creditors: amounts falling due after more than one year	15	(786)	-	(758)	-
Provisions					
Pension provisions	23	(1,137)	(1,137)	(418)	(418)
Pension Obligation to Defined Pension Scheme	23	(3,496)	(3,496)	(1,588)	(1,588)
Other provisions	16	(34)	(34)	(34)	(34)
		<u>(5,667)</u>	<u>(5,667)</u>	<u>(3,030)</u>	<u>(3,030)</u>
Total net assets		<u>2,232</u>	<u>1,052</u>	<u>7,858</u>	<u>6,154</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	17	5,436	4,458	6,400	4,732
Income and expenditure reserve - restricted reserve	18a	-	-	570	570
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		(3,917)	(4,746)	(481)	(979)
Revaluation reserve	18b	1,366	1,340	1,866	1,831
		<u>2,885</u>	<u>1,052</u>	<u>8,355</u>	<u>6,154</u>
Non-controlling interest	11	(654)	-	(497)	-
Total Reserves		<u>2,232</u>	<u>1,052</u>	<u>7,858</u>	<u>6,154</u>

The Financial Statements were approved by University Council on 27 May 2020, and signed on its behalf by:

Professor M. Hughes, Vice-Chancellor and Chief Accounting Officer



Randolph Thomas, Chair of Council



Consolidated Statement of Cash Flows
for the year ended 31 July 2019

	Note	31 July 2019 £'000	31 July 2018 £'000
Cash flow from operating activities			
Deficit for the year		(4,026)	(3,369)
Adjustment for non-cash items			
Depreciation for the year	9	386	407
Impairment for the year	10	224	-
Investment income	4	(183)	(238)
Decrease in stock	12	23	2
(Increase) / Decrease in debtors	13	(390)	304
(Decrease) / Increase in creditors	14	(154)	421
USS current service costs	6	708	5
UWSS current service costs	6	253	(120)
(Decrease)/Increase in other provisions	16	-	(612)
Sale of Tangible Fixed Asset		163	-
Transfer of Gregynog Assets and Liabilities		673	-
Adjustment for investing or financing activities			
Interest payable	7	58	68
Net cash outflow from operating activities		<u>(2,265)</u>	<u>(3,132)</u>
Cash flows from investing activities			
Disposal of non-current asset investments	10	923	2,728
Disposal of endowment asset investments	10	1,016	171
Investment income	4	80	127
Endowment income	4	103	111
Payments made to acquire fixed assets	9	-	(11)
Net cash inflow from investing activities		<u>2,122</u>	<u>3,126</u>
Cash flows from financing activities			
Repayment of finance leases		(85)	(78)
Decrease in cash and cash equivalents in the year		<u>(228)</u>	<u>(84)</u>
Cash and cash equivalents at beginning of the year	19	733	817
Decrease in cash and cash equivalents in the year		(228)	(84)
Cash and cash equivalents at end of the year	19	<u>505</u>	<u>733</u>

Statement of Accounting Policies for the year ended 31 July 2019

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 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention. They conform also with the most recent Accounts Direction issued by the Higher Education Funding Council for Wales (HEFCW) in July 2019 (reference: W19/20HE).

2 Going Concern

The activities of the University and its subsidiaries, together with the factors likely to affect its future development and performance, are set out in the Operating and Financial review. The financial position of the University and its subsidiaries, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Notwithstanding net current liabilities of £5k as at 31 July 2019, a loss for the year then ended of £4m and operating cash outflows for the year of £2.2m the financial statements are prepared on a going concern basis which the senior management and Council believe to be appropriate for the following reasons.

The Council has prepared cashflow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the University and its subsidiaries will have sufficient funds to meet their liabilities as they fall due for that period.

Although the University has incurred a deficit in the current year, most of this deficit has arisen from non-recurring expenditures which do not fully reflect the underlying core activities and associated performance. The largest of these items are significant pension charges which are affecting most Universities in the UK in 2019.

Despite the deficit recognised in the year, the overall cash position of the University is positive at 31 July 2019 at £505k and its forecast for 2019/20 shows sufficient cash resources to meet its obligations.

Beyond this the University has a clear strategic financial plan to address the remaining deficit on core activities and to deliver cash surpluses from operations and are implementing this. The strategic financial plan has 3 key components. These are:

1. Securing further integration of activities with the University of Wales Trinity Saint David which will generate cash efficiencies moving forward.
2. Acknowledging the needs and demand for more flexible learning models and of those adults not currently in Higher and Further education noted in the Augar review and developing local delivery models with established partners to address these.
3. Recognising the growing demand of international educational institutions for a presence in the UK higher education market and developing strategic alliances and partnerships to grow income in this area.

The University has financial forecasts which show future cash surpluses based on the above plans. The University has also considered alternative "downside" scenarios if these plans are not realised, for example due to Covid-19 and the alternative mitigating actions that would be required as a result.

A major sensitivity considered as part of the downside forecast surrounds traditional fee income and cash collection from this income. In the base forecast the University has been prudent on its assumptions to a decline in student numbers and a further reduction is considered in the downside forecast mainly as a result of Covid-19. Mitigating actions are available to the university in controlling pay and non-pay costs to match projected income levels.

In the shorter term, as part of the going concern assessment the University has prepared detailed financial forecasts for the 12 months ended 31 May 2021. These have been prepared on both "base case" and "downside case with mitigation" scenarios. The downside case reflects the principal financial performance risks to which the University is exposed and is believed to be a fair to cautious assessment of these. In both scenarios the University has adequate financial resources to sustain operations over the 12 month period and to meet obligations as they fall due.

In light of the deficits on operations before other gains and losses the University has developed plans to restore surpluses and positive cash inflows in future years. The University's budget for the next financial year to 31 July 2020, set in July 2019, targeted a surplus before other gains of £620K and an increase in cash and cash equivalents of £597K for the year.

In March 2020 it became apparent that these expectations were unlikely to be fully met as a result of sector wide issues as a result of Covid-19 giving rise to projected lower enrolment and retention levels on some traditional activity, along with projected reductions in commercial activity. As a result the University has developed plans for in year cost reductions in 2019/20 to partly offset the reductions in expected income.

Statement of Accounting Policies for the year ended 31 July 2019

Going Concern (continued)

The plans now being implemented will not be fully realised until towards the end of the 2020/21 financial year. As a result the University and its subsidiaries are currently forecasting a smaller surplus before other gains for the 2019/20 year of £419K and a small reduction in cash and cash equivalents of £432K, before a forecast surplus and increase in cash and cash equivalents, before downside scenarios, for 2020/21.

Reflecting all of the above, the University has prepared revised financial forecasts for itself and its subsidiaries for the 2019/20 and 2020/21 financial years, including monthly cashflow forecasts. These show that the University is expected to have adequate financial resources and liquidity to properly manage its affairs and undertake planned operations throughout this period.

It is noted, however, that the financial forecasts of the University include certain assumptions concerning the amount and timing of some material items over the next 12 months from the date of approval of the financial statements and there is limited cash headroom within existing University facilities if these were not achieved. These key assumptions, some of which reflect external matters outside the University's control, are described below.

The key assumptions include the impact of Covid-19 on the University's ongoing activities and further integration of activity with the University of Wales Trinity Saint David. Although it is not possible to predict the full impact that Covid-19 will have on the University, management are taking steps to navigate their way through the current pandemic. These are unprecedented times and the university sector is a key player in developing equipment to assist in the healthcare solutions for affected individuals. The University has a working party, including appropriate management from academic institutes and professional support units which keep the situation under continuous review on a daily basis.

The University is working closely with our suppliers in order to mitigate any shortage in supply of provisions to continue with daily operations. The University and its partners have developed a mitigation plan to combat any potential impact on recruitment of students, including moving towards online provision until face to face teaching can continue.

Consequently, the Council is confident that the University and its subsidiaries will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

3 Basis of Consolidation

The consolidated financial statements consists of the financial statements of the University and its subsidiary companies, Awen Wales Limited, UW Centre for Advanced Batch Manufacture Limited, and the Centre for Advanced Welsh and Celtic Studies, for the financial year to 31 July 2019. Intra-group transactions have been eliminated fully on consolidation.

4 Income Recognition

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

Investment income is credited to the statement of income and expenditure on a receivable basis.

Grant Funding

Grant funding including HEFCW grants, research grants from government sources and grants (including research grants) from non government sources are recognised as 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.

Donations and Endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

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

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or restrictions applied to the individual endowment fund.

Statement of Accounting Policies for the year ended 31 July 2019

5 Income Recognition (continued)

There are two types of endowments held by the University:

- 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.
- 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.

Capital Grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

6 Accounting for Retirement Benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Wales Superannuation Scheme (UWSS). The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries. The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to the University as members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company 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 Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise 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 assets 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.

7 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 measured as the additional amount the University expects to pay as a result of the unused entitlement.

8 Finance Leases

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

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

Statement of Accounting Policies for the year ended 31 July 2019

9 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.

10 Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities 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 are recognised in the determination of income and expenditure for the financial year.

11 Land and Buildings

Land and buildings are stated at cost (including irrecoverable VAT costs) less accumulated depreciation and accumulated impairment losses. Certain buildings that had been revalued to fair value on or prior to the date of transition to the 2015 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Gregynog was stated at probate value, plus or minus additions or disposals at cost, prior to transfer.

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

Buildings and major adaptations thereto are depreciated over their expected useful lives up to a maximum of fifty years.

Equipment

Equipment, including computers and software, costing less than de minimis per individual item or group of related items is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost (including irrecoverable VAT costs) and depreciated over its expected useful life as follows:

Computer Equipment	4 years
Equipment acquired for specific research projects	project life
Major computer installations	7 years

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

Borrowing Costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are

Gain/Loss on disposal of an asset

The gain/loss on the disposal of an asset is calculated with the Net Book Value at the date of disposal less any income received in relation to the disposal.

Statement of Accounting Policies for the year ended 31 July 2019

12 Investments

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

Investments in jointly controlled entities and subsidiaries are carried at cost less any impairment in the University's financial statements.

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

Investments are shown at market value. It is our policy to keep valuations up to date such that when investments are sold there is no gain or loss arising relating to previous years. As a result the Statement of Comprehensive Income and Expenditure does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings, as they are treated as changes in the value of the investment portfolio throughout the year.

13 Stock

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

Stocks of books held by the University Press are valued at the lower of cost and net realisable value and are written down after two or five years from the date of publication as determined by the University of Wales Press Sub-Committee. The cost of journals is written off in their year of publication.

14 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 twenty-four 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.

15 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.

Statement of Accounting Policies for the year ended 31 July 2019

16 Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations

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

The University financial statements for its share of transactions from joint operations and jointly controlled assets in the Consolidated Statement of Income and Expenditure.

17 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 paragraph 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 receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

18 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 where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

19 Accounting Estimates and judgements – key sources of estimation uncertainty

The University has a number of defined benefit pension schemes. The valuation of the liabilities on each defined benefit scheme is calculated using a financial and demographic model to present a single scenario from a wide range of possibilities. The schemes' actual experience will inevitably differ from the assumptions underlying the financial and demographic model. The differences may be material because the valuation is very sensitive to the assumptions made over a long period of time. Please see note 23 for assumptions used in the valuation of pension assets and liabilities.

Notes to the Financial Statements for the year ended 31 July 2019

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
6 Staff Costs				
Salaries	2,882	1,859	3,222	2,010
National Insurance Contributions	246	138	316	187
Other Pension Costs	458	270	584	360
Staff Costs Operating Activities	<u>3,586</u>	<u>2,267</u>	<u>4,122</u>	<u>2,557</u>
USS Current Service Costs	708	708	5	5
UWSS Current Service Costs	253	253	(120)	(120)
Staff Costs	<u>4,547</u>	<u>3,228</u>	<u>4,007</u>	<u>2,442</u>
Severance Payments	2	2	79	79
Total Staff Costs	<u><u>4,549</u></u>	<u><u>3,230</u></u>	<u><u>4,086</u></u>	<u><u>2,521</u></u>

Emoluments of the Vice-Chancellor and Chief Executive

The post of Vice Chancellor and Chief Executive is held by the Vice Chancellor of University of Wales: Trinity St. David who is employed by that institution and not by the University of Wales. In recognition of the services provided by the Vice-Chancellor and Chief Executive the University reimbursed University of Wales: Trinity St. David the sum of £58,400 in 2018-19 towards the basic salary and associated pension costs of the post. (2017-18 contribution: £56,800). This amount represented 20% of the Vice-Chancellor's salary. These costs are recognised in other operating expenses and not within staff costs.

Emoluments of the Vice Chancellor paid by the University of Wales : Trinity St David

	2019 £' 000	2018 £' 000
Salary	232	226
Monetary value of benefits - health insurance	3	3
Monetary value of benefits - accomodation	11	11
	<u>246</u>	<u>240</u>
Pension Contributions to USS	46	44
	<u><u>292</u></u>	<u><u>284</u></u>

The Vice Chancellor has responsibility for the University of Wales Trinity St David, the University of Wales, Coleg Sir Gar and Coleg Ceridigion.

The ratio of the salary of the Vice Chancellor compared to the median average of the University of Wales : Trinity St David is 7.9:1. The ratio compared to the median average of the University of Wales is 7.6:1.

The ratio of the total remuneration of the Vice Chancellor compared to the median average of the University of Wales : Trinity St David is 7.5:1. The ratio compared to the median average of the University of Wales is 7.6:1.

The University Council is responsible for establishing a Standing Committee of the Council, known as the Senior Remuneration Committee to determine fair and appropriate remuneration for the Vice-Chancellor and other senior staff. The Committee is responsible for reviewing and determining on an annual basis the salaries, terms and conditions and, where appropriate the severance conditions of the above senior post-holders. The terms of reference for the Senior Remuneration Committee are published on the University website ensuring these are available to staff, students and all stakeholders in an open and transparent manner. The Vice Chancellor is not a member of this committee.

The Senior Remuneration Committee takes account of the context in which the institution operates. It considers the value delivered by an individual acting within a role based on relevant components for the University context. The Committee makes every effort to ensure that all recommendations are fair and consider the institutional interest, key stakeholders and partners including the student community and wider society. The safeguarding of public funds also forms part of its deliberations. The Committee considers appropriate comparative information of other Universities to inform its decisions including the annual rate of increase of the average remuneration of all other staff. The Chair of the Senior Remuneration Committee is responsible for presenting the recommendations of the Committee to the University Council.

Notes to the Financial Statements for the year ended 31 July 2019

6 Staff costs (continued)

Remuneration of other higher paid staff, excluding employer's pension contributions (subject to the relevant HEFCW accounts direction) are all shown before any salary sacrifice:

Remuneration of other higher paid staff in excess of £100,000 was:

	2019 Number	2018 Number
£150,000 to £154,999	1	1
	<u>1</u>	<u>1</u>

There was no compensation payable to higher paid staff in the year (2018: £Nil)

Average staff numbers by major category :

	2019 Number	2018 Number
Administrative and Professional	40.0	47.4
Research	17.3	17.4
Operational	22.1	24.0
	<u>79.4</u>	<u>88.8</u>

The only atypical staff costs incurred in year was in relation to agency staff which amounted to £51k (2018 : £23k)

Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. The designated posts are; Vice Chancellor, Deputy Vice Chancellor, Pro Vice Chancellor, Director of CAWCS and Director of UW Press.

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Key management personnel remuneration	<u>473</u>	<u>465</u>
	<u>No.</u>	<u>No.</u>
Key management personnel remuneration	<u>5</u>	<u>5</u>

The above costs for key management personnel do not include the cost of key management that are employed by the University of Wales : Trinity St David, but working across both institutions

Council Members

The University Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Council, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

During 2018-19 there were no transactions which required disclosure.

No Council member has received any remuneration from the group during the year (2018 - none).

The total expenses paid to or on behalf of 15 Council members was £2,083 (2018 - £14,095 to 15 Council members). This represents travel and subsistence expenses incurred in attending Council and other committee meetings in their official capacity.

7 Interest and Other Finance Costs

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Net charge on:				
USS pension scheme	11	11	10	10
UWSS pension scheme	47	47	58	58
	<u>58</u>	<u>58</u>	<u>68</u>	<u>68</u>

Notes to the Financial Statements for the year ended 31 July 2019

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8 Operating Expenses				
Residences, Catering & Conferences	616	616	714	714
Fellowships, Scholarships & Prizes	241	96	120	45
Recurrent Costs of Premises	423	298	423	292
Maintenance of Premises	32	26	27	18
Other Services Rendered - Collaborative Provision	474	474	658	658
Other Services Rendered - Other Services	50	50	34	34
Central Administration Costs	204	204	392	391
Other Central Services of the University	320	320	361	361
Research Grants and Contracts	60	-	143	-
External Auditors' Remuneration	23	17	26	20
External Auditors' Remuneration : Non-Audit Services	-	-	6	4
Internal Auditors' Fee	-	-	23	23
Other Expenses	758	483	847	990
	3,201	2,584	3,774	3,550

8a Analysis of Total Expenditure by Activity

	Staff Costs £'000	Operating Expenses £'000	Depreciation, Interest & Other Finance Costs £'000	Total 2019	Total 2018
				£'000	£'000
Consolidated					
Finance and Resources	445	343	60	848	1,290
Registry Directorate	343	447	-	790	1,186
General Education	179	94	-	273	279
Gregynog Hall	571	616	31	1,218	1,444
University Press	413	313	8	734	740
Centre for Advanced Welsh & Celtic Studies					
- funded from Research Grants	211	60	-	271	322
- funded from other sources	896	99	29	1,024	1,033
Dylan Thomas Centre	90	301	107	498	531
Fellowships, Scholarships, etc.	-	187	-	187	44
Other Activities	227	418	224	869	492
Centre for Advanced Batch Manufacture Ltd	211	323	151	685	942
Early Retirements, Redundancies, and Compensation Payments	2	-	-	2	79
Pension Scheme Service Costs	961	-	58	1,019	(47)
Loss on disposal of Gregynog Estate (see note 8b)	-	-	1,425	1,425	-
Total Year Ended 31 July 2019	4,549	3,201	2,093	9,843	8,335
Total Year Ended 31 July 2018	4,086	3,774	475	8,335	

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
8b Discontinued Operations				
Fixed Assets Disposal	585	585	-	-
Investments Transfer	782	782	-	-
Stock Transfer	26	26	-	-
Debtors Transfer	90	90	-	-
Cash Transfer	2	2	-	-
Creditors Transfer	(60)	(60)	-	-
Loss on disposal of the Gregynog Estate	1,425	1,425	-	-
Income and Expenditure attributable to the Discontinued Operations:				
Other Income	1,002	1,002	1,261	1,261
Less				
Staff Costs	(570)	(570)	(696)	(696)
Operating Expenses	(653)	(653)	(725)	(725)
Depreciation	(31)	(31)	(31)	(31)
Deficit for the year	(252)	(252)	(191)	(191)

The Gregynog Estate was transferred to an independent charitable trust being the The Gregynog Trust (Charity No 1180943) under a Business Transfer Agreement signed on 21 June 2019. The loss on the disposal of the estate amounted to £1,425k as detailed above. The income and expenditure attributable to this discontinued operation is also detailed above. The figures for 2018-19 are for the year to 21 June 2019 whilst the prior year comparators are for the full year.

Notes to the Financial Statements for the year ended 31 July 2019

9 Fixed Assets	2017-18			
	Leasehold Land and Buildings	Fixtures, Fittings and Equipment	Total	Total
	£'000	£'000	£'000	£'000
Consolidated				
Cost				
At 1 August 2018	3,622	2,841	6,463	6,482
Additions	0	0	0	11
Disposals/Transfers	(1,094)	(304)	(1,398)	(30)
At 31 July 2019	2,528	2,537	5,065	6,463
Accumulated Depreciation				
At 1 August 2018	1,335	1,788	3,123	2,746
Charge for the year	102	284	386	407
Disposals/Transfers	(542)	(107)	(649)	(30)
At 31 July 2019	895	1,965	2,860	3,123
Net Book Value				
At 31 July 2019	1,632	573	2,205	3,340
At 31 July 2018	2,287	1,053	3,340	3,736
University				
Cost				
At 1 August 2018	2,494	1,465	3,959	3,959
Disposals/Transfers	(1,094)	(303)	(1,397)	0
At 31 July 2019	1,400	1,162	2,562	3,959
Accumulated Depreciation				
At 1 August 2018	747	964	1,711	1,495
Charge for the year	76	130	206	216
Disposals/Transfers	(543)	(106)	(649)	0
At 31 July 2019	280	988	1,268	1,711
Net Book Value				
At 31 July 2019	1,120	174	1,294	2,248
At 31 July 2018	1,747	501	2,248	2,464

Note.**Leasehold Land & Buildings**

During the year the University sold one of its buildings in Cardiff which had an original cost value of £281,000. Gregynog Hall which had an original cost value of £813,000 was transferred to the Gregynog Independent Trust. The total cost of disposal and transfers was therefore £1,094,000 as above.

Fixtures, Fittings & Equipment

The amount shown above, £303,000, relates to the transfer of fixtures and fittings to the Gregynog Independent Trust.

Notes to the Financial Statements for the year ended 31 July 2019

10 Investments

Consolidated	Fixed Assets	Endowment	Other	Total	2017-18
	Investments	Assets	Investments		Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	2,695	4,723	224	7,642	12,931
Disposals	(923)	(1,016)	-	(1,939)	(2,899)
Impairments	-	-	(224)	(224)	0
Transfer to Independent Trust	-	-	-	-	(2,645)
Increase in Market Value of Investments	2	4	-	6	255
At 31 July 2019	1,774	3,711	-	5,485	7,642
University	£'000	£'000	£'000	£'000	£'000
At 1 August 2018	2,657	3,131	-	5,788	11,574
Disposals	(914)	(316)	-	(1,230)	(2,855)
Impairments	-	-	-	-	(500)
Transfer to Independent Trust	-	-	-	-	(2,645)
Increase in Market Value of Investments	2	2	-	4	214
At 31 July 2019	1,745	2,817	-	4,562	5,788

11 Other Investments.

Consolidated. International University Malaya-Wales.

The University owns 100% of the issued share capital of £1 ordinary shares of Awen Wales Limited, a company, registered in England and Wales and operating in the U.K. Through the company, as at 31 July 2018, the University had taken up 7% of a maximum 40% investment in the International University Malaya-Wales, a joint venture initiative between the University of Malaya and the University of Wales. During the year the University undertook to impair this investment by £224,000 its underlying net assets.

University. UW Centre for Advanced Batch Manufacture Limited.

The University owns 50% of the issued share capital of £1 ordinary shares of UW Centre for Advanced Batch Manufacture Limited, a company, registered in England and Wales, and operating in the U.K. This is a joint venture company owned equally by the University and University of Wales Trinity St David, with the latter holding the remaining 50% of the share capital. The University has control of the company and therefore the financial statements of the company have been consolidated into these Financial Statements. See further detail overleaf. This investment has been fully impaired

Notes to the Financial Statements for the year ended 31 July 2019

11 Other Investments - continued

UW Centre for Advanced Batch Manufacture Limited.

	Year ended 31 July 2019		Year ended 31 July 2018	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		372		310
Expenditure		(685)		(941)
Deficit before tax		<u>(313)</u>		<u>(631)</u>
Deficit attributable to Non Controlling Interest		<u>(157)</u>		<u>(316)</u>
Balance sheet				
Fixed assets		398		549
Current assets				
Stock	14		13	
Debtors	42		30	
Cash at Bank	-		-	
		<u>56</u>		<u>43</u>
Creditors: amounts due within one year	(101)		(110)	
Amount owed to Parent Company	(874)		(718)	
Creditors: amounts due after more than one year		<u>(786)</u>		<u>(758)</u>
Net Assets		<u>(1,761)</u>		<u>(1,586)</u>
		<u>(1,307)</u>		<u>(994)</u>
Capital and Reserves				
Share Reserve:				
University of Wales	500		500	
University of Wales Trinity St David	500		500	
		<u>1,000</u>		<u>1,000</u>
Income & Expenditure Account		<u>(2,307)</u>		<u>(1,994)</u>
Total Shareholders' Funds		<u>(1,307)</u>		<u>(994)</u>
Non Controlling Interest		<u>(654)</u>		<u>(497)</u>

Notes to the Financial Statements for the year ended 31 July 2019

12 Stock

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residences & Catering *	-	-	26	26
Books for resale	102	101	98	97
Other	19	5	20	7
	<u>121</u>	<u>106</u>	<u>144</u>	<u>130</u>

* The stock movement of £26,000 is due to the transfer of assets to the Gregyngog Trust.

13 Trade and other receivables

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research Grants Receivables	29	-	101	-
Other Trade Receivables	1,515	1,262	1,009	873
Inter-Company Debtors	-	-	-	580
Icelandic Bank Deposits Impairment	53	53	55	55
Prepayments	10	9	52	39
	<u>1,607</u>	<u>1,324</u>	<u>1,217</u>	<u>1,547</u>

14 Creditors : amounts falling due within one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
			Restated	Restated
Trade Payables	606	578	503	461
Finance Lease	85	-	79	-
Social Security and Other Taxation Payable	97	97	118	110
Receipts in Advance	171	171	158	158
Accruals and deferred income	281	228	460	421
Welsh Church Act balances	998	998	1,102	1,102
	<u>2,238</u>	<u>2,072</u>	<u>2,420</u>	<u>2,252</u>

The prior year comparator has been restated following a reclassification of some balances. There is no change to the total creditor figure.

Note.

The Welsh Church Act balances represent those amounts held on the Capital and Revenue Accounts of the Beneficiaries Funds. These balances are distributed in arrears to the beneficiaries under the Welsh Church Acts; namely the university institutions at Aberystwyth, Bangor, Cardiff and Swansea (3/16ths each), the University of Wales itself and the National Library of Wales (1/8th each). The balance due to the University itself is shown as deferred income.

The funds are also held to cover the current and future administration costs and are distributed to the benefactors at the discretion of the Trustees and are therefore disclosed as a short term creditor.

15 Creditors : amounts falling due after more than one year

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Finance Lease	222	-	308	-
Unsecured loan	564	-	450	-
	<u>786</u>	<u>-</u>	<u>758</u>	<u>-</u>

These items are contained in the subsidiary accounts of UW Centre for Advanced Batch Manufacture Limited (note 11).

Notes to the Financial Statements for the year ended 31 July 2019

16 Other Provisions	Consolidated £'000	University £'000	Year Ended 31 July 2018 Total £'000
At 1 August 2018	34	34	646
Utilised in 2018/19	-	-	(612)
At 31 July 2019	34	34	34

The provision recognises a contracted redundancy payment.

Notes to the Financial Statements for the year ended 31 July 2019

17 Endowment Reserves

Consolidated

Net assets relating to endowments are as follows:

	Note	Restricted Permanent Endowments £'000	Unrestricted Permanent Endowments £'000	Year Ended 31 July 2019 Total £'000	Year Ended 31 July 2018 Total £'000
Balances at 1 August					
Capital		3,707	144	3,851	6,546
Accumulated income		2,549	-	2,549	2,473
		6,256	144	6,400	9,019
Transfer to Independent Trust			-	-	(2,645)
Disposals		(983)	(33)	(1,016)	(171)
Investment income	4	100	3	103	111
Expenditure		(55)	-	(55)	(35)
		45	3	48	76
Increase in Market Value of Investments		4	-	4	121
At 31 July		5,322	114	5,436	6,400
Represented by:					
Capital		2,728	114	2,842	3,851
Accumulated income		2,594	-	2,594	2,549
		5,322	114	5,436	6,400
Analysis by type of purpose:					
Scholarships		3,276	-	3,276	3,406
Prize Funds		451	-	451	357
General		1,595	114	1,709	2,637
		5,322	114	5,436	6,400
Analysis by asset:					
Current and Non-Current Asset Investments		3,604	107	3,711	4,723
Cash & Cash Equivalents		1,718	7	1,725	1,677
		5,322	114	5,436	6,400

Notes to the Financial Statements for the year ended 31 July 2019

17 Endowment Reserves - continued

University

Net assets relating to endowments are as follows:

	Note	Restricted Permanent Endowments £'000	Unrestricted Permanent Endowments £'000	Year Ended 31 July 2019 Total £'000	Year Ended 31 July 2018 Total £'000
Balances at 1 August					
Capital		2,159	144	2,303	5,037
Accumulated income		2,429	-	2,429	2,360
		<u>4,588</u>	<u>144</u>	<u>4,732</u>	<u>7,397</u>
Transfer to Independent Trust			-	-	(2,645)
Disposals		(283)	(33)	(316)	(171)
Investment income	4	64	3	67	75
Expenditure		(27)	-	(27)	(6)
		<u>37</u>	<u>3</u>	<u>40</u>	<u>69</u>
Increase in Market Value of Investments		2	-	2	82
At 31 July		<u><u>4,344</u></u>	<u><u>114</u></u>	<u><u>4,458</u></u>	<u><u>4,732</u></u>
Represented by:					
Capital		1,878	114	1,992	2,303
Accumulated income		2,466	-	2,466	2,429
		<u>4,344</u>	<u>114</u>	<u>4,458</u>	<u>4,732</u>
Analysis by type of purpose:					
Scholarships		3,026	-	3,026	3,017
Prize Funds		451	-	451	357
General		867	114	981	1,358
		<u>4,344</u>	<u>114</u>	<u>4,458</u>	<u>4,732</u>
Analysis by asset:					
Current and Non-Current Asset Investments		2,709	107	2,816	3,131
Cash & Cash Equivalents		1,635	7	1,642	1,601
		<u>4,344</u>	<u>114</u>	<u>4,458</u>	<u>4,732</u>

Notes to the Financial Statements for the year ended 31 July 2019

18 Reserves

	Consolidated & University		Consolidated		University	
	(a) Gregynog Non-Distributable Capital Reserve		(b) Revaluation Reserve - Fixed Asset Investments			
	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2019	Year ended 2,018
	£'000	£'000	£'000	£'000	£'000	£'000
Balances at 1 August 2018	570	581	1,866	3,796	1,831	3,721
Movement on Reserves	(570)	(11)	-	-	-	-
Appreciation of Market Value of Fixed Asset Investments	-	-	3	134	3	132
Realisation of Market Value of Fixed Asset Investments	-	-	(503)	(2,064)	(494)	(2,022)
	-	-	(500)	(1,930)	(491)	(1,890)
At 31 July 2019	-	570	1,366	1,866	1,340	1,831

19 Cash and cash equivalents

	Note	At 31st July	Cash Flows	At 1st August
		2019		2018
		£'000	£'000	£'000
Current Assets		(1,220)	(276)	(944)
Endowment Reserves	17	1,725	48	1,677
Consolidated		505	(228)	733
University		505	(228)	733

Notes to the Financial Statements for the year ended 31 July 2019

20 Contingent Liabilities

The University is a member of UMAL, a company limited by guarantee, formed to provide a mutual association for insurance risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their prorated share, spread using an internal loan facility over seven years.

21 Related Party Transactions

The University has taken advantage of the disclosure exemptions of 100% owned related party transactions under FRS 102 and the Charity SORP. The transactions with related parties that are not 100% owned by the group are disclosed below:

University of Wales Trinity St David is deemed a related party in that it has key management personnel in common with the University -

Balances : £181,394 receivable (2018: £77,303), £Nil payable (2018: £Nil)

Total income £412,987 (2018: £175,307) Total purchases £932 (2018: £11,987)

UW Centre for Advanced Batch Manufacture Limited is a related party in that it is a subsidiary company that the University has a controlling interest in. During the year the University provided further financing of £156,000 (2018: £119,000) into the subsidiary, to bring the total investment by the University to £1,374,000, as disclosed in note 11 to the accounts.

22 Post Balance Sheet Events

In October 2018, the High Court determined, in a case involving Lloyds Bank, that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustees of the University of Wales Superannuation Scheme are now reviewing, with their advisers, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Scheme and the value of any additional liability.

As set out in note 23 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2017 actuarial valuation has been agreed. This results in a decrease of £459,000 in the provision for the Obligation to fund the deficit on the USS pension which would instead be £679,000. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

Notes to the Financial Statements for the year ended 31 July 2019

23. Pension Schemes

The two principal pension schemes for the University's staff are the University of Wales Superannuation Scheme (UWSS) and the Universities Superannuation Scheme (USS).

University of Wales Superannuation Scheme (UWSS)

Information about the characteristics of the Scheme:

The University sponsors the University of Wales Superannuation Scheme, a funded defined benefit pension scheme in the UK. The scheme is set up on a tax relieved basis as a separate trust independent of the University and is supervised by independent trustees. The Trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that scheme assets are appropriately invested.

The Scheme is a registered scheme under UK legislation and is subject to the scheme funding requirements.

The Scheme was established from 1 August 1978 under trust and is governed by the Scheme's trust deed and rules dated 12 March 1999.

Active members of the Scheme paid contributions at the rate of 7.5% of pensionable salary up to 31 July 2019, and from 1 August 2019 will pay contributions at the rate of 8.0% of pensionable salary, and the University pays the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates. The University also makes contributions in respect of death-in-service costs and administration expenses.

Information about the risks of the Scheme to the University:

The Scheme exposes the University to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk currency risk and longevity risk.

The Scheme does not expose the University to any unusual Scheme-specific or Sponsor-specific risks.

Information about the valuation of the defined benefit obligation at the accounting date:

The most recent formal actuarial valuation of the Scheme was as at 31 July 2016.

The liabilities at the reporting date have been calculated by updating the results of the formal actuarial valuation of the Scheme for the assumptions as detailed in these disclosures. Allowance has been made for expected mortality over the period, as well as actual movement in financial conditions since the valuation date.

Such an approach is normal for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Scheme at the accounting date and those included in the disclosures.

Notes to the Financial Statements for the year ended 31 July 2019

Information about the most recent actuarial valuation and expected future cashflows to and from the Scheme:

The valuation as at 31 July 2016 revealed a funding deficit of £323,000. In the Recovery Plan dated 24 October 2017 the University agreed to pay contributions of £350,000 to the Scheme with the view to eliminating the shortfall by 31 July 2019. The payment was split such that £200,000 was paid on or before 31 October 2017, £100,000 was paid on or before 31 July 2018 and £50,000 was due to be paid on or before 31 July 2019, although this final payment is outstanding as at 31 July 2019.

The University also pays contributions of 27.60% per annum of Pensionable Salaries to meet the cost of future accrual of benefits for active members of the Scheme, in line with the Schedule of Contributions dated July 2019.

In accordance with the Schedule of Contributions dated July 2019 the University is expected to pay no contributions in respect of the shortfall over the next accounting period, however it is expected that the £50,000 due by 31 July 2019 under the previous Schedule of Contributions dated October 2017 will be paid over the next accounting period. The contributions paid by the University are reviewed every 3 years as part of each formal actuarial valuation. The Scheme's next actuarial valuation is due at 31 July 2019.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members approximately over the next 85 years. The average duration of the liabilities is approximately 22 years.

A formal actuarial valuation was carried out as at 31 July 2016. The results of that valuation have been projected to 31 July 2019 with allowance for payroll and benefit information and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

The amounts recognised in the statement of financial position are as follows:

	31 Jul 2019	31 Jul 2018
	£' 000	£' 000
Defined benefit obligation	(13,062)	(11,034)
Fair value of plan assets	9,566	9,446
Net defined benefit (liability)/asset	(3,496)	(1,588)
Restriction on asset recognised	-	-
Net amount recognised at year end (before any adjustment for deferred tax)	(3,496)	(1,588)

Notes to the Financial Statements for the year ended 31 July 2019

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in profit or loss. Re measurements of the net defined benefit liability are included in other comprehensive income.

	Year Ended 31 Jul 2019 £' 000	Year Ended 31 Jul 2018 £' 000
Service cost:		
Current service cost (net of employee contributions)	295	309
Administration expenses	123	101
Loss/(gain) on scheme introductions, changes, curtailments and settlements - GMP equalisation	67	-
Net interest expense/(credit)	<u>47</u>	<u>58</u>
Charge/(credit) recognised in profit or loss	532	468
Remeasurements of the net liability: Return on scheme assets (excluding amount included in net interest expense)	(139)	9
Actuarial (gains)/losses	1,747	(714)
Adjustment for restrictions on the asset recognised	-	-
Charge/(credit) recorded in other comprehensive income	<u>1,608</u>	<u>(705)</u>
Total defined benefit cost/(credit)	2,140	(237)

The principal actuarial assumptions used were:

	31 Jul 2019	31 Jul 2018
Liability discount rate	2.15%	2.70%
Inflation assumption – RPI	3.35%	3.35%
Inflation assumption – CPI	2.45%	2.45%
Rate of increase in salaries	3.70%	3.70%
Revaluation of deferred pensions:		
All pension	2.45%	2.45%
	31 Jul 2019	31 Jul 2018
Increases for pensions in payment:		
Post 88 GMP	2.20%	2.20%
Pre 6 April 1997 in excess of GMP	2.45%	2.45%
Post 6 April 1997	3.30%	3.30%
Proportion of employees commuting maximum tax-free cash	50.00%	50.00%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	87.1	86.9
Female aged 65 at year end:	89.3	88.8
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	88.2	88.1
Female aged 45 at year end:	90.5	90.0

Notes to the Financial Statements for the year ended 31 July 2019

Reconciliation of scheme assets and liabilities

	Assets £' 000	Liabilities £' 000	Total £' 000
At start of period	9,446	(11,034)	(1,588)
Benefits paid	(440)	440	-
Administration expenses	(123)	-	(123)
Current service cost	-	(295)	(295)
Contributions from the employer	232	-	232
Contributions from employees	61	(61)	-
Interest income / (expense)	251	(298)	(47)
Return on assets (excluding amount included in net interest expense)	139	-	139
Actuarial gains/(losses)	-	(1,747)	(1,747)
Gain/(loss) on plan introductions and changes - GMP equalisation	-	(67)	(67)
Gain/(loss) on curtailments	-	-	-
Assets distributed / liabilities extinguished on settlements	-	-	-
Assets acquired / liabilities assumed in a business combination	-	-	-
At end of period	9,566	(13,062)	(3,496)

The major categories of scheme assets

	31 Jul 2019 £' 000	31 Jul 2018 £' 000
Interest income	251	234
Return on scheme assets (excluding amount included in net interest expense)	<u>139</u>	<u>(9)</u>
Total return on scheme assets	390	225

The major categories of scheme assets are as follows:

	31 Jul 2019 £' 000	31 Jul 2018 £' 000
UK Equities	1,380	1,441
Overseas Equities	2,987	3,659
Corporates	379	346
Gilts	1,138	999
Index Linked	16	118
Property	92	123
Alternative Assets	3,162	2,360
Cash	<u>412</u>	<u>400</u>
Total market value of assets	9,566	9,446

The Scheme has no investments in the University or in property occupied by the University

If the discount rate was 0.1 percent higher (lower), the Scheme liabilities would decrease by £295k (increase by £305k) if all the other assumptions remained unchanged

Notes to the Financial Statements for the year ended 31 July 2019

If the inflation assumption was 0.1 percent higher (lower), the Scheme liabilities would increase by £278k (decrease by £269k). In this calculation all assumptions related to the inflation assumptions have been appropriately adjusted, that is the salary growth, deferred pension increases and pension in payment increases. The other assumptions remained unchanged.

If the rate of salary increases was 0.1 percent higher (lower), the Scheme liabilities would increase by £69k (decrease by £68k) if all the other assumptions remained unchanged.

If the discount rate was 0.1 percent higher (lower), the Scheme liabilities would decrease by £295k (increase by £305k) if all the other assumption

Universities Superannuation Scheme (USS)

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. 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 Universities and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other Universities' 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 FRS 102(28), 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 University has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The total cost charged to the income and expenditure account is £708K (2018 - £5K).

The latest available full actuarial valuation of the scheme was at 31 March 2017 ("the valuation date", which was carried out using projected unit method. Since the University cannot identify its share of the scheme assets and liabilities the following disclosures reflect those relevant for the scheme as a whole.

As at the year-end a valuation as at 31 March 2018 was underway but not yet completed.

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

Notes to the Financial Statements for the year ended 31 July 2019

These figures will be revised once the 2018 scheme valuation is complete.

The 2018 valuation had not yet been concluded by the 31st July 2019, pending ongoing consultation regarding the cost sharing between employers and members. The impact of the 2018 valuation is noted in Note 28: Non-adjusting Post Balance Sheet events

Assumptions

The financial assumptions adopted for the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles:

Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21+: CPI + 1.7%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	<u>Pre-retirement</u> 71% of AMC00 (duration 0) for males and 112% of AC00 (duration 0) for females
	<u>Post-retirement</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 years	24.6	24.5
Females currently aged 65 years	26.1	26.0
Males currently aged 45 years	26.6	26.5
Females currently aged 45 years	27.9	27.8

Notes to the Financial Statements for the year ended 31 July 2019

The funding position of the scheme has since been updated on an FRS102 basis:

	2019	2018
Scheme assets	£67.4 bn	£63.6 bn
Total scheme liabilities	£79.2 bn	£72.0 bn
FRS 102 total scheme deficit	£11.8 bn	£8.4 bn
FRS 102 total funding level	85%	88%

Key assumptions uses are:

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increase (CPI)	2.11%	2.02%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £83.1 million to £248.4 million. £165.1 million of this increase is attributable to the change in the deficit contributions contractual commitment.

The University has agreed to a 16 year deficit reduction plan on 31st July 2015. The present value of the future payments under this deficit reduction plan has been determined using a deficit modeller produced by USS. A discount rate of 1.6% (2018 2.7%) has been used to calculate the present value of future payments.

Consolidated and University	2019	2018
	£'000	£'000
Opening deficit	(418)	(403)
Current service cost	(291)	(309)
Change in deficit reduction plan assumptions	(732)	(46)
USS Pension cost in the Consolidated and University statements of comprehensive income	(1,441)	(758)
Net interest cost	(11)	(10)
Contribution from the University	314	350
Closing Deficit	(1,138)	(418)