

**UNIVERSITY OF WALES: TRINITY SAINT DAVID**

**Consolidated Financial Statements**

**31 July 2018**

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## MEMBERS

The Venerable Randolph Thomas (Chair) \*  
Dr Geoffrey Thomas - resigned 30.09.2017  
Dr Gerald Lewis – resigned 30.09.2017  
Mr Phil Owen - resigned 30.09.2017  
Prof Medwin Hughes (Vice-Chancellor) \*  
Mrs Maria Stedman \*  
Mr Eifion Griffiths \*  
Mr Andrew Curl \*  
Mr Jack Girvin - resigned 30.09.2017  
Mrs Pam Berry \*  
Mr Alun Thomas  
Mr Roger Evans - resigned 30.09.2017  
Mr Mark James  
Dr Mirjam Plantinga - resigned 30.11.2017  
Mr Mark Cocks - resigned 16.05.2018  
Ms Alison Harding - resigned 16.05.2018  
Mr. Dai Rogers  
Mr Andrew Gibson  
Mrs Emma Hughes  
Mr Robert Simkins appointed 01.07.2017  
Charlie Jones appointed 01.07.2017  
Mr Tony Ball appointed 01.10.2017  
Mrs Margaret Evans appointed 01.10.2017  
Mr Arwel Ellis Owen appointed 01.10.2017  
Dr Liz Siberry appointed 01.10.2017  
Ms Tania Davies appointed 01.12.2017  
Siân Eirian appointed 07.03.2018  
Mrs Eirlys Pritchard Jones appointed 07.03.2018  
Mr Rowland Jones appointed 07.03.2018  
Mr Geraint Roberts appointed 07.03.2018  
Victoria Provis appointed 07.03.2018  
Dr Gareth Hughes appointed 05.07.2018  
Estelle Hart appointed 05.07.2018

\* The above members are also trustees of University of Wales Trinity Saint David for charitable law purposes.

**PROFESSIONAL ADVISERS**

**EXTERNAL AUDITOR**

KPMG LLP  
3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX

**INTERNAL AUDITORS**

Mazars LLP  
90 Victoria Street  
Bristol  
BS1 6DP

**BANKERS**

Barclays Bank Plc  
NatWest Bank Plc  
HSBC Bank Plc

## OPERATING AND FINANCIAL REVIEW

### Scope of the Financial Statements

The consolidated financial statements of University of Wales: Trinity Saint David consolidate the following entities:

- University of Wales: Trinity Saint David
- Trinity University College Limited
- Trinity College
- Eclectica Drindod Ltd
- UWTSD Learning Centres Limited
- UWTSD Investments Limited
- Y Ganolfan Dysgu Cymraeg Genedlaethol
- Coleg Sir Gar
- Coleg Ceredigion
- Mentrau Creadigol Cymru
- UW Centre for Advance Batch Manufacture Limited (Associate)
- OSTC Trinity St David LLP (Joint Venture)

### Legal Status

University of Wales: Trinity Saint David (UWTSD) is incorporated by Royal Charter. The most recent version of its constitution is the Supplemental Charter which was sealed by the Privy Council on 28 September 2012, following the constitutional merger with Swansea Metropolitan University.

Trinity University College Limited (TUC) is deemed to be controlled by UWTSD, as UWTSD is its sole member.

Trinity College incorporates the original endowment of 1848 and, as an education charity, embodies the assets of both land and buildings together with any charitable monies which have accrued to the charity. There is no direct ownership link between UWTSD and Trinity College. However, it is deemed to be controlled by UWTSD by virtue of the fact that TUC is the sole trustee.

Eclectica Drindod is a private company limited by guarantee with no share capital, established to undertake a role that more effectively delivers Third Mission activity for UWTSD. Eclectica Drindod is deemed to be controlled by UWTSD as TUC (whose sole member is UWTSD) is its sole member and has the power to appoint directors.

UWTSD Learning Centres Limited is a wholly owned subsidiary of UWTSD.

UWTSD Investments Limited is a wholly owned subsidiary of UWTSD.

Y Ganolfan Dysgu Cymraeg Genedlaethol is a private company limited by guarantee with no share capital. It undertakes the setting of the national strategic direction for the Welsh for Adults sector, providing leadership to Welsh for Adults providers. UWTSD is the sole member of the company.

Coleg Sir Gar is a private company limited by guarantee with no share capital, which undertakes the provision of further education and higher education. UWTSD is the sole member of the company.

Coleg Ceredigion is a private company limited by guarantee with no share capital, which undertakes the provision of further education. Coleg Sir Gar is the sole member of the company and it is deemed to be controlled by UWTSD as the sole member of Coleg Sir Gar.

## **OPERATING AND FINANCIAL REVIEW**

Mentrau Creadigol Cymru Limited is a wholly owned subsidiary of UWTSD. It was established to operate a digital media centre at Canolfan S4C Yr Egin, adjacent to the University's campus in Carmarthen. At 31 July 2018 the centre was still in the course of construction.

UW Centre for Advanced Batch Manufacture Limited, is a private company, the University has a 49% stake in the company.

OSTC Trinity St David LLP, is a limited liability partnership, the university has a 50% stake in the entity with the other 50% owned by OSTC.

### **Preparation of the consolidated financial statements**

The consolidated financial statements for the year to 31 July 2018 have been prepared under the accounting standard, Financial Reporting Standard 102 the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102).

### **Financial Health**

The University of Wales: Trinity Saint David defines itself as an institution with medium risk in relation to its financial status. During the current year there have been challenges to the institution's financial performance which the University is pro-actively managing. Key objectives and challenge areas are:

- maintaining and being pro-active in the recruitment and retention of students;
- managing a change in the nature of its core business with reduced reliance on traditional three year undergraduate programmes and increased development of new and alternative delivery programmes;
- maintaining a sufficient level of cash reserves to support operations while using surplus cash for investment in the transformed University's estate strategy (including related debt servicing);
- being pro-active in responding to the reductions in core funding from HEFCW and Welsh Government;
- responding to the changing political context of Higher Education in Wales
- further diversification of income streams;
- robustly managing increases in pension costs.

During the year ended 31 July 2018 the University experienced reductions in some income streams but took proactive action to grow others. These actions were not fully realised in 2017/18 and further action has now been taken in January 2019 to manage the group cost base and to align it with current income levels to deliver operational cash surpluses. These actions are described in more detail within this review and in the notes to the accounts but are expected to ensure sustained financial health in future years.

### **Results for the year**

The consolidated financial statements for year ended 31 July 2018 have been prepared under the accounting standard, Financial Reporting Standard 102 the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102).

**OPERATING AND FINANCIAL REVIEW**

The consolidated financial performance for the year to 31 July 2018 is summarised as follows:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Income	130,031	119,340
Expenditure	(143,414)	(144,870)
Profit/(Loss) on Sale of Assets	3,953	474
Increase/(Decrease) in fair value of investment properties	(1,308)	-
Gain/(Loss) on investments	315	395
Share of operating deficit in joint venture	(108)	(145)
Share of operating loss in associate	(450)	(150)
Taxation	(13)	(16)
Deficit for the year	<u>(10,994)</u>	<u>(24,972)</u>
Actuarial gain/(loss) in respect of pension schemes	12,737	11,179
Gain on revaluation of heritage assets	250	0
<b>Total comprehensive income for the year</b>	<b><u>1,993</u></b>	<b><u>(13,793)</u></b>

The consolidated results recorded a deficit for the year of £11.0 million (2017: £25.0 million), and a deficit of £11.5 million charged to general reserves (2017: £25.5 million). This result encompasses all activities, other than the Students' Union which is an independent body.

The recorded deficit is after provision for significant property impairment charges totalling £7.0 million (2017: £21.7 million). Of this amount, £0.1 million (2017:£18.2 million) reflects impairments of two campus properties in Swansea (Townhill and Mount Pleasant). These arise as a result of the planned disposal of these properties with the relocation to the University's SA1 Swansea Waterfront development in 2018. In addition, the University provided £5.9million (2017:£3.1million) for the expected impairment of the Canolfan S4C Yr Egin development in Carmarthen, which was in the course of construction at the year end (completed in August 2018), to reflect the fact that on completion the market value of the property, on a commercial letting basis (and disregarding the consequential value of tenant engagement opportunities for the University), will be below the cost of construction. The University also provided £0.9m (2017:£0.4million) of impairments on campus properties at Lampeter which are being leased to a 3<sup>rd</sup> party.

**OPERATING AND FINANCIAL REVIEW**

Some of the income and expenditure in the consolidated results for the year reflects non-core or non-recurring activities and capital grant and expenditure items. These are summarised as follows:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<u>Income</u>		
Revaluation of derivative liability	772	1,358
Capital grants received	7,149	2,044
Gain / (loss) on disposal of fixed assets	619	474
Gain/(loss) on disposal of investment properties	3,334	0
Increase/(Decrease) in fair value of investment properties	(1,308)	0
Gain / (loss) on investments	315	395
<u>Expenditure</u>		
Non-cash pension costs & adjustments	(2,078)	(2,544)
Restructuring costs	(832)	(821)
Asset expenditure not capitalised	0	(1,072)
Share of operating deficit in joint venture	(108)	(145)
Share of operating deficit in associate	(450)	(150)
Total non-core and other items	<u>7,413</u>	<u>(461)</u>

Adjusting for these and the property impairments referred to above, the underlying consolidated results are as follows:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Deficit for the year per consolidated statement of comprehensive income	(10,994)	(24,972)
Add back property impairment charges	6,986	21,707
Add back non-core and other items above	(7,413)	461
Underlying (deficit)/surplus	<u>(11,421)</u>	<u>(2,804)</u>

The underlying results for the year are below management's forecasts at the commencement of the year but corrective action is being taken to address this. During the year the Group experienced an increase in total income of £10.7 million but also saw an increase in expenditure, excluding property impairment charges of £13.6 million. The increase in income arose mainly from capital and other grants received which were fully offset by increases in operating and capital expenditure.

Forecast increases in tuition fee income of £6.5 million were not fully realised due to a shortfall in tuition fee income on some undergraduate degree programmes. This reduction was partly offset by growth in new programmes and the development of new learning centres, but this growth did not achieve a full



## OPERATING AND FINANCIAL REVIEW

year impact in 2017/18, with part of the additional fee income (£5.8 million) being treated as deferred to be recognised in 2018/19.

Although staff costs remained similar to 2016/17 at £74.0 million (2017: £73.3 million) other operating expenses increased by £12.3m. In part this reflected additional grant funded projects but also additional costs in launching the new teaching programmes referred to above which were not fully matched by tuition fee income recognised in the year.

The University expected that the full year impact of the new teaching programmes next year together with some limited cost restrictions would restore operational surpluses in 2018/19. However in the light of reductions in some fee income identified in the first 4 months of 2018/19, the University is now planning in year cost reductions to ensure a sustainable operating position.

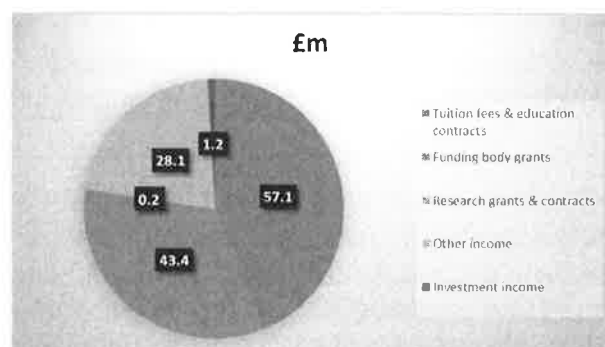
### Income

The consolidated total income for the year amounted to £130.0 million (2017: £119.3 million). Within this sum, income received from the Higher Education Funding Council for Wales amounted to £2.9 million (2016: £3.5 million) which represented 2% of total income for the year (2017:3%). Grants from the Welsh Government, received by Coleg Sir Gar, Coleg Ceredigion and Y Ganolfan Dysgu Cymraeg Genedlaethol (YGDGC) are included in funding body grants and amounted to £40.5 million (2016 £35.9 million), representing 31% of total income (2017: 30%). The increase in Welsh Government grants of £4.6 million arises mainly from grant funding to YGDGC and is offset by an increase in operating costs, reflecting distribution of grant funding to third parties.

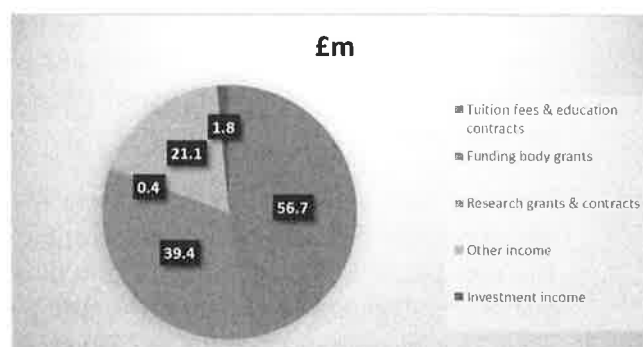
Tuition Fees and Education Contracts income amounted to £57.1 million (2017: £56.7 million) which represented 44% of total income for the year (2017: 48%). Other income for the year totalled £28.1m (2017: £21.1m), representing 22% of total income for the year (2017: 18%). Other income arises from a wide range of sources including: student residences, catering and grant funding for projects and programmes. The increase in other income of £7m arises mainly from grant funding for specific projects and is offset either by additional operating costs or capital expenditure. The 2018 figure includes £7.1m of capital grants recognised on the performance basis (2017: £2.1m).

Investment income for the year was £1.2 million (2017: £1.8 million) of which the largest component was an upwards revaluation of a derivative contract of £0.8 million (2017: £1.4m).

### 2018 Income by Category



### 2017 Income by Category



## OPERATING AND FINANCIAL REVIEW

### Expenditure

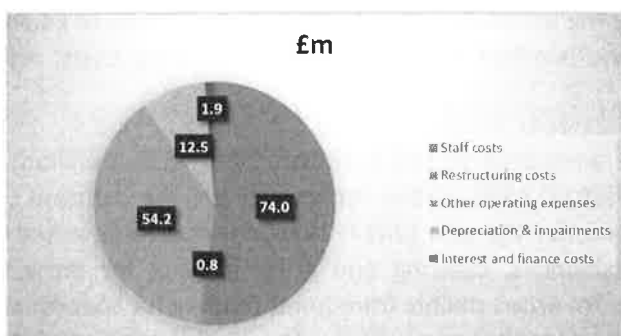
The consolidated total expenditure for the year was £143.4 million (2017: £144.9 million). Within this sum, staffing costs of £74.0 million (2017: £73.3 million) represented 57% of total income for the year (2017: 61%) and 52% of total expenditure (2017: 50%).

Other operating costs for the year were £54.2 million (2017: £41.9 million). The increase in operating costs of £12.3 million arises mainly in relation to grant funded projects and is partly offset by the increases in other income noted above. Other cost increases reflect additional agents' commission, operating costs and doubtful debt provision arising from the expansion of non-degree programmes in South Wales, London & Birmingham.

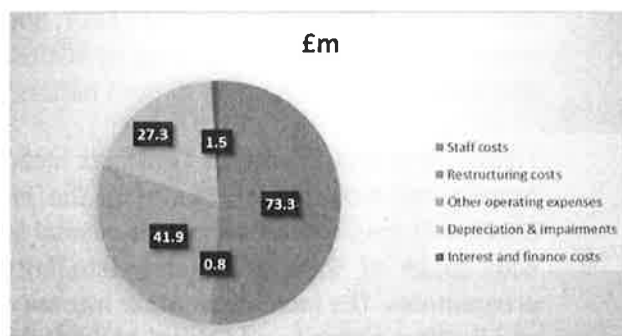
Depreciation & impairments costs were £12.4 million (2017: £27.3 million) of which impairment charges were £7.0 million (2017: £21.7 million) and depreciation charges were £5.4 million (2017: £5.6 million).

Interest and finance costs were £1.9 million (2017: £1.5 million) of which the largest components were pension scheme interest charges of £1.0 million (2017: £1.2 million) and loan interest of £0.8m (2017: £0.3 million).

#### 2018 Expenditure by Category



#### 2017 Expenditure by Category



### Balance Sheet

The consolidated Balance Sheet discloses a net assets position of £115.1 million as at 31 July 2018 (2017: £113.1 million). The increase in net assets primarily arises from the actuarial gains on the group pension schemes (£12.7million). There has been a substantial capital investment in the year of £42.8 million (2017:£19.7 million), £40.3 million on building works (2017: £16.5 million) and £2.5 million on equipment (2017: £3.2 million). Major building projects have included: the new development at SA1 Swansea Waterfront, the development of the Canolfan S4C Yr Egin Centre in Carmarthen, redevelopment of part of the Coleg Sir Gar campus at Llanelli and also refurbishment of halls of residence at Lampeter for lease to a third party.

Cash and cash equivalent balances were £18.1 million at 31 July 2018 (2017: £25.0 million) with the reduction reflecting the deficit on operations and the significant capital investments referred to above. The cash balances figure includes £1.4m of endowment deposits which are not available for day to day operations. This position is below the Group's target cash position of £22 million although forecasts for 2018/19 indicate that the reduced cash position is manageable. Moving forward a strategic priority will be to restore the level of cash and cash equivalent balances.

## OPERATING AND FINANCIAL REVIEW

Total creditors (current and not current) were £72.5 million at the year end (2017: £46.9 million). The increase partly arises from new loans drawn down to fund the capital expenditure programme (net of repayments on the sale of property) £15.5 million (2017: £8.8 million). Other increases reflect higher levels of deferred income and capital expenditure creditors at the year end including Birmingham and London course fees.

Of the total creditors at the year end, £71.8 million have been classified as amounts falling due within one year (2017: £21.7 million). This significant increase primarily reflects the treatment of all bank loans as repayable within one year (£36.4m) following breach of one of the University's banking covenants which was un-remedied at the year end. Subsequently HSBC bank have waived the covenant breach (as explained in note 20 to the accounts) and had this waiver been received at the year end then £30 million of loan creditors would have been reclassified as creditors falling due after more than one year.

The consolidated pension liabilities have reduced by £10.6 million year on year (2017: £8.7 million), arising from actuarial gains over the period.

### Cash Flow

The consolidated net cash outflow from operating activities was £2.4 million for the year (2017: £ 4.9 million inflow) and the overall cash outflow was £6.8 million (2017: £3.2 million outflow).

The cash outflow from operating activities reflected, in part, the deficit for the year, but also some timing differences on expected receipts of capital grants (£3 million) and a lease premium (£3 million) by the University.

Cashflows from investing activities include proceeds from the sale of investment properties of £14.8 million (2017: £nil) and capital grant receipts of £7.1 million (2017: £2.8 million) less payments made to acquire fixed assets of £41.5 million (2017: £20.1 million).

Cashflows from financing activities include new secured loans drawn of £27.3 million to fund the acquisition of fixed assets (2017: £9.2 million) less loan repayments of £11.7 million (2017: £0.3m) from the proceeds of sale of investment properties.

### Bank covenant compliance

The University's borrowing from HSBC bank is subject to three financial performance covenants which are measured annually by reference to the Group consolidated financial statements. For the year ended 31 July 2018 there was a breach of one of these covenants relating to the level of surplus cashflow available relative to debt servicing costs.

The breach of this covenant arose from both the deficit for the year (arising principally from the reduction in tuition fee income on undergraduate programmes not fully compensated for by the growth in fee income on other new non-degree programmes) and from the timing differences on expected receipts of capital grants and lease premium referred to above. The University expects to reverse this position in subsequent years with improvements in underlying performance and reducing the level of capital expenditure and related grant receipts.

The University has been in discussion with HSBC in relation to the covenant breach and the bank has subsequently provided a letter formally waiving the breach.

## OPERATING AND FINANCIAL REVIEW

### Treasury Management

In accordance with the University's Treasury Management Policy, the investment objective is to achieve the best possible returns while minimising risk. At 31 July 2018 consolidated short-term investments, deposits and cash totalled £23.5 million (2017: £29.6 million). Of this amount, £7.7 million (2017: £7.0 million) were endowment funds. Interest and dividend income from all investments and deposits (endowment and non-endowment) was £0.4 million (2017: £0.4 million) while gains on investments were £0.3 million (2017: £0.4 million).

### Liquidity

The Group's liquidity levels have been effected by the reclassification of loan terms as a consequence of the covenant breach referred to above and described in note 20 to the accounts. At 31 July 2018 the current ratio was 0.62 (2017: 2.0). If the loan terms had been reclassified in accordance with the subsequently received covenant breach waiver then the current ratio would have been 1.1 (2017: 2.0). The reduction in liquidity ratio was partly expected in order to part finance the significant capital development programme being undertaken across the UWTS D Group and reflects both utilisation of surplus cash and draw down of loans. However the actual reduction is greater than the Group would wish and this results from the deficit for the year and from the timing differences on expected receipts of capital grants and lease premium referred to above. A key strategic objective for the Group going forward is now to increase the level of cash and cash equivalents and thereby improve the liquidity ratio.

In light of current and immediate forecast financial performance the University has prepared detailed cashflow forecasts for the 24 months ended 31 July 2020 and is of the opinion that it will have sufficient cash resources and liquidity during this period to properly manage its affairs and planned operations. It is noted however, that the cashflow forecasts include certain assumptions concerning the amount and timing of some material items over the next 12 months and there is limited cash headroom within existing University facilities and across the Group if these were not achieved. These are explained in note 3 of the Statement of Accounting Policies on pages 36 to 38. In the event that a combination of them were not realised then this could give rise to a material uncertainty in relation to the adequacy of cash resources to meet normal operational requirements at certain times of the year and the ability to comply with Bank covenants.

Creditors due within one year amount to £71.8 million (2017: £21.7 million) which includes £30.1 million of reclassified bank loans resulting from the covenant breach. Of the remaining balance, a significant proportion represents accruals and deferred income of £22.3 million (2017: £13.5 million). There has been no amendment to the creditor payment policy in the year which continues to follow best practice. The University's payment policy requires the University to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is the later.

### Pensions

The net liability in the local in-house final salary pension scheme has increased during the year, from £3.0 million to £3.2 million. The Local Government Pension Schemes (the Dyfed Pension Fund, which is administered by Carmarthenshire County Council, and the Swansea Pension Fund, which is administered by the City and County of Swansea) are both final salary pension schemes. The consolidated apportioned share of the deficit on the Dyfed Pension fund decreased during the year from £20.3 million to £11.8 million due to an actuarial gain less provision movements of £8.5 million. The Swansea Pension Fund deficit decreased during the year from £11.2 million to £8.6 million due to an actuarial gain less provision movements of £2.6 million. Accounting standards require the University to recognise its obligations to contribute to the deficit of the University Superannuation Scheme (USS) and this obligation is included in

## OPERATING AND FINANCIAL REVIEW

the pension provision and the additional costs are processed through staff costs in the consolidated statement of income and expenditure. During the year the deficit on the USS scheme remained static at £5.4m (2017:£5.4m).

### Significant events during the year

#### SA1 Swansea Waterfront signals a new chapter for UWTSD in Swansea

The University welcomed students and staff to its new facilities in SA1 Swansea Waterfront over the summer of 2018. Phase 1 of the development consists of the IQ building which provides state-of-the-art learning and teaching facilities for the Faculty of Architecture, Computing and Engineering and the Swansea-based activities of Yr Athrofa. It is also home to the Construction Wales Innovation Centre (CWIC), a unique initiative funded by the Construction Industry Training Board (CITB). In addition, Y Fforwm – the new library and digital resources centre – offers a well-equipped and modern environment to support the learning needs of the University community. This development of SA1 Swansea Waterfront represents a new era for learning and teaching across the University. Phase 2 of the development will include a Box Village and Innovation Precinct based on the idea of converting shipping containers to provide flexible, affordable space for start-up companies and which will bring students, academics and businesses together to create ‘communities of practice’.

#### Yr Athrofa Professional Learning Partnership receives EWC accreditation

The University’s longstanding reputation and strong track record for Initial Teacher Education and training was given a further boost when Yr Athrofa: Professional Learning Partnership (APLP) – a collaboration between the University and a network of more than 100 schools – was one of only four institutions in Wales to receive accreditation from the Education Workforce Council to deliver teacher education from 2019 onwards. In creating Yr Athrofa the intention was to lead transformational change and support a self-improving education system, in accordance with the Welsh Government’s policies relating to teacher education, curriculum reform and school improvement. The establishment of the APLP in partnership with the profession was part of that change. Together, the partnership has created strategic hubs across the region to deliver new programmes to equip tomorrow’s teachers with the skills that they need to ensure that children in Wales are given every opportunity to achieve their potential and to thrive.

#### Canolfan S4C Yr Egin

Canolfan S4C Yr Egin, the new home to S4C’s headquarters and a number of companies within the digital and creative industries was completed over the summer of 2018 and opened its doors in September. It has already achieved nearly 80% occupancy. Canolfan S4C Yr Egin, however, is more than a building; it is a transformational project that offers the opportunity to bring economic, cultural and social value to Carmarthenshire and to Wales. The University’s vision for Yr Egin is to develop a centre that will reflect commercial best practice within the creative sector linked to the UWTSD Group’s bilingual academic provision and that will contribute to the creative and digital economies of Wales and the UK. It will support the digital and content industries in Carmarthenshire and will be a key driver for the creative industries offer within the Swansea Bay City Region.

#### Opening of new Learning Centre in Birmingham

In February 2018 the University opened a new learning centre in Birmingham and admitted a first intake of c220 students. Initially the centre will provide one year non-degree programmes aimed at non-traditional learners and is expected to recruit 3 cohorts a year (a second intake of c220 students was achieved in June 2018). In 2019 it is anticipated that some students will wish to progress to degree programmes and the centre will start to offer 3 year BA and BSc programmes.

## OPERATING AND FINANCIAL REVIEW

### Highest ever scores in national league tables

The University celebrated its best results in a number of league tables during the year claiming a top-five ranking for 'student satisfaction with quality' in the Times and Sunday Times Good University Guide published in September as well as high ranking results for a number of subject areas across the University's disciplines. The National Student Survey (NSS) published in July saw the University's highest ever student satisfaction score, at 86%, climbing 25 places to 33<sup>rd</sup> position in the UK. The NSS also saw the University achieve high scores against the UK sector for academic support, as well as the learning community and opportunities provided by UWTSD. The University also gained its best results in the Postgraduate Taught Experience Survey (PTES) with an overall satisfaction score of 85% and over twenty top ten UK positions in three key areas of retention, employability and assessment.

### University part of £33m fund for health innovation to boost economy and create jobs

The University was delighted to be part of a £33m grant funded project to develop innovative healthcare products and services, with the potential to boost the economy and create high quality jobs. The funding supports Accelerate: the Welsh Health Innovation and Technology Accelerator, which brings together clinical, academic and business expertise to develop and deploy new, innovative products and services within the Welsh health and care system. Accelerate is led by the Life Sciences Hub Wales in partnership with UWTSD's Assistive Technology Innovation Centre (ATiC), Cardiff University and Swansea University.

### Wales Global Academy

The University jointly launched the Wales Global Academy with the University of Wales to provide a focus for its vision of taking the best of Wales to the world and bringing the best of the world to Wales. The University has been at the forefront of forging global educational collaborations for many years, offering exciting opportunities for learners from around the world to engage in programmes of study that lead to University awards.

### UWTSD proud to present The Science of Speed!

UWTSD's School of Engineering spent a weekend hosting a range of activities at The Adrian Flux British FIM Speedway Grand Prix 2018 in Cardiff this year.

The main event hosted by the School of Engineering was called 'The Science of Speed,' which was hosted in the fanzone on City Hall Lawn. Participants were able to take an in-depth look at the maths and science of motorcycle dynamics using Road-Race and Speedway machinery whilst getting up-close to a working bike from the track.

### UWTSD student secures a top award for his bespoke fight-wear apparel business

UWTSD Swansea College of Art graphic design student Dan Huxtable won the Best Business Start Up at Swansea Bay Business Awards 2018. Daniel combined his passion for martial arts with his love of graphic design to launch his bespoke fight-wear apparel business. Fightwear Store UK offers custom designed martial arts and boxing gear which feature Daniel's exclusive points fighter branding.

### New collaboration with Ducere Global Business School

The University was delighted to announce a new collaboration with Ducere Global Business School (Australia). The collaboration between the University's Faculty of Business and Management and Ducere saw the development of the Wales-Ducere Office and the delivery of new fully online undergraduate programmes. Ducere is an Australian-based online education organisation offering courses in business and management.

## **OPERATING AND FINANCIAL REVIEW**

### UWTSD and South Wales and Gwent Police co-deliver new Education Qualifications Framework for student officers

The University was delighted to announce a collaboration partnership with South Wales and Gwent Police forces to deliver the new Police Education Qualifications Framework.

The collaboration, in direct response to new guidelines issued by the College of Policing, co-delivers a degree apprenticeship, a post graduate diploma in policing and the new pre-join degree in Professional Police Practice, designed to raise the standard of policing.

### Staff and students compete alongside 1,500 competitors in the Swansea Triathlon 2018

The University was once again the main sponsor of the Swansea Triathlon, which takes place annually in SA1. The Swansea Triathlon presented a fantastic opportunity for UWTSD students to gain real-life work experience of working with clients striving to achieve a goal. Members of staff who expressed a desire to enter the triathlon were allocated a student Personal Trainer from the School of Sport, Health and Outdoor Education, who designed and delivered an eight-week training programme to prepare the client for the triathlon.

### **Risk Management / Risk Register**

The Statement of Corporate Governance sets out the arrangements that are in place including the ongoing process of identifying, evaluating and managing risks and 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 and Risk Management committee.

### **University's Mission and Vision**

Within the context of Wales, the University has a distinct role to play within higher education. Its mission, educational character and academic portfolio attest to its strategic importance in furthering bilingualism and supporting the enhancement of the Welsh language and culture.

#### Mission

#### ***Transforming Education; Transforming Lives.***

The learner is central to the University and wider Group. The education it delivers, underpinned by high quality research, will be distinctive; it will develop the minds and skills of its students, and will also be inclusive, professional and employment-focused.

#### Vision

#### ***To transform, shape and develop futures***

The University's aim is to establish a new educational 'system' of universities and colleges committed to educating students of all ages and backgrounds, and to stimulate economic development in the region and across South West Wales.

The University is progressing this vision by developing integrated strategic planning across the group and promoting the development of coherent educational pathways across a range of institutions.

### **Public benefit statement**

The University is a registered charity and its charity number is 1149535.

## OPERATING AND FINANCIAL REVIEW

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 objects of the University are in full alignment with its Charter:

"to advance learning and knowledge by teaching and research, and, by the example and influence of its bilingual corporate life and Anglican Christian tradition as well as by its academic work, to enable students to obtain the advantages of University education, and to engage in activities to promote and contribute to spiritual, cultural, social, environmental and economic development within Wales and beyond".

The University's core values are derived from our learner-focused mission and vision, and are articulated and advanced through the promotion of seven key planning themes:

- Collaboration
- Inclusivity
- Employability and creativity
- Sustainable development
- Wales and its distinctiveness
- The concept of global citizenship
- Research and its impact on policy

The three values, **Collaboration; Inclusivity; Employability & Creativity** are the social and economic focus of higher education, in particular, preparing graduates for their future professional employment, not only in the region locally, but also nationally and internationally.

The University's teaching and learning strategy and development of new learning centres demonstrates its approach to fulfilling the learners' potential in contributing to the social and economic requirements and the wider skills agenda in Wales and beyond.

The University's strategy towards teaching, learning and development of new learning centres addresses the Welsh Government agenda outlined in "For our Future"; and the Funding Council's priorities as provided in the HEFCW remit letter.

The University has developed strong links with the community to assist with fulfilling the development of new learning centres. As indicated, key to the University's values is promoting social inclusion, increasing participation and making a positive impact on the economy, society and culture of Wales.

**Sustainable Development** – through a system-based approach to delivering meaningful and relevant educational pathways we will promote learning and social responsibility that supports "development that meets the needs of the present without compromising the ability of future generations to meet their own need." (Brundtland Commission 1987). The University's commitment to sustainability consists of an approach that embeds the Faculty sustainability plans throughout the academic and support structures. The University's Institute for Sustainable Practice, Innovation and Resource Efficiency (INSPIRE) has continued to support embedding sustainability within the curriculum at all levels as well as engaging with the widest number of organisations to develop sustainable practice across all sectors in Wales and further afield.



## OPERATING AND FINANCIAL REVIEW

**Wales and its Distinctiveness** – The University achieves this through celebrating the distinctive linguistic and cultural assets and heritage of Wales. The University engages with the Coleg Cymraeg Cenedlaethol, and the Dual Sector HE/FE group created is becoming one of the foremost bilingual providers in Wales.

**Global Citizenship** – The University offers flexible; blended and distance-learning routes in a range of disciplines to students, and is establishing a distinctive UWTSD international presence through a range of international partnerships.

**Research and its impact on policy** – The University’s commitment to the Innovation and Engagement agenda spans three strategic priorities: Students; Research, Knowledge and Innovation; and Engagement. The University’s plan is aligned with the key Welsh Government agenda outlined in For our Future, Economic Renewal programme and the Funding Council priorities.

### Key Deliverables

In September 2017 the University launched a new strategic plan for the next 5 years (2017 to 2022). There are four strategic priorities for the planning period:

1. Putting learners first.
2. Maintaining excellence in teaching, scholarship and applied research.
3. Creation of opportunities through partnerships.
4. Maintaining a University for Wales.

Each of these four strategic priorities has specific plans, measures of success and key performance indicators attached to it.

In addition, the strategic plan identifies seven key enablers to be achieved to support delivery of the strategic priorities. These are:

1. Maintaining financial security.
2. Supporting, encouraging and developing our people.
3. Improving our estates and infrastructure.
4. Maintaining good governance.
5. Providing effective leadership and management.
6. Maintaining and improving equality.
7. Seeking continuous improvement.

Again, each of these seven enablers has specific plans, measures of success and key performance indicators attached to it.

### Ethical investment and banking policies

University Council (and as trustees of the University’s endowment funds) is expected to act in the best interests of the beneficiaries of the funds for which they are responsible. The beneficiaries include the University itself, staff and students. Council’s policy is to aim for the best possible financial return from investments, consistent with an appropriate risk profile and they may exclude investments from their investment portfolios, if the aims of the bodies concerned are incompatible with its objectives.

### Equal opportunities

As a higher education institution, the University recognises that it has a central role to play in bringing about a fair and just society. The University is committed to a policy of equality of opportunity and will

## **OPERATING AND FINANCIAL REVIEW**

promote equality in all aspects of its activities as an employer, a provider of Higher Education and in its interaction with the wider community, in order to provide a working and learning environment which is free from discrimination. It is the policy of the University to ensure that no member of the University community should receive more or less favourable treatment on any grounds which are not relevant to good educational and employment practice.

The University will endeavour to implement full equality of opportunity, and take appropriate measures to ensure that no student, member of staff or visitor is subject to unfair discrimination. Direct and indirect discrimination resulting in unequal opportunities is not acceptable, including discrimination by perception or by association with a protected characteristic.

### **Environmental sustainability policy**

Sustainability is at the heart of how the University does business. The University believes that environmental sustainability is the foundation of wider economic and social sustainability and is an integral part of good institutional practice. It has a duty to satisfy itself that all of its operations and activities are conducted with proper regard to the environment.

INSPIRE (Institute for Sustainable Practice, Innovation and Resource Efficiency) has continued to support the embedding of sustainability within the University's curriculum at all levels as well as engaging with the widest number of organisations to develop sustainable practice across all sectors in Wales and further afield.

The University is one of sixty-two institutions across the UK that have signed-up to the Green Impact scheme achieving an estimated reach of close to 80,000 members of staff across all the institutions who are all eager to create a more sustainable and environmentally friendly workplace.

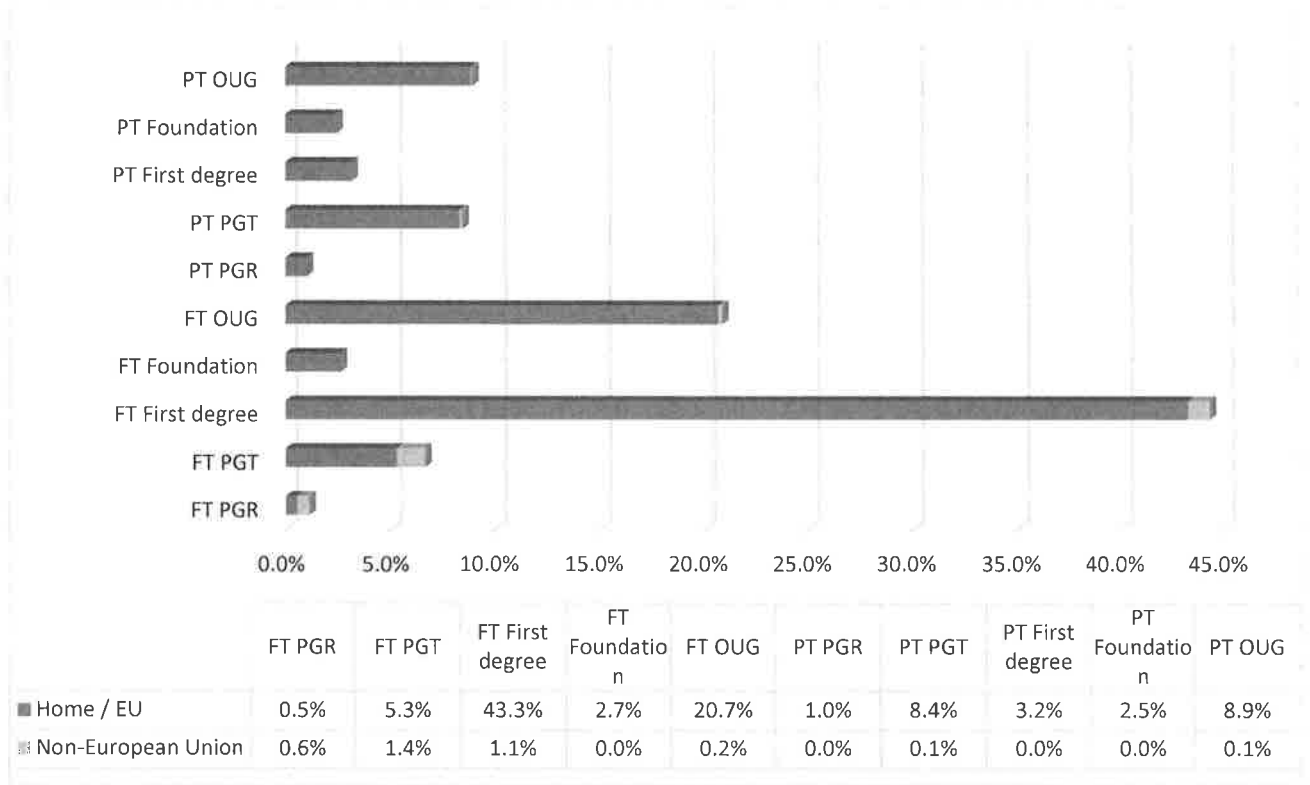
Green Impact is an environmental accreditation and awards scheme run by the National Union of Students, bringing staff and students together within their wider communities to enable and showcase positive changes in environmental practice, reducing the negative environmental impacts of their workspace.

### **Tuition fees**

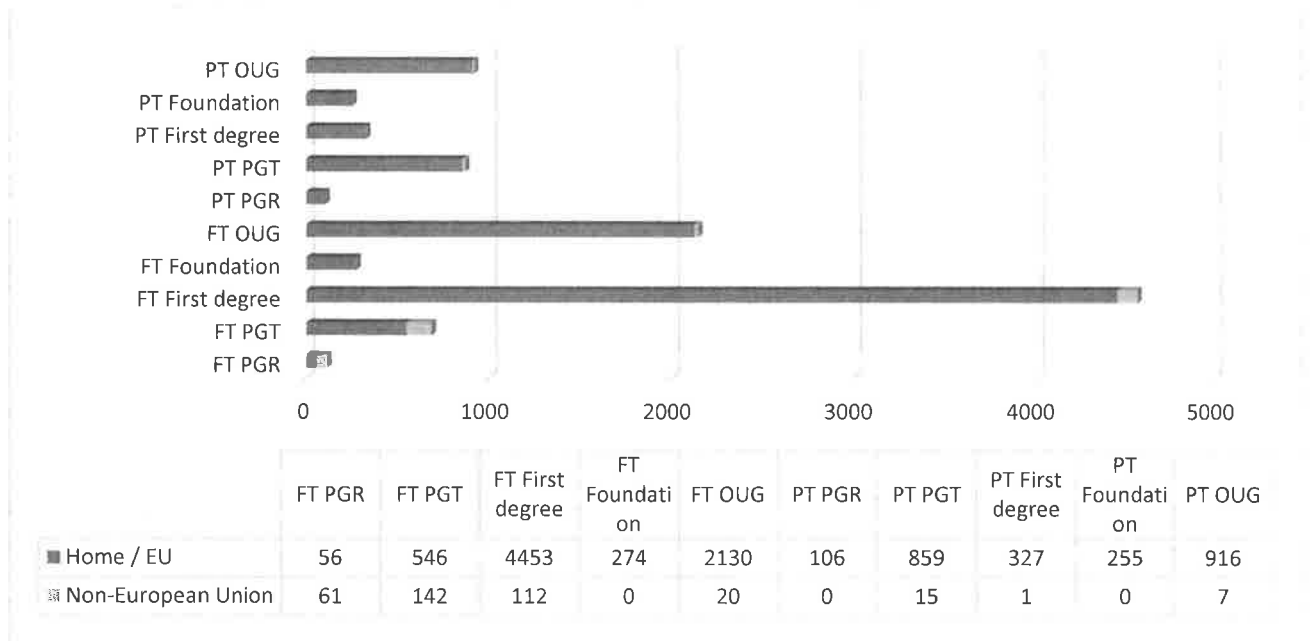
During 2017/18 the University published its Fee plan for 2019/20 with a full-time undergraduate tuition fee of £9,000.

**OPERATING AND FINANCIAL REVIEW**

**2017/18 Student Numbers as percentage of total population**



**2017/18 Student Numbers**



Key: FT – Full time; PT – Part time; UG – Undergraduate; PGT – Postgraduate Taught; PGR – Postgraduate Research.; INT- International students.

## OPERATING AND FINANCIAL REVIEW

The University is committed to having a student body that is balanced and diverse in terms of background and experience, with all the educational and cultural benefits that this brings. It encourages applications from all those with the motivation and academic ability to thrive at its locations within the South West Wales region and also at its Cardiff, London and Birmingham campuses, whatever their background.

### Principal risks and uncertainties

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

- Home/EU student recruitment and retention given uncertain economic environment and demographic trends.
- International student recruitment and retention given uncertain political and economic environment.
- Maintaining and improving the student experience in competition with other institutions.
- Managing the Group estate, improving facilities, disposing of surplus capacity, managing major capital projects.
- Impact of Welsh Government various reviews on Higher and Further Education provision.
- Managing performance across all of the Group's complex and diverse entities and locations and harmonising activity where appropriate to deliver strategic gains.
- Managing in year cashflows in light of reductions in the total cash balances held within the Group, notwithstanding that these remain substantial at the year end (£18.2 million).

### Key performance indicators

The University measures itself against Key Performance Indicators (KPIs) annually and reports on this to Council in March of each year. The latest KPI report was for the 2016/17 year and the assessed performance against the KPIs was as follows:

Super KPI	Performance	
	2015/16	2016/17
KPI 1. Institutional Sustainability	Medium Risk	Medium Risk
KPI 2 Academic Profile and Market Position	Satisfactory	Medium Risk
KPI 3 Embedding Sustainability	Good	Good
KPI 4 Establishing an International Profile	Satisfactory	Satisfactory
KPI 5 Pure and Applied Research	Medium Risk	Medium Risk
KPI 6 Culture and Heritage	Good	Satisfactory
KPI 7 Student Experience	Satisfactory	Satisfactory
KPI 8 Teaching and Learning	Satisfactory	Satisfactory
KPI 9 Estates and Infrastructure	Medium Risk	Medium Risk
KPI 10 Staff	Satisfactory	Satisfactory
KPI 11 Governance	Good	Good

## OPERATING AND FINANCIAL REVIEW

The assessment criteria was:

Assessment	Description
Good	Good performance, low risk and no issues identified.
Satisfactory	Broadly on track with some issues being actively addressed.
Medium risk	Some concerns that need to be addressed.
Problematic	Poor performance, high risk and significant issues identified.

The change in assessed performance on Academic Profile and Market Position (KPI 2), primarily reflects a reduction in student applications and enrolments in 2016-17. The change in assessed performance on Culture and Heritage (KPI 6), primarily reflects a reduction in the number of students undertaking studies through the medium of Welsh.

The University is currently undertaking its assessment for 2017/18 and this will be reported to Council next year.

### Future prospects

The current environment within the sector is challenging but the University has invested significantly in its estate and improving the quality of its student experience, as reflected in its performance in the National Student Survey. In addition it is developing new provision and delivery modes, aimed at the development of new learning centres, and these are achieving growth to compensate for some of the reduction in other fee income. This is slowly but surely transforming the University and the other Group members and will, in the long term, ensure its sustainability and success. In the short term restoration of cash resources is a key objective and the University is taking focused action to reduce costs in line with income reductions to achieve this.

### Declaration of information to auditor

In so far as each of the members who held office at the date of approval of this report is concerned:

- a) there is no relevant audit information of which the University's auditor is unaware; and
- b) each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditor is aware of that information.

## **OPERATING AND FINANCIAL REVIEW**

### **Conclusion**

The financial challenges of 2017/18 are expected to continue into 2018/19 given the dynamic changes in demographic trends and future levels of public sector funding. These will require robust action to develop new products and markets, strengthen the core offerings and manage costs in order to maintain a sustainable long term position. Significant progress has already been made in taking these actions but more will need to be done in 2018/19 to ensure a healthy operating position to meet future challenges.

A handwritten signature in black ink, appearing to read 'Randolph Thomas', written in a cursive style.

**The Venerable Randolph Thomas**

*Chair of University Council*

## CORPORATE GOVERNANCE

### 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 2018 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.

### 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 25. 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 2017/18 are:

- **Strategy & Resources Committee**

The Strategy & Resources 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 UWTS group. It oversees arrangements for the preparation of the University's Strategic plan and the integration of supporting strategies. It also oversees strategic issues for the wider UWTS group, in line with specific ordinances and the remit letters for group members.

- **Nominations & Governance Committee**

The Nominations Committee considers nominations for vacancies in the Council membership, Committee membership and lay officers (Patron and President). 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 UWTS group in line with specific ordinances and the remit letters for group members.

## CORPORATE GOVERNANCE

- **Senior 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.
- **Audit & Risk Management Committee**  
 The Audit & Risk Management 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 UWTSO group audit.
- **Human Resources Committee**  
 The Human Resources Committee meets at least three times a year. 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.
- **Group Scrutiny Committee**  
 The Group Scrutiny Committee was established in 2015/16 and now meets at least twice a year. The Committee reviews adherence to financial planning, estates, and other matters within the UWTSO Group as outlined in the specific FE / HE ordinances and annual Remit Letters issued to Group members. It also monitors development of group strategies and considers opportunities for closer collaboration within the Group.

In addition, the Senate, 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.

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 & Risk Management 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.

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 - the Deputy Vice-Chancellors, Heads of Support Units and the Deans of Faculty all 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.



## **CORPORATE GOVERNANCE**

The University has developed a Key Performance Indicator (KPI) framework which is aimed at enabling the effective monitoring and evaluation of institutional performance. A range of KPIs have been established at institution and department level which can be referenced against the University's Strategic Plan and Risk Register, and which also facilitate benchmarking of performance against leading institutions. Academic and support units also develop relevant unit plans for each academic year which correlate with the institutional Strategic Plan.

The delivery of the strategic plan will be overseen by the University Council's Strategy Committee, with progress against the overall KPI framework to be a standing item at all Committee meetings. Each KPI has also been assigned to Council committees to allow regular scrutiny of performance during the academic year. Identified actions at both institution and department level will be undertaken in consultation with student representatives, wherever appropriate and reported to University Council. Council membership includes two student representatives nominated by the student body along with a further two student representatives in attendance at meetings.

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 two financial years through the programme of cost reduction and projected future cash generation detailed in note 3 on page 36 (Accounting Policies – Going Concern).

### **Internal Control**

As the governing body of the University of Wales: Trinity Saint David, 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).

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 2018 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 & Risk Management Committee concerning internal control, and minutes of the Committee.

The Audit & Risk Management 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 and Risk Management 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 & Risk Management Committee agenda.

## **CORPORATE GOVERNANCE**

The external auditors audit the financial statements prepared by the University and report to the Audit & Risk Management 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 a corporate-wide risk register. All faculties and support units maintain and review their risk registers on a regular basis, and when necessary, escalate significant risks to the institution to the corporate-wide 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 and Risk Management 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.

## STATEMENT OF COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 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: TRINITY SAINT DAVID

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of University of Wales Trinity Saint David ("the University") for the year ended 31 July 2018, which comprise the Consolidated and University Statements of Comprehensive Income, the Consolidated and University Statements of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the Statement of Accounting Policies on pages 36-43.

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 2018, 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 2017-18 issued on 24 July 2018; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

#### Basis for opinion

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.

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.

#### Material uncertainty related to going concern

We draw attention to the statement of accounting policies which indicate that the financial forecasts of the University include certain assumptions concerning the amount and timing of some material items over the next 12 months which are uncertain and there is limited cash and covenant headroom within the University facilities. These events and conditions along with the other matters explained in the statement of accounting policies constitute a material uncertainty that may cast significant doubt on the Group's and the parent University's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

#### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors such as the present value of defined benefit pension obligations and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

## **INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF UNIVERSITY OF WALES: TRINITY SAINT DAVID (continued)**

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an organisation and this is particularly the case in relation to Brexit.

### **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.

### **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.

### **Council responsibilities**

As explained more fully in their statement set out on page 25, the Council (who are also trustees for the purposes of charity law) is responsible for: the preparation of the financial statements which 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**

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF UNIVERSITY OF WALES: TRINITY SAINT DAVID (continued)**

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters under the HEFCW Audit Code of Practice (effective 24 December 2015) 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;
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

This report is made solely to the Council, in accordance with the Charters and Statutes of the institution and in accordance with section 144 of the Charities Act 2011 (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.



**Emma Holiday**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

*12<sup>th</sup>* April 2019

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

## Consolidated and University Statements of Comprehensive Income

Year Ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>Income</b>					
Tuition fees and education contracts	1	57,095	51,603	56,677	51,458
Funding body grants	2	43,394	2,884	39,404	3,510
Research grants and contracts	3	227	227	456	456
Other income	4	28,157	22,514	21,050	16,820
Investment income	5	1,158	1,128	1,753	1,725
<b>Total income</b>		<b>130,031</b>	<b>78,356</b>	<b>119,340</b>	<b>73,969</b>
<b>Expenditure</b>					
Staff costs	6	74,002	48,082	73,301	48,922
Fundamental restructuring costs		832	736	821	821
Other operating expenses	8	54,225	31,324	41,901	23,477
Depreciation and impairments	11	12,454	10,053	27,299	24,983
Interest and other finance costs	7	1,901	1,504	1,548	1,112
<b>Total expenditure</b>		<b>143,414</b>	<b>91,699</b>	<b>144,870</b>	<b>99,315</b>
<b>Surplus/(deficit) before other gains losses and share of operating surplus/(deficit) of joint ventures and associates.</b>		<b>(13,383)</b>	<b>(13,343)</b>	<b>(25,530)</b>	<b>(25,346)</b>
Gain/(loss) on disposal of fixed assets		3,953	3,964	474	464
Increase/(Decrease) in fair value of Investment properties		(1,308)	(1,378)	0	0
Gain/(Loss) on investments		315	297	395	397
Share of operating surplus/(deficit) in joint venture	15	(108)	0	(145)	0
Share of operating surplus/(deficit) in associate		(450)	0	(150)	0
<b>Surplus / (Deficit) before tax</b>		<b>(10,981)</b>	<b>(10,460)</b>	<b>(24,956)</b>	<b>(24,485)</b>
Taxation	9	(13)	0	(16)	0
<b>Surplus / (Deficit) for the year</b>		<b>(10,994)</b>	<b>(10,460)</b>	<b>(24,972)</b>	<b>(24,485)</b>

## UNIVERSITY OF WALES: TRINITY SAINT DAVID

Consolidated and University Statements of Comprehensive Income (continued)	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Actuarial gain/(loss) in respect of pension schemes	27	12,737	5,391	11,179	8,756
Gain on revaluation of Heritage Assets		250	250	0	0
<b>Total comprehensive income for the year</b>		<b>1,993</b>	<b>(4,819)</b>	<b>(13,793)</b>	<b>(15,729)</b>
Represented by:					
Endowment comprehensive income for the year		522	520	516	521
Unrestricted comprehensive income for the year		1,471	(5,339)	(14,309)	(16,250)
Attributable to the University		<b>1,993</b>	<b>(4,819)</b>	<b>(13,793)</b>	<b>(15,729)</b>
<b>Total Comprehensive income for the year attributable to</b>					
University		<b>1,993</b>	<b>(4,819)</b>	<b>(13,793)</b>	<b>(15,729)</b>

All items of income and expenditure relate to continuing activities



## Consolidated and University Statements of Changes in Reserves

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Endowment	Unrestricted		
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2016</b>	<b>9,174</b>	<b>75,714</b>	<b>42,043</b>	<b>126,931</b>
Surplus/(deficit) from the income and expenditure statement	516	(25,488)	0	(24,972)
Other comprehensive income	0	11,179	0	11,179
Transfer between endowment and income and expenditure reserve	(2,621)	2,621	0	0
Transfers between revaluation and income and expenditure reserve	0	17,425	(17,425)	0
<b>Total comprehensive income for the year</b>	<b>(2,105)</b>	<b>5,737</b>	<b>(17,425)</b>	<b>(13,793)</b>
<b>Balance at 1 August 2017</b>	<b>7,069</b>	<b>81,451</b>	<b>24,618</b>	<b>113,138</b>
Surplus/(deficit) from the income and expenditure statement	522	(11,516)	0	(10,994)
Other comprehensive income	0	12,737	250	12,987
Transfer between endowment and income and expenditure reserve	0	0	0	0
Transfers between revaluation and income and expenditure reserve	0	366	(366)	0
<b>Total comprehensive income for the year</b>	<b>522</b>	<b>1,587</b>	<b>(116)</b>	<b>1,993</b>
<b>Balance at 31 July 2018</b>	<b>7,591</b>	<b>83,038</b>	<b>24,502</b>	<b>115,131</b>

## Consolidated and University Statements of Changes in Reserves

University	Income and expenditure account		Revaluation reserve	Total
	Endowment	Unrestricted		
	£'000	£'000	£'000	£'00
<b>Balance at 1 August 2016</b>	<b>8,874</b>	<b>50,106</b>	<b>31,567</b>	<b>90,547</b>
Surplus/(deficit) from the income and expenditure statement	521	(25,006)	0	(24,485)
Other comprehensive income	0	8,756	0	8,756
Transfer between endowment and income and expenditure reserve	(2,621)	2,621	0	
Transfers between revaluation and income and expenditure reserve	0	17,189	(17,189)	
<b>Total comprehensive income for the year</b>	<b>(2,100)</b>	<b>3,560</b>	<b>(17,189)</b>	<b>(15,729)</b>
<b>Balance at 1 August 2017</b>	<b>6,774</b>	<b>53,666</b>	<b>14,378</b>	<b>74,818</b>
Surplus/(deficit) from the income and expenditure statement	520	(10,980)	0	(10,460)
Other comprehensive income	0	5,391	250	5,641
Transfer between endowment and income and expenditure reserve	0	0	0	
Transfers between revaluation and income and expenditure reserve	0	174	(174)	
<b>Total comprehensive income for the year</b>	<b>520</b>	<b>(5,415)</b>	<b>76</b>	<b>(4,819)</b>
<b>Balance at 31 July 2018</b>	<b>7,294</b>	<b>48,251</b>	<b>14,454</b>	<b>69,999</b>

## Consolidated and University Balance Sheets

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Intangible assets	10	0	0	0	0
Tangible Fixed assets	11	164,524	115,748	134,298	86,598
Heritage assets	12	6,241	6,205	5,991	5,955
Investment properties	13	3,628	2,178	18,734	17,354
Investment in joint venture	15	568	0	566	0
Investment in associate	14	0	950	0	500
Other fixed asset investments	14	282	0	267	0
		<b>175,243</b>	<b>125,081</b>	<b>159,856</b>	<b>110,407</b>
<b>Current assets</b>					
Stock	16	493	300	458	259
Trade and other receivables	17	20,595	28,028	13,096	23,395
Investments	18	5,295	5,276	4,591	4,579
Cash and cash equivalents		18,181	8,179	25,024	12,147
		<b>44,564</b>	<b>41,783</b>	<b>43,169</b>	<b>40,380</b>
Less: Creditors: amounts falling due within one year	19	(71,845)	(74,209)	(21,674)	(23,955)
<b>Net current (liabilities) / assets</b>		<b>(27,281)</b>	<b>(32,426)</b>	<b>21,495</b>	<b>16,425</b>
<b>Total assets less current liabilities</b>		<b>147,962</b>	<b>92,655</b>	<b>181,351</b>	<b>126,832</b>
Creditors: amounts falling due after more than one year	20	(690)	(494)	(25,240)	(24,868)
<b>Provisions</b>					
Pension provisions	27	(29,091)	(20,442)	(39,750)	(25,301)
Other provisions	21	(3,050)	(1,720)	(3,223)	(1,845)
		<b>115,131</b>	<b>69,999</b>	<b>113,138</b>	<b>74,818</b>

## Consolidated and University Balance Sheets (continued)

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	22	7,591	7,294	7,069	6,774
Income and expenditure reserve - restricted reserve		0	0	0	0
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		83,038	48,251	81,451	53,666
Revaluation reserve		24,502	14,454	24,618	14,378
<b>Total Reserves</b>		<b>115,131</b>	<b>69,999</b>	<b>113,138</b>	<b>74,818</b>

The financial statements were approved by the Governing Body on 12 April 2019 and were signed on its behalf on that date by:



The Venerable Randolph Thomas (Chair)



Prof Medwin Hughes (Vice-Chancellor)

## Consolidated Statement of Cash Flows

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(10,994)	(24,972)
<b>Adjustment for non-cash items</b>			
Depreciation and impairments	11	12,454	27,299
(Gain)/Loss in market value of investments		(315)	(395)
(Gain)/Loss in investment properties	13	1,308	0
Loss in revaluation of livestock	11	50	0
Decrease/(increase) in stock		(35)	4
Decrease/(increase) in debtors	17	(6,852)	(2,287)
Increase/(decrease) in creditors	19	10,125	5,433
Increase/(decrease) in other provisions	21	(173)	(424)
Pension costs less contributions payable	27	2,078	2,544
Share of operating (surplus)/deficit in associate & JV	14	558	295
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(386)	(395)
Interest payable	7	914	384
Capital grant income		(7,149)	(2,161)
Profit on the sale of fixed assets		(619)	(474)
Profit on sale of investment properties		(3,334)	0
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(2,370)</b>	<b>4,851</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		364	633
Proceeds from sale investment properties		14,802	0
Capital grant receipts		7,149	2,849
Investment income		386	395
New non-current asset investments		(964)	(98)
Disposal of current asset investments		0	100
Payments made to acquire fixed assets		(41,469)	(20,115)
		<b>(19,732)</b>	<b>(16,236)</b>
<b>Cash flows from financing activities</b>			
Interest element of finance lease rental payment		(103)	(50)
Interest Paid		(811)	(334)
New secured loans		27,251	9,151
New Finance Leases		1,069	0
Loan Repayments		(11,680)	(320)
Capital element of finance lease rental payments		(467)	(266)
		<b>15,259</b>	<b>8,181</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>(6,843)</b>	<b>(3,204)</b>
Cash and cash equivalents at beginning of the year		<b>25,024</b>	<b>28,228</b>
Cash and cash equivalents at end of the year		<b>18,181</b>	<b>25,024</b>

## Statement of Accounting Policies

for the year ended 31 July 2018

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### 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention, except in relation to investment properties, current asset investments and derivative financial instruments carried at fair value.

### 2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2018, which include Coleg Sir Gar and Coleg Ceredigion. Intra entity transactions are eliminated fully on consolidation. The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS102 paragraphs 1.8 to 1.12. The following exemptions available under FRS102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included
- Key Management Personnel compensation has not been included a second time
- The disclosure required by FRS102.11 Basic Financial Instruments and FRS102.12 Other Financial Instrument issues in respect of financial instruments not falling within the fair value accounting rules of paragraph 36(4) of Schedule 1.

### 3. 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.

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The University has an HSBC bank loan which has been used to fund capital developments and is repayable in 2026. The loan facility includes three financial covenants that the University is required to comply with. These covenants are applied to the consolidated financial statements. One banking covenant was breached as at 31 July 2018 and so the entire bank loan was classified as current until this breach was formally waived by the bank on 22 January 2019.

In light of the deficits on operations before other gains and losses and the breach of banking covenant the University has developed plans to restore surpluses and positive cash inflows in future years. The group budget for the next financial year to 31 July 2019, set in August 2018, targeted a consolidated surplus before other gains of £4.3 million and an increase in cash and cash equivalents of £4.7 million for the year. This reflected student recruitment expectations for 2018/19 then available with limited forecast reductions in operating costs.

## Statement of Accounting Policies

for the year ended 31 July 2018 (continued)

In November 2018 it became apparent that these expectations were unlikely to be fully met as a result of sector wide issues giving rise to lower enrolment and retention levels on some traditional degree programmes, despite continuing growth in other activity. These shortfalls primarily impact the University's operations with the performance of its subsidiaries expected to be largely in line with budget. As a result the University has developed plans for in year cost reductions in 2018/19 to offset the reductions in expected income and these were approved by University Council on 17 January 2019.

The restructuring plans now being implemented will not be fully realised until towards the end of the 2018/19 financial year and will incur implementation costs. As a result the University and its subsidiaries are currently forecasting a further deficit before other gains for the 2018/19 year of £2.4 million and a small reduction in cash and cash equivalents of £0.8 million, before a forecast surplus and increase in cash and cash equivalents for 2019/20, in line with the initial target for 2018/19.

The University has discussed the expected current year financial performance and the restructuring plan with HSBC bank and agreed with them a restructuring of the existing loan commitments which will assist cashflows in the next two years as a result of later capital repayments. HSBC has also agreed that the existing debt service covenant will be modified in 2018/19, thereby reducing the risk of a further covenant breach pending full realisation of the financial improvements from implementation of the restructuring plan. Further details of the agreed restructuring of the existing HSBC loan commitments are given in note 20 to the Accounts on page 54. The loan restructuring is reflected in a new facility agreement with HSBC which was entered into on 12 April 2019. Completion of the agreement is subject to finalisation of the security which the Bank are taking over some of the University's property assets.

Reflecting all of the above, the University has prepared revised financial forecasts for itself and its subsidiaries (together the "Group") for the 2018/19 and 2019/20 financial years, including monthly cashflow forecasts. These show that the Group is expected to return to positive cashflows and increases in cash and cash equivalents by the 2019/20 financial year. They also show that the Group is expected to have adequate financial resources and liquidity to properly manage its affairs and undertake planned operations throughout this period and for the foreseeable future.

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 and across the Group if these were not achieved. These key assumptions, some of which reflect external matters outside the University's control, are described below, but in the event that a combination of them were not realised then this could give rise to a material uncertainty in relation to the adequacy of cash resources to meet normal operational requirements at certain times of the year and the ability to comply with HSBC covenants. In the event that these circumstances arose then the University would seek to realise some non-current assets, currently surplus to requirements, in order to provide a capital injection or raise additional borrowing to restore cash reserves to an adequate level. However, there is no certainty that these restorative measures could be achieved within a necessary timescale.

The key assumptions giving rise to the material uncertainty are as follows:

1. The University expects to receive a large grant towards the cost of a property development. This funding was expected to have been received in 2018 but final agreement and payment has been delayed due to circumstances beyond the University's control. It is now expected that funding will be received within the next three months, but this remains uncertain.
2. Contracts were exchanged for the sale of a surplus property in September 2018 with completion expected in April 2019, subject to planning agreement, where the final outcome is not certain. The University understands that the planning application is well advanced but there has been a delay in finalising this and therefore completion of the sale.

**Statement of Accounting Policies**

for the year ended 31 July 2018 (continued)

3. The University is currently undertaking a restructuring of its cost base which is planned to achieve significant savings in the financial year commencing 1 August 2019. Restructuring discussions are currently well advanced and over 60% of the savings target has been secured already. However, the final savings level will not be known for certain until the restructuring is completed in May 2019.
4. The University has made what it considers to be reasonable assumptions about future student enrolment and retention but there are sector wide uncertainties in this area and the forecasts are sensitive to changes in these assumptions which have been variable in the past and so there is a risk that student enrolment and retention will fall outside the assumed ranges.

All of the above matters are material in the context of the University's cashflow forecasts.

Based on the above, both the senior management team of the University and its Council believe that it remains appropriate to prepare the financial statements on a going concern basis. However, a combination of the matters noted under 1. to 4. above, which include both specific and sector wide uncertainties, together with finalisation of HSBC's security for the new loan facility agreement, constitute a material uncertainty that could cast significant doubt on the adequacy of the Group's cash resources at certain times of the year and its ability to comply with HSBC covenants, and therefore the University's ability to continue as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

**4. Income recognition**

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

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

Investment income is credited to the Consolidated and University Statements of Comprehensive Income on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant Funding

Government grants including; funding council block grant; 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 the 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.



## Statement of Accounting Policies

for the year ended 31 July 2018 (continued)

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### 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 other restrictions applied to the individual endowment fund.

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

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

### Capital grants

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

## 5. Accounting for retirement benefits

There are five principal pension schemes for the University's staff, one of these schemes the Universities Superannuation Scheme (USS), is open to new members. The other four, Teachers Pension; two local authority schemes (Swansea and Dyfed) and the University of Wales Lampeter Pension and Assurance Scheme are closed to new members from the University. The schemes are defined benefit schemes which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.

The USS and Teacher's Pension schemes are multi-employer schemes for which it is not possible to identify the assets and liabilities applicable to University members due to the mutual nature of the schemes and therefore the schemes are accounted for as a defined contribution retirement benefit schemes.

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.

**Statement of Accounting Policies**

for the year ended 31 July 2018 (continued)

**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 asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

**6. 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.

**7. 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.

**8. 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.

**9. Foreign currency**

The functional currency is £ Sterling. Transactions in foreign currencies are translated to £ sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

**10. Fixed assets**

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

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

**Statement of Accounting Policies**

for the year ended 31 July 2018 (continued)

Land and Buildings

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

Academic buildings	50 years
Residences	30 years
Laboratories and lecture theatres	30 years
Refurbishments	20 years

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years.

No depreciation is charged on assets in the course of construction.

Equipment

Equipment, including computers and software, costing less than de-minimus of £5,000 per individual item or group of items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer Equipment	4 years
Equipment acquired for specific research projects	3-5 years
Other Equipment	10 years
Motor Vehicles	4 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 capitalised.

**11. Heritage assets**

Works of art and other valuable artefacts valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

Works of Art are included at costs incurred from 1 April 1981 or subsequent revaluation. The latest revaluation of heritage assets was at 31 July 2018, where certain sections of heritage assets were deemed to have increased in value.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

**12. Investment Properties**

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

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

The review of the fair value of the investment properties is undertaken by Cooke and Arkwright Chartered Surveyors.

**Statement of Accounting Policies**

for the year ended 31 July 2018 (continued)

**13. Investments**

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

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

Current asset investments are held at fair value with movements recognised in the Consolidated and University Statements of Comprehensive Income.

**14. Stock**

Stock is held at the lower of cost and net realisable value. Cost represents the invoice price of the stock.

**15. Financial instruments****Trade and other debtors/creditors**

Trade and other debtors and creditors are recognised initially at transaction price net of attributable transaction costs. Subsequent to initial recognition they are measured at amortised costs less any impairment losses in the case of trade debtors.

**Interest bearing borrowings**

Interest-bearing borrowings other than public benefit entity concessionary loans are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Concessionary loans are recognised initially at the amount received or paid and subsequently measured at cost plus any accrued interest payable or receivable.

**Cash and cash equivalents**

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

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

**Derivative financial instruments**

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in income or expenditure.

**16. Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) 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.

**Statement of Accounting Policies**for the year ended 31 July 2018 (continued)

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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 probable 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.

**17. Accounting for Joint Ventures and Associates**

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

The University accounts for its share of transactions from joint operations and jointly controlled assets within the Consolidated and University Statements of Comprehensive Income.

**18. Taxation**

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University 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.

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

**19. Reserves**

Reserves are classified as restricted and unrestricted reserves. 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.

## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	50,502	46,354	50,203	46,293
Full-time international students	3,168	3,129	3,476	3,466
Part-time students	2,285	2,120	2,003	1,699
Education contracts	1,140	0	995	0
	<b>57,095</b>	<b>51,603</b>	<b>56,677</b>	<b>51,458</b>
<b>2 Funding body grants</b>				
<b>Recurrent grant</b>				
Higher Education Funding Council	2,884	2,884	2,622	2,622
Welsh Government	33,801	0	29,869	8
<b>Specific grants</b>				
Higher Education Funding Council	0	0	880	880
Welsh Government	6,709	0	6,033	0
	<b>43,394</b>	<b>2,884</b>	<b>39,404</b>	<b>3,510</b>
<b>3 Research grants and contracts</b>				
Research councils	0	0	33	33
Research charities	58	61	45	45
Other	169	166	378	378
	<b>227</b>	<b>227</b>	<b>456</b>	<b>456</b>

## NOTES TO THE ACCOUNTS

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>4 Other income</b>				
Residences, catering and conferences	5,485	4,586	5,706	4,802
Other revenue grants	3,255	1,265	1,928	1,255
Other capital grants	0	0	0	0
Other income generating activities	11,809	9,281	6,457	4,096
Other income	7,608	7,382	6,959	6,667
	<b>28,157</b>	<b>22,514</b>	<b>21,050</b>	<b>16,820</b>
<b>5 Investment income</b>				
Investment income on endowments	304	301	302	302
Other investment income	82	55	93	65
Increase in fair value of derivative	772	772	1,358	1,358
	<b>1,158</b>	<b>1,128</b>	<b>1,753</b>	<b>1,725</b>
<b>6 Staff costs</b>				
Salaries	57,124	37,292	56,479	37,659
Social security costs	5,510	3,717	5,517	3,788
Movement on USS provision	(102)	(102)	205	205
Other pension costs	11,470	7,175	11,100	7,270
Total	<b>74,002</b>	<b>48,082</b>	<b>73,301</b>	<b>48,922</b>
			<b>2018</b>	<b>2017</b>
Emoluments of the Vice-Chancellor:			<b>£' 000</b>	<b>£' 000</b>
Salary			<b>226</b>	223
Benefits			<b>14</b>	14
Pension contributions to USS			<b>44</b>	42
			<b>284</b>	<b>279</b>

The Vice Chancellor is also Vice Chancellor of the University of Wales. 20% of the Vice Chancellor's emoluments are recharged to the University of Wales. The emoluments disclosed above represent 100% of the Vice Chancellor's emoluments.

**NOTES TO THE ACCOUNTS****Staff Costs (Continued)**

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

	<b>2018</b>	2017
	<b>No.</b>	No.
£100,000 to £109,999	<b>0</b>	1
£110,000 to £119,999	<b>1</b>	1
£120,000 to £129,999	<b>0</b>	0
£130,000 to £139,999	<b>0</b>	0
£140,000 to £149,999	<b>2</b>	2
	<b>3</b>	4

Average staff numbers by :	<b>No.</b>	No.
Academic Departments	<b>907</b>	912
Non Academic Departments	<b>812</b>	866
	<b>1,719</b>	1,778

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes pension contributions and compensation paid to key management personnel. Compensation consists of salary and benefits including any employer's pension contributions.

	<b>Year</b>	Year
	<b>ended 31</b>	ended 31
	<b>July 2018</b>	July 2017
	<b>£ '000</b>	£ '000
Key management personnel compensation	<b>1,214</b>	1,448

The above staff costs for key management personnel do not include the cost of key management that are employed by the University of Wales, but working across both institutions. These costs totalling £76K (2017:£74K) are included in other operating expenses as they are recharged by invoice from the University of Wales.

**Council Members**

The University's 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, including those identified below, are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

No council member has received any remuneration/waived payments from the group during the year (2017 - £nil). The total expenses paid to or on behalf of 23 council members was £12K (2017 - £13K to 16 council members). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and events in their official capacity.



## NOTES TO THE ACCOUNTS

	Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>7</b>	<b>Interest and other finance costs</b>				
Finance leases	19	103	63	50	0
Loan Interest		809	809	334	334
Net charge on pension scheme	27	987	630	1,164	778
Other		2	2	0	0
		<b>1,901</b>	<b>1,504</b>	<b>1,548</b>	<b>1,112</b>
<b>8</b>	<b>Analysis of total expenditure by activity</b>				
Academic and related expenditure		25,735	11,332	19,664	7,084
Administration and central services		17,141	12,413	12,258	9,796
Premises		8,060	5,918	6,964	5,127
Residences, catering and conferences		1,440	738	1,325	633
Other expenses		1,849	923	1,690	837
		<b>54,225</b>	<b>31,324</b>	<b>41,901</b>	<b>23,477</b>
Other operating expenses include:					
External auditor's remuneration in respect of audit services:					
These financial statements		54	54	46	46
Other group financial statements		51	0	56	0
External auditor's remuneration in respect of non-audit services					
Audit related assurance services		16	11	20	10
Tax compliance services		7	0	14	0
Tax advisory services		50	50	16	16
Operating lease rentals		1,552	1,362	640	463

## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>9 Taxation</b>				
<b>Recognised in the statement of comprehensive income</b>				
<b>Current tax</b>				
Current tax expense	21	0	14	0
Prior year adjustment	(8)	0	2	0
<b>Current tax expense</b>	<b>13</b>	<b>0</b>	<b>16</b>	<b>0</b>
<b>Deferred tax</b>				
Origination and reversal of timing differences	0	0	0	0
Reduction in tax rate	0	0	0	0
Recognition of previously unrecognised tax losses	0	0	0	0
<b>Deferred tax expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total tax expense</b>	<b>13</b>	<b>0</b>	<b>16</b>	<b>0</b>

**Factors affecting the total tax charge for the current period**

The tax assessed for the period relates to Eclectica Drindod Limited and Y Ganolfan Dysgu Cymraeg Genedlaethol and is higher than the standard rate of corporation tax in the UK of 19% (2017:19.7%). The differences are explained as follows:

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
(Deficit)/Surplus before tax	(10,981)	(10,460)	(24,956)	(24,485)
Amounts not subject to tax	11,090	10,460	25,027	24,485
Taxable Profits	109	0	71	0
Tax at 19% (2017: 19.7%)	21	0	14	0
Effects of:				
Prior year adjustment	(8)	0	2	0
<b>Total tax charged in the year</b>	<b>13</b>	<b>0</b>	<b>16</b>	<b>0</b>

The UK Corporation tax rate reduced from 20% to 19% on 1st April 2017. A further reduction to 17% (effective 1st April 2020) was substantially enacted on 6th September 2016. This will reduce any current tax charges in future periods accordingly.

## NOTES TO THE ACCOUNTS

**10 Intangible assets****Milk Quota**

	Year ended 31 July 2018	
	Consolidated £'000	University £'000
Cost 1 August 2017 and 31 July 2018	302	0
Amortisation 1 August 2017	302	0
Amortisation charge for the year	0	0
Amortisation 31 July 2018	<u>302</u>	<u>0</u>
Net book value 31 July 2017 and 2018	<u>0</u>	<u>0</u>

The intangible asset is for the milk quota in Coleg Sir Gar, one of the University's subsidiaries. The Quota has been fully amortised.

## NOTES TO THE ACCOUNTS

## 11 Tangible fixed assets

Consolidated	Freehold land and buildings £'000	Assets Under Construction £'000	Leasehold land and buildings £'000	Equipment, fixtures and fittings £'000	Motor vehicles £'000	Livestock £'000	Totals £'000
<b>Cost or Valuation</b>							
At 1 August 2017	140,088	32,474	18,532	40,472	264	429	232,259
Additions in the year	5,831	34,499	0	2,522	25	0	42,877
Revaluation	0	0	0	0	0	(50)	(50)
Disposals	(191)	0	0	(79)	0	0	(270)
At 31 July 2018	145,728	66,973	18,532	42,915	289	379	274,816
<b>Accumulated depreciation</b>							
At 1 August 2017	56,467	3,067	2,930	35,252	245	0	97,961
Charge for the year	2,705	0	365	2,392	6	0	5,468
Impairment	1,044	5,900	0	42	0	0	6,986
Disposals	(64)	0	0	(59)	0	0	(123)
At 31 July 2018	60,152	8,967	3,295	37,627	251	0	110,292
<b>Net book value</b>							
At 31 July 2018	85,576	58,006	15,237	5,288	38	379	164,524
At 31 July 2017	83,621	29,407	15,602	5,220	19	429	134,298
<b>University</b>							
<b>Cost or Valuation</b>							
At 1 August 2017	75,755	31,969	18,532	28,329	264	0	154,849
Additions in the year	3,071	34,499	0	1,735	25	0	39,330
Disposal	(191)	0	0	0	0	0	(191)
At 31 July 2018	78,635	66,468	18,532	30,064	289	0	193,988
<b>Accumulated depreciation</b>							
At 1 August 2017	35,943	3,067	2,930	26,066	245	0	68,251
Charge for the year	1,310	0	365	1,386	6	0	3,067
Impairment	1,044	5,900	0	42	0	0	6,986
Disposal	(64)	0	0	0	0	0	(64)
At 31 July 2018	38,233	8,967	3,295	27,494	251	0	78,240
<b>Net book value</b>							
At 31 July 2018	40,402	57,501	15,237	2,570	38	0	115,748
At 31 July 2017	39,812	28,902	15,602	2,263	19	0	86,598

## NOTES TO THE ACCOUNTS

**12 Heritage assets**  
**Consolidated and University**

The heritage assets include a collection of rare manuscripts, tracts, incunables and printed books. The assets were formally revalued at 31<sup>st</sup> July 2018 by Bernard Quaritch Ltd, resulting in an increase in value of £250k.

The University of Wales Lampeter Pension & Assurance Scheme trustees have a £2m floating charge over the University's heritage assets.

There have been no acquisitions of heritage assets within the last four years.

**13 Investment properties**  
**Consolidated**

	<b>Freehold Property £' 000</b>
<b>Balance at 1 August 2017</b>	18,734
Disposals	(12,671)
Revaluation	(1,308)
Re-categorisation to Fixed Assets	(1,127)
<b>Balance at 31 July 2018</b>	<u><u>3,628</u></u>

	<b>Freehold Property £ '000</b>
<b>Balance at 1 August 2017</b>	17,354
Disposals	(12,671)
Revaluation	(1,378)
Re-categorisation to Fixed Assets	(1,127)
<b>Balance at 31 July 2018</b>	<u><u>2,178</u></u>

Investment properties include the buildings known as Technium 1 and Technium 2 in SA1. At the year end 36% the floor area of these buildings was in use by the University. The buildings have been revalued at 31<sup>st</sup> July 2018 and 36% of the valuation re-categorised to fixed assets.

## NOTES TO THE ACCOUNTS

14 Non-Current Investments Consolidated	Interest in Joint Venture (Note 15) £'000	Interest in Associated Undertaking £'000	Other fixed asset investments £'000	Total £'000
<b>At 1 August 2017</b>	711	500	267	<b>1,478</b>
Additions	110	450	15	575
Disposals	0	0	0	0
Impairment	0	0	0	0
<b>At 31 July 2018</b>	<b>821</b>	<b>950</b>	<b>282</b>	<b>2,053</b>
Share of post-acquisition reserves				
At 1 August 2017	(145)	(500)	0	(645)
Retained profit less losses	(108)	(450)	0	(558)
At 31 July 2018	(253)	(950)	0	(1,203)
<b>Balance at 31 July 2018</b>	<b>568</b>	<b>0</b>	<b>282</b>	<b>850</b>
<b>Balance at 31 July 2017</b>	<b>566</b>	<b>0</b>	<b>267</b>	<b>833</b>

University	£'000	£'000	£'000
<b>At 1 August 2017</b>	<b>500</b>	<b>0</b>	<b>500</b>
Additions	450	0	450
<b>At 31 July 2018</b>	<b>950</b>	<b>0</b>	<b>950</b>

The University has a 49% holding in the UW Centre for Advance Batch Manufacturing Ltd, the company undertakes research and consultancy to develop industrial specific solutions for SMEs. During the year the University invested a further £450,000 into the associate. The Group's share of the operating loss of the associate for the year ended 31 July 2018 is £315,000 (2017 £326,000). It has recognised this loss in addition to a further £135,000 of unrecognised prior year losses, being the extent of its investment in the company.

## 15 Investment in joint venture

One of the University's subsidiaries, UWTSD Investments Limited, holds a 50% share of OSTC TSD LLP, a limited liability partnership. This is a joint venture owned equally by UWTSD Investments Limited and OSTC, a Commercial Company. The investment in OSTC TSD LLP is partly in share capital (£300,000 – 2017: £300,000) and partly as an unsecured loan, repayable on demand, with an interest rate of 4% over base rate (£520,978 – 2017: £410,978). The arrangement is treated as a joint venture and is accounted for using the equity method, such that the investment is initially recorded at cost and is subsequently adjusted to reflect the University's 50% share of the net profit or loss of the joint venture. The Group's share of the operating loss of the joint venture within the joint venture's most recent financial statements (dated 31 December 2017) is £108,000 (2017 –£145,000 loss). The Group's interest in the joint venture is £568,000 (2017: £566,000), consisting of the loan as disclosed above, plus capital investment in its consolidated balance sheet.

## NOTES TO THE ACCOUNTS

16 Stock	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Finished goods	315	300	267	259
Livestock for resale	178	0	191	0
	<b>493</b>	<b>300</b>	<b>458</b>	<b>259</b>

17 Trade and other debtors	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	10,065	9,668	6,855	7,352
Prepayments and accrued income	10,436	7,960	6,241	4,504
Amounts due from subsidiary companies	0	10,306	0	11,539
Derivatives	94	94	0	0
	<b>20,595</b>	<b>28,028</b>	<b>13,096</b>	<b>23,395</b>

The amounts due to subsidiaries are repayable on demand and are interest free. The derivatives relate to an interest rate swap contract which is used to fix the rate of the University's loan to 1.425%. This is held at fair value and has been valued using mark to market. The balance as at 31<sup>st</sup> July 2017 was a liability of £677,000 (see note 19).

18 Current Investments	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term investment in shares	5,276	5,276	4,579	4,579
Short term bonds	0	0	0	0
Short term deposits	19	0	12	0
	<b>5,295</b>	<b>5,276</b>	<b>4,591</b>	<b>4,579</b>

## NOTES TO THE ACCOUNTS

## 19 Creditors : amounts falling due within one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts due on land purchase	4,487	4,487	0	0
Unsecured loans (note 20)	36,402	36,402	360	360
Obligations under finance leases (note 20)	530	354	246	0
Trade creditors	6,455	5,356	5196	5179
Social security and other taxation payable	1,627	1,081	1,737	1,207
Accruals and deferred income	22,344	18,501	13,458	9,299
Amounts due to subsidiary companies	0	8,028	0	7,233
Derivatives	0	0	677	677
	<b>71,845</b>	<b>74,209</b>	<b>21,674</b>	<b>23,955</b>

The amount due on the land purchase is the final payment on completion which is payable in March 2019.

At 31 July 2018 all of the University's outstanding unsecured loans have been classified as falling due within one year although the scheduled repayments under the facility agreement are for repayments of £30.1 million to be made after more than one year. The reasons for this accounting treatment are explained in note 20 below.

## 20 Creditors : amounts falling due after more than one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts due on land purchase	0	0	4,397	4,397
Obligations under finance leases	690	494	372	0
Unsecured loans	0	0	20,471	20,471
	<b>690</b>	<b>494</b>	<b>25,240</b>	<b>24,868</b>
Analysis of obligations under finance leases				
Due within one year (note 19)	530	354	246	0
Due between two and five years	690	494	372	0
<b>Total obligations under finance leases</b>	<b>1,220</b>	<b>848</b>	<b>618</b>	<b>0</b>



## NOTES TO THE ACCOUNTS

## 20 Creditors: amounts falling due after more than one year (continued)

Analysis of unsecured loans:	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
Due within one year or on demand (note 19)	36,402	36,402	360	360
Due between one and two years	0	0	750	750
Due between two and five years	0	0	6,015	6,015
Due in five years or more	0	0	13,706	13,706
<b>Total unsecured loans</b>	<b>36,402</b>	<b>36,402</b>	<b>20,831</b>	<b>20,831</b>
Unsecured loans repayable by 2026	36,402	36,402	20,831	20,831
	<b>36,402</b>	<b>36,402</b>	<b>20,831</b>	<b>20,831</b>

Lender	Instrument	Amount £'000	Term	Interest rate %	Borrower
HSBC	Revolving loan facility	6,000	To 2021	Libor + 0.85%	University
HSBC	Term loan	30,402	To 2026	2.785%	University

The revolving loan facility is £6m in total and was fully drawn in the year. The revolving loan facility renews quarterly and is repayable in full by 4 May 2021.

The term loan is repayable in quarterly instalments with a final "bullet" repayment in July 2026. Repayment of the loan will commence on 31 July 2019 with quarterly repayments of £350,000, increasing to £475,000 by 31 July 2023. Interest on the loan is currently paid monthly at the rate of 1.985% but will be paid quarterly at the rate of 2.785% when the loan repayment commences.

During the year ended 31 July 2018 the University repaid in full a 2<sup>nd</sup> term loan with an outstanding balance of £11,680,000 at 31 July 2017.

At 31 July 2018 the University was in breach of one of its borrowing covenants to HSBC bank as explained on page 9 (Operating and Financial Review). This breach has been waived by the Bank subsequently but the position at the year-end was one of expected breach which was at that point un-remedied. Accordingly the loans then outstanding with HSBC and totalling £36,402,000 have been classified as repayable on demand at 31 July 2018 and are included within creditors due in less than one year. If the borrowing were reclassified on the basis of the subsequently received waiver then the position would be as follows:

## NOTES TO THE ACCOUNTS

## 20 Creditors : amounts falling due after more than one year (continued)

Analysis of unsecured loans:	Year ended 31 July 2018	
	Consolidated	University
Due within one year or on demand	6,350	6,350
Due between one and two years	1,425	1,425
Due between two and five years	4,900	4,900
Due in five years or more	23,727	23,727
<b>Total unsecured loans</b>	<b>36,402</b>	<b>36,402</b>
Unsecured loans repayable by 2026	36,402	36,402
	<b>36,402</b>	<b>36,402</b>

In January 2019 the University agreed with HSBC bank to restructure the terms of the term loan and the revolving loan facility and to consolidate both loans with the Bank taking security for the consolidated loan. The revised terms, provide a capital repayment holiday until August 2020 and an amortised repayment of the existing revolving credit facility which will provide the University with additional cash headroom over the next three years. The new terms also include revised financial covenants for 2018/19 which would be satisfied by the current forecast financial performance during the year. These terms are reflected in a new facility agreement with HSBC which was entered into on 12 April 2019. Completion of the agreement is subject to finalisation of the security which the Bank are taking over some of the University's property assets.

## NOTES TO THE ACCOUNTS

**21 Provisions for liabilities****Consolidated**

	Other £'000	Pension enhancements on termination £'000	Pension Scheme Rectification £'000	Total Provisions £'000
At 1 August 2017	219	2,966	38	<b>3,223</b>
Utilised in year	0	(338)	0	<b>(338)</b>
Additions in year	0	165	0	<b>165</b>
<b>At 31 July 2018</b>	<b>219</b>	<b>2,793</b>	<b>38</b>	<b>3,050</b>

The other provision of £219K relates to a potential repayment of European Funds (ESF) in relation to one of the subsidiaries' overhead recovery methodology.

The pension enhancements provision relates to staff in both the University and its subsidiaries who have already left employment and commitments for reorganisation costs at the balance sheet date. The provision has been recalculated in accordance with the latest LSC circular.

The Pension rectification provision is a potential liability on the University's in-house pension scheme.

**University**

	Other £'000	Pension enhancements on termination £'000	Pension Scheme Rectification £'000	Total Pensions Provisions £'000
At 1 August 2017	0	1,807	38	<b>1,845</b>
Utilised in year	0	(248)	0	<b>(248)</b>
Additions in year	0	123	0	<b>123</b>
<b>At 31 July 2018</b>	<b>0</b>	<b>1,682</b>	<b>38</b>	<b>1,720</b>

The pension enhancements and the pension rectification provisions are as previously described.

## NOTES TO THE ACCOUNTS

## 22 Endowment Funds

## Consolidated

Restricted net assets relating to endowments are as follows:

	Unrestricted permanent endowment £'000	Restricted permanent endowment £'000	Restricted expendable endowment £'000	2018 Total £'000	2017 Total £'000
<b>Balance at 1 August 2017</b>					
Capital	1,038	4,333	20	5,391	4,998
Accumulated income	12	1,666	0	1,678	4,176
	1,050	5,999	20	7,069	9,174
New Endowments	0	66	0	66	0
Investment Income	3	301	0	304	302
Expenditure	0	(144)	(2)	(146)	(183)
(Decrease) / increase in market value of investments	0	297	1	298	397
<b>Total endowment comprehensive income for the year</b>	3	520	(1)	522	516
Transfer to Unrestricted reserve	0	0	0	0	(2,621)
<b>At 31 July 2018</b>	1053	6,519	19	7,591	7,069
<b>Represented by:</b>					
Capital	1,038	4,696	19	5,753	5,391
Accumulated income	15	1,823	0	1,838	1,678
	1,053	6,519	19	7,591	7,069
<b>Analysis by type of purpose:</b>					
Lectureships	0	3,270	0	3,270	3,025
Fellowships, scholarships and prize funds	23	1,509	19	1,551	1,433
General	1,030	1,740	0	2,770	2,611
	1,053	6,519	19	7,591	7,069
<b>Analysis by asset</b>					
Investments				5,295	4,599
Cash				1,842	2,559
Debtors				544	0
Creditors				(90)	(89)
				7,591	7,069

## NOTES TO THE ACCOUNTS

## Endowment Funds (continued)

## University:

Restricted net assets relating to endowments are as follows:

	Unrestricted permanent endowments £'000	Restricted permanent endowments £'000	2018 Total £'000	2017 Total £'000
<b>Balances at 1 August 2017</b>				
Capital	1,027	4,086	5,113	4,715
Accumulated income	0	1,661	1,661	4,159
	1,027	5,747	6,774	8,874
New endowments	0	66	66	0
Investment income	0	301	301	302
Expenditure	0	(144)	(144)	(176)
(Decrease) / increase in market value of investments	0	297	297	395
	0	520	520	521
<b>Total endowment comprehensive income for the year</b>	0	520	520	521
Transfer to Unrestricted reserve	0	0	0	(2,621)
	0	0	0	(2,621)
<b>At 31 July 2018</b>	1,027	6,267	7,294	6,774
<b>Represented by:</b>				
Capital	1,027	4,449	5,476	5,113
Accumulated income	0	1,818	1,818	1,661
	1,027	6,267	7,294	6,774
<b>Analysis by type of purpose:</b>				
Lectureships	0	3,270	3,270	3,025
Fellowships, scholarships and prize funds	0	1,472	1,472	1,353
General	1,027	1,525	2,552	2,396
	1,027	6,267	7,294	6,774
<b>Analysis by asset</b>				
Investments			5,276	4,579
Cash			2,108	2,284
Creditors			(90)	(89)
			7,294	6,774

## NOTES TO THE ACCOUNTS

**23 Capital and other commitments**

Provision has not been made for the following capital commitments at 31 July 2018:

	At 31st July 2018		At 31st July 2017	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	22,109	22,109	3,794	0
Commitments authorised	429	0	42,507	42,507
	<b>22,538</b>	<b>22,109</b>	<b>46,301</b>	<b>42,507</b>

**24 Lease obligations****Consolidated**

Total rentals payable under operating leases:

	At 31st July 2018			At 31 July 2017
	Land and Buildings £'000	Other leases £'000	Total £'000	Total £'000
Payable during the year	1,314	238	1,552	640
<b>Future minimum lease payments due:</b>				
Not later than 1 year	716	116	832	496
Later than 1 year and not later than 5 years	3,462	129	3,591	526
Later than 5 years	673	0	673	0
<b>Total lease payments due</b>	<b>4,851</b>	<b>245</b>	<b>5,096</b>	<b>1,022</b>

**University**

Total rentals payable under operating leases:

	At 31st July 2018			At 31 July 2017
	Land and Buildings £'000	Other leases £'000	Total £'000	Total £'000
Payable during the year	1,314	48	1,362	463
<b>Future minimum lease payments due:</b>				
Not later than 1 year	681	41	722	371
Later than 1 year and not later than 5 years	3,441	15	3,456	379
Later than 5 years	673	0	673	0
<b>Total lease payments due</b>	<b>4,795</b>	<b>56</b>	<b>4,851</b>	<b>749</b>

**NOTES TO THE ACCOUNTS****25 Subsidiary undertakings**

The subsidiary companies (all of which are registered in England & Wales), wholly-owned or effectively controlled by the University, are as follows:

<b>Company</b>	<b>Principal Activity</b>	<b>Status</b>
Eclectica Drindod Limited	Deliver third mission activity	TUC sole member
Trinity College	Hold endowment assets	TUC sole trustee
Trinity University College (TUC)	Dormant	UWTSD sole member
UWTSD Investments Limited	Commercial activities	100% owned
Y Ganolfan Dysgu Cymraeg		
Genedlaethol	Delivery of Welsh for Adults programme	UWTSD sole member
UWTSD Learning Centres Limited	Dormant	100% owned
Mentrau Creadigol Cymru	Dormant	100% owned
Tidal Lagoon Academy Ltd	Dormant	100% owned
Welsh American Academy		
Enterprises Ltd	Dormant	100% owned
Inspire (UWTSD) Ltd	Dormant	100% owned
Swansea Business School Ltd	Dormant	100% owned
Isustain (UWTSD) Ltd	Dormant	100% owned
Coleg Sir Gar	Further education	100% owned
Coleg Ceredigion	Further education	100% owned

**26 Related party transactions**

The company has taken advantage of the disclosure exemptions of 100% owned related party transactions under FRS102.

The transactions with related parties that are not 100% owned by the group are disclosed below:

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

Balances : £3,268 receivable (2017: £11,775), £41,317 payable (2017 £34,569)  
Total income £15,255 (2017 £104,296) Total purchases £204,633 (2017 £217,974)

University of Wales Press is a wholly owned subsidiary of the University of Wales -

Balances : £0 receivable (2017: £0), £3,500 payable (2017 £0)  
Total income £0 (2017 £0) Total purchases £7,655 (2017 £0)

Gregynog Hall is a wholly owned subsidiary of the University of Wales -

Balances : £0 receivable (2017: £0), £0 payable (2017 £0)  
Total income £0 (2017 £0) Total purchases £27,849 (2017 £0)

OSTC Trinity St David LLP is deemed a related party in that the UWTSD Investments Limited (a wholly owned subsidiary of the University) is a partner in it and has significant influence over it. The balance below represents an unsecured loan, for which more details are provided in note 15.

Balances: £520,978 receivable (2017: £410,978) £0 payable (2017: £nil)  
Total income £118,044 (2017: 0) Total purchases £0 (2017: £nil)

UW Advanced Batch Manufacturing is a related party in that it is an associate company that the University has an interest in. During the year the University invested a further £450,000 into the associate, to bring the total investment by the University to £950,000, as disclosed in note 14 to the accounts.

## NOTES TO THE ACCOUNTS

## 27 Pension schemes

There are five pension schemes in operation via the Group for its staff: the Teachers' Pension Scheme (TPS) for academic staff and Universities Superannuation Scheme (USS) for academic and support staff and all staff appointed after 18 November 2010, the Dyfed Pension Fund (LGSS), the Swansea Pension Fund (LGPS) and the University of Wales Lampeter Pension and Assurance Scheme (UWLPS) for support staff.

The total pension costs included in the consolidated accounts are:

<b>Staff Costs:</b>	<b>Consolidated 2018 £'000</b>	<b>University 2018 £'000</b>	<b>Consolidated 2017 £'000</b>	<b>University 2017 £'000</b>
<b>TPS contributions</b>				
University of Wales: Trinity Saint David	1,133	1,133	1,309	1,309
Coleg Sir Gar	1,504	0	1,443	0
Coleg Ceredigion	299	0	292	0
<b>USS contributions</b>				
University of Wales: Trinity Saint David	3,757	3,757	3,491	3,491
<b>Local Government contributions</b>				
University of Wales Trinity Saint David	1,953	1,953	1,861	1,861
Less recharged to subsidiary	0	0	0	(2)
Coleg Sir Gar	1,074	0	1,022	0
Coleg Ceredigion	195	0	211	0
<b>In House Scheme</b>				
University of Wales Trinity Saint David	205	205	222	222
<b>FRS102 adjustment</b>				
University of Wales Trinity Saint David	4	4	275	275
Movement on USS provision	(102)	(102)	205	205
Coleg Sir Gar	957	0	687	0
Coleg Ceredigion	224	0	213	0
<b>Restructuring Provision</b>				
University of Wales Trinity Saint David	123	123	114	114
Coleg Sir Gar	29	0	(40)	0
Coleg Ceredigion	13	0	0	0
<b>Total Pension costs per note 6</b>	<b>11,368</b>	<b>7,073</b>	<b>11,305</b>	<b>7,475</b>
<b>Interest Costs:</b>				
Local Government – University	414	414	538	538
Local Government – Coleg Sir Gar	314	0	338	0
Local Government – Coleg Ceredigion	43	0	48	0
In House Scheme – University	76	76	114	114
USS – University	140	140	126	126
<b>Total Pension interest cost per note 7</b>	<b>987</b>	<b>630</b>	<b>1,164</b>	<b>778</b>



## NOTES TO THE ACCOUNTS

## Pension schemes (continued)

The pension liability disclosed in the balance sheet is summarised as follows:

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
<b>In House Scheme</b>				
University of Wales: Trinity Saint David	3,234	3,234	2,960	2,960
<b>USS Pension Scheme</b>				
University of Wales: Trinity Saint David	5,424	5,424	5,386	5,386
<b>Local Government Schemes</b>				
University of Wales: Trinity Saint David	8,620	8,620	11,150	11,150
University of Wales: Trinity Saint David	3,164	3,164	5,805	5,805
Coleg Sir Gar	7,919	0	12,639	0
Coleg Ceredigion	730	0	1,810	0
<b>Liability at 31 July</b>	<b>29,091</b>	<b>20,442</b>	<b>39,750</b>	<b>25,301</b>

## LGPS

## Dyfed Scheme

Certain employees are members of the Dyfed Local Government Pension Scheme (LGPS). The University and employees contribute to the LGPS, which is a defined benefit scheme, and based on members final pensionable salary. A full actuarial valuation of the scheme was carried out as at 31 March 2016 and updated on 31 July 2018 by a qualified independent actuary. The major assumptions used by the actuary were:

	2018 %	2017 %	2016 %
Rate of increase in salaries	3.6	3.7	3.2
Rate of increase in pensions	2.2	2.2	1.8
Discount rate	2.9	2.6	2.6
Rate of inflation	2.1	2.2	1.7

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2018	2017	2016
<b>Retiring today</b>			
Males	22.9	22.8	23.4
Females	25.6	25.5	25.9
<b>Retiring in 20 years</b>			
Males	25.1	25.0	25.7
Females	27.9	27.8	28.2

**NOTES TO THE ACCOUNTS****LGPS Dyfed Scheme (continued)**

At the last actuarial valuation date, the market value of the assets of the scheme was £1,900million and the present value of the scheme liabilities was £1,964million. Representing a funding level of 97% and a deficit of £64million.

The employer contribution rate is 18.4%.

**The split of the scheme assets were:**

	<b>Split at 31 July 2018 £'000</b>	<b>Split at 31 July 2017 £'000</b>	<b>Split at 31 July 2016 £'000</b>
Equities	<b>70.6%</b>	70.9%	68.9%
Government Bonds	<b>8.7%</b>	9.2%	10.5%
Other Bonds	<b>9.4%</b>	9.5%	9.5%
Property	<b>10.9%</b>	9.7%	10.8%
Cash/liquidity	<b>0.4%</b>	0.7%	0.3%
	<hr/> <b>100%</b> <hr/>	<hr/> <b>100%</b> <hr/>	<hr/> <b>100%</b> <hr/>

**Dyfed Scheme - University of Wales Trinity Saint David**

The following amounts at 31 July 2018, 31 July 2017 and at 31 July 2016 were measured in accordance with the requirements of FRS102

	<b>31 July 2018 £ '000</b>	<b>31 July 2017 £ '000</b>	<b>31 July 2016 £ '000</b>
Fair value of assets	<b>22,372</b>	20,306	18,274
Present value of scheme liabilities	<b><u>(25,536)</u></b>	<b><u>(26,111)</u></b>	<b><u>(24,875)</u></b>
(Deficit) in the scheme	<b><u>(3,164)</u></b>	<b><u>(5,805)</u></b>	<b><u>(6,601)</u></b>

**Analysis of amount charged in Statement of Comprehensive Income**

	<b>2018 £ '000</b>	<b>2017 £ '000</b>
Current service cost	<b>(731)</b>	(700)
Administration expenses	<b>(14)</b>	(14)
Curtailment	<b>(41)</b>	(42)
Total operating charge	<b><u>(786)</u></b>	<b><u>(756)</u></b>

## NOTES TO THE ACCOUNTS

## Dyfed Scheme - University of Wales Trinity Saint David (continued)

## Analysis of finance income and charges

	2018 £ '000	2017 £ '000
Expected return on assets	530	455
Interest on pension liabilities	(674)	(613)
Net finance cost	<u>(144)</u>	<u>(158)</u>

## Amount recognised in other comprehensive income

	2018 £'000	2017 £'000
Difference between actual and expected return on scheme assets	1,378	1,723
Effects of changes in assumptions underlying the present value of scheme liabilities	1,690	(524)
	<u>3,068</u>	<u>1,199</u>

## Movement in scheme deficit during the year

	2018 £ '000	2017 £ '000
(Deficit)/Surplus in scheme at beginning of the year	(5,805)	(6,601)
<b>Movement in year</b>		
Current service cost	(786)	(756)
Contributions paid by the employer	503	511
Net finance cost	(144)	(158)
Actuarial gain	3,068	1,199
Deficit in scheme at the end of the year	<u>(3,164)</u>	<u>(5,805)</u>

## NOTES TO THE ACCOUNTS

## Dyfed Scheme - University of Wales Trinity Saint David (continued)

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

	2018 £ '000	2017 £ '000
At 1 August	(26,111)	(24,875)
Current service cost	(731)	(700)
Interest cost	(674)	(613)
Member contributions	(156)	(164)
Actuarial gain/(losses)	1,690	(524)
Curtailment	(41)	(42)
Benefits paid	487	807
At 31 July	<u>(25,536)</u>	<u>(26,111)</u>

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

	2018 £ '000	2017 £ '000
At 1 August	20,306	18,274
Expected rate of return on scheme assets	530	455
Re measurement gains on assets	1,378	1,723
Administration expenses	(14)	(14)
Employer contributions	503	511
Members contributions	156	164
Benefits paid	(487)	(807)
At 31 July	<u>22,372</u>	<u>20,306</u>

## NOTES TO THE ACCOUNTS

## Dyfed Scheme – Coleg Sir Gar

The following amounts at 31 July 2018, 31 July 2017 and at 31 July 2016 were measured in accordance with the requirements of FRS102:

	<b>2018</b>	2017	2016
	<b>£'000</b>	£'000	£'000
Fair value of assets	<b>41,981</b>	37,808	32,356
Liabilities	<b>(49,900)</b>	(50,447)	(45,891)
(Deficit) in the scheme/net pension (liability)	<b>(7,919)</b>	(12,639)	(13,535)

In accordance with FRS102, the following components of the pension charge have been recognised in the Statement of Comprehensive Income and Expenditure for the year ended 31 July 2018 and 31 July 2017:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Analysis of amount charged in Statement of Comprehensive Income</b>		
Current service cost	<b>(2,046)</b>	(1,674)
Administration cost	<b>(38)</b>	(34)
Curtailment cost	<b>(6)</b>	0
Operating cost	<b>(2,090)</b>	(1,708)
<b>Analysis of finance income and charges</b>		
Expected return on assets	<b>991</b>	848
Interest on pension liabilities	<b>(1,305)</b>	(1,186)
Net finance cost	<b>(314)</b>	(338)
<b>Amount recognised in other comprehensive income</b>		
Difference between actual and expected return on scheme assets	<b>2,577</b>	4,092
Effects of changes in assumptions underlying the present value of scheme liabilities	<b>3,415</b>	(2,172)
	<b>5,992</b>	1,920

## NOTES TO THE ACCOUNTS

## Dyfed Scheme – Coleg Sir Gar (continued)

<b>Movement in the College's share of the scheme's deficit during the year</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£ '000</b>
(Deficit) in scheme as at 1 August	<b>(12,639)</b>	(13,535)
Operating cost	<b>(2,090)</b>	(1,708)
Net finance income/(cost)	<b>(314)</b>	(338)
Actuarial gain/(loss)	<b>5,992</b>	1,920
Contributions	<b>1,132</b>	1,022
(Deficit) in scheme as at 31 July	<b>(7,919)</b>	(12,639)

**Analysis of the movement in the present value of the scheme liabilities**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Liabilities at start of period	<b>50,447</b>	45,891
Current service cost	<b>2,046</b>	1,674
Interest cost	<b>1,305</b>	1,186
Contribution by scheme participants	<b>384</b>	352
Actuarial (gain)/loss	<b>(3,415)</b>	2,172
Benefits paid	<b>(873)</b>	(828)
Curtailments and settlements	<b>6</b>	0
Liabilities at end of period	<b>49,900</b>	50,447

**Analysis of the movement in the present value of the scheme assets**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Assets at start of period	<b>37,808</b>	32,356
Expected return on assets	<b>991</b>	848
Actuarial gain/(loss)	<b>2,577</b>	4,092
Administration expenses	<b>(38)</b>	(34)
Contributions by the employer	<b>1,132</b>	1,022
Contributions by the scheme participant	<b>384</b>	352
Benefits paid	<b>(873)</b>	(828)
Assets at end of period	<b>41,981</b>	37,808

**NOTES TO THE ACCOUNTS****Dyfed Scheme – Coleg Ceredigion**

The following amounts at 31 July 2018, 31 July 2017 and at 31 July 2016 were measured in accordance with the requirements of FRS102:

	<b>2018</b>	2017	2016
	<b>£'000</b>	£'000	£'000
Market value of assets	<b>10,492</b>	9,702	8,809
Liabilities	<b>(11,222)</b>	(11,512)	(10,861)
(Deficit) in the scheme/net pension (liability)	<b>(730)</b>	(1,810)	(2,052)

In accordance with FRS102, the following components of the pension charge have been recognised in the Statement of Comprehensive Income and Expenditure account and statement of total recognised gains and losses for the year ended 31 July 2018 and 31 July 2017:

**Analysis of amount charged in Statement of Comprehensive Income**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Current service cost	<b>(419)</b>	(416)
Administration charge	<b>(7)</b>	(8)
Operating cost	<b>(426)</b>	(424)

**Analysis of finance income and charges**

Expected return on assets	<b>241</b>	220
Interest on pension liabilities	<b>(284)</b>	(268)
Net finance cost	<b>(43)</b>	(48)

**Amount recognised in other comprehensive income**

Difference between actual and expected return on scheme assets	<b>662</b>	714
Effects of changes in assumptions underlying the present value of scheme liabilities	<b>692</b>	(211)
	<b>1,354</b>	503

## NOTES TO THE ACCOUNTS

## Dyfed Scheme – Coleg Ceredigion (continued)

<b>Movement in scheme deficit for the year</b>	<b>2018</b>	2017
	<b>£'000</b>	£'000
(Deficit) in scheme as at 1 August	<b>(1,810)</b>	(2,052)
Operating cost	<b>(426)</b>	(424)
Net finance cost	<b>(43)</b>	(48)
Actuarial gain/(loss)	<b>1,354</b>	503
Contributions	<b>195</b>	211
(Deficit) in scheme as at 31 July	<b>(730)</b>	(1,810)
<b>Analysis of the movement in the present value of the scheme liabilities:</b>		
	<b>£'000</b>	£'000
Liabilities at start of period	<b>11,512</b>	10,861
Current service cost	<b>419</b>	416
Interest cost	<b>284</b>	268
Contribution by scheme participants	<b>76</b>	83
Actuarial (gain)/loss	<b>(692)</b>	211
Benefits paid	<b>(377)</b>	(327)
Liabilities at end of period	<b>11,222</b>	11,512
<b>Analysis of the movement in the present value of the scheme assets</b>		
	<b>2018</b>	2017
	<b>£000</b>	£000
Assets at start of period	<b>9,702</b>	8,809
Expected return on assets	<b>241</b>	220
Actuarial gain	<b>662</b>	714
Contributions by the employer	<b>195</b>	211
Administration charge	<b>(7)</b>	(8)
Contributions by the scheme participant	<b>76</b>	83
Benefits paid	<b>(377)</b>	(327)
Assets at end of period	<b>10,492</b>	9,702

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets.



**NOTES TO THE ACCOUNTS****Swansea Scheme – University of Wales Trinity Saint David**

Certain employees are members of the City and County of Swansea Local Government Pension Scheme (LGPS). The University and employees contribute to the LGPS, which is a defined benefit scheme, and based on members final pensionable salary. The latest actuarial valuation was undertaken at 31 March 2016 by independent actuaries.

The actuarial valuation of the scheme is based on the projected unit method and the principal assumptions made by the actuaries were:

	%
Rate of increase in pensionable pay	3.5
Rate of increase in pensions in payment	2.0
Discount rate:	
- in service	4.6
- left service	4.6
Inflation assumption	2.0

The valuation states that the assets held at the valuation date amounted to £1,512million and, represented a shortfall of assets relative to the funding target of £383.3million. This corresponds to a funding ratio of 80%.

The actuaries have calculated an aggregate employer future service contribution rate of 18% from 1 April 2017. This is the rate of employer contribution that would normally be appropriate if the fund had no surplus or shortfall and the assets were exactly equal to the funding target. There is an additional shortfall contribution payable from 1 April 2017 required to eliminate the shortfall within 22 years and this is approximately equivalent to 7% of pensionable pay per annum, giving an aggregate contribution rate of 25%.

**FRS102 disclosure**

In accordance with the requirements of Financial Reporting Standard 102, independent qualified actuaries have updated the results of the March 2016 valuation in order to ascertain the assets and liabilities of the fund which relate to the University at 31 July 2018. The projected unit method was used.

**Principal financial assumptions**

	31 July 2018	31 July 2017	31 July 2016
Rate of increase in salaries*	3.6%	3.5%	3.3%
Rate of increase in pensions in payment**	2.1%	2.0%	1.8%
Rate of increase in deferred pensions**	2.1%	2.0%	1.8%
Discount rate	2.8%	2.6%	2.4%
CPI Inflation assumption	2.1%	2.0%	1.8%

\* The actuaries have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013

\*\* In excess of Guaranteed Minimum Pension increases in payment where appropriate.

**NOTES TO THE ACCOUNTS****Swansea Scheme – University of Wales Trinity Saint David (continued)****Principal demographic assumptions**

The mortality assumptions are based on the recent actual mortality experience of members in the Fund and allow for future expected mortality improvements. Sample life expectancies resulting from these mortality assumptions are shown below:

	31 July 2018	31 July 2017
Male		
Future lifetime from age 65 (currently aged 65)	<b>22.9</b>	22.9
Future lifetime from age 65 (currently aged 45)	<b>24.6</b>	24.5
Female		
Future lifetime from age 65 (currently aged 65)	<b>24.5</b>	24.4
Future lifetime from age 65 (currently aged 45)	<b>26.3</b>	26.2

**Asset allocation**

The approximate split of assets for the Fund as a whole (based on data supplied by Fund Administering Authority) is shown in the table below.

	2018	2017	2016
	%	%	%
Equities	<b>76.5</b>	77.4	74.6
Property	<b>4.5</b>	4.9	5.4
Government			
Bonds	<b>11.00</b>	11.2	12.7
Corporate			
Bonds	<b>0.8</b>	0.9	1.0
Cash	<b>4.3</b>	2.8	3.2
Other*	<b>2.9</b>	2.8	3.1
Total	<b>100.0</b>	100.0	100.0

\*Other holdings include hedge funds, currency holdings, asset allocation futures and other. The actuary has assumed this year that these will get a return in line with equities.

<b>Reconciliation of funded status to balance sheet</b>	<b>2018</b>	2017	2016
	<b>£'000</b>	£'000	£'000
Fair value of assets	<b>33,190</b>	29,710	26,280
Present value of funded liabilities	<b>(41,810)</b>	(40,860)	(42,830)
<b>Pension asset/(liability) recognised on the Balance Sheet</b>	<b>(8,620)</b>	(11,150)	(16,550)

## NOTES TO THE ACCOUNTS

## Swansea Scheme – University of Wales Trinity Saint David (continued)

<b>Analysis of amount charged in Statement of Comprehensive Income</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	(1,130)	(1,400)
Past service cost	(120)	0
<b>Total operating charge</b>	<b>(1,250)</b>	<b>(1,400)</b>
<b>Analysis of finance income and charges</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Expected return on pension scheme assets	780	640
Interest on pension scheme liabilities	(1,050)	(1,020)
<b>Net Financing Cost</b>	<b>(270)</b>	<b>(380)</b>
<b>Amount recognised in other comprehensive income</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Difference between actual and expected return on scheme assets	1,980	2,120
Effects of changes in assumptions underlying the present value of scheme liabilities	620	3,710
	<b>2,600</b>	<b>5,830</b>
<b>Analysis of the movement in the present value of the scheme liabilities</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening present value of liabilities</b>	<b>40,860</b>	<b>42,830</b>
Current service cost	1,130	1,400
Past service cost	120	0
Interest Cost	1,050	1,020
Contributions by participants	200	240
Actuarial (gains)/losses on liabilities	(620)	(3,710)
Net benefits paid out	(930)	(920)
<b>Closing present value of liabilities</b>	<b>41,810</b>	<b>40,860</b>

## NOTES TO THE ACCOUNTS

## Swansea Scheme – University of Wales Trinity Saint David (continued)

	2018	2017
	£'000	£'000
<b>Analysis of the movement in the present value of the scheme assets</b>		
<b>Opening fair value of assets</b>	<b>29,710</b>	26,280
Expected return on assets	780	640
Remeasurement gains on assets	1,980	2,120
Contributions by the employer	1,450	1,350
Contributions by participants	200	240
Net benefits paid out	(930)	(920)
<b>Closing fair value of assets</b>	<b>33,190</b>	29,710
<b>Movements in scheme deficit for the year</b>	<b>2018</b>	2017
	£'000	£'000
<b>(Deficit) in scheme as at 1 August</b>	<b>(11,150)</b>	(16,550)
Operating Cost	(1,250)	(1,400)
Net finance cost	(270)	(380)
Actuarial gain/(loss)	2,600	5,830
Contributions	1,450	1,350
<b>(Deficit) in scheme as at 31 July</b>	<b>(8,620)</b>	(11,150)

## University of Wales Lampeter Pension and Assurance Scheme (UWLPS)

The University sponsors the University of Wales, Lampeter Pension & Assurance Scheme which is a defined benefit arrangement. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities.

The trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of the trustees is determined by the scheme's trust documentation. One-third of the trustees are nominated by the members of the scheme, at least one of the member nominated trustees must be a pensioner member.

## NOTES TO THE ACCOUNTS

## University of Wales Lampeter Pension and Assurance Scheme (UWLPS) (continued)

A full actuarial valuation was carried out as at 31 July 2017, the results have been updated to 31 July 2018 by a qualified actuary, independent of the plan's sponsoring employer.

The results of the 31 July 2017 valuation showed a deficit of £1,981,000. The University has agreed with the trustees that it would aim to eliminate the deficit over a period of 10 years from 1 August 2017 by the payment of monthly contributions of £10,017 from 1<sup>st</sup> August 2018 to 31<sup>st</sup> July 2019 and then £20,583 from 1<sup>st</sup> August 2019, increasing at 3% per annum in respect of the deficit. In addition and in accordance with the actuarial valuation, the University has agreed with the trustees that it will pay 25.3% of pensionable earnings in respect of the cost of accruing benefits. The University will also meet expenses of the scheme and levies to the Pension Protection Fund, insurance premiums for death in service and all management and administration expenses. Member contributions are payable at the rate of 6.25% of pensionable service.

The material assumptions used by the actuary as at 31 July 2018, and for the comparative period, were as follows:

	<b>2018</b>	2017	2016
	% per annum	% per annum	% per annum
Rate of increase in salaries	<b>4.4</b>	4.4	4.0
Rate of increase in pensions in payment	<b>3.3</b>	3.3	2.9
Discount rate	<b>2.7</b>	2.6	2.5
Inflation assumption ( CPI)	<b>2.5</b>	2.5	2.1
Revaluation rate for deferred pensioners	<b>2.5</b>	2.5	2.5
Allowance for commutation of pension for cash at retirement	<b>Maximum Allowed</b>	Maximum Allowed	Maximum Allowed

The mortality assumptions adopted at 31 July 2018 imply the following life expectancies:

Male retiring at age 65 in 2018	21.1 years
Female retiring at age 65 in 2018	23.0 years
Male retiring at age 65 in 2037	22.5 years
Female retiring at age 65 in 2037	24.5 years

The assets of the scheme for each period were:

	<b>2018</b>	2017	2016
	£'000	£'000	£'000
Equities	<b>8,214</b>	7,725	6,814
Bonds	<b>9,805</b>	9,398	9,130
Other	<b>1,735</b>	1,624	1,387
	<b><u>19,754</u></b>	<u>18,747</u>	<u>17,331</u>

## NOTES TO THE ACCOUNTS

## University of Wales Lampeter Pension and Assurance Scheme (UWLPS) (continued)

## Present values of scheme liabilities, fair value of assets and surplus/(deficit):

	2018 £'000	2017 £'000	2016 £'000
Fair value of scheme assets	19,754	18,747	17,331
Present value of scheme liabilities	<u>(22,988)</u>	<u>(21,707)</u>	<u>(21,924)</u>
<b>Deficit (net pension liability)</b>	<b><u>(3,234)</u></b>	<b><u>(2,960)</u></b>	<b><u>(4,593)</u></b>

## Analysis of amount charged in Statement of Comprehensive Income

	2018 £'000	2017 £'000
Current service cost	125	187
Expenses	<u>1</u>	<u>15</u>
Total operating charge	<b><u>126</u></b>	<b><u>202</u></b>

## Analysis of finance income and charges

	2018 £'000	2017 £'000
Interest income	482	431
Interest on pension liabilities	<u>(558)</u>	<u>(545)</u>
Net finance cost	<b><u>(76)</u></b>	<b><u>(114)</u></b>

## Defined benefit cost recognised in other comprehensive income statement

	2018 £'000	2017 £'000
Return on plan assets – gain	973	1,187
Experienced (losses) arising on plan liabilities	<u>(1,844)</u>	<u>42</u>
	)	
Change in financial and demographic assumptions underlying the plan	<u>594</u>	<u>498</u>
Total gain/(loss) recognised in the other comprehensive income statement	<b><u>(277)</u></b>	<b><u>1,727</u></b>

## NOTES TO THE ACCOUNTS

## University of Wales Lampeter Pension and Assurance Scheme (UWLPS) (continued)

## Movement in the scheme deficit during the year:

	2018 £'000	2017 £'000
Deficit at 1 August	(2,960)	(4,593)
Movement in year:		
Current service cost	(125)	(187)
Net interest payable	(76)	(114)
Contributions	205	222
Expenses	(1)	(15)
Actuarial (loss)/gain	(277)	1,727
<b>Deficit at 31 July</b>	<b>(3,234)</b>	<b>(2,960)</b>

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

	2018 £'000	2017 £'000
Scheme liabilities at start of period	21,707	21,924
Current service cost	125	187
Interest cost	558	545
Contributions by scheme participants	26	29
Actuarial loss/(gain)	1,250	(540)
Benefits paid, death in service insurance premiums and expenses	(679)	(453)
Expenses	1	15
<b>Scheme liabilities at end of period</b>	<b>22,988</b>	<b>21,707</b>

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

	2018 £'000	2017 £'000
Fair value of scheme assets at start of period	18,747	17,331
Interest income	482	431
Actuarial gains	973	1,187
Contributions by employer	205	222
Contributions by scheme participants	26	29
Benefits paid, death in service insurance premiums and expenses	(679)	(453)
<b>Fair value of scheme assets at end of period</b>	<b>19,754</b>	<b>18,747</b>

**NOTES TO THE ACCOUNTS****Teachers' Pension Scheme**

The latest actuarial valuation of the scheme was as at 31 March 2012. The Government Actuary (GA) reported on the valuation of the Teachers' Pension Scheme in June 2014. The GA concluded that, at the date of the valuation, the liabilities in the scheme were £191.5bn and the value of the assets was £176.6bn giving a notional past service deficit of £15.0bn

The total recommended rate of contribution payable by employers from 1 April 2016 is 16.4% (previously 14.1%) of salary.

The financial assumptions adopted for the current valuation and, for comparison, those adopted for the 2004 valuation, are shown below:

Latest actuarial valuation	31 March 2012	31 March 2004
Actuarial method	prospective benefits	prospective benefits
Discount rate:		
Real	3.00%	3.50%
Nominal	5.06%	6.50%
Pensions increases	2.00%	2.90%
Long term salary growth	4.75%	4.40%
-In excess of assumed	2.75%	1.50%

Under the definitions set out in FRS102, the TPS is a multi-employer pension scheme.

The TPS is unable to provide for the University an identification of its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption of FRS102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The University has set out above the information on the scheme and the implication for the University in terms of the anticipated contribution rates.

**USS**

The USS provision is included within the accounts in note 27.

The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited.

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.



**NOTES TO THE ACCOUNTS****USS (continued)**

The total cost charged to the income and expenditure account is £3,795K (2017 - £3,822K). The latest available full actuarial valuation of the scheme was at 31 March 2014, 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. The valuation as at 31 March 2017 is underway but not yet completed.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004. At 31 March 2014, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provision was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increase in earnings.

These figures will be revised once the 2017 scheme valuation is complete.

The 2017 valuation has not yet been concluded, pending ongoing consultation regarding the cost sharing between employers and members.

**Assumptions**

The financial assumptions adopted for the 2014 valuation are shown below:

	2014
Discount rate	3.6%
Pensionable salary growth	CPI in year 1, CPI +1% in year 2 and RPI + 1.0% p.a. thereafter
Pension increase (CPI)	2.2%

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

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

	2014
Males currently aged 65 years	24.2
Females currently aged 65 years	26.2
Males currently aged 45 years	26.3
Females currently aged 45 years	28.6

**NOTES TO THE ACCOUNTS****USS (continued)**

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

The University has agreed to a 16 year deficit reduction plan on 31<sup>st</sup> 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 2.8% (2017 2.6%) has been used to calculate the present value of future payments.

<b>Consolidated and University</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening deficit	<b>(5,386)</b>	(5,055)
Current service cost	<b>(3,318)</b>	(3,070)
Change in deficit reduction plan assumptions	<b>(337)</b>	(626)
USS Pension cost in the Consolidated and University statements of comprehensive income	<b>(3,655)</b>	(3,696)
Net interest cost	<b>(140)</b>	(126)
Contribution from the University	<b>3,757</b>	3,491
Closing Deficit	<b>(5,424)</b>	(5,386)

**28 Accounting Estimates and judgements – key sources or estimation uncertainty****Defined benefit pension scheme assumptions**

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 27 for assumptions used in the valuation of pension assets and liabilities.

**NOTES TO THE ACCOUNTS****29 Non adjusting Post Balance Sheet Events****Pension liabilities**

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The impact on the University's schemes is set out below:

**UWLPS**

We are working with the trustees of UWLPAS to understand the extent to which the judgment crystallises additional liabilities for our pension scheme. The extent to which the judgment will increase the liabilities in the UWLPAS scheme is initially estimated to be c£147k.

**LGPS**

The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

**USS**

For the University's other defined benefit scheme, the USS, the provision included within the financial statements at note 27 will only be impacted to the extent the change in benefits increases cash financing.

**TPS**

The TPS is a defined benefit scheme, but it is unfunded, with no apportioned liability to scheme members. Accordingly, there is no liability for it in either the Consolidated or the University balance sheets. To the extent that any change arises from GMP equalisation, this will only be reflected by a possible change in future contribution rates.

**Secured Loans**

In January 2019 the University agreed with HSBC bank revised terms for its loan facilities. A new Facility agreement was completed on 12 April 2019. Further details are provided in note 20 on page 56.

