



*Financial Statements
for the
Year ending
31 July 2019*

CONTENTS

	<i>Page</i>
UNIVERSITY TRUSTEES	1
PROFESSIONAL ADVISORS	2
STRATEGIC REVIEW.....	3-14
CORPORATE GOVERNANCE AND INTERNAL CONTROLS.....	15-16
PUBLIC BENEFIT STATEMENT	17-18
RESPONSIBILITIES OF THE UNIVERSITY'S GROUP COUNCIL	19
INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF ABERYSTWYTH UNIVERSITY	20-22
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES.....	23-28
CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME.....	29
CONSOLIDATED AND UNIVERSITY BALANCE SHEET	30
CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES.....	31
CONSOLIDATED CASH FLOW STATEMENT.....	32
NOTES TO THE FINANCIAL STATEMENTS	33-57

UNIVERSITY TRUSTEES

The University's Trustees for the year ended 31 July 2019, and subsequently to the Council meeting where these financial statements were formally approved, were:

Independent Members

Ex-officio

Dr Emyr Roberts Chair of Council (5/5)

Miss Gwerfyl Pierce Jones, Deputy Chair of Council (5/5)

Appointed

Mr George Ashworth (4/5)

Mrs Samantha Blackie [from 01 August 2018] (5/5)

Ms Anne Davies (5/5)

Prof Sir Ian Diamond [from 01 August 2018 and until 03 February 2019] (0/2)

Mr Keith Evans [until 31 December 2018] (2/2)

Ms Meri Huws [from 01 May 2019] (0/1)

Mr Richard John (5/5)

The Right Honourable Elfyn Llwyd (5/5)

Mr Ian MacEachern OBE (5/5)

Ms Fiona Sharp [from 01 May 2019] (1/1)

Prof Sir Robin Williams [from 01 August 2018] (5/5)

Staff / Student Members

Ex-officio

Prof Elizabeth Treasure, Vice-Chancellor (4/5)

Prof Tim Woods, Pro Vice-Chancellor [from 01 August 2018] (4/5)

Senate Members

Dr Hazel Davey (5/5)

Prof Reyer Zwiggelaar (5/5)

Non-academic Staff Member

Ms Kath Williams (4/5)

Student Representative Members

Mr Tomos Ifan, UMCA President [from 01 July 2019]

Ms Anna Wyn Jones, UMCA President [from 01 July 2018 and until 30 June 2019] (5/5)

Mr Dhanjeet Ramnatsing, Aberystwyth University Students' Union President [from 01 July 2019]

Mr Bruce Wight, Aberystwyth University Students' Union President [until 30 June 2019] (4/5)

Attendance information is provided for those Council members serving during the year ended 31 July 2019, expressed as the number of Council meetings attended out of a total number of meetings the member was due to attend.

PROFESSIONAL ADVISORS

External auditor and corporate tax advisors

KPMG LLP

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Internal auditor

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

Bankers

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

Barclays Bank
26 Terrace Road
Aberystwyth
Ceredigion
SY23 2AE

Solicitors

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Michelmores LLP
Woodwater House
Pynes Hill
Exeter
EX2 5WR

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

Actuarial and pension advisors

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

STRATEGIC REVIEW

Introduction

Aberystwyth University continues to be recognised for its outstanding teaching and research. In this past year, we were named Welsh University of the Year 2020 by The Times and Sunday Times Good University Guide. We were also 2nd in the UK for Student Experience & Teaching and rose three places in the overall rankings to 45 in the UK, consolidating our position in the top 50 of UK universities, as well as the third ranked university in Wales.

In the National Student Survey 2019, we came top in England, Wales and Northern Ireland, and second in the UK for overall student satisfaction. We hold a Gold in the Teaching Excellence Framework and were named University of the Year for Teaching Quality in The Times and Sunday Times Good University Guide for two consecutive years in 2018 and 2019.

This builds on our gold standard Teaching Excellence Framework award last year and reflects the hard work of committed staff across the University.

We continue to build upon our strong performance in the last Research Excellence Framework (REF 2014), with preparations on track for the next REF return in 2020. In the meantime, work is underway to develop a new Research strategy that will guide and influence the development of excellent research with impact in the future.

During the year, we have celebrated two centenaries, the founding of the Department of International Politics and Plant Breeding at Gogerddan; an opportunity to recognise 100 years of academic excellence, research, and wonderful people.

2019 saw the phase one opening of the Aberystwyth Innovation and Enterprise Campus and work to refurbish our historic Welsh-medium hall of residence, Neuadd Pantycelyn is making great progress and is on schedule to open in September 2020. These major capital projects along with smaller developments will deliver high quality teaching, research and living spaces for our students and we will continue to rebalance our organisational structure, when appropriate to deliver new or revised teaching and research. These steps will help enhance our increasing reputation for quality education and research at Aberystwyth and attract students from Wales, the UK and beyond.

There have undoubtedly been some challenges in 2018-19, including considerable organisational change as part of the Sustainability Implementation Plan (SIP). As a result, the University has reduced its costs to meet the Plan, as agreed with the Higher Education Funding Council for Wales (HEFCW) and supported by the University Council. The University has again achieved its budgeted underlying operating position of (£2.3) million deficit for the group in 2018-19. In common with many institutions in the higher education sector, the University has recorded an increase in pension deficits and a reduction in pension scheme asset values. This has increased the accounting deficit and more details are provided under the heading of Financial Review on page 8.

Aberystwyth University Group plans to deliver an operational surplus in 2019-20, a clear demonstration of the financial progress we have made as an institution in recent years.

As is well known, the higher education sector is currently facing a good deal of uncertainty. We recognise this and will continue to work closely with HEFCW, to maximise funding support. We will also continue to monitor on-going Brexit discussions and changes to government policy and funding regimes.

Our focus remains to ensure the sustainability of our institution, through prudent financial planning and managing our in-year costs. Despite the unpredictable external environment, we have a solid framework and are both adaptable and resilient, forward focused and able to rise to challenges.

Our Mission

To deliver inspirational education and research in a supportive, creative and exceptional environment in Wales.

Strategic Plan 2018-23

The University's Strategic Plan 2018-23 sets out an ambitious but realistic strategic direction, emphasising our commitment to delivering an excellent education, student experience and research with impact. During this year, the University has put in place a series of sub-strategies that support the overall Strategic Plan. These ground the overall ambitions within specific business units and staff. As we move towards our 150th anniversary, we will work together as a community to achieve our aims, realise our ambitions and aspirations to ensure sustained success.

The full Strategic Plan is available on our website: www.aber.ac.uk/strategicplan

STRATEGIC REVIEW (continued)

Our Vision

Building on our historical strengths and our reputation for excellence, we will contribute to society in Wales and the wider world by applying our knowledge to local and global challenges. Working within a supportive, welcoming and bilingual community, we will use our expertise to cultivate critical thinking, independent questioning and skills that equip our learners for lives of success.

Education and Student Experience

We will empower students to unlock their own potential and to develop as independent learners in a supportive, inclusive and creative bilingual community. Students will graduate as independent critical and free thinkers with both discipline specific and transferable skills. Students will encounter our excellent research through practical projects and research-led teaching.



Our objectives are to:

- Continually develop our undergraduate provision to ensure attractive, high quality courses which lead to graduate-level employment
- Nurture innovative teaching and learning (including flexible learning) that is recognised as a sector benchmark of best practice in Welsh and English
- Enrich our curricula with distinct research undertaken within the University
- Develop targeted postgraduate provision that delivers rigorous programmes which are attractive to home and international students
- Embed employability skills across our range of programmes, including further opportunities for work experience, volunteering, international experience and other transferable skills
- Promote and facilitate staff development in pedagogy to drive continual improvement in our learning and teaching experience
- Continually develop our undergraduate provision to ensure attractive, high quality courses which lead to graduate-level employment

On the back of its major accolades in 2018 (TEF Gold Award in the 2018 Teaching Excellence and Student Outcomes Framework; University of the Year for Teaching Quality in the 2018 The Times and Sunday Times Good University Guide and again for 2019; in the top 10 in the UK for Student Experience (The Times and SundayTimes Good University Guide 2018), the University has continued to garner further awards and achievements in 2019. The University was the Winner in the Postgraduate category and placed 2nd in both the University of the Year and the International Student categories in the What Uni Student Choice Awards 2019. It also secured another outstanding performance in the National Student Survey 2019, where it was placed 2nd in the UK and 1st in England and Wales for Student Satisfaction. Furthermore, it gained the highest place in the NSS Survey for the Assessment and Feedback category. In September 2019, Aberystwyth University was named Welsh University of the Year 2020 by The Sunday Times Good University Guide.

We remain committed to engaging with communities who do not traditionally engage with higher education. We continue to commit resources to delivering an environment where educational aspirations can thrive with our Widening Participation pan-Wales STEM initiative Trio Sci Cymru, the Science Week and the long-established Summer University.

As part of our investment in the student experience, we have moved Blackboard, the University's virtual learning environment to a managed hosting (SaaS) deployment method. Furthermore, we have re-equipped our main teaching spaces with the latest teaching facilities and IT equipment: During 2018-19 £200,000 of capital funding has been allocated to the upgrade of AV / IT equipment in existing rooms. We have undertaken a further £1 million phase of the refurbishment of Hugh Owen Library, including the Iris De Freitas room on level E.

STRATEGIC REVIEW (continued)

At the beginning of 2018-19, the University reorganised itself into three Faculties with an embedded Registry structure, partly with the aim of ensuring a firm grip on the excellent student experience. New scheme highlights for entry in September 2019 occurred with Sociology, the new PGCE in primary and secondary education, and new Foundation Degree programmes in the Humanities and in Business Studies. Work on the development of a Joint Degree with the Royal Veterinary College in Veterinary Science continued, with the first cohort applying in summer 2020 for entry in 2021.



The University approved its new Learning and Teaching (APEX) Strategy in June 2019. The Strategy focusses on the University's work with students as partners, and close cooperation with other university strategic initiatives in research, language medium, equality and diversity, student / staff wellbeing and graduate employability. It will play a vital part in securing and enhancing the University's excellent reputation for learning and teaching and first class student experience.

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Research and Innovation with impact

As a bilingual, research-led institution, we will support and develop researchers to undertake research with impact of world leading quality. We will build on our historic strengths to tackle contemporary challenges facing Wales and the world in the 21st century. Our research deliverables will lead to innovation in industry and public policy, and will contribute to the growth of our local and wider economy.

Our objectives are to:

- Further grow the critical mass of research teams in defined areas of excellence including Inter-disciplinary research producing work of the highest quality
- Develop the number of excellent leaders of research across the University including training and mentoring at every career stage
- Encourage researchers to collaborate and widen their experience
- Develop the research potential of all staff
- Grow research income aiming for a diversity of sources as well as an increase in funding from Research Councils UK's Global Challenges Research Fund
- Increase the number of research students particularly in areas of research strength and work through Doctoral Training Centres
- Invest in the development of both the impact of our research and the entrepreneurial skills of our researchers
- Expand and develop links with appropriate industrial, commercial and cultural partners, growing our contribution toward the local and wider economy

Research is part of the established fabric at Aberystwyth and is key to our identity as a high quality University. We believe that a vibrant research environment is essential to attract, develop and retain leading academics, and to deliver a correspondingly vibrant and informed research community.

Responding to initiatives from the UK's Global Challenges Research Fund, during 2018-19 we launched the Centre for International Development Research (CIDRA). This new Centre is focused on developing relationships between researchers at Aberystwyth and those in low-middle income countries (LMICs). The mission of the Centre is not only to conduct high quality research capable of having an impact on the development of LMICs, but conducting such research in a fair and equitable manner. In so doing it aims to redefine how research partnerships with LMICs are undertaken. 16 researchers from AU have received grants so far, and a Memorandum of Understanding has been agreed with the University of Namibia as the basis for a new international research partnership.

Recognising the gendered disparities in research across the sector, we launched a Women in Research Network. Building on a previous network for STEM subject areas, this Network brings together women researchers at all career stages across all disciplines to discuss the issues they face. The Network feeds directly into the University's Research Committee and has already begun to address issues of local and national concern.

STRATEGIC REVIEW (continued)

The University has now provided initial funding for eight Interdisciplinary Research Centres. The work of these Centres ranges from rural health to pastoral based agriculture, helminth (parasite) control, behavioural insights, and Welsh politics and society. New funding provided additional resources for researchers to develop the impact of their work on wider society, while the University's awards for significant research impact went to Professor Colin McInnes for his work in developing the WHO's framework for civil-military collaboration in health emergencies, and to Professor Paul Shaw for his work on sustainable fishing.

Contribution to society

We are a Welsh university rooted in Wales that is open to the world. We have always made a significant contribution to Wales and beyond, benefitting our communities and society as a whole through the impact of our research, education and the achievements of our staff, students and alumni. We instil our graduates with an academic training and the values of a global and national citizenship. We understand our responsibility and our accountability to society. We want to be accessible, relevant and engaged with our communities and stakeholders. Above all, we must be a source of inspiration. We will strengthen and better communicate this dimension of our work over the next five years.

Our objectives are to:

- Focus on addressing contemporary challenges through our research and the development of evidence informed debate in Wales and more widely
- Use our expertise to foster economic development locally and further afield
- Create a pan-disciplinary offer for all students, including the local community, to debate wider issues and be stretched beyond their own curriculum
- Contribute to the region's infrastructure by sharing facilities with the community
- Impact on the politics, culture, economy and public services of Wales through our knowledge and expertise

Specifically, we are committed to improving access to higher education and will continue to encourage participation and collaborative activities through extensive partnerships. Our objectives are to:

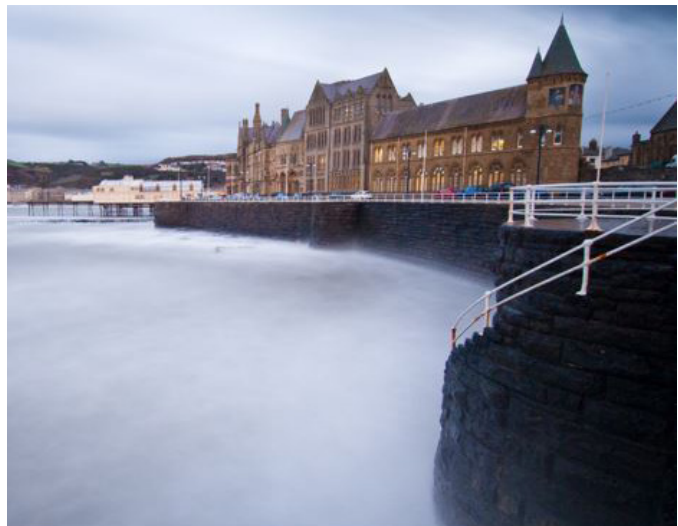
- Work with schools, FE colleges and employers enhancing 14 to 19 year old cross-curricula learning across Wales
- Transform Old College into an outstanding facility for the University, the community and visitors alike
- Continue to encourage participation in wide-ranging opportunities through our Arts Centre, Sports Centre and other departments
- Strengthen working between town and gown through further developing partnerships and activities including student volunteering

Since the University first opened its doors in 1872, we have had a strong tradition of integrating links with the local community. We continue to emphasise our engagement with the locality through the promotion of open days for schools and FE Colleges. We have also developed designated accommodation for short-term visits, enabling access to our facilities all year round.

Our successful AberWorks programme has allowed our students to gain invaluable employment experience within the University in a range of disciplines whilst earning money.

Embedding employability across our programmes is a key strategic objective, as reflected in the latest Destination of Leavers from Higher Education survey which showed that 97 per cent of Aberystwyth graduates were in work or further study within six months of graduating in 2017 (latest available figures).

Our plans for the transformation of Old College have further developed, with successful public meetings and exhibitions during the year. Our exciting plans will see this iconic building redeveloped as a hub for students and the community.



Credit: Keith Morris

STRATEGIC REVIEW (continued)

International Engagement

Aberystwyth is a leading university in Wales with an excellent global reputation. We will be an international destination of choice for students who want to study in our unique environment. We will cultivate agreements which encourage our students to spend time studying abroad. We will be a desirable partner for international institutions who share our aims and aspirations.

Our objectives are to:

- Review all education and research agreements to develop mutually beneficial, focused education and research partnerships with international institutions
- Maintain the vibrant diversity of our community by offering an international experience for all while increasing the number of international students
- Develop quality postgraduate cohort recruitment and build on the prestige of our Professional Doctorate programmes
- Evaluate existing and new opportunities for trans-national education
- Support the enhancement of language skills and ensure that our international students are confident members of our safe, inclusive community



The University approved its Marketing and Student Recruitment Strategy, 2019-2023 in April 2019, which also embraces international recruitment. Aberystwyth continues to attract international students from a wide range of countries and simultaneously provide our students with the intercultural expertise demanded in the global economy. Aberystwyth is both Welsh and international, a diverse people, town and campus living and learning together in close-knit community. The town itself is a bustling cosmopolitan cultural hub set on the coast of mid Wales and surrounded by breath taking scenery of mountains and sea.

We continue to promote our social programmes, designed to connect international students and home students alike, through a varied programme of activities celebrating the diversity of Aberystwyth. Our “One World Week” festival, organised jointly with Aberystwyth Students’ Union, is now an established event in the University’s calendar, celebrating the University’s global diversity and recognises the contribution of international students to the local community.

We have a thriving international community, welcoming staff and students from over 90 countries worldwide and working in partnership with institutions, businesses and organisations across the world. We have continued our international presence overseas, in China, Malaysia and South Korea and have developed our international links in other countries. While 2019 saw the final cohort graduate from our Mauritius Campus, we have also built upon the prestige of our Professional Doctorate programmes, recruiting further international cohorts from the UAE and the Philippines, establishing the basis for further development in the future.

Welsh Language and Culture

Aberystwyth University has a strong and proud history of delivering education and research through the medium of Welsh. We remain committed to promoting the language and culture of our country, as well as contributing towards a greater understanding of the socio-economic needs of Wales. We will continue to improve and enhance Welsh-medium opportunities for our staff, students and visitors.

Our objectives are to:

- Promote the development of Welsh-medium academic provision including the discipline of Welsh
- Ensure an environment that enables students to choose to live and learn through the medium of Welsh
- Reopen Neuadd Pantycelyn as a first-class accommodation for Welsh-speaking students and learners
- Ensure Welsh language opportunities in areas such as employment placements and industrial years
- Encourage the use of Welsh in the workplace and encourage staff and students alike to take up Welsh language learning opportunities and improve their Welsh
- Act as a catalyst for increasing cultural awareness, understanding and integration in relation to Wales and the world

STRATEGIC REVIEW (continued)

Our identity is intrinsically linked to our geographical location and we continue to significantly contribute to Welsh culture and identity within both a local and national context.

The University continues to celebrate its linguistic and cultural diversity, and as a leading provider of Welsh-medium education, it recognises the importance of supporting those who want to study in Welsh or who want to live their life through the medium of Welsh; our programmes of study reflect this.

In a wider context, our Arts Centre promotes the Welsh Language and culture through its widely acclaimed programme of events. Significant numbers of staff continue to take up the offer of free Welsh lessons within the University and the use of Welsh is encouraged within the workplace.



During 2017-18 the University reaffirmed its commitment to Welsh language and culture by announcing a £16.5m refurbishment and development of Pantycelyn hall of residence. The iconic building will offer quality contemporary, en-suite rooms for 200 students in a Welsh-medium environment, along with offices for Aberystwyth's Welsh students' union UMCA. In 2018-19 a main contractor was procured and the refurbishment work began in earnest with the Hall set to re-open to students in September 2020.

Financial Review

The (£2.3) million deficit underlying operating position for the group for the year is in line with budgetary expectations. The improvement in the University's operational result demonstrates continued good financial management process and its commitment to rebalancing its cost base. In 2018-19, the final structural changes to deliver the full Sustainability Implementation Plan (SIP) savings of £11.4 million have been identified. This was the second year of the two year transition programme, although full implementation will run into 2019-20.

The financial benefits of the strategic refocus began to develop during 2017-18 and have been further driven forward in 2018-19, with the underlying operating position reducing by some £5.1 million. During the year, the University has made good progress towards delivering change efficiencies identified within the SIP and although some ongoing work remains, it is on track to achieve the agreed savings of £11.4 million over 2 years. The majority of these savings are due to be achieved through reduction in staff costs of £9.8 million on an annualised basis, in response to the reduction in student population.

As planned, our 2018-19 expenditure includes 'cost of change' expenditure that, for the most part, will not constitute ongoing underlying activity; it is discrete short-term activity associated with implementing the SIP. The final cost of change expenditure will be incurred during 2019-20 with the final planned changes being implemented.

Aberystwyth continues to invest to meet its strategic goals, specifically the long-term provision of excellent teaching and research including the associated capital investment that underpins those objectives. Our ambitious capital development plans incorporate a £40.5 million state-of-the-art research facilities at Aberystwyth Innovation and Enterprise Campus, supported by significant grants from our investment partners at UKRI and WEFO. Building work began in 2017-18 and has continued throughout 2018-19, with the facilities fully operational in early 2020-21.

Scope of the Financial Statements

The financial statements for the year ended 31 July 2019 consolidate the results of the University, Aberystwyth Innovation and Enterprise Campus Ltd (AIEC) and Aberystwyth Limited (its campus located in Mauritius), Aber Trading Ltd (subsidiary) and Aber-Bangor Consultancy Ltd.

The table below shows a summary of the Group results. The deficit before gains and losses includes a number of non-cash accounting entries. These include losses in future service charges in University Superannuation Scheme (USS) of £18.5 million (refer to notes 7-9 on page 35 and 37). Secondly, following a complete revaluation exercise during the period 2018-19, the University has recognised a reduction in the carrying value of fixed assets (impairment charge) of £9.2 million (2017-18 £1.6 million). The University also

STRATEGIC REVIEW (continued)

recognised an accounting loss of £11.6 million in 2018-19, (2017-18 £11.5 million gain) following a valuation of the assets and liabilities of the pension fund (actuarial valuation) of the pension fund by our independent advisors Mercers. More detail on the University's pensions schemes are shown from page 49 onwards.

Summary of Group results

	2018-19 £m	2017-18 £m
Income	116.3	118.0
Expenditure	146.3	125.5
Deficit before other gains and losses	(30.0)	(7.5)
Share of income/cost from Joint Ventures	-	-
Profit on disposal of fixed assets	0.1	0.1
Gain on investments	1.3	1.9
(Deficit) / Surplus before taxation	(28.6)	(5.5)
Taxation	-	-
Surplus / Deficit after taxation	(28.6)	(5.5)
Actuarial gains / (losses) on pension schemes	(11.6)	11.5
Total comprehensive Income	(40.2)	6.0

The value of the University's own investments is also unpredictable due to its dependence on market values. For 2018-19 the University made an unrealised gain of £1.0 million on the market value of investments (2017-18 £1.9 million) and a gain of £0.3 million (2017-18 £nil) on investment properties.

A summary reconciliation between the Financial Statements and the Management Accounts (underlying operating position) is shown below for completeness. Accounting Standards require the University to include a number of non-cash items in the Statement of Comprehensive Income. The underlying operating position is (£2.3) million deficit in the group when these items are eliminated and these are set out in the table below.

	2018-19 £m	2017-18 £m
Total Comprehensive Income	(40.2)	6.0
Impairment charge	9.2	1.6
Profit on disposal of fixed assets	(0.1)	(0.1)
Gain on investments	(1.3)	(1.8)
Movement in USS pension during the year	18.3	(1.5)
USS pension interest charge	0.2	0.2
Movement in AUPAS and LA pensions during the year	11.6	(11.5)
Underlying Operating Position	(2.3)	(7.1)

Financial Health Metrics

The University utilises a number of Key Performance Indicators (KPI) to monitor its financial health. Despite improved operational performance, the 2018-19 results show a deterioration across the financial health metrics. The deterioration relates to 2018-19 being a period of significant capital investment impacting cash holdings, and significant accounting adjustments for the pension liability

STRATEGIC REVIEW (continued)

(£29.1 million) and impairment of assets by (£9.2 million) adversely impacting the balance sheet and reserves. The financial health metrics are forecast to improve in 2019-20 and beyond, as the University completes a period of financing major capital projects and operational efficiencies fully crystallise.

Financial Health Metrics	2018-19	2017-18	2016-17	2015-16
Reserve measures (days)				
Primary (cash) reserve cover	66 days	92 days	115 days	149 days
General (book) reserve cover	302 days	451 days	337 days	365 days
Debt ratio (external debt/cash)	349%	236%	199%	121%
Balance sheet growth ratio	(26.0%)	4.0%	(0.5%)	(7.9%)
Income replenishment				
Retained result (% of income)	(2.1%)	(6.0%)	(2.1%)	(4.2%)

The Primary (cash reserve) cover has deteriorated from 92 days to 66 days. This reflects a decrease of £10.5 million in cash and cash equivalents, which is shown in the Consolidated Cashflow Statement on page 33; the main reason being the ongoing funding of the major capital programme. General (Unrestricted) Reserve cover has reduced from 451 days to 302 days. These cover metrics are expected to be below the University’s targets and will be monitored closely through upturn. General Reserves have reduced significantly in 2018-19, this predominantly relates to the impairment of revalued assets and a significant increase to the pension liability reported.

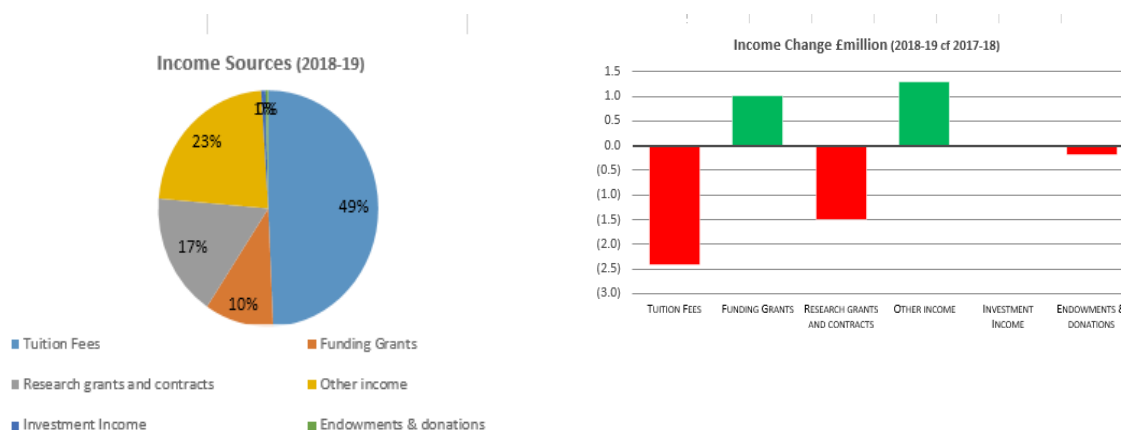
As a result of the decrease in cash the debt ratio has weakened from 236 per cent to 349 per cent.

The balance sheet has fallen in value from £154.4 million to £114.2 million. The majority of this relates to actuarial losses on the pension scheme and reduced fixed asset value owing to the impairment during 2018-19.

The retained result as a percentage of income metric is negative and reflects the accounting deficit of £40.2 million as a proportion of the total income. This figure is after an increase in the pension scheme provisions of £18.3 million and £11.6 million.

Income

A reduction in tuition fees and research income has been predominantly offset by an increase in recurrent funding from HEFCW and an increase in other income, leaving a remaining reduction in income of £1.8 million (1.5 per cent) compared to 2017-18. The University attracted fewer students in 2018-19 and research grant margins were also lower compared with the previous year. As part of the budgeting process, the University had planned for the majority of this reduction and income levels are therefore broadly in accordance with budget expectations. The University’s Financial Strategy continues to match income reductions with necessary cost reductions, delivering financial sustainability.



STRATEGIC REVIEW (continued)

Expenditure

The University has efficiently managed its cost base through a robust and challenging budget setting process, interlinked with the change efficiencies outlined in the SIP. Staff costs have increased by some £18.6 million (28 per cent) compared with the prior year, but this relates to an actuarial loss relating to the USS pension scheme (£18.3 million). Further reductions in staffing levels have taken place in year, as the University implements change efficiencies including the use of the Voluntary Severance scheme.

The SIP has also continued to drive a focused approach to cost management and enhanced value for money in 2018-19; the core activities driving savings were:

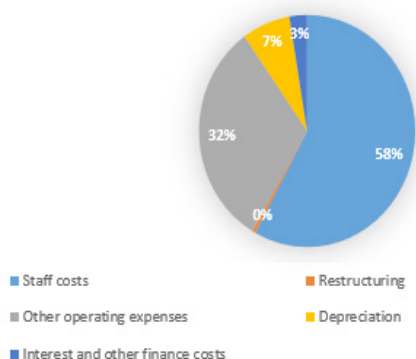
- Strategic realignment of the University and its activities
- Formal restructures across a range of departments and operational functions
- Close control over staff recruitment activity across all departments
- Robust budgetary control and reductions in consumable expenditure

As planned, during 2018-19, the University incurred some short-term costs in order to facilitate the recurrent change efficiency savings required. These discrete costs have been borne in 2018-19, with further costs budgeted in 2019-20 as the SIP is completed, however they do not form part of the underlying cost base and as such do not form part of our longer term planning.

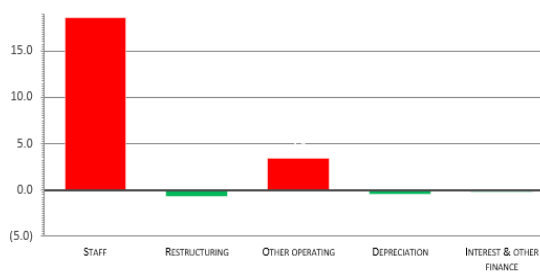
Significant improvements in the underlying cost base have been achieved in 2018-19. Consumable expenditure has also been tightly controlled, facilitated by rigorous budgetary review, including zero based budgeting, budget holder engagement and the wider reporting mechanisms within the University generating savings of £3.4 million (8 per cent) on 2017-18. The University has recognised that there remain challenges in specific areas and has developed strategic action plans to target those areas.

The negative variance on other operating expenses relates to the impairment charge as noted on page 9. This is an accounting adjustment and does not reflect actual cash expenditure.

Expenditure Split (2018-19)



Expenditure Change £million (2018-19 cf 2017-18)



Note: Staff costs include pension service cost provision, see note 7.

Balance Sheet

Overall, net assets have decreased in value by £40.2 million compared to the position in 2017-18. This has been mainly driven by a significant increase of £29.1 million in the pension provisions and an impairment charge of £9.2 million to the carrying value of fixed assets.

£ millions	Fixed Assets	Investments	Bank & Cash	Long Term Creditors	Pension Liability
2018-19	235.2	34.2	14.2	109.7	52.6
2017-18	231.0	39.4	24.8	98.3	23.4
	↑	↓	↓	↑	↑

STRATEGIC REVIEW (continued)

Capital Investment

This period represents one of the most significant investments in the University's history and we remain committed to major investment in our already excellent residential, teaching and research facilities. During the year £24.5 million (2017-18 £8.7 million) was spent on investment in infrastructure and equipment across the group. Nearly £14.5 million of the total expenditure incurred has been funded from external sources. Of the total expenditure, £0.5 million (2017-18 £1.4 million) relates to new research equipment funded by grants. Construction work has continued apace on the Aberystwyth Innovation and Enterprise Campus (AIEC) at Gogerddan, which will provide further world class research facilities and will open in the second half of 2020. This project accounts for £9.5 million of the overall capital investment. In 2018-19 a project to refurbish the historic Pantycelyn hall commenced, this will breathe new life into one of the University's most iconic buildings and is on schedule to welcome new students in September 2020. The remaining expenditure relates to strategic investment in the campus, both in terms of the buildings and general infrastructure, as well as discrete facilities such as the Vet Hub project. The total amount of capital spend was significantly higher than the value of depreciation for the year and overall there was an increase of £4.9 million in the value of our fixed assets. The depreciation charge for the year was £10.5 million (2017-18 £11.0 million), and the value of our fixed assets was further reduced by £9.2 million (2017-18 £1.6 million) through revaluation and disposals of £0.1 million (2017-18 £0.05 million) (net book value).

Investments

For the year ending 31 July 2019, the endowment and university investments returned 5.2 per cent (2017-18 6.4 per cent), compared to the policy benchmark, which returned 4.7 per cent (2017-18 7.3 per cent). The best performing portion of the portfolio was Private Equity, which returned 33.8 per cent (2017-18 4.7 per cent). During the year, investments were reduced by £7.0 million as money was dis-invested, mainly from International Development Equity, to fund the re-development of Pantycelyn.

Cash and short-term deposits

In line with our Financial Strategy, the University's cashflow and liquidity position closed at £7.9 million (2017-18 £7.9 million) (Net Current Assets). Whilst the end of year liquidity position represents a normal position in the University's cash holding profile, largely due to the profile of the income received from the Student Loans Company, the liquidity position has reduced from 2017-18.

The significant Capital investment programme over 2018-19 and into 2019-20 is supported by a short-term Revolving Credit Facility (RCF) that enables the University to manage the volatility in its annual cashflow profile. It is planned that the RCF will assist with short term cash timing differences only and is forecast to be fully repaid by the end of 2019-20 (and within each subsequent outyear).

The University monitors its cash balances and commitments on a regular basis through reporting, the SIP and consideration of long-term plans and investments. As forecast, our cash cover metrics have reduced again in 2018-19 and are expected to remain similar within 2019-20 as we deliver two large capital projects (AIEC and Pantycelyn). After 2019-20 cash holdings and liquidity metrics are forecast to improve as we move towards a sustainable path.

The University continues to proactively review its asset holdings with a view to disinvesting some assets that are surplus to operational requirements. During 2018-19, this strategy realised a surplus on disposal totalling £0.1 million (2017-18 £0.05 million) which has been used to support our focused capital improvements and developments.

Principal risks and uncertainties

During 2018-19, Aberystwyth completed the realignment of its internal structures, ensuring that the University benefits both operationally and financially from a more efficient cost base and streamlined reporting lines. Sector wide uncertainties remain that will affect all universities, particularly those emanating from the UK's relationship with the European Union and the impact upon EU student numbers and research income.

The University's risk management process recognises strategic risks, which identify the most significant risks to the University's objectives, operational risks and the risks associated with major development projects which identify those risks affecting each area of operation of the University and its capital investment programme. The risk registers are updated on a regular basis and reviewed by Council. The Audit, Risk and Assurance Committee receives a detailed report on risk management at each of its meetings.

STRATEGIC REVIEW (continued)

The University has identified a number of principal risks that it monitors on a regular basis, together with mitigation strategies.

These are summarised below:

Risk Area	Risk Description	Risk Management
<i>Sustainability and Funding</i>	Any further changes in the funding of Universities from public sources, including the impact of changes in student fees, the funding of research and the implementation of the Diamond review, or failure to deliver the required savings in the Sustainability Implementation Plan (SIP), affecting the short-term financial sustainability of the institution.	The University plans prudently and has incorporated detailed sensitivity analyses of income assumptions within its Financial Strategy. The cost savings derived through SIP will deliver more effective and efficient services. The University is nearing completion of the SIP change programme.
<i>Recruitment</i>	The University fails to recruit and retain sufficient students.	The University plans realistically for student demand and has recruitment strategies in place, focusing on key areas, developing international networks as well as strong links with local schools. A number of new initiatives to generate sustainable growth in student numbers are beginning to deliver benefits.
<i>Pensions</i>	Further revaluations to or increases in assessment of deficits in the pension schemes that increase cash outflows from the University, or potentially make the University a less attractive employer.	Sector-wide consultation on the USS scheme remains ongoing, with potentially significant connotations. Aberystwyth is seeking to mitigate this risk by reshaping its cost base and ensuring that potential commitments can be met from operating activities. Aberystwyth has included significant increases in employer contributions within its Financial Strategy.
<i>Reputation</i>	The University fails to maintain its international reputation in both teaching and research.	The University invests significantly in the student experience and in world class research. Success in league tables, Teaching Excellence Framework and Research Excellence Framework validate the University's strategies.
<i>Exit from the EU</i>	The University recognises a number of risks associated with a 'no deal' exit from the EU, in terms of the potential impact on: recruitment of EU students; loss of access to research programmes and research income; loss of EU staff; increased costs of goods and services; loss of ERASMUS and Exchange programmes.	Detailed contingency plans have been drawn up at departmental level and the University continues to monitor the situation closely.

STRATEGIC REVIEW (continued)

Outlook and the Future

The University's financial planning including years up to 2023-24, is built on the delivery of excellence for students. The higher education sector continues to be increasingly competitive, including student recruitment and funding for research activity. Continued changes to government policy and funding regimes result in income streams being increasingly unpredictable, however the University is confident in its assumptions and planning mechanisms for the immediate future.

Student intake in September 2019 was broadly in line with expectations and the University was awarded the University of the Year for Teaching Quality in The Times and Sunday Times Good University Guide for 2019, the only University to have been awarded that accolade in two consecutive years. Furthermore, the University was recently named Welsh University of the Year 2020 by The Times and Sunday Times Good University Guide. These awards and achievements are evidence that the University has delivered performance improvements in these key areas and can look to the future with confidence. Our strategic aims are to consolidate and capitalise on this improvement, and ensure that more students choose Aberystwyth University as a place where they can learn and live in an exceptional environment.

Aberystwyth's is refocusing marketing and recruitment for both domestic and international students. Our strategies are based around developing a portfolio of high quality programmes with clearly articulated identities, meaningful relationships with our feeder schools, and an individual and supportive relationship with our applicants. The priorities underpinning the 'growth' component of our plans are to establish a uniformly excellent teaching provision and a leading marketing and recruitment function. Both are embedded in our Financial Strategy for the future with significant stimulus funding to enact necessary change. We continue to actively review the teaching and recruiting activities of all University departments.

The University continues to make a major investment in its estate which will impact upon its financial position over the planning horizon. Whilst liquidity continues to be maintained, the University has seen a planned diminution of cash balances in 2018-19 and it remains clear that future financial performance needs to improve to secure long term sustainability. The University is on course to achieve this and we will continue to closely monitor cashflow and underlying earnings, for continuing operations and to provide the cash basis for our planned further capital investment. Our Financial Strategy for the next few years will see a major capital programme progressed and our core strengths built upon. Our financial forecasts show a tight budgetary landscape, whilst still allowing for investment through stimulus funding and other mechanisms, with the University forecast to return to a moderate operating surplus in 2019-20. As well as these items, the University has included in its forecasts pay awards, the voluntary living wages and additional employer pension contributions including deficit reduction charges arising from the latest valuation.

The University is a member of a number of pension schemes (see note 26) which contain a degree of risk relating to the outcome of valuation processes. Given these significant uncertainties it remains important that the University delivers an improved financial performance during 2019-20 and beyond. It will continue to carefully control expenditure, particularly that incurred in acquiring fixed assets, to within those amounts allowed for in the financial plans approved by Council up to 2023-24, while at the same time delivering the Strategic Plan objectives and remaining able to attract students to study at all levels at the University. Against the wider economic backdrop, there will be challenging times ahead. However, with continuing strong management and staff, the University is confident of successfully making progress in its strategic plans, and achieving its objectives.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

In accordance with Aberystwyth University's Supplemental Royal Charter as revised in 2018, the institution's Council is "the supreme governing body of the University" and is responsible for "determining the University's strategic direction and for the conduct of the University's financial, administrative and other affairs, in accordance with its objects".

As set out in the University's governing documents, the Council consists of: Independent Members (some serving in an ex-officio capacity); ex-officio staff members; and representative members elected by the Senate, the non-academic staff, and the students. In total, the membership of the Council shall not exceed 18 voting members. The Council may also appoint additional co-opted members provided the overall number of members is consistent with Statute, although this is not current practice.

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

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

The University aims to conduct its activities in an ethical manner in accordance with the seven principles set out in the Nolan Committee's 'Report on Standards in Public Life': selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. The University is also committed to exhibiting best practice in all aspects of corporate governance, applying the core values and associated seven primary elements of governance as set out in the Committee of University Chairs (CUC) 'Higher Education Code of Governance' (December 2014, as revised June 2018), as well as the relevant principles detailed in the 'UK Corporate Governance Code' issued by the Financial Reporting Council.

A review of governance effectiveness was commissioned by the Council during the spring of 2019. This was undertaken by AdvanceHE, with their final report presented to Council on 28 June 2019. The Council applies an approach of continuous improvement to governance and institutional performance, and the recommendations made in the most recent governance effectiveness review are being considered by the Governance and Compliance Committee, for implementation during the 2019–20 academic year. The next review of governance effectiveness is scheduled to be conducted during the 2022–23 academic year.

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

The Council met on five occasions during the 2018–19 academic year. Much of the detailed work is initially handled by several sub-committees. Following a restructure which came into effect on 01 August 2018, the University's main governance sub-committees include: an Audit, Risk and Assurance Committee; a Governance and Compliance Committee; a Remuneration Committee; and a Resources and Performance Committee.

All of these sub-committees report their decisions to the Council, and are formally constituted with their own terms of reference and a proportion of their membership drawn from the Independent Members serving on the Council. Detailed information on the membership and responsibilities of these sub-committees can be found on our website.

The Remuneration Committee is constituted to consider and determine matters relating to the remuneration of Senior Staff at the University, within an overall framework approved by the Council. In agreeing any changes to the remuneration of the Vice-Chancellor, the Pro Vice-Chancellors and other defined Senior Staff, the Remuneration Committee is mindful of the affordability of any such determinations. All decisions taken by the Remuneration Committee are reported to the Council.

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

CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Council is of the view that there is an on-going process for identifying, evaluating, and managing the University's significant risks; that it has been in place for the year ended 31 July 2019, and up to the date of approval of the annual report and financial statements; that it is regularly reviewed by the governing body; and that it accords with the internal control guidance for Directors on the UK Corporate Governance Code, as amended by the British Universities Finance Directors Group.

The Audit, Risk and Assurance Committee is responsible for meeting with the External Auditors to discuss audit findings, and with the Internal Auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with the management's responses and implementation plans. This sub-committee also monitors adherence with regulatory requirements, and reviews the University's annual financial statements together with accounting policies. In addition, they may be required to investigate instances of non-compliance with legislation and other regulations. Whilst senior executives attend meetings of the Audit, Risk and Assurance Committee as necessary, they are not members of the sub-committee, and sub-committee members may meet with the Auditors on their own for independent discussions.

The University's Executive has formal processes in place for evaluating and managing significant risks faced by the institution on an on-going basis. This involves identifying the types of risks the University faces through a top down and bottom up process of identification of risks at both corporate and departmental level. Risks are prioritised in terms of potential impact and likelihood of occurrence in accordance with an established and approved risk management policy. These risks are aligned to the strategic objectives of: Finance & Infrastructure; Governance; Reputation; Staff; Students. Risks are monitored along with the associated controls and risk mitigation actions on an on-going basis by the University Executive. The Audit, Risk and Assurance Committee receives an update on risk at each of its meetings, with appropriate reports and recommendations presented to the University Council.

The University has a process for dealing with significant control issues which involves immediate notification to the Chair of Council and Chairs of the Resources & Performance Committee and the Audit, Risk and Assurance Committee along with notification to the Higher Education Funding Council of Wales and the Charity Commission as appropriate.

During the year, the University was the target of an attempted fraud which identified a serious weakness in the operation of controls which had been found by Internal Audit to be designed appropriately. Steps have since been taken to further tighten procedures, clarify internal guidance and introduce further fraud awareness training for all relevant staff to avoid a recurrence. No funds were lost as a result of the incident.

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

PUBLIC BENEFIT STATEMENT

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

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

Teaching

Our core mission is to produce well-educated, skilled and confident graduates, fully equipped for the world of work and for the work of the world. We provide this through excellent teaching across 19 academic areas and embedding employability, transferrable skills and issues of global citizenship into our curriculum. We support a range of projects for learning in the community, including providing a wide range of lifelong learning courses in languages, the sciences, arts and humanities on the University campus as well as in community venues across Wales, and a portfolio of part-time and day courses. We recognise our special responsibility to further Welsh medium engagement and promote the Welsh language and are active in encouraging Welsh-speaking students to pursue their studies through the medium of Welsh.

Research

We possess a long and distinguished record of undertaking cutting edge research of international significance, conducting research that addresses the major challenges society faces, including climate and environmental change, global inequality, space research, international economics, artificial intelligence and cultural identities. We are establishing ourselves as a centre for research collaborations with business through our future Innovation and Enterprise Campus. Community engagement with research includes health and wellbeing programmes, beach lab, robotics workshops, monthly science cafes, public lectures and a new upland research centre providing work with schools.

Widening Participation

Our approach to widening access involves targeted projects aimed at raising school leaver aspirations and we work closely with schools and the local community on activities to improve skills, particularly in STEM (Science, Technology, Engineering and Maths) subjects. We provide a comprehensive range of Bursaries, Scholarships and Awards, including bursaries for PGR (Post Graduate Research) students which are funded via University and alumni-funded endowments. We provide a structure of financial support to ensure that students from all backgrounds can enjoy the benefits of Higher Education. We also provide a range of targeted academic and personal support to students to aid retention and promote student success. We work with a range of organisations, including Stonewall, ButtleUK, Athena SWAN, the Equality Challenge Unit and the Welsh Language Commissioner. We are proud to have received national recognition of our work in these areas, including being shortlisted for a Universities Human Resources award for the All Our Trans Tomorrows conference, established in 2017 and appearing at 79th place in the UK on the Stonewall Workplace Equality Index 2019.

International Reach

We are a thriving international community, welcoming staff and students from over 90 countries worldwide and working in partnership with institutions, businesses and organisations across the world. We have developed partnerships with Korean schools as well as institutions in Vietnam and several HEIs in Malaysia as well as hosting Fulbright scholars and Newton Scholars.

PUBLIC BENEFIT STATEMENT (continued)

Community Engagement

We engage fully with our local community through our Arts Centre's thriving cultural programmes which include theatre, music, cinema, gallery exhibitions, film and literary festivals, dancing classes, summer projects for school children and evening classes and workshops for adults. We are also proud of our partnership work with the National Library of Wales and with local schools and community groups and charities such as Mind, the RNLI and the West Wales Air Ambulance. We encourage staff and student volunteering and are proud of the involvement of both in activities such as working with women on probation, pro-bono legal work, beach conservation and engagement with St John's Ambulance Brigade. We offer services to regional businesses. We support the local hospital and community health programmes, and provide access to high quality sporting facilities and classes for the local community (including sports classes, sports holiday clubs, and activities to promote health and wellbeing in the over-50s).

STATEMENT OF COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The University is committed to best practice in all aspects of corporate governance. The institution's governing body, the Council, is satisfied that the institution has complied throughout the period with the 'Higher Education Code of Governance' (December 2014, revised June 2018), as well as relevant provisions set out in the UK Corporate Governance Code issued by the Financial Reporting Council in April 2016.

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

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

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

In preparing each of the group and parent University financial statements, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for Wales are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council, and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds as well as funds from other sources;
- safeguard the assets of the University and prevent and detect fraud and other irregularities; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF ABERYSTWYTH UNIVERSITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Aberystwyth University ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income, Consolidated and University Statements of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the Statement of Accounting Policies

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education;
- meet the requirements of HEFCW's Accounts Direction to Higher Education Institutions for 2018-19 issued on 11 July 2019; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Other information

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

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

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

Council responsibilities

As explained more fully in their statement set out on page 19, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

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

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

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

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

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention with the exception of investment properties and the defined benefit pension liabilities which are held at fair value.

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

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

Going Concern

The Consolidated Aberystwyth University Group incurred a deficit before taxation of £28.6 million (2017-18 deficit £5.6 million) which has resulted in a negative net cash outflow of £10.5 million (2017-18 £6.1 million). Additionally the Group has net current assets of £7.9 million (2017-18 £7.9 million) and net assets of £114.2 million (2017-18 £154.4 million), of which £77.4 million is represented by unrestricted reserves. Included within net current assets, are cash and cash equivalents of £14.3 million (2017-18 £24.8 million) (£3.7 million of which are restricted) which may be used by the Group to settle its ongoing liabilities and support the Group's Capital Programme. During 2018-19 the University continued to implement its Sustainability Implementation Plan (SIP) with the objectives of maximizing income, reducing the costs of running the institution and placing it on a sustainable footing for the future. All SIP savings have now been identified to meet the £11.4 million target, although final implementation will conclude during 2019-20. Financial forecasts, including cash flow projections, have been prepared for the Group and these cover the short and medium term. The forecasts indicate that 2019-20 will have a negative net cash outflow and 2020-21 will see a cash inflow position. As the Group concludes its capital investment plans, it will maintain sufficient cash balances and reserves to meet liabilities as they fall due.

To support cashflow, Aberystwyth University has in place a revolving credit facility, which has been setup with a two-tier structure based on the university's requirements. The first part of this facility is for capital spend and has an initial period of three years with an option of an additional seven years as a loan facility. The second part relates to an overdraft facility for an initial period of three years with its purpose solely for working capital.

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

2. Basis of consolidation

The consolidated financial statements include the University, Aberystwyth Innovation and Enterprise Campus (subsidiary), Aber Trading Ltd (subsidiary), Aber-Bangor Consultancy Ltd (subsidiary) and Aberystwyth Limited (Aberystwyth University Mauritius) (subsidiary) for the financial year to 31 July 2019. The results of the subsidiary during the period are included in the consolidated statement of income and expenditure. Intra-group transactions are eliminated on consolidation.

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

3. Income recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated and University Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

of the tuition fee is reduced, by a discount for prompt payment or guaranteed discount for all students, income receivable is shown net of the discount. Non general bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

Grant funding

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

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

Capital grants

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

Donations and endowments

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

Restricted donations are retained within restricted reserves until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the University is entitled to the funds.

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

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

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

4. Accounting for retirement benefits

The four principal pension schemes for the University are:

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

- the Dyfed Pension Fund (DPF), this is a Defined Benefit scheme closed to new entrants

Multi-employer Defined Benefit scheme

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

Defined Contribution Plan

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

Defined Benefit Scheme

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

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

5. Employment benefits

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

6. Finance leases

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

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

7. Operating leases

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

8. Foreign currency

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

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

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

9. Fixed assets

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

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

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

Land and buildings

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

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

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

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Leasehold land is depreciated over the life of the lease.

Equipment

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

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

Software

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

Heritage assets

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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

10. Investment properties

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

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

11. Other investments

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

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

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

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

12. Stock

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

13. Cash and cash equivalents

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

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

14. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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

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

16. Taxation

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

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

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

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

17. Reserves

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

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

18. Basic financial instruments

Trade and other debtors / creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Long-term financial liabilities

Long-term financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All loans held by the Group are classified as basic financial instruments in accordance with FRS 102, and are held at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

The University's student accommodation Fferm Penglais, was acquired using finance from L&G and Balfour Beatty. The building has been recognised at cost. The finance provided by L&G and Balfour Beatty has been recognised under long-term creditors based on the implicit interest rate of the arrangements.

CONSOLIDATED & UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 July 2019

	Notes	2019		2018 Restated	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	55,794	55,607	58,198	57,829
Funding body grants	2	12,954	12,954	11,933	11,933
Research grants and contracts	3	18,517	18,517	20,004	20,004
Other income	4	27,984	28,061	26,684	26,661
Investment income	5	774	774	784	784
Total income before endowments and donations		116,023	115,913	117,603	117,211
Donations and endowments	6	259	259	446	446
Total income		<u>116,282</u>	<u>116,172</u>	<u>118,049</u>	<u>117,657</u>
Expenditure					
Staff costs	7/9	66,401	66,401	67,648	67,648
Staff costs - increase/(decrease) in USS pension provision		18,334	18,334	(1,505)	(1,505)
Fundamental restructuring costs	7/9	770	770	1,523	1,523
Other operating expenses	9	46,447	46,337	42,895	42,503
Depreciation	9/10	10,531	10,531	10,969	10,969
Interest and other finance costs	8/9	3,845	3,845	4,033	4,033
Total expenditure	9	<u>146,328</u>	<u>146,218</u>	<u>125,563</u>	<u>125,171</u>
Deficit before other gains/(losses) and share of operating deficit of joint ventures and associates.		(30,046)	(30,046)	(7,514)	(7,514)
Share of operating surplus from joint ventures		-	-	-	-
Gain on disposal of fixed assets		146	146	48	48
Gain on investments		1,301	1,301	1,896	1,896
(Deficit)/surplus before taxation		<u>(28,599)</u>	<u>(28,599)</u>	<u>(5,570)</u>	<u>(5,570)</u>
Taxation		-	-	-	-
(Deficit)/surplus after taxation		<u>(28,599)</u>	<u>(28,599)</u>	<u>(5,570)</u>	<u>(5,570)</u>
Actuarial gain /(loss) in respect of pension schemes	26	(11,601)	(11,601)	11,543	11,543
Total comprehensive income for the year		<u>(40,200)</u>	<u>(40,200)</u>	<u>5,973</u>	<u>5,973</u>
Represented by:					
Endowment comprehensive income for the year	30	566	566	1,489	1,489
Comprehensive income (expenditure) for the year		(24)	(24)	(13)	(13)
Unrestricted comprehensive income for the year	30	<u>(40,742)</u>	<u>(40,742)</u>	<u>4,497</u>	<u>4,497</u>
		<u>(40,200)</u>	<u>(40,200)</u>	<u>5,973</u>	<u>5,973</u>
Total Comprehensive income for the year attributable to					
Non controlling interest		-	-	-	-
University		<u>(40,200)</u>	<u>(40,200)</u>	<u>5,973</u>	<u>5,973</u>

CONSOLIDATED AND UNIVERSITY BALANCE SHEET as at 31 July 2019

	Notes	2019		2018 Restated	
		Consolidated £000	University £000	Consolidated £000	University £000
Non current assets					
Fixed assets	10	235,893	222,718	230,975	227,298
Heritage assets	10	1,347	1,347	1,347	1,347
Investments	16	34,193	34,193	39,436	39,436
Investment in subsidiaries		-	2	2	2
		<u>271,433</u>	<u>258,260</u>	<u>271,760</u>	<u>268,083</u>
Current assets					
Stock	13	1,428	1,428	1,183	1,183
Trade and other receivables	14	22,375	19,118	9,341	9,590
Investments	15	1,327	1,327	2,054	2,054
Cash and cash equivalents	22	14,288	12,638	24,812	23,474
		<u>39,418</u>	<u>34,511</u>	<u>37,390</u>	<u>36,301</u>
Less: Creditors: amounts falling due within one year	17	31,523	26,627	29,459	28,382
Net current assets		<u>7,895</u>	<u>7,884</u>	<u>7,931</u>	<u>7,919</u>
Total assets less current liabilities		<u>279,328</u>	<u>266,144</u>	<u>279,691</u>	<u>276,002</u>
Creditors: amounts falling due after more than one year	18	109,745	96,573	98,288	94,611
Provisions					
Pension provisions	19	52,570	52,570	23,440	23,440
Other provisions	19	2,817	2,817	3,567	3,567
Total net assets		<u>114,196</u>	<u>114,184</u>	<u>154,396</u>	<u>154,384</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	20	36,646	36,646	36,080	36,080
Income and expenditure reserve - restricted reserve	21	177	177	201	201
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		77,373	77,361	52,883	52,871
Revaluation reserve		-	-	65,232	65,232
Total Reserves		<u>114,196</u>	<u>114,184</u>	<u>154,396</u>	<u>154,384</u>

The financial statements were approved by the University Council on 25th November 2019 and were signed on its behalf by:

Dr Emyr Roberts, Chair of Council

Professor Elizabeth Treasure, Vice-Chancellor

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES year ended 31 July 2019

Consolidated	Income and expenditure account			Revaluation reserve	Total Including Non Controlling Interest
	Endowment	Restricted	Unrestricted		
	£000	£000	£000	£000	£000
Balance at 1 August 2017 (as previously stated)	41,947	198	37,203	69,643	148,991
Effect of prior year adjustment	(7,356)	16	6,772	-	(568)
Restated balance at 1 August 2017	34,591	214	43,975	69,643	148,423
Surplus/(deficit) from the statement of comprehensive income (as previously stated)	1,345	96	4,532	-	5,973
Effect of prior year adjustment	144	(109)	(35)	-	-
Transfers between revaluation and income and expenditure reserve	-	-	4,411	(4,411)	-
Total comprehensive income for the year	1,489	(13)	8,908	(4,411)	5,973
Restated balance at 31 July 2018	36,080	201	52,883	65,232	154,396
Surplus/(deficit) from the statement of comprehensive income	566	(24)	(40,742)	-	(40,200)
Transfers between revaluation and income and expenditure reserve	-	-	65,232	(65,232)	-
Total comprehensive income for the year	566	(24)	24,490	(65,232)	(40,200)
Balance at 31 July 2019	36,646	177	77,373	-	114,196

University	Income and expenditure account			Revaluation reserve	Total Including Non Controlling Interest
	Endowment	Restricted	Unrestricted		
	£000	£000	£000	£000	£000
Balance at 1 August 2017 (as previously stated)	41,947	198	37,203	69,643	148,991
Effect of prior year adjustment	(7,356)	16	6,760	-	(580)
Restated balance at 1 August 2017	34,591	214	43,963	69,643	148,411
Surplus/(deficit) from the statement of comprehensive income (as previously stated)	1,345	96	4,532	-	5,973
Effect of prior year adjustment	144	(109)	(35)	-	-
Transfers between revaluation and income and expenditure reserve	-	-	4,411	(4,411)	-
Total comprehensive income for the year	1,489	(13)	8,908	(4,411)	5,973
Restated balance at 31 July 2018	36,080	201	52,871	65,232	154,384
Surplus/(deficit) from the statement of comprehensive income	566	(24)	(40,742)	-	(40,200)
Transfers between revaluation and income and expenditure reserve	-	-	65,232	(65,232)	-
Total comprehensive income for the year	566	(24)	24,490	(65,232)	(40,200)
Balance at 31 July 2019	36,646	177	77,361	-	114,184

There is a non-controlling interest relating to AIEC Ltd that totals £25 and has therefore been rounded to zero and is not shown separately in the note above. The revaluation reserve was created on transition to FRS102 when the properties were recognised at deemed cost. As the Group does not have a policy of revaluing its fixed assets it has deemed that more appropriate presentation is to show this within its I&E reserve.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2019

	Notes	2019 £000	2018 £000
Cash flow from operating activities			
(Deficit)/surplus for the year		(28,599)	(5,570)
Adjustment for non-cash items			
Depreciation	10	10,531	10,969
Impairment of fixed assets		9,162	1,644
Gain on endowment investments	20	(660)	(1,213)
Gain on other investments		(641)	(683)
(Increase)/Decrease in stock	13	(245)	317
(Increase)/Decrease in debtors	14	(13,046)	450
Increase/(Decrease) in creditors	17/18	1,716	(24)
Pension interest cost	26	620	848
Contribution to pension greater than current service charge	26	(1,994)	(1,976)
Change in USS deficit reduction plan assumptions	26	18,899	(1,154)
Increase in other provisions	19	(750)	422
Adjustment for investing or financing activities			
Investment income	5	(774)	(784)
Interest payable	8	3,241	3,180
Endowment income	20	(38)	(115)
Profit on the disposal of fixed assets		(146)	(48)
Capital grant income within research grant	2/4	(3,466)	(3,949)
Net cash inflow/(outflow) from operating activities		<u>(6,190)</u>	<u>2,314</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		388	820
Capital grants receipts		15,275	2,360
Investment income	5	774	784
Payments made to acquire fixed assets		(24,490)	(8,744)
New non-current asset investments		7,582	180
		<u>(471)</u>	<u>(4,600)</u>
Cash flows from financing activities			
Interest paid		(3,901)	(3,882)
Endowment cash received	20	38	115
		<u>(3,863)</u>	<u>(3,767)</u>
Decrease in cash and cash equivalents in the year		<u>(10,524)</u>	<u>(6,053)</u>
Cash and cash equivalents at beginning of the year	22	24,812	30,865
Cash and cash equivalents at end of the year	22	14,288	24,812

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

	Notes	2019		2018	
		Consolidated £000	University £000	Consolidated £000	University £000
1 Tuition fees and education contracts					
Full-time home and EU students		47,766	47,766	51,274	51,274
Full-time international students		6,966	6,779	5,880	5,511
Part-time students		739	739	699	699
Research Training Support Grant		323	323	345	345
		<u>55,794</u>	<u>55,607</u>	<u>58,198</u>	<u>57,829</u>
2 Funding body grants					
<i>Recurrent grant</i>					
Higher Education Funding Council		8,659	8,659	8,136	8,136
Release of HEFCW deferred capital grant		1,710	1,710	1,723	1,723
<i>Specific grants</i>					
Strategic Development Fund		-	-	45	45
Welsh Government Department for Education and Skills		2,585	2,585	2,029	2,029
		<u>12,954</u>	<u>12,954</u>	<u>11,933</u>	<u>11,933</u>
3 Research grants and contracts					
Research councils		7,260	7,260	8,600	8,600
Research charities		803	803	844	844
Government (UK and overseas)		8,507	8,507	8,118	8,118
Industry and commerce		1,703	1,703	2,437	2,437
Other		244	244	5	5
		<u>18,517</u>	<u>18,517</u>	<u>20,004</u>	<u>20,004</u>
4 Other income					
Residences, catering and conferences		12,982	12,982	13,335	13,335
Other revenue grants		364	364	325	325
Other services rendered		2,736	2,736	1,843	1,843
Arts Centre		2,257	2,257	2,101	2,101
Farms		1,944	1,944	1,194	1,194
Released from deferred capital grants		1,481	1,481	2,226	2,226
Other income		6,220	6,307	5,660	5,637
		<u>27,984</u>	<u>28,071</u>	<u>26,684</u>	<u>26,661</u>
5 Investment income					
Investment income on endowments	20	54	54	670	670
Investment income on restricted reserves	20	333	333	26	26
Other investment income		387	387	88	88
		<u>774</u>	<u>774</u>	<u>784</u>	<u>784</u>
6 Donations and endowments					
New endowments	20	38	38	115	115
Donations with restrictions	21	218	218	259	259
Unrestricted donations		3	3	72	72
		<u>259</u>	<u>259</u>	<u>446</u>	<u>446</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

7	Staff Costs	2019		2018	
		Consolidated £000	University £000	Consolidated £000	University £000
	Salaries	51,847	51,847	53,970	53,970
	Social security costs	4,687	4,687	4,853	4,853
	USS pension costs	6,836	6,836	6,597	6,597
	Other pension costs	3,031	3,031	2,228	2,228
		<u>66,401</u>	<u>66,401</u>	<u>67,648</u>	<u>67,648</u>
	Staff costs - increase / (decrease) in USS pension scheme	18,334	18,334	(1,505)	(1,505)
		<u>84,735</u>	<u>84,735</u>	<u>66,143</u>	<u>66,143</u>
	Staff costs - restructuring	<u>770</u>	<u>770</u>	<u>1,523</u>	<u>1,523</u>

Emoluments of the Vice-Chancellor

	2019 £000	2018 £000
Salary	228	224
Non-pensionable allowance	-	-
Bonus	-	-
Taxable benefits in kind	1	1
Pension contributions to USS	5	5
	<u>234</u>	<u>230</u>

The Vice-Chancellor's basic salary, expressed as a multiple of all other employees, is 6.7 times (2017-18 6.9 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University of its staff.

The Vice-Chancellor's total salary, expressed as a multiple of all other employees, is 6.9 times (2017-18 7.1 times) the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University of its staff.

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

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

The total cost Atypical staff for 2018-19 was £603,783.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Staff Costs (continued)

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

	Number of Staff 2019	Number of Staff 2018
£100,001-£105,000	1	2
£105,001-£110,000	1	1
£110,001-£115,000	1	-
£115,001-£120,000	1	1
£120,001-£125,000	-	-
£125,001-£130,000	-	1
£130,001-£135,000	1	1
	<u>5</u>	<u>6</u>

Average staff numbers by major category:

	2019 No.	2018 No.
Academic	367	382
Research	158	163
Management & specialist	337	350
Technical	139	135
Other	414	445
	<u>1,415</u>	<u>1,475</u>

Key management personnel

Key management personnel relate to those members of the executive board of the University only.

	2019 £000	2018 £000
Key management personnel compensation	<u>1,254</u>	<u>2,240</u>

Council Members

No member of Council has received any remuneration or waived payments from the University for acting as a member of Council during the year (2017-18 £nil). Members of the University staff appointed to the Council do not receive any additional remuneration in respect of their membership of the Council.

No member of Council has received payment for other services provided to the University, other than under a contract of employment for members of Council who are also University employees, during the year (2017-18: £nil).

The total expenses paid to or on behalf of 11 council members was £7,861 (2017-18 £11,232 to 11 council members). This represents travel and subsistence expenses incurred in attending Council and other meetings in their official capacity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8	Interest and other finance costs	2019		2018				
		Consolidated £000	University £000	Consolidated £000	University £000			
	Interest on Fferm Penglais Students Accommodation	3,241	3,241	3,180	3,180			
	Exchange differences	(16)	(16)	5	5			
	Interest cost on USS pension liability	238	238	237	237			
	Net charge on pension scheme	382	382	611	611			
		3,845	3,845	4,033	4,033			
9	University analysis of total expenditure by activity							
		Staff costs		Other				
		Operat ional staff costs	Restruc turing costs	Deprec iation	Other Operating expenses	Interest Payable	Total 2019	Total 2018
	Academic Department	27,128	-	1,582	2,772	-	31,482	32,699
	Academic Services	3,111	-	137	4,861	620	8,729	9,579
	Research Grants & Contracts	13,361	-	172	4,889	-	18,422	19,862
	Residences, Catering & Conference	6,844	-	1,454	4,975	-	13,273	13,645
	Premises	1,356	-	6,819	5,690	3,241	17,106	16,831
	General Education Expenditure	2,643	-	9	3,378	-	6,030	8,562
	Central Administration & services	25,086	770	72	4,847	(16)	30,759	10,928
	Student & staff facilities & amenities	2,322	-	54	545	-	2,921	3,093
	Impairment of fixed assets	-	-	-	9,162	-	9,162	1,644
	Other services rendered	984	-	6	1,846	-	2,836	1,906
	Arts Centre	1,187	-	93	1,318	-	2,598	2,402
	Farms	605	-	133	1,769	-	2,507	2,222
	Auditor's remuneration	-	-	-	75	-	75	84
	Other Expenses	108	-	-	210	-	318	1,714
		84,735	770	10,531	46,337	3,845	146,218	125,171

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Consolidated analysis of total expenditure by activity (continued)

	Staff costs			Other		Total 2019	Total 2018
	Operat ional staff costs	Restruc turing costs	Deprec iation	Other Operating expenses	Interest Payable		
Academic Department	27,128	-	1,582	2,772	-	31,482	32,699
Academic Services	3,111	-	137	4,861	620	8,729	9,579
Research Grants & Contracts	13,361	-	172	4,889	-	18,422	19,862
Residences, Catering & Conference	6,844	-	1,454	4,975	-	13,273	13,645
Premises	1,356	-	6,819	5,690	3,241	17,106	16,831
General Education Expenditure	2,643	-	9	3,378	-	6,030	8,562
Central Administration & services	25,086	770	72	4,944	(16)	30,856	11,315
Student & staff facilities & amenities	2,322	-	54	545	-	2,921	3,093
Impairment of fixed assets	-	-	-	9,162	-	9,162	1,644
Other services rendered	984	-	6	1,846	-	2,836	1,906
Arts Centre	1,187	-	93	1,318	-	2,598	2,402
Farms	605	-	133	1,769	-	2,507	2,222
Auditor's remuneration	-	-	-	88	-	88	89
Other Expenses	108	-	-	210	-	318	1,714
	84,735	770	10,531	46,447	3,845	146,328	125,563

Auditor's remuneration includes

	2019		2018	
	Consolidated £000	University £000	Consolidated £000	University £000
External auditors remuneration in respect of audit services	57	44	54	49
External auditors remuneration in respect of non-audit services:				
All other assurance services	8	8	13	13
All other non-audit services	23	23	22	22

Voluntary Severance

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Fixed Assets

Consolidated

	Freehold Land and Buildings £000	Freehold Investment Land and Buildings £000	Leasehold Land and Buildings £000	Plant and Machinery £000	Assets in the Course of construction £000	Heritage Assets £000	Total £000
Cost and valuation							
At 1 August 2018	212,927	15,955	50,001	54,422	5,814	1,347	340,466
Additions	7,066	-	-	1,771	15,653	-	24,490
Transfers	3,684	(5,707)	3,155	58	(1,190)	-	-
Surplus on revaluation	-	274	-	-	-	-	274
Disposals	-	(2,656)	-	(10,196)	-	-	(12,852)
At 31 July 2019	223,677	7,866	53,156	46,055	20,277	1,347	352,378
Consisting of valuation cost							
Cost	132,714	7,866	-	-	-	1,347	141,927
	90,963	-	53,156	46,055	20,277	-	210,451
	223,677	7,866	53,156	46,055	20,277	1,347	352,378
Depreciation							
At 1 August 2018	54,416	620	4,564	48,544	-	-	108,144
Charge for the year	6,633	-	1,347	2,551	-	-	10,531
Impairment	9,072	-	90	-	-	-	9,162
Disposals	(1,919)	(620)	-	(10,160)	-	-	(12,699)
At 31 July 2019	68,202	-	6,001	40,935	-	-	115,138
Net book value							
At 31 July 2019	155,475	7,866	47,155	5,120	20,277	1,347	237,240
At 31 July 2018	158,511	15,335	45,437	5,878	5,814	1,347	232,322
University							
Cost and valuation							
At 1 August 2018	212,927	15,955	50,001	54,422	2,137	1,347	336,789
Additions	7,066	-	-	1,771	6,155	-	14,992
Transfers	3,684	(5,707)	3,155	58	(1,190)	-	-
Surplus on revaluation	-	274	-	-	-	-	274
Disposals	-	(2,656)	-	(10,196)	-	-	(12,852)
At 31 July 2019	223,677	7,866	53,156	46,055	7,102	1,347	339,203
Consisting of valuation cost							
Cost	132,714	7,866	-	-	-	1,347	141,927
	90,963	-	53,156	46,055	7,102	-	197,276
	223,677	7,866	53,156	46,055	7,102	1,347	339,203
Depreciation							
At 1 August 2018	54,416	620	4,564	48,544	-	-	108,144
Charge for the year	6,633	-	1,347	2,551	-	-	10,531
Impairment	9,072	-	90	-	-	-	9,162
Disposals	(1,919)	(620)	-	(10,160)	-	-	(12,699)
At 31 July 2019	68,202	-	6,001	40,935	-	-	115,138
Net Book Value							
At 31 July 2019	155,475	7,866	47,155	5,120	7,102	1,347	224,065
At 31 July 2018	158,511	15,335	45,437	5,878	2,137	1,347	228,645

Included within freehold land and buildings is £7,433,200 (2017-18 £7,477,800) that relate to endowment property (see note 20).

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Fixed Assets (continued)

Freehold Investment land and buildings

The last full valuation of these assets was completed by Cooke & Arkwright in July 2016 for the year ending 31 July 2016. During the year a review of all investment properties was undertaken at the 31 July 2019 and all changes were recorded in the Consolidated Statement of Comprehensive Income for the year. An impairment review was undertaken on assets that had been deemed surplus to requirement by the estates department and were reclassified as assets available for sale. For additional information please see note 28.

11 Investments in University subsidiary companies

Company	Principal Activity	Status	Note
Aberystwyth University Innovation and Enterprise Campus Limited (AIEC)	Provision of research in food, nutrition & energy security, renewable energies & biotechnologies	75% owned	
Aber Trading Limited	Provider of consultancy and research work	100% owned	-
Aberystwyth Limited	Provide Aberystwyth University education in Mauritius	100% owned	
Aber Bangor Consultancy Limited	Provider of consultancy work	100% owned	-
Ceredigion Limited	Dormant company setup to provide education in Mauritius	100% owned	

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

Aberystwyth University Innovation and Enterprise Campus Limited (AIEC), is a company limited by shares and registered in England & Wales. Aberystwyth University owns 75 per cent of the AIEC the remaining 25 per cent is owned by Biotechnology and Biological Sciences Research Council (BBSRC) a government agency. The shareholders' agreement was signed on 22 May 2018. AIEC has obtained funding to build a new research centre. This centre will cost £40.5 million to establish and will allow research into food, nutrition and energy security, renewable energies and biotechnologies.

During the year the University invoiced AIEC for expenditure the University had incurred on behalf of AIEC totalling £343,261 (2017-18 £312,672) and AIEC invoiced the University £164,881 (2017-18 £200,478). The University also advanced cash to AIEC to the value of £5,170,000 (2017-18 £nil) which has incurred an interest rate of 5 per cent. At the year end AIEC had a long-term creditor to the University which includes cash advances of £5,472,444 (2017-18 £241,335). The non controlling interest is £25 and therefore does not show up in the consolidated and university balance sheet as the figures are shown in thousands.

	AIEC Limited	
	2019	2018
	£000	£000
Income and expenditure account		
Income	243	208
Expenditure	243	208
Deficit before tax	-	-
Balance sheet		
Fixed assets	13,175	3,677
Current assets	11,464	1,275
Creditors: amounts due within one year	1,482	28
Creditors: amounts due after more than one year	23,157	4,924
Net assets	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Investments in University subsidiary companies (continued)

Aber Trading Limited

The University owns the whole of the issued share capital of Aber Trading Limited, a company registered in England and Wales, and performs research contract work and consultancy work on its behalf. Aber Trading Limited owed the University £20,361 at the year end (2017-18 £8,219).

During the year Aberystwyth University charged Aber Trading Limited £7,370 (2017-18 £11,547).

The latest financial statements of Aber Trading Ltd show the following balances, which have not been consolidated in the Group accounts on the basis that they are not material to the Group.

	Aber Trading Ltd	
	2019	2018
	£000	£000
Income and expenditure account		
Income	7	19
Expenditure	8	14
Deficit after tax	(1)	5
Balance sheet		
Current assets	26	15
Creditors: amounts due after more than one year	21	10
Net assets	5	5

Investment in Aberystwyth Limited

On the 31 December 2017 the University terminated this joint venture agreement with Boston Campus Limited and Aberystwyth Ltd became a wholly owned subsidiary. Aberystwyth Ltd is a company limited by shares and registered in Mauritius. Prior to this the University owned 51 per cent of the shares, the remaining 49 per cent were owned by Boston Campus Limited. The company was treated as a joint venture until the 31 December 2017, which are shown below as the 5 month period to 31 December 2017, these have been included in the Group accounts on the basis of equity accounting. The remaining 7 months have been consolidated into the group numbers as a wholly owned subsidiary. The figures below are apportioned on a pro rata basis.

	2019	2018
	£000	£000
Income and expenditure account		
Income	191	369
Expenditure	191	369
Deficit before tax	-	-
Balance sheet		
Current assets	101	175
Creditors: amounts due within one year	99	173
Net assets	2	2

During the year Aberystwyth Ltd generated net tuition fee income of £187,000 (2017-18 £369,000) of which the University was entitled to £187,000 (2017-18 £292,000). The net expenditure relating to academic activities totaled £191,000 (2017-18 £562,500) this expenditure has been accounted for in the comprehensive income statement of the University. At the year end the University was due £99,487 (2017-18 £122,794) from Aberystwyth Ltd for tuition fees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Investments in University subsidiary companies (continued)

Investment in Aber Bangor Consultancy Limited

Up until 1 January 2018 Aberystwyth University and Bangor University both owned a 50 per cent share of Aber Bangor Consultancy Ltd, which provides consultancy work undertaken for specialised projects requiring a more substantial research and development component that can be developed and delivered by University researchers. On the 1 January 2018, Bangor University gifted their shares in the company to Aberystwyth University and from then on it has been treated as a wholly owned subsidiary.

During the year the University charged Aber Bangor Consultancy Ltd £35,521 (2017-18 £25,197) and £4,201 (2017-18 £1,337) for administration services. At the year end Aber Bangor Consultancy Ltd owed the University £37,070 (2017-18 £14,130).

The latest financial statements of Aber Bangor Consultancy Ltd show the following balances, which have not been consolidated in the Group accounts on the basis that they are not material to the Group.

	Aber Bangor Consultancy Ltd	
	2019	2018
	£000	£000
Income and expenditure account		
Income	42	29
Expenditure	41	28
Deficit before tax	1	1
Balance sheet		
Current assets	44	21
Creditors: amounts due within one year	40	14
Net assets	4	7

Investment in Ceredigion Limited

On 22 November 2017 Ceredigion Limited was incorporated as a company limited by shares and registered in Mauritius. Since that date this company has not traded and it is the intention of the board to dissolve this company within the current financial year. Ceredigion Limited is a 100 per cent owned subsidiary.

12 Other related parties

Aberystwyth University Pension and Assurance Scheme (AUPAS)

The University runs a payroll service on behalf of AUPAS for which no administrative cost recharges are made. The Pension Scheme debtor at the year end was £344,146 (2017-18 £343,642) which relates to PAYE payments made by Aberystwyth University on behalf of AUPAS' during the year, which is now owed to the University.

Aberystwyth Students Union

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

The University's grant to AUSU amounted to £641,663 (2017-18 £721,663).

The Students Union occupies premises owned by the University for which no rent is charged and received payroll services from the University for which no fee is charged. At the year end the University was owed £37,190 (2017-18 £4,531).

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019		2018	
	Consolidated £000	University £000	Consolidated £000	University £000
13 Stock				
General consumables	1,428	1,428	1,183	1,183
14 Trade and other receivables				
Amounts falling due within one year:				
Research grants receivables	7,811	7,811	5,191	5,191
Other trade receivables	12,744	3,914	2,183	2,080
Taxation asset RDEC credit	16	16	16	16
Prepayments and accrued income	1,804	1,804	1,951	1,939
Amounts due from subsidiary companies	-	5,573	-	364
	22,375	19,118	9,341	9,590
15 Current investments				
Treasury bills	1,327	1,327	2,054	2,054
Cash deposits	-	-	-	-
	1,327	1,327	2,054	2,054
16 Non-current investments				
Fixed interest stocks	4,753	4,753	4,753	4,753
Non-equity investments	111	111	113	113
Equities	20,147	20,147	25,388	25,388
Absolute returns	7,162	7,162	7,162	7,162
Property unit trust	2,020	2,020	2,020	2,020
	34,193	34,193	39,436	39,436

Non-current investments includes £21,960,000 (2017-18 £20,534,000) that relate to endowments (see note 20) and £12,233,000 (2017-18 £18,902,000) that relate to non-endowment investments held by Aberystwyth University.

The University has undertaken an internal review and rationalisation of the endowment funds to ensure that they reflect the purpose and intentions of the donors' wishes.

During 2017-18, some Endowment funds have been re-classified as these have been given as funds for the University's general purposes or have been historically ring-fenced by various University committees and were therefore previously treated as endowed capital.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019		2018	
	Consolidated £000	University £000	Consolidated £000	University £000
17 Creditors: amounts falling due within one year				
Payment received on account	4,815	4,815	3,773	3,773
Research grant balances	8,888	4,379	7,305	6,298
Deferred income from Student Village Lease	680	680	680	680
Short-term employee benefit	1,835	1,835	1,894	1,894
Trade payables	6,127	4,599	6,536	6,523
Social security and other taxation payable	1,968	3,127	3,209	3,219
Accruals and deferred income	3,393	3,376	2,245	2,178
Deferred capital grants less than 1 year	3,817	3,817	3,817	3,817
	<u>31,523</u>	<u>26,628</u>	<u>29,459</u>	<u>28,382</u>

	2019		2018	
	Consolidated £000	University £000	Consolidated £000	University £000
18 Creditors: amounts falling due after more than one year				
Deferred income from Student Village lease	5,429	5,429	6,108	6,108
Secured liabilities				
- L&G finance	44,474	44,474	44,241	44,241
- Balfour Beatty deferred consideration	5,165	5,165	5,070	5,070
Deferred capital grants greater than 1 year	54,677	41,505	42,869	39,192
	<u>109,745</u>	<u>96,573</u>	<u>98,288</u>	<u>94,611</u>

	2019		2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Analysis of secured and unsecured loans:				
Due in five years or more	49,639	49,639	49,311	49,311
Total secured and unsecured loans	<u>49,639</u>	<u>49,639</u>	<u>49,311</u>	<u>49,311</u>
Secured loans repayable by 2048	49,639	49,639	49,311	49,311
	<u>49,639</u>	<u>49,639</u>	<u>49,311</u>	<u>49,311</u>

Both the L&G and Balfour Beatty liabilities are repaid through annual payments that increase by RPI until 2048. The implicit interest rates are 6 per cent (2017-18 6 per cent) for the L&G finance and 12.7 per cent (2017-18 13 per cent) for Balfour Beatty.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Provisions for liabilities at 31 July 2019

	Obligation to fund deficit on USS pension £000	Defined benefit obligations £000	Total pensions provisions £000	VAT £000	Voluntary severance £000	Other £000	Total other £000
Consolidated							
At 1 August 2018	11,056	12,384	23,440	840	742	1,985	3,567
Utilised in year	-	-	-	(200)	(706)	(304)	(1,210)
Additions in 2018-19	18,334	10,796	29,130	-	460	-	460
At 31 July 2019	29,390	23,180	52,570	640	496	1,681	2,817

	Obligation to fund deficit on USS pension £000	Defined benefit obligations £000	Total pensions provisions £000	VAT £000	Voluntary severance £000	Other £000	Total other £000
University							
At 1 August 2018	11,056	12,384	23,440	840	742	1,985	3,567
Utilised in year	-	-	-	(200)	(706)	(304)	(1,210)
Additions in 2018-19	18,334	10,796	29,130	-	460	-	460
At 31 July 2019	29,390	23,180	52,570	640	496	1,681	2,817

USS Deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed projections for future employees within the USS scheme and projections for salary payment over the period of the contracted obligation in assessing the value of this provision. More detail can be found in note 26.

VAT Provision

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

Voluntary Severance

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

Other Provision

£1,556,000 of the other provision relates to backlog maintenance on leased property which the University is contractually obliged to restore back to its original condition for which payments are expected to be incurred within one to five years. This value is based on current expected costs. Also included is a provision for £125,000 which relates to the closure of Aberystwyth Limited, Aberystwyth University's Mauritius branch the costs are expected to be incurred within one year.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Endowment reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £000	Unrestricted permanent endowments £000	Expendable endowments £000	Total £000
Restated capital brought forward	24,248	8,683	396	33,327
Restated accumulated income brought forward	2,728	25	-	2,753
Restated balances at 1 August 2018	26,976	8,708	396	36,080
(Loss) on disposal of fixed assets	-	-	-	-
Increase (decrease) in investment land and buildings	239	(129)	-	110
New endowments	21	-	17	38
Investment income	333	48	6	387
Expenditure	(580)	(48)	(1)	(629)
Increase in market value of investments	575	73	12	660
Total endowment comprehensive income for the year	588	(56)	34	566
Balances at 31 July 2019	27,564	8,652	430	36,646
Capital carry forward	25,083	8,627	425	34,135
Accumulated income carry forward	2,481	25	5	2,511
At 31 July 2019	27,564	8,652	430	36,646

In addition to the £660,000 (2017-18 £1,708,000) increase in market value of investments above, there has been no movement in the market value of investment properties £nil (2017-18 £nil) other than the disposal and impairment shown above.

The numbers in the table above have been restated following the reclassification of some reserves to unrestricted reserves (as per note 30).

	2019		2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Analysis by type of purpose:				
Lectureships	3,187	3,187	3,138	3,138
Scholarships and bursaries	16,296	16,296	16,044	16,044
Research support	6,641	6,641	6,539	6,539
Prize funds	2,017	2,017	1,986	1,986
General	8,505	8,505	8,373	8,373
	36,646	36,646	36,080	36,080

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Endowment reserves (continued)

	2019		2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Analysis by asset				
Investment	21,960	21,960	20,534	20,534
Land and Buildings	10,849	10,849	10,739	10,739
Endowment cash and treasury bills	3,837	3,837	4,807	4,807
	<u>36,646</u>	<u>36,646</u>	<u>36,080</u>	<u>36,080</u>

21 Restricted reserves

Reserves with restrictions are as follows

	University and Consolidated 2019		University and Consolidated 2018	
	Donations £000	Total £000	Donations £000	Total £000
Capital brought forward	116	116	116	116
Accumulated income brought forward At 1 August 2018	85	85	98	98
	<u>201</u>	<u>201</u>	<u>214</u>	<u>214</u>
New donations	195	195	89	89
Investment income	-	-	-	-
Expenditure	(219)	(219)	(102)	(102)
Total restricted comprehensive income for the year	<u>(24)</u>	<u>(24)</u>	<u>(13)</u>	<u>(13)</u>
Capital carry forward	116	116	116	116
Accumulated income carry forward	61	61	85	85
	<u>177</u>	<u>177</u>	<u>201</u>	<u>201</u>

Analysis of other restricted funds and donations by purpose:

	2019		2018	
	Donations £000	Total £000	Donations £000	Total £000
Lectureships	-	-	-	-
Scholarships and bursaries	123	123	141	141
Research support	-	-	-	-
Prize funds	2	2	2	2
General	52	52	58	58
	<u>177</u>	<u>177</u>	<u>201</u>	<u>201</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Cash and cash equivalents

	At 1st August 2018	Cash flow	At 31st July 2019
Consolidated	£000	£000	£000
Cash available to university	19,202	(8,640)	10,562
Restricted endowment cash	5,610	(1,884)	3,726
	<u>24,812</u>	<u>(10,524)</u>	<u>14,288</u>

23 Capital and other commitments

	2019		2018	
Consolidated	University	Consolidated	University	
£000	£000	£000	£000	
Capital commitments	30,836	16,001	6,575	5,264
	<u>30,836</u>	<u>16,001</u>	<u>6,575</u>	<u>5,264</u>

24 Contingent liabilities and assets

There are no contingent liabilities or assets at the end of the period

25 Events after the reporting period

As set out in note 26 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £12.2 million in the provision for the Obligation to fund the deficit on the USS pension which would instead be £17.1 million. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 University and consolidated pension schemes

The University participates in four different schemes:

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

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

Impact on Consolidated Statement of Comprehensive Income

	2019	2018
	£000	£000
Operating charge in staff costs		
AUPP	2,999	3,019
USS	25,171	5,092
AUPAS	-	-
DPF	11	12
Total pension charge in staff costs	<u>28,181</u>	<u>8,123</u>

	2019	2018
	£000	£000
Interest costs		
USS	238	237
AUPAS	384	600
DPF	(2)	11
Total interest costs	<u>620</u>	<u>848</u>

	2019	2018
	£000	£000
Actuarial gain/(loss) in respect of pension schemes		
AUPAS	(11,089)	11,041
DPF	(512)	502
Total actuarial gain/(loss)	<u>(11,601)</u>	<u>11,543</u>

Impact on Balance Sheet

	2019	2018
	£000	£000
Pension Provision		
USS	29,390	11,056
AUPAS	22,799	12,433
DPF	381	(49)
Total pension liability	<u>52,570</u>	<u>23,440</u>

(i) ABERYSTWYTH UNIVERSITY PENSION PLAN

The Aberystwyth University Pension Plan is a defined contribution pension plan which is administered by Legal & General. All employee and Institute contributions are invested in a Legal & General Group Personal Pension Plan. The University contributes 10 per cent of salary into the pension scheme. The total contribution in 2018-19 was £2,999,000 (2017-18 £3,019,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

(ii) THE UNIVERSITIES SUPERANNUATION SCHEME

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee Benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The total amount charged to the statement of comprehensive income is £25,171,000 (2017-18 £5,092,000). The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 ("the valuation date"), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was underway but not yet complete.

Since the institution cannot identify its share of Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

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

Assumptions

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

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

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

Mortality base table Pre-retirement	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Mortality base table Post-retirement	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

The funding position of the scheme has since been updated on an FRS 102 basis:

	2019	2018
Scheme assets	£67.4bn	£63.7bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS102 total scheme deficit	£11.8bn	£8.4bn
FRS102 total funding level	85%	88%

Key assumptions used are:

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

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

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £11.1 million to £29.4 million as set out in note 19. £18.9 million of this increase is attributable to the change in the deficit contributions contractual commitment.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion. Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2 per cent of salaries from 1 October 2019 to 30 September 2021 and then payments of 6 per cent of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £17.1 million, a decrease of £12.2 million from the current year end provision and a £12.2 million lower charge to the Statement of Comprehensive Income.

	2019	2018
	£000	£000
Opening deficit	(11,056)	(12,798)
Current service cost	(6,272)	(6,246)
Change in deficit reduction plan assumptions	(18,899)	1,154
USS Pension cost in the Consolidated Income Statement	(25,171)	(5,092)
Net interest cost	(238)	(237)
Contribution from University	7,075	7,071
Closing deficit	(29,390)	(11,056)

(iii) ABERYSTWYTH UNIVERSITY PENSION AND ASSURANCE SCHEME

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

During the accounting period, the University paid contributions of £1,106,000 (2017-18 £1,071,000) to the pension scheme as a contribution to reduce the value of the deficit. The scheme is closed and no contributions were made by members.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

Assumptions

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

	2019 %pa	2018 %pa
Price inflation (RPI)	3.20	3.10
Price inflation (CPI)	2.20	2.10
Rate of increase in salaries	2.70	2.60
Rate of increase of pensions in payment for AUPAS members	2.10	2.10
Deferred pension revaluation	2.20	2.10
Discount rate	2.10	2.85

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

	2019	2018
Males currently aged 65 (years)	21.6	21.8
Females currently aged 65 (years)	23.9	24.1
Males currently aged 45 (years)	23.3	23.5
Females currently aged 45 (years)	25.8	26.0

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

	2019 £000	2018 £000
Pension cost within surplus/deficit before other gains/losses		
Current service cost	-	-
(Gain) / loss on curtailments/change/introduction	45	-
Past service costs	-	-
Total operating charge in staff costs	<u>45</u>	<u>-</u>
Interest on plan assets	2,719	2,425
Interest on pension liabilities	<u>3,057</u>	<u>3,025</u>
Net interest cost	338	600
Administrative cost	-	-
Total pension cost within deficit before other gains/losses	<u>383</u>	<u>600</u>
Actuarial gain/(loss) in respect of pension schemes		
Gain on assets	4,301	879
Experience gain on liabilities	-	6,461
Gain/(loss) on liabilities	<u>(15,390)</u>	<u>3,701</u>
Net Actuarial gain/(loss) in respect of pension schemes	(11,089)	11,041
Total comprehensive income/(cost) for the year	<u><u>(11,472)</u></u>	<u><u>10,441</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

Summary of the amount shown in the balance sheet for AUPAS

	2019 £000	2018 £000
Scheme assets	101,019	96,792
Scheme liabilities	123,818	109,225
Net pension liability	<u>22,799</u>	<u>12,433</u>

Analysis of movement in the present value of AUPAS liabilities

Present value of AUPAS liabilities at the start of the year	109,225	120,658
Current service cost (net of member contributions)	-	-
Loss on curtailments/changes	-	-
Interest cost	3,057	3,025
Actual member contributions (including notional contributions)	-	-
Actuarial (gain)/loss due to changes in assumptions	15,390	(3,701)
(Gain) / loss on curtailments/change/introduction	45	-
Actuarial (gain)/loss due to effect of experience adjustment	-	(6,461)
Actual benefit payments	(3,899)	(4,296)
Present value of AUPAS liabilities at the end of the year	<u>123,818</u>	<u>109,225</u>

Analysis of movement in the present value of AUPAS liabilities

Fair value of assets at the start of the year	96,792	96,712
Expected interest income on plan assets	2,719	2,425
Actual return on plan assets (excluding interest income)	4,301	897
Actual contributions paid by University	1,106	1,071
Actual member contributions (including notional contributions)	-	-
Actual benefit payments	(3,899)	(4,295)
Administrative expenses paid from plan assets	-	-
Fair value of scheme assets at the end of the year	<u>101,019</u>	<u>96,792</u>

Fair value of AUPAS scheme assets

Cash and cash equivalents	503	400
Equity instruments	38,673	37,468
Debt instruments	43,401	40,293
Real estate	9,767	10,052
Other	8,675	8,579
Total fair value of AUPAS scheme assets	<u>101,019</u>	<u>96,792</u>

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

Actual return on scheme assets

Expected return on scheme assets	2,719	2,425
Asset gain/(loss)	4,301	879
Actual return on scheme assets	<u>7,020</u>	<u>3,304</u>
Per cent return on scheme assets at start of year	7.0%	3.4%

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

(iv) DYFED PENSION FUND

The University is an admitted member of the Dyfed Pension Fund which is a multi-employer Local Government Pension Scheme regulated by statute. The last full actuarial valuation was carried out at 31 March 2016 by a qualified independent actuary. An approximate actuarial valuation was carried out at 31 July 2019 by a qualified independent actuary.

Assumptions

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

	2019 % pa	2018 % pa
Price inflation	2.3	2.2
Rate of increase in salaries	3.8	3.7
Rate of increase of pensions in payment for DPF members	2.4	2.3
Discount rate	2.0	2.8

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

	2019	2018
Males currently aged 65 (years)	23.0	22.9
Females currently aged 65 (years)	25.7	25.6
Males currently aged 45 (years)	25.2	25.1
Females currently aged 45 (years)	28.1	27.9

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

	2019 £000	2018 £000
Pension cost within surplus/deficit before other gains/losses		
Current service cost	11	12
Total operating charge in staff costs	11	12
Interest on plan assets	153	128
Interest on pension liabilities	151	139
Net interest cost	(2)	11
Administrative cost	-	-
Total pension cost within surplus/deficit before other gains/losses	9	23
Actuarial gain/(loss) in respect of pension schemes		
Gain on assets	179	352
Gain/(loss) on liabilities	(691)	150
Net Actuarial gain in respect of pension schemes	(512)	502
Total Comprehensive income/(cost) for the year	521	(479)

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

	2019	2018
	£000	£000
Summary of the amount shown in the balance sheet for DPF		
Scheme assets	5,747	5,541
Scheme liabilities	6,128	5,492
Net pension (liability) / asset	(381)	49
 Analysis of movement in the present value of DPF liabilities		
Present value of DPF liabilities at the start of the year	5,492	5,707
Current service cost (net of member contributions)	11	12
Interest cost	151	139
Actual member contributions (including notional contributions)	2	2
Past service costs	3	-
Actuarial (gain) / loss due to changes in assumptions	691	(150)
Actual benefit payments	(222)	(218)
Present value of DPF liabilities at the end of the year	6,128	5,492
 Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	5,541	5,187
Expected interest income on plan assets	153	128
Actual return on plan assets (excluding interest income)	179	352
Actual contributions paid by University	94	90
Actual member contributions (including notional contributions)	2	2
Actual benefit payments	(222)	(218)
Fair value of scheme assets at the end of the year	5,747	5,541
 Fair value of DPF scheme assets		
	2019	2018
	£000	£000
Cash and cash equivalents	75	22
Equity instruments	4,103	3,912
Debt instruments	862	1,003
Real estate	707	604
Total fair value of DPF scheme assets	5,747	5,541
 Actual return on scheme assets		
Expected return on scheme assets	153	128
Asset gain	179	352
Actual return on scheme assets	332	480
Per cent return on scheme assets at start of year	6.0%	9.3%

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 University and consolidated lease obligations	Land and Buildings £000	Plant and Machinery £000	Other leases £000	Total 2019 £000	Total 2018 £000
Payable during the year	324	-	197	521	799
Future minimum lease payments due					
Not later than 1 year	259	-	139	398	513
Later than 1 year and not later than 5 years	968	-	191	1,159	1,314
Later than 5 years	1,457	-	-	1,457	1,767
Total lease payments due	<u>2,684</u>	<u>-</u>	<u>330</u>	<u>3,014</u>	<u>3,594</u>

28 Significant judgements & sources of estimation uncertainty

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

The items in the University's Balance Sheet at 31 July 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pension liability	<p>A firm of consulting actuaries (Mercers) were engaged to provide expert advice about the pension assumptions to be applied.</p> <p>The estimation of the net pension liability depends on a number of complex judgements including the discount rate used, the rate of inflation, and mortality rates.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>A 0.25 per cent change in the discount rate assumption changes the AUPAS pension liability by £7.3 million. An increase in discount rate reduces the liability, a fall in the discount rate increases the liability.</p> <p>A 0.25 per cent change in the inflation rate assumption changes the AUPAS pension liability by £255.1 million. An increase in inflation rate increases the liability, a fall in the inflation rate reduces the liability</p> <p>A change of 1 year in life expectancy changes the pension liability by £253.9 million. An increase in life expectancy increases the liability, a fall in life expectancy reduces the liability.</p> <p>A 0.25 per cent change in the discount rate changes the USS pension liability by £20.1 million. An increase in discount rate reduces the liability, a fall in discount rate increases the liability</p>

NOTES TO THE FINANCIAL STATEMENTS (continued)

28 Significant judgements & sources of estimation uncertainty (continued)

Item	Uncertainties	Effect if actual results differ from assumptions
Investment property	<p>Investment properties have been valued at £3.5 million by a Chartered Surveyor and Registered Valuer under the RICS Valuer Registration Scheme (Cooke and Arkwright).</p> <p>They have been valued at fair value which is the value for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The property market in Aberystwyth and surrounding area is less liquid and the values of property is subject to the demand for a specific property.</p>	<p>If the value of the investment properties are determined to be lower, this will be recognised as a charge to the University's Consolidated Statement of Comprehensive Income. If the value of investment properties are determined to be higher, this will be recognised as a gain in the University's Consolidated Statement of Comprehensive Income.</p>

29 Related party transactions

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

	Income £'000	Expend- iture £'000	Debtor £'000	Creditor £'000
Members of Council				
Ceredigion County Council - (Mr Keith Evans)	142	(615)	-	-
Alun, Thomas & John Solicitors - (Mr Richard John)	-	(3)	-	-
Senior Staff Members				
UCAS Media Limited - (Prof Elizabeth T Treasure)	-	(260)	-	(24)
UCAS - (Prof Elizabeth T Treasure)	-	(55)	-	(36)
Aber Trading Limited - (Prof Chris Thomas)	-	-	1	-
Coleg Cymraeg Cenedlaethol - (Dr Rhodri Llwyd Morgan)	-	(9)	-	-

Mr Bruce Wight and Mr Anna Wyn Jones, in addition to being University Trustees were also members of the Aberystwyth University Students' Union. Transactions with a value of £699,950 relating to block grant took place between the University and the Students' Union.

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

There are also transactions relating to subsidiaries, details of these can be found in note 11.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Prior year restatement to reserves

As part of completing the 2018-19 financial statements, the University reviewed the balances within reserves, with a particular focus on the classification of endowment funds, this is a continuation of a process that begun in 2017-18. This highlighted, following internal review and legal opinion on key documentation relating to the funds, that reserves previously held within endowments totalling £7,356,000 as at 1 August 2016 ought to have been classified as £16,000 in restricted reserves and £6,760,000 unrestricted reserves. There was also a misclassification of £580,000 in investment income. Since this matter has arisen from review of documentation that the University had access to in the prior year, the resulting adjustment has been made retrospectively, with the balances on reserves restated as at 1 August 2017. Additionally, the classification of income relating to these reserves in 2017-18 has also been adjusted retrospectively, as outlined below and in the Statement of Changes in Reserves. This adjustment follows a similar issue identified as part of the 2017-18 financial statements that also resulted in a prior year adjustment to reclassify reserves.

The net effect on total reserves is £580,000 relating the misclassification of investment income, but as at 1 August 2017 has the effect of moving £7,356,000 from endowment reserves to the restricted and unrestricted income and expenditure reserve. The table below shows the effect on the opening position for 2017-18, as at 1 August 2017, and as at 31 July 2018. There is no impact on the Consolidated and University Statement of Comprehensive Income for the year ended 31 July 2018, save for the classification of total comprehensive income between reserve balances, as shown below.

Consolidated	Income and expenditure account			Revaluation reserve £000	Total Including Non Controlling Interest £000
	Endowment £000	Restricted £000	Unrestricted £000		
	Balance at 1 August 2017 as previously reported	41,947	198		
Prior year adjustment	(7,356)	16	6,772	-	(568)
Restated balance at 1 August 2017	34,591	214	43,963	69,643	148,423
Balance at 31 July 2018 as previously reported	43,292	294	46,146	65,232	154,964
Prior year adjustment to opening balances	(7,356)	16	6,772	-	(568)
Prior year adjustment to comprehensive income relating to reclassified reserves	144	(109)	(35)	-	-
Restated balance at 31 July 2018	36,080	201	52,883	65,232	154,396
University	Income and expenditure account			Revaluation reserve £000	Total Including Non Controlling Interest £000
	Endowment £000	Restricted £000	Unrestricted £000		
	Balance at 1 August 2017 as previously reported	41,947	198		
Prior year adjustment	(7,356)	16	6,760	-	(580)
Restated balance at 1 August 2017	34,591	214	43,963	69,643	148,411
Balance at 31 July 2018 as previously reported	43,292	294	46,146	65,232	154,964
Prior year adjustment to opening balances	(7,356)	16	6,760	-	(580)
Prior year adjustment to comprehensive income relating to reclassified reserves	144	(109)	(35)	-	-
Restated balance at 31 July 2018	36,080	201	52,871	65,232	154,384