

*Financial Statements
for the
Year ending
31 July 2018*

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UNIVERSITY TRUSTEES

The University's Trustees for the year ended 31 July 2018, and subsequently to the Council meeting where these financial statements were formally approved, were:

Independent Members

Ex-officio

Sir Emyr Jones Parry, Chancellor and Chair of Council [until 31 December 2017] (2/2)

Dr Emyr Roberts Chair of Council [from 01 January 2018, previously in an appointed Independent Member capacity] (5/5)

Mrs Elizabeth France CBE, Deputy Chair of Council [until 30 April 2018] (3/3)

Miss Gwerfyl Pierce Jones, Deputy Chair of Council [from 01 May 2018, previously in an appointed Independent Member capacity] (5/5)

Dr Timothy Brain OBE, Treasurer [until 12 December 2017] (2/2)

Appointed

Mr George Ashworth (3/5)

Mrs Samantha Blackie [from 01 August 2018]

Ms Anne Davies (4/5)

Mrs Janet Davies [until 31 December 2017] (2/2)

Prof Sir Ian Diamond [from 01 August 2018]

Mr Keith Evans (4/5)

Mr Richard John (5/5)

The Right Honourable Elfyn Llwyd (3/5)

Mr Ian MacEachern OBE (5/5)

Prof Robin Williams [from 01 August 2018]

Staff / Student Members

Ex-officio

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

Prof Chris Thomas, Pro Vice-Chancellor [until 31 July 2018] (4/5)

Prof Tim Woods, Pro Vice-Chancellor [from 01 August 2018]

Senate Members

Dr Hazel Davey (5/5)

Prof Reyer Zwiggelaar (4/5)

Non-academic Staff Member

Ms Kath Williams (5/5)

Student Representative Members

Ms Anna Wyn Jones, UMCA President [from 01 July 2018] (1/1)

Mr Bruce Wight, Aberystwyth University Students' Union Development Officer [Aberystwyth University Students' Union President from 01 July 2018] (5/5)

Mr Gwion Llwyd Williams, UMCA President [until 30 June 2018] (4/4)

Attendance information is provided for those Council members serving during the year ended 31 July 2018, 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

Solicitors

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

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

Actuarial and pension advisors

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

STRATEGIC REVIEW

Introduction

Aberystwyth University's reputation for research and teaching excellence has again been reflected through a range of high profile awards and successes. The year 2017-18 saw Aberystwyth build upon already impressive results in the Higher Education sector, League Tables and the National Student Survey (NSS). We achieved the Teaching Excellence Framework (TEF) Gold award in 2018. We are the University of the Year for Teaching Quality in the The Times and Sunday Times Good University Guide 2018 and again for 2019, the only university to have been awarded that accolade in two consecutive years. We are also one of the top NSS performers across the UK and the highest climber in the 2018 Guardian University Guide. We continue to build upon our strong performance in the latest Research Excellence Framework (REF 2014), cementing our position and reputation in world leading research.

Our successes put us in a strong position for the future, although there are clear challenges ahead (referred to in the 'financial review' and 'principal risks' sections below), in particular through the uncertainties created as a result of the EU Referendum vote, the outcomes of which remain unclear. The potentially seismic changes encompass the position of our staff who are EU citizens, the recruitment of EU students, EU Research funding and networks as well as EU Capital Funding programmes. Whilst discourse at a UK level has generated some short term commitments to the sector, there undoubtedly remains significant uncertainty. Like other providers in the sector, we have known that resources available to the Higher Education Funding Council for Wales (HEFCW) remain uncertain although the Diamond Review and the recent budget statement are positive in outlook. These are clear headwinds but, despite the unpredictable external environment, Aberystwyth is both adaptable and resilient and has been able to celebrate a series of successes; more detail is described in the following sections.

Looking to the future, we have begun to implement our new Strategic Plan 2018-23 and we remain both a forward focused and a resilient organisation, able to rise to challenges. To deliver our ambitious plans and maintain our successes, we need to maintain our prudent approach to our financial strategy, particularly as we continue to reshape our organisation for a competitive future. Our record of financial management is paying dividends, as we see our performance reflect that of our detailed Sustainability Implementation Plans (SIP), and we remain well placed to continue our planned positive trajectory. Although good progress has been made, significant threats remain to the University's short to medium financial sustainability, however.

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. 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

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.

STRATEGIC REVIEW (continued)

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



Aberystwyth has been awarded Gold in the 2018 Teaching Excellence and Student Outcomes Framework (TEF), the TEF's top award for institutions who are deemed to deliver consistently outstanding teaching, learning and outcomes for students, of the highest quality found in the UK. In their report, the assessors cite Aberystwyth's "strategic and innovative approach to ensure outstanding student engagement with learning" and say "consistently outstanding outcomes" are achieved by students from all backgrounds. Our commitment to employability, to developing and rewarding excellent teaching, and our comprehensive and integrated approach to Welsh language teaching are also singled out for praise.

The TEF Gold award is also the latest in a series of exceptional results for Aberystwyth in UK-wide league tables and surveys in the past two years. Alongside the TEF adjudication, we are the University of the Year for Teaching Quality in the 2018 Good University Guide and again for 2019, the only University to ever achieve that accolade in two consecutive years; the Editor commenting that Aberystwyth "has secured some of the most remarkable scores in the UK from students for the quality of teaching it offers". We are also one of the top NSS performers across the UK and a highest climber in the 2018 Guardian University Guide.

Aberystwyth is also in the top 10 in the UK for Student Experience (Good University Guide 2018); in the top 10 for Clubs & Societies and also Accommodation provision (What Uni Student Choice Awards 2018).

We remain committed to engaging with communities who do not traditionally engage with higher education. This broad responsibility is embraced by the University and we continue to commit resources to delivering an environment where educational aspirations can thrive.

As part of our investment in the student experience, we have equipped all our main teaching spaces with lecture capture technology which records classes, enabling students to watch them again during revision. We have also completed the first phase of the refurbishment of our Hugh Owen Library, which reopened in January 2018 after a £1 million makeover. We have also moved to consolidate our estate by moving all full time undergraduate teaching onto the Penglais Campus.

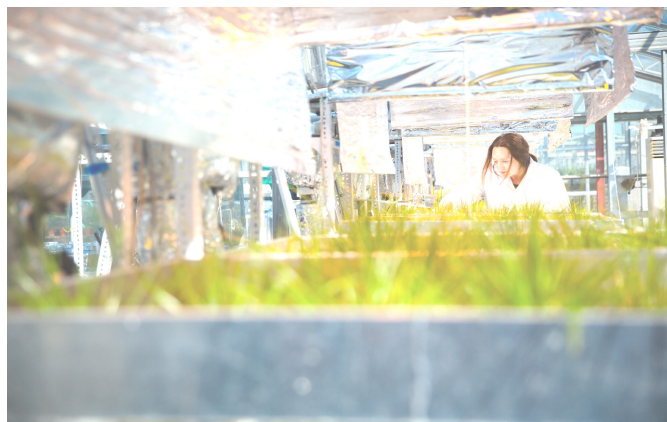
Research and Innovation with impact

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.

STRATEGIC REVIEW (continued)

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



Grasses being screened for their nitrogen use efficiency under low nitrogen conditions

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.

In the most recent REF 2014 outcome, the results reported that 95 per cent of the research activity submitted by Aberystwyth University was of an internationally recognised standard or higher, with world leading research (4*) identified in all 17 of the Units of Assessment submitted.

The Institute of Biological, Environmental and Rural Sciences (IBERS) has developed innovative exploration of different soil management techniques which has positively impacted commercial farming practice across Wales, by increasing farmers' awareness of the importance of soil health.

The Computer Science Space Robotics Research Group have been working to develop new calibration methods for the Panoramic Camera (PanCam) instrument for the 2020 ESA/Roscosmos mission to Mars. The mission will see the ExoMars rover travel across the Martian surface to search for signs of life as well as take high resolution colour images of its findings.

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 instill 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

STRATEGIC REVIEW (continued)

- 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 its inception in 1872, the University has a strong tradition of integrating links with the local community. The University continues to emphasise its 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 all year round facilities.

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.

Our Sports Centre has continued to flourish, benefitting from additional capital investment as well as the promotion of free gymnasium usage to first year students who live in University managed accommodation. 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 community.

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



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.

STRATEGIC REVIEW (continued)

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. During the year we have made the decision not to recruit further students to our Mauritius campus but to concentrate on recruiting students to Aberystwyth. During 2017-18 we have built upon on the prestige of our Professional Doctorate programmes, recruiting further international cohorts and 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

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 the 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.



The National Eisteddfod 2017 Chair is the work of Aberystwyth University graduate, Rhodri Owen, who studied Fine Art at the School of Art.

STRATEGIC REVIEW (continued)

Financial Review

Aberystwyth University is operating in challenging academic and economic environment but despite these circumstances it has continued to carefully manage its financial position. In line with expectations, the University continues to incur a deficit before other gains and losses, shares of joint ventures and associates results (operating deficit). The operating deficit in the year to 31 July 2018 of £7.5 million is in line with expectations and the University's Financial Strategy forecasts.

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

Our Financial Strategy is accordingly interwoven with the SIP and is designed to ensure the long term viability and sustainability of the University by creating student focused financial plans that match academic provision to student requirements. Furthermore, during the year we have undertaken a rigorous review of our Estate requirements coupled with significant capital investment in both existing buildings and new facilities as Aberystwyth invests in its future. During 2017-18 significant progress was made with the SIP. The University has embedded tight cost controls and has restructured defined areas and has already started to see reductions in key areas of expenditure, which will reduce the underlying cost base going forward.

Whilst the University is enacting its plans in the context of public spending cuts, the general uncertainty emanating from the EU Referendum and the much publicised need for pension reform within the sector, significant progress has already been made towards ensuring that Aberystwyth is financially sustainable moving forward. The University's 2017-18 results and strategic financial direction remain on course to deliver a moderate surplus in 2019-20, as detailed in our Financial Strategy.

Scope of the Financial Statements

The consolidated Financial Statements continue to include the full results of Aberystwyth Innovation and Enterprise Campus Ltd (AIEC) and Aberystwyth Limited (our campus located in Mauritius).

Financial Results for the Year

The £7.5 million operational deficit for the year is in line with expectations and represents a transitional year for the University, as it enacts new operating structures and embeds the changes identified within the SIP.

The operational deficit is in line with our detailed Financial Strategy and SIP assumptions. The financial benefits of the strategic refocus of the University, driven by the SIP, have started to materialise in 2017-18 with further tangible improvements planned in 2018-19. During the year, the University has made good progress towards delivering change efficiencies identified within the SIP and although there remains significant ongoing work, 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 £8.3 million on an annualized basis, in response to the reduction in student populations.

As planned, our 2017-18 expenditure includes significant '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.

Aberystwyth is investing 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 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 will continue throughout 2018-19, with the facilities fully operational in 2019-20.

STRATEGIC REVIEW (continued)

Summary of Group results

	2017-18 £m	2016-17 £m
Income	118.0	124.5
Expenditure	125.5	127.1
Deficit before other gains and losses	(7.5)	(2.6)
Share of income/cost from Joint Ventures	-	0.3
Profit on disposal of fixed assets	0.1	-
Gain on investments	1.9	3.7
(Deficit) / Surplus before taxation	(5.5)	1.4
Taxation	-	(0.2)
Surplus / Deficit after taxation	(5.5)	1.2
Actuarial gains / (losses) on pension schemes	11.5	(2.0)
Total comprehensive income	6.0	(0.8)

The University has recognised an impairment charge of £1.6 million, which relates to the difference between the average of the three valuations that we have received and the current net book value of the land and building that we have identified as available for sale. Note: The loss on impairment of fixed assets (£1.6 million) is predominantly negated by a reciprocal valuation held within the Revaluation Reserve (£1.3 million).

The value of the University's own investments is also unpredictable because it is dependent upon market rates and large investment gains and losses can be made as a result. For 2017-18 the University made an unrealised gain of £1.9 million.

The University also recognised an actuarial gain of £11.5 million in 2017-18, as instructed by our independent advisors Mercers in respect to the pension funds.

Financial Health Metrics

The University utilises a number of Key Performance Indicators (KPI) to monitor its financial health. Although the 2017-18 results show a deterioration in performance, they are in accordance with our Financial Strategy forecasts and we remain on track to achieve our operating surplus and capital investment objectives timescales. The financial health metrics are forecast to improve in 2018-19 and beyond, as the University successfully implements its strategic refocus and the full financial benefits of the SIP are realised.

Financial Health Metrics	2017-18	2016-17	2015-16	2014-15
Reserve measures (days)				
Primary (cash) reserve cover	92 days	115 days	149 days	142 days
General (book) reserve cover	171 days	139 days	88 days	107 days
Debt ratio (external debt/cash)	236%	199%	121%	126%
Balance sheet growth ratio	4.0%	(0.5%)	(7.9%)	(0.1%)
Income replenishment				
Retained result (% of income)	(6.4%)	(2.1%)	(4.2%)	(3.1%)

STRATEGIC REVIEW (continued)

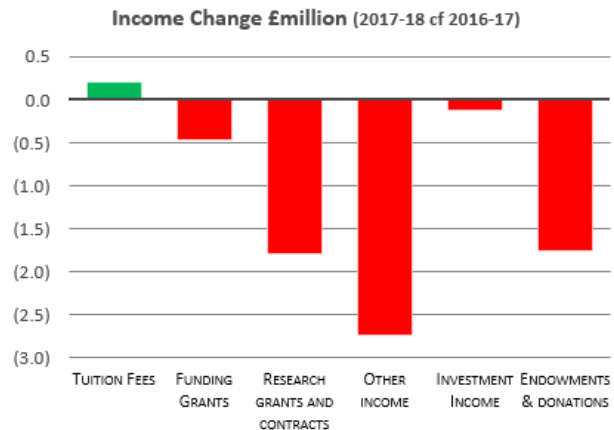
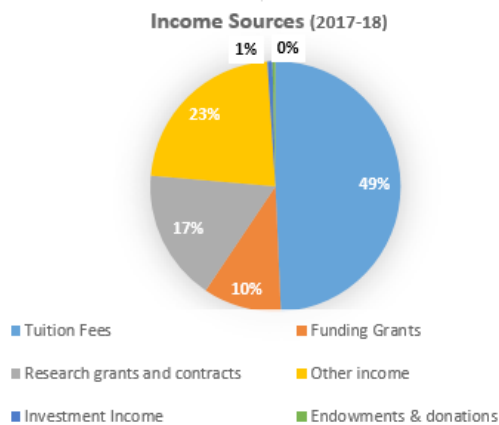
The Primary (cash reserve) cover has deteriorated to 92 days from 115 days driven by a £6.1 million decrease in cash and cash equivalents. General (Unrestricted) Reserve cover has risen from 139 days to 171 days owing to the operating surplus in year attributable to the Unrestricted Income & Expenditure Reserve and the transfer of investments from the endowment reserve.

As a result of the decrease in cash the debt ratio has weakened from 199 per cent to 236 per cent.

The balance sheet has risen in value from £149.0 million to £155 million due mainly to the actuarial gain on the pension schemes.

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

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

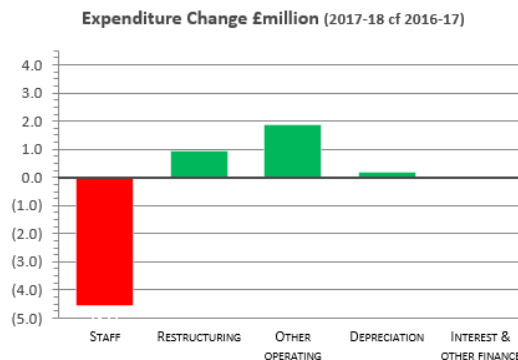
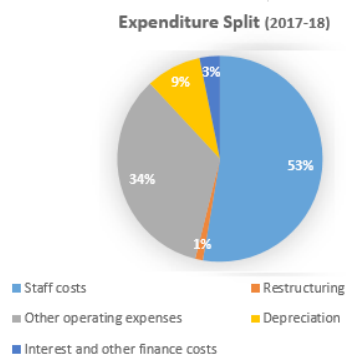


Income

A reduction in recurrent funding from HEFCW, fewer capital grants recognised during the year and lower endowments account for the majority of the fall in income of £6.5 million (5 per cent) compared to 2016-17 (note: the University received a £2 million bequest during 2016-17, which accounts for the reduction in endowments in the current 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.

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 reduced by some £4.6 million (6 per cent) compared with the prior year, with further reductions identified, as the University implements change efficiencies and employees have utilised the Voluntary Severance scheme.



STRATEGIC REVIEW (continued)

The SIP has also continued to drive a focused approach to cost management and enhanced value for money in 2017-18; 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 2017-18, the University incurred some short term costs in order to facilitate the recurrent change efficiency savings required. These discrete costs have been borne in 2017-18, with further costs budgeted in 2018-19, 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 2017-18, particularly in respect of staff costs. 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. The University has recognised that there remain challenges in specific areas and has developed strategic action plans to target those areas.

Balance Sheet

Overall, net assets have increased in value by £6.0 million compared to the position in 2016-17. This has been mainly driven by a reduction of £13.8 million in the value of the pension liability.

£ millions	Fixed Assets	Investments	Bank & Cash	Long Term Creditors	Pension Liability
2017-18	231.0	39.4	24.8	98.3	23.4
2016-17	235.6	37.8	30.9	99.9	37.3
	↓	↑	↓	↓	↓

Capital Investment

During the year £8.7 million was spent on investment in infrastructure and equipment, funded from the use of existing reserves and capital grants. Of this, £1.4 million relates to new research equipment funded by grants. The remaining elements relate to works to improve the student experience on campus by upgrading and fully renovating many of our facilities and addressing work identified under the 'Protect and Stabilise' capital programme, which is a strategic approach to our Estate development, underpinned by the University wide condition survey. Construction work has commenced on the Aberystwyth Innovation and Enterprise Campus (AIEC) at Gogerddan, which will provide further world class research facilities at Aberystwyth. The total amount of capital spend was less than the value of depreciation for the year and overall there was a reduction of £4.6 million in the value of our fixed assets. The depreciation charge for the year was £11.0 million and the value of our fixed assets was further reduced through an impairment of £1.6 million and disposals of £0.8 million (net book value).

Since 2013, Aberystwyth University has been rolling out a major investment of over £100 million to enhance and extend our already excellent residential, teaching and research facilities. This represents one of the most significant investments in the University's history. Together they will ensure that Wales's oldest university will be well placed to survive the challenges of the twenty-first century.

Investments

For the year ending 31 July 2018, the endowment and university investments returned 6.8 per cent, compared to the policy benchmark, which returned 7.3 per cent. The best performing portion of the portfolio was the Property allocation, which returned 11.4 per cent for the year. There were no notable changes to the funds in which the university was invested in the 2017-18 financial year.

Cash and short-term deposits

In line with our Financial Strategy, the University's cashflow and liquidity position closed at £8.5 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 2016-17. The significant Capital

STRATEGIC REVIEW (continued)

investment programme over the coming three years is intended to be supported by a proposed short term Revolving Credit Facility that will enable the University to manage the volatility in its annual cashflow profile during this period, with full repayment of any facility drawn.

Due to the timings of cash inflows from the Student Loan Company, the University monitors its cash balances and commitments on a regular basis through reporting, the SIP and consideration of long term plans and investments. As forecast, our cash cover metrics have reduced again in 2017-18 and are expected to plateau in 2018-19 before increasing from 2019-20 onwards as the SIP efficiencies are fully realised.

The University continues to proactively review its asset holdings with a view to disinvesting some assets that are surplus to requirements. During 2017-18, this strategy realised (net) cash totalling £0.82 million which has been used to support our focussed capital improvements and developments.

Principal risks and uncertainties

Aberystwyth remains on course to deliver the benefits emanating from the SIP and will benefit financially from a more efficient cost base and streamlined reporting lines. There remain sector wide uncertainties 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 risk management process recognises both strategic risks, which identify the most significant risks to the University's objectives, and also operational risks, which identify those risks affecting each area of operation of the University. The risk registers are updated and reviewed by Council on a regular basis. The University has identified a number of principal risks that it monitors on a regular basis, together with mitigation strategies. These are summarised here:

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 SIP savings targets, affecting the short term financial sustainability of the institution.	The University plans prudently and has undertaken detailed sensitivity analyses of income assumptions as part of its Financial Strategy. The SIP will transform services, which will deliver more effective and efficient services.
<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.
<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.	Consultation on the USS scheme remains ongoing, with potentially significant connotations for the sector. Aberystwyth is seeking to mitigate this risk by reshaping its cost base and ensuring that potential commitments can be met from operating activities. Increases in employer contributions have been included in our 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 both league tables, Teaching Excellence Framework and Research Excellence Framework validate the University's strategies.

STRATEGIC REVIEW (continued)

<i>People and Teaching</i>	The University fails to recruit and retain high calibre teaching and other staff across the portfolio of operations leading to poor performance.	The University recognises the highly competitive nature of the HE market. Frequent reviews of recognition and reward mechanisms are undertaken and Aberystwyth also invests in leadership and development training programmes.
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Outlook and the Future

The University's financial planning including years up to 2021-22, 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 2017 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 2018. In addition, the University was in the top 10 of the higher education institutions in the UK and first in Wales for student satisfaction in the National Student Survey in 2017. These awards are evidence that the University has delivered performance improvements in these key areas. 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 must continue to focus on marketing and recruitment for both domestic and international students. Our strategies will be based around a developed portfolio of high quality programmes with clearly articulated identities, meaningful relationships with our feeder schools, and an individual and supportive relationship with our applicants. The priorities underpinning the 'growth' component of our plans are to establish a uniformly excellent teaching provision and a leading marketing and recruitment function. Both are embedded in our Financial Strategy for the future with significant stimulus funding to enact necessary change. We are also actively reviewing the teaching and recruiting activities of all University departments.

Whilst liquidity continues to be maintained, the University has seen a planned diminution of cash balances 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 surplus in 2019-20.

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, though only USS remains open to new entrants. Given these significant uncertainties it is important that the University generates an improved financial performance and controls expenditure incurred in acquiring fixed assets to within those amounts allowed for in the SIP and financial plans approved by Council up to 2021-22, while at the same time delivering the changes required by the SIP and remaining able to attract students to study at all levels at the University.

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 of which 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-representative 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 and 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.

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 2017–18 academic year. Much of the detailed work is initially handled by several sub-committees. For the 2017–18 academic year these included: an Audit and Risk Committee; a Finance and Strategy Committee; a Professional Development, Staffing and Equality Committee; and a Senior Remuneration Committee. From the 2018–19 academic year onwards, 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.

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 2018, 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.

CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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, prioritising them in terms of potential impact and likelihood of occurrence, and agreeing means of mitigating the risks. These risks include business, operation, reputational and financial risks, and are monitored along with the associated controls on an on-going basis, with appropriate reports and recommendations presented to the Council via the Audit, Risk and Assurance Committee.

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

PUBLIC BENEFIT STATEMENT

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

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

Teaching

Our core mission is to produce well-educated, skilled and confident graduates, fully equipped for the world of work and for the work of the world. We provide this through excellent teaching across 18 academic areas and embedding employability, transferrable skills and issues of global citizenship into our curriculum. We support a range of projects for learning in the community, including providing over 100 lifelong learning courses in languages, the sciences, arts and humanities on the University campus as well as in community venues across Wales, 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, Entrance Scholarships and Awards, including bursaries for PGR 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 and 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 climbing to 56th place in the UK in the Stonewall Workplace Equality Index 2018.

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.

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

PUBLIC BENEFIT STATEMENT (continued)

workshops for adults. The centre attracts 633,000 visitors per year. We are also proud of our partnership work with the National Library of Wales and with local schools and community groups and charities such as Mind, the RNLI and the West Wales Air Ambulance. We encourage staff and student volunteering and are proud of the involvement of both in activities such as working with women on probation, pro-bono legal work, beach conservation and engagement with St John's Ambulance Brigade. We offer services to regional businesses. We support the local hospital and community health programmes, and provide access to high quality sporting facilities and classes for the local community (including sports classes, sports holiday clubs, activities to promote health and wellbeing in the over-50s and Aquafit courses in our swimming pool).

STATEMENT OF COUNCIL RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCW's Accounts Direction to higher education institutions. The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

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

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

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

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

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

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

Legislation in the UK 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 2018 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 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education;
- meet the requirements of HEFCW's Accounts Direction to Higher Education Institutions for 2017-18 issued on 24 July 2018; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Going concern

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

Other information

The Council is responsible for the other information, which comprises the 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.

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 18, the Council (who are also trustees for the purposes of charity law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as

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

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 (effective 24 December 2015) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

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

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

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

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

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 strategic 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.

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

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

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. The financial statements are prepared in accordance with the historical cost convention (modified by previous revaluation of fixed assets, used as deemed cost on transition to FRS102 on 1 August 2014).

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 £5.6 million (2016-17 surplus £1.4 million). Which has resulted in a negative net cash outflow of £6.0 million (2016-17 £9.3 million). Additionally the Group has net current assets of £8.5 million (2016-17 £14.5 million) and net assets of £155.0 million (2016-17 £149.0 million), of which £46.1 million is represented by unrestricted reserves. Included within net current assets, are cash and cash equivalents of £24.8 million (2016-17 £30.8 million) (£5.6 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 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. The achievement of the SIP is essential to the future strategy of the University. Financial forecasts, including cash flow projections, have been prepared for the Group and these cover the short and medium term. The forecasts indicate that 2018-19 will have a negative net cash outflow and 2019-20 will see a cash neutral position. As the Group works through the SIP, it will maintain sufficient cash balances and reserves to meet liabilities as they fall due.

Aberystwyth University is in the process of finalising, but has not yet signed a final agreement on, 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 year 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), and Aberystwyth Limited (Aberystwyth University Mauritius) (subsidiary) for the financial year to 31 July 2018. The results of the subsidiary during the period are included in the consolidated statement of income and expenditure. Intra-group transactions are eliminated on consolidation.

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

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

3. Income recognition

Income from the sale of goods or services is credited to the Consolidated 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

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

Grant funding

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

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

Capital grants

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

Donations and endowments

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

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

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

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

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

4. Accounting for retirement benefits

The three principal pension schemes for the University are:

- the Universities Superannuation Scheme (USS), this is a Multi-employer Defined Benefit scheme;
- the Aberystwyth University Pension Provision (AUPP), this is a Defined Contribution Plan; and

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

- the Aberystwyth University Pension and Assurance Scheme (AUPAS), this is a Defined Benefit Scheme closed to future employee contributions;
- 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 Other Comprehensive Income.

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

since their long economic life and high residual value mean that any depreciation would not be material.

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

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 2018

	Notes	2018		2017	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	58,198	57,829	58,016	58,016
Funding body grants	2	11,933	11,933	12,371	12,371
Research grants and contracts	3	20,004	20,004	21,836	21,836
Other income	4	26,684	26,661	29,436	29,436
Investment income	5	784	784	896	896
Total income before endowments and donations		117,603	117,211	122,555	122,555
Donations and endowments	6	446	446	2,218	2,218
Total income		<u>118,049</u>	<u>117,657</u>	<u>124,773</u>	<u>124,773</u>
Expenditure					
Staff costs	7/9	66,143	66,143	70,732	70,732
Fundamental restructuring costs	7/9	1,523	1,523	636	636
Other operating expenses	9	42,895	42,503	40,988	40,988
Depreciation	9/10	10,969	10,969	10,764	10,764
Interest and other finance costs	8/9	4,033	4,033	4,033	4,033
Total expenditure	9	<u>125,563</u>	<u>125,171</u>	<u>127,153</u>	<u>127,153</u>
Deficit before other gains losses and share of operating deficit of joint ventures and associates.		(7,514)	(7,514)	(2,380)	(2,380)
Share of operating surplus from joint ventures		-	-	-	-
Gain on disposal of fixed assets		48	48	40	40
Gain on investments		1,896	1,896	3,709	3,709
(Deficit)/surplus before taxation		<u>(5,570)</u>	<u>(5,570)</u>	<u>1,369</u>	<u>1,369</u>
Taxation		-	-	(170)	(170)
(Deficit)/surplus after taxation		<u>(5,570)</u>	<u>(5,570)</u>	<u>1,199</u>	<u>1,199</u>
Actuarial gain /(loss) in respect of pension schemes	26	11,543	11,543	(1,956)	(1,956)
Total comprehensive income for the year		<u>5,973</u>	<u>5,973</u>	<u>(757)</u>	<u>(757)</u>
Represented by:					
Restated endowment comprehensive income for the year	30	1,345	1,345	4,301	4,301
Restricted comprehensive income (expenditure) for the year		96	96	70	70
Restated unrestricted comprehensive income for the year	30	4,532	4,532	(5,128)	(5,128)
		<u>5,973</u>	<u>5,973</u>	<u>(757)</u>	<u>(757)</u>
Total Comprehensive income for the year attributable to					
Non controlling interest		-	-	-	-
University		<u>5,973</u>	<u>5,973</u>	<u>(757)</u>	<u>(757)</u>

CONSOLIDATED AND UNIVERSITY BALANCE SHEET as at 31 July 2018

	Notes	2018		2017 Restated	
		Consolidated £000	University £000	Consolidated £000	University £000
Non current assets					
Fixed assets	10	230,975	227,298	235,615	232,835
Heritage assets	10	1,347	1,347	1,347	1,347
Investments	16	39,436	39,436	37,801	37,801
Investment in joint ventures		2	2	1	1
		271,760	268,083	274,764	271,984
Current assets					
Stock	13	1,183	1,183	1,500	1,500
Trade and other receivables	14	9,329	9,590	9,779	10,973
Investments	15	2,634	2,634	2,554	2,554
Cash and cash equivalents	22	24,812	23,474	30,865	29,439
		37,958	36,881	44,698	44,466
Less: Creditors: amounts falling due within one year	17	29,459	28,382	30,155	29,923
Net current assets		8,499	8,499	14,543	14,543
Total assets less current liabilities		280,259	276,582	289,307	286,527
Creditors: amounts falling due after more than one year	18	98,288	94,611	99,906	97,126
Provisions					
Pension provisions	19	23,440	23,440	37,264	37,264
Other provisions	19	3,567	3,567	3,146	3,146
Total net assets		154,964	154,964	148,991	148,991
Restricted Reserves					
Income and expenditure reserve - endowment reserve	20	43,292	43,292	41,947	41,947
Income and expenditure reserve - restricted reserve	21	294	294	198	198
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		46,146	46,146	37,203	37,203
Revaluation reserve		65,232	65,232	69,643	69,643
Total Reserves		154,964	154,964	148,991	148,991

The financial statements were approved by the University Council on 26th November 2018 and were signed on its behalf by:

Professor Elizabeth Treasure, Vice-Chancellor

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES year ended 31 July 2018

Consolidated	Income and expenditure account			Revaluation	Total
	Endowment	Restricted	Unrestricted	reserve	Including Non
	£000	£000	£000	£000	Controlling
					Interest
					£000
Balance at 1 August 2016 (as previously stated)	51,897	128	25,255	72,468	149,748
Effect of prior year adjustment	(14,251)	-	14,251	-	-
Restated balance at 1 August 2016	37,646	128	39,506	72,468	149,748
Surplus/(deficit) from the statement of comprehensive income (as previously stated)	5,754	70	(6,581)	-	(757)
Effect of prior year adjustment	(1,453)	-	1,453	-	-
Transfers between revaluation and income and expenditure reserve	-	-	2,825	(2,825)	-
Total comprehensive income for the year	4,301	70	(2,303)	(2,825)	(757)
Restated balance at 31 July 2017	41,947	198	37,203	69,643	148,991
Surplus/(deficit) from the statement of comprehensive income	1,345	96	4,532	-	5,973
Transfers between revaluation and income and expenditure reserve	-	-	4,411	(4,411)	-
Total comprehensive income for the year	1,345	96	8,943	(4,411)	5,973
Balance at 31 July 2018	43,292	294	46,146	65,232	154,964

University	Income and expenditure account			Revaluation	Total
	Endowment	Restricted	Unrestricted	reserve	Including Non
	£000	£000	£000	£000	Controlling
					Interest
					£000
Balance at 1 August 2016 (as previously stated)	51,897	128	25,255	72,468	149,748
Effect of prior year adjustment	(14,251)	-	14,251	-	-
Restated balance at 1 August 2016	37,646	128	39,506	72,468	149,748
Surplus/(deficit) from the statement of comprehensive income (as previously stated)	5,754	70	(6,581)	-	(757)
Effect of prior year adjustment	(1,453)	-	1,453	-	-
Transfers between revaluation and income and expenditure reserve	-	-	2,825	(2,825)	-
Total comprehensive income for the year	4,301	70	(2,303)	(2,825)	(757)
Restated balance at 31 July 2017	41,947	198	37,203	69,643	148,991
Surplus/(deficit) from the statement of comprehensive income	1,345	96	4,532	-	5,973
Transfers between revaluation and income and expenditure reserve	-	-	4,411	(4,411)	-
Total comprehensive income for the year	1,345	96	8,943	(4,411)	5,973
Balance at 31 July 2018	43,292	294	46,146	65,232	154,964

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.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2018

	Notes	2018 £000	2017 £000
Cash flow from operating activities			
(Deficit)/surplus for the year		(5,570)	1,199
Adjustment for non-cash items			
Depreciation	10	10,969	10,764
Impairment of fixed assets		1,644	-
Gain on endowment investments	20	(1,213)	(2,267)
Gain on other investments		(683)	(1,442)
Decrease in stock	13	317	9
Decrease/(Increase) in debtors	14	450	(794)
Decrease in creditors	17/18	(24)	(3,492)
Pension interest cost	26	848	816
Contribution to pension greater than current service charge	26	(1,976)	(2,008)
Change in USS deficit reduction plan assumptions	26	(917)	(479)
Increase in other provisions	19	422	66
Adjustment for investing or financing activities			
Investment income	5	(784)	(896)
Interest payable	8	3,180	3,152
Endowment income	20	(115)	(2,036)
Profit on the disposal of fixed assets		(48)	(40)
Capital grant income within research grant	2/4	(3,949)	(3,964)
Net cash inflow/(outflow) from operating activities		<u>2,551</u>	<u>(1,412)</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		820	127
Capital grants receipts		2,123	2,374
Investment income	5	784	896
Payments made to acquire fixed assets		(8,744)	(8,778)
New non-current asset investments		180	(504)
		<u>(4,837)</u>	<u>(5,885)</u>
Cash flows from financing activities			
Interest paid		(3,882)	(4,083)
Endowment cash received	20	115	2,036
		<u>(3,767)</u>	<u>(2,047)</u>
Decrease in cash and cash equivalents in the year		<u>(6,053)</u>	<u>(9,344)</u>
Cash and cash equivalents at beginning of the year	22	30,865	40,209
Cash and cash equivalents at end of the year	22	24,812	30,865

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

	Notes	2018		2017	
		Consolidated £000	University £000	Consolidated £000	University £000
1 Tuition fees and education contracts					
Full-time home and EU students		51,274	51,274	51,874	51,874
Full-time international students		5,880	5,511	5,075	5,075
Part-time students		699	699	715	715
Research Training Support Grant		345	345	352	352
		<u>58,198</u>	<u>57,829</u>	<u>58,016</u>	<u>58,016</u>
2 Funding body grants					
<i>Recurrent grant</i>					
Higher Education Funding Council		8,136	8,136	7,187	7,187
Release of HEFCW deferred capital grant		1,723	1,723	1,507	1,507
<i>Specific grants</i>					
Strategic Development Fund		45	45	1,422	1,422
Welsh Government Department for Education and Skills		2,029	2,029	2,255	2,255
		<u>11,933</u>	<u>11,933</u>	<u>12,371</u>	<u>12,371</u>
3 Research grants and contracts					
Research councils		8,600	8,600	11,451	11,451
Research charities		844	844	1,556	1,556
Government (UK and overseas)		8,118	8,118	6,052	6,052
Industry and commerce		2,437	2,437	2,730	2,730
Other		5	5	47	47
		<u>20,004</u>	<u>20,004</u>	<u>21,836</u>	<u>21,836</u>
4 Other income					
Residences, catering and conferences		13,335	13,335	12,434	12,434
Other revenue grants		325	325	3,926	3,926
Other services rendered		1,843	1,843	627	627
Arts Centre		2,101	2,101	3,300	3,300
Farms		1,194	1,194	1,362	1,362
Released from deferred capital grants		2,226	2,226	2,447	2,447
Other income		5,660	5,637	5,340	5,340
		<u>26,684</u>	<u>26,661</u>	<u>29,436</u>	<u>29,436</u>
5 Investment income					
Investment income on endowments	20	670	670	393	393
Investment income on restricted reserves	20	26	26	399	399
Other investment income		88	88	104	104
		<u>784</u>	<u>784</u>	<u>896</u>	<u>896</u>
6 Donations and endowments					
New endowments	20	115	115	2,036	2,036
Donations with restrictions	21	259	259	102	102
Unrestricted donations		72	72	80	80
		<u>446</u>	<u>446</u>	<u>2,218</u>	<u>2,218</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

7	Staff Costs	2018		2017	
		Consolidated £000	University £000	Consolidated £000	University £000
	Salaries	53,970	53,970	57,293	57,293
	Social security costs	4,853	4,853	5,024	5,024
	USS pension costs	5,092	5,092	6,016	6,016
	Other pension costs	2,228	2,228	2,399	2,399
		66,143	66,143	70,732	70,732
	Staff costs - restructuring	1,523	1,523	636	636

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

Emoluments of the Vice-Chancellor	2018 £000	2017 £000
Salary	224	73
Non-pensionable allowance	-	-
Bonus	-	-
Taxable benefits in kind	1	-
Pension contributions to USS	5	2
	230	75

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

	2018 £000	2017 £000
Salary	-	103
Non-pensionable allowance	-	35
Pension contributions to USS	-	19
	-	157

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Staff Costs (continued)

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

	Number of Staff 2018	Number of Staff 2017
£100,001-£110,000	3	4
£110,001-£120,000	1	1
£120,001-£130,000	1	1
£130,001-£140,000	1	1
£140,001-£150,000	-	1
	<u>6</u>	<u>8</u>

Average staff numbers by major category:

	2018 No.	2017 No.
Academic	382	390
Research	163	167
Management & specialist	350	351
Technical	135	149
Other	445	533
	<u>1,475</u>	<u>1,590</u>

Key management personnel

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

	2018 £000	2017 £000
Key management personnel compensation	<u>2,240</u>	<u>2,246</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 (2016-17 £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 (2016-17: £nil).

The total expenses paid to or on behalf of 11 council members was £11,232 (2016-17 £16,424 to 12 council members). This represents travel and subsistence expenses incurred in attending Council and other meetings in their official capacity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8	Interest and other finance costs	2018		2017	
		Consolidated £000	University £000	Consolidated £000	University £000
	Interest on Fferm Penglais Students Accommodation	3,180	3,180	3,152	3,152
	Exchange differences	5	5	65	65
	Interest cost on USS pension liability	237	237	244	244
	Net charge on pension scheme	611	611	572	572
		4,033	4,033	4,033	4,033

9 University analysis of total expenditure by activity

	Staff costs			Other		Interest Payable	Total 2018	Total 2017
	Operat ional staff costs	Restruc turing costs	Deprec iation	Other Operating expenses				
Academic Department	26,555	-	2,309	3,835	-	-	32,699	35,249
Academic Services	5,217	-	149	3,365	848	-	9,579	10,694
Research Grants & Contracts	14,102	-	106	5,654	-	-	19,862	21,429
Residences, Catering & Conference Premises	6,729	-	1,443	5,473	-	-	13,645	13,087
General Education Expenditure	1,550	-	6,600	5,501	3,180	-	16,831	13,507
Central Administration & services	1,731	-	13	6,818	-	-	8,562	7,741
Student & staff facilities & amenities	5,312	-	66	5,520	5	-	10,903	12,333
Impairment of fixed assets	2,507	-	52	534	-	-	3,093	2,942
Other services rendered	-	-	-	1,644	-	-	1,644	-
Arts Centre	680	-	6	1,220	-	-	1,906	598
Farms	1,154	-	84	1,164	-	-	2,402	3,501
Auditor's remuneration	540	-	141	1,541	-	-	2,222	1,631
Other Expenses	-	-	-	109	-	-	109	127
	66	1,523	-	125	-	-	1,714	4,314
	66,143	1,523	10,969	42,503	4,033	-	125,171	127,153

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Consolidated analysis of total expenditure by activity (continued)

	Staff costs			Other		Total 2018	Total 2017
	Operat ional staff costs	Restruc turing costs	Deprec iation	Other Operating expenses	Interest Payable		
Academic Department	26,555	-	2,309	3,835	-	32,699	35,249
Academic Services	5,217	-	149	3,365	848	9,579	10,694
Research Grants & Contracts	14,102	-	106	5,654	-	19,862	21,429
Residences, Catering & Conference Premises	6,729	-	1,443	5,473	-	13,645	13,087
General Education Expenditure	1,550	-	6,600	5,501	3,180	16,831	13,507
Central Administration & services	1,731	-	13	6,818	-	8,562	7,741
Student & staff facilities & amenities	5,312	-	66	5,906	5	11,289	12,329
Impairment of fixed assets	2,507	-	52	534	-	3,093	2,942
Other services rendered	-	-	-	1,644	-	1,644	-
Arts Centre	680	-	6	1,220	-	1,906	598
Farms	1,154	-	84	1,164	-	2,402	3,501
Auditor's remuneration	540	-	141	1,541	-	2,222	1,631
Other Expenses	-	-	-	115	-	115	131
	66	1,523	-	125	-	1,714	4,314
	66,143	1,523	10,969	42,895	4,033	125,563	127,153

Auditor's remuneration includes

	2018		2017	
	Consolidated £000	University £000	Consolidated £000	University £000
External auditors remuneration in respect of audit services	65	59	60	56
External auditors remuneration in respect of non-audit services:				
Grant certification work	23	23	39	39
Taxation compliance advice	27	27	32	32

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.

Impairment of investment in Aberystwyth Ltd

Included within Central administration & services, Other operating expenses is an impairment of Aberystwyth Ltd to the value of £170,779

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 2017	207,265	16,580	50,001	52,094	5,436	1,347	332,723
Additions	3,430	-	-	2,488	2,827	-	8,745
Transfers	2,449	-	-	-	(2,449)	-	-
Surplus on revaluation	-	-	-	-	-	-	-
Disposals	(217)	(625)	-	(160)	-	-	(1,002)
At 31 July 2018	212,927	15,955	50,001	54,422	5,814	1,347	340,466
Consisting of valuation cost	137,195	15,635	-	-	-	1,347	154,177
Cost	75,732	320	50,001	54,422	5,814	-	186,289
	212,927	15,955	50,001	54,422	5,814	1,347	340,466
Depreciation							
At 1 August 2017	46,876	-	3,306	45,579	-	-	95,761
Charge for the year	6,621	-	1,258	3,090	-	-	10,969
Impairment	1,024	620	-	-	-	-	1,644
Disposals	(105)	-	-	(125)	-	-	(230)
At 31 July 2018	54,416	620	4,564	48,544	-	-	108,144
Net book value							
At 31 July 2018	158,511	15,335	45,437	5,878	5,814	1,347	232,322
At 31 July 2017	160,389	16,580	46,695	6,515	5,436	1,347	236,962
University							
Cost and valuation							
At 1 August 2017	207,265	16,580	50,001	52,094	2,656	1,347	329,943
Additions	3,430	-	-	2,488	1,930	-	7,848
Transfers	2,449	-	-	-	(2,449)	-	-
Surplus on revaluation	-	-	-	-	-	-	-
Disposals	(217)	(625)	-	(160)	-	-	(1,002)
At 31 July 2018	212,927	15,955	50,001	54,422	2,137	1,347	336,789
Consisting of valuation cost	137,195	15,635	-	-	-	1,347	154,177
Cost	75,732	320	50,001	54,422	2,137	-	182,612
	212,927	15,955	50,001	54,422	2,137	1,347	336,789
Depreciation							
At 1 August 2017	46,876	-	3,306	45,579	-	-	95,761
Charge for the year	6,621	-	1,258	3,090	-	-	10,969
Impairment	1,024	620	-	-	-	-	1,644
Disposals	(105)	-	-	(125)	-	-	(230)
At 31 July 2018	54,416	620	4,564	48,544	-	-	108,144
Net Book Value							
At 31 July 2018	158,511	15,335	45,437	5,878	2,137	1,347	228,645
At 31 July 2017	160,389	16,580	46,695	6,515	2,656	1,347	234,182

Freehold investment assets includes £11,734,000 (2016-17 £11,982,000) in relation 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 August 2016 for the year ending 31 July 2016. During the year a review of investment properties was undertaken and it confirmed that there was no material change in the value of these properties since the last formal valuation at 31 July 2016, with the exception of the assets covered within the impairment review. The 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 totaling £312,672 (2016-17 £219,693) and AIEC invoiced the University £200,478 (2016-17 £135,606). At the year end AIEC had a long-term creditor to the University of £241,335 (2016-17 £1,288,180). 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	
	2018	2017
	£000	£000
Income and expenditure account		
Income	208	136
Expenditure	208	136
Deficit before tax	-	-
Balance sheet		
Fixed assets	3,677	2,780
Current assets	1,275	1,521
Creditors: amounts due within one year	28	91
Creditors: amounts due after more than one year	4,924	4,210
Net assets	-	-

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 £12,066 at the year end (2016-17 £nil).

During the year Aberystwyth University charged Aber Trading Limited £11,547 (2016-17 £11,611).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Investments in University subsidiary companies (continued)

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	
	2018	2017
	£000	£000
Income and expenditure account		
Income	19	33
Expenditure	14	32
Deficit after tax	5	1
Balance sheet		
Current assets	15	33
Creditors: amounts due after more than one year	10	33
Net assets	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.

	2018			2017
	5 months to 31-12-17	7 months to 31-07-18	Total 2017-18	
	£000	£000	£000	£000
Income and expenditure account				
Income	154	215	369	484
Expenditure	154	215	369	484
Deficit before tax	-	-	-	-
Balance sheet				
Current assets			175	66
Creditors: amounts due within one year			173	64
Net assets			2	2

During the year Aberystwyth Ltd generated net tuition fee income of £369,000 (2016-17 £484,000) of which the University was entitled to £292,000 (2016-17 £242,000). The net expenditure relating to academic activities totaled £562,500 (2016-17 £642,587) this expenditure has been accounted for in the comprehensive income statement of the University. At the year end the University was due £122,794 (2016-17 £12,571) from Aberystwyth Ltd for tuition fees. A payment of £172,000 was made to Boston Campus Limited for the purchase of their shares in Aberystwyth Ltd. £1,221 of this has been shown as an increase in the University's investment in Aberystwyth Ltd, the remaining £170,779 has been charged to the comprehensive income statement as an impairment of investments. This amount has been shown in note 9.

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 £25,197 (2016-17 £18,388) and £1,337 (2016-17 £2,000) for administration services. At the year end Aber Bangor Consultancy Ltd owed the University £8,588 (2016-17 £19,237).

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	
	2018	2017
	£000	£000
Income and expenditure account		
Income	29	21
Expenditure	28	22
Deficit before tax	1	(1)
Balance sheet		
Current assets	21	28
Creditors: amounts due within one year	14	22
Net assets	7	6

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 £343,642 (2016-17 £382,621) 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 £721,663 (2016-17 £700,000).

The Students Union occupies premises owned by the University for which no rent is charged and received payroll services from the University for which no fee is charged. At the year end the University was owed £4,531 (2016-17 £6,633).

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2018		2017	
13	Stock	Consolidated £000	University £000	Consolidated £000	University £000
	General consumables	1,183	1,183	1,500	1,500
14	Trade and other receivables	Consolidated £000	University £000	Consolidated £000	University £000
	Amounts falling due within one year:				
	Research grants receivables	5,191	5,191	4,685	4,685
	Other trade receivables	2,183	2,080	3,344	3,250
	Taxation asset RDEC credit	16	16	652	652
	Prepayments and accrued income	1,939	1,939	1,098	1,098
	Amounts due from subsidiary companies	-	364	-	1,288
		<u>9,329</u>	<u>9,590</u>	<u>9,779</u>	<u>10,973</u>
15	Current investments	Consolidated £000	University £000	Consolidated £000	University £000
	Treasury bills	2,634	2,634	2,369	2,369
	Cash deposits	-	-	185	185
		<u>2,634</u>	<u>2,634</u>	<u>2,554</u>	<u>2,554</u>
16	Non-current investments	Consolidated £000	University £000	Consolidated £000	University £000
	Fixed interest stocks	4,753	4,753	4,838	4,838
	Non-equity investments	113	113	102	102
	Equities	25,388	25,388	24,066	24,066
	Absolute returns	7,162	7,162	6,908	6,908
	Property unit trust	2,020	2,020	1,887	1,887
		<u>39,436</u>	<u>39,436</u>	<u>37,801</u>	<u>37,801</u>

Non-current investments includes £24,343,000 (2016-17 £37,694,000) that relate to endowments (see note 20) and £14,980,000 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)

17	Creditors: amounts falling due within one year	2018		2017	
		Consolidated £000	University £000	Consolidated £000	University £000
	Payment received on account	3,773	3,773	3,246	3,246
	Research grant balances	7,305	6,298	6,561	6,561
	Deferred income from Student Village Lease	680	680	680	680
	Short-term employee benefit	1,894	1,894	2,277	2,277
	Trade payables	6,536	6,523	3,978	3,746
	Social security and other taxation payable	3,209	3,219	3,210	3,210
	Accruals and deferred income	2,245	2,178	6,071	6,071
	Deferred capital grants less than 1 year	3,817	3,817	4,132	4,132
		<u>29,459</u>	<u>28,382</u>	<u>30,155</u>	<u>29,923</u>

Accruals and deferred income

	2018		2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Trade creditors accrual	538	471	3,698	3,698
Grant income	1,104	1,104	1,493	1,493
Tuition fees	-	-	-	-
Other income	603	603	880	880
	<u>2,245</u>	<u>2,178</u>	<u>6,071</u>	<u>6,071</u>

18	Creditors: amounts falling due after more than one year	2018		2017	
		Consolidated £000	University £000	Consolidated £000	University £000
	Deferred income from Student Village lease	6,108	6,108	6,787	6,787
	Secured liabilities				
	- L&G finance	44,241	44,241	43,975	43,975
	- Balfour Beatty deferred consideration	5,070	5,070	4,975	4,975
	Deferred capital grants greater than 1 year	42,869	39,192	44,169	41,389
		<u>98,288</u>	<u>94,611</u>	<u>99,906</u>	<u>97,126</u>

	2018		2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Analysis of secured and unsecured loans:				
Due in five years or more	49,311	49,311	48,950	48,950
Total secured and unsecured loans	<u>49,311</u>	<u>49,311</u>	<u>48,950</u>	<u>48,950</u>
Secured loans repayable by 2048	49,311	49,311	48,950	48,950
	<u>49,311</u>	<u>49,311</u>	<u>48,950</u>	<u>48,950</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 (2016-17 6 per cent) for the L&G finance and 13 per cent (2016-17 12 per cent) for Balfour Beatty.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Provisions for liabilities at 31 July 2018

	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 2017	12,797	24,467	37,264	1,335	298	1,513	3,146
Utilised in year	(1,742)	(12,081)	(13,823)	(495)	-	-	(495)
Additions in 2017-18	-	-	-	-	444	472	916
At 31 July 2018	11,056	12,384	23,440	840	742	1,985	3,567

	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 2017	12,797	24,467	37,264	1,335	298	1,513	3,146
Utilised in year	(1,742)	(12,081)	(13,823)	(495)	-	-	(495)
Additions in 2017-18	-	-	-	-	444	472	916
At 31 July 2018	11,056	12,384	23,440	840	742	1,985	3,567

USS Deficit

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

VAT Provision

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

Voluntary Severance

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

Other Provision

£1,635,000 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 £350,000 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	26,452	11,779	647	38,878
Restated accumulated income brought forward	3,243	-	(174)	3,069
Restated balances at 1 August 2017	29,695	11,779	473	41,947
(Loss) on disposal of fixed assets	-	(10)	-	(10)
Impairment of endowment land and building	-	(73)	-	(73)
New endowments	115	-	-	115
Investment income	579	94	10	683
Expenditure	(435)	(94)	(54)	(583)
Increase in market value of investments	888	302	23	1,213
Total endowment comprehensive income for the year	1,147	219	(21)	1,345
Balances at 31 July 2018	30,842	11,998	452	43,292
Capital carry forward	27,455	11,998	670	40,123
Accumulated income carry forward	3,387	-	(218)	3,169
At 31 July 2018	30,842	11,998	452	43,292

In addition to the £1,708,000 (2016-17 £3,706,000) increase in market value of investments above, there has been no movement in the market value of investment properties £nil (2016-17 £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).

	2018		2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Analysis by type of purpose:				
Lectureships	3,126	3,126	4,829	4,829
Scholarships and bursaries	17,663	17,663	18,418	18,418
Research support	6,513	6,513	4,210	4,210
Prize funds	1,978	1,978	2,979	2,979
General	14,012	14,012	11,511	11,511
	43,292	43,292	41,947	41,947

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Endowment reserves (continued)

	2018		2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Analysis by asset				
Investment	26,978	26,978	37,694	37,694
Land and Buildings	11,734	11,734	11,982	11,982
Endowment cash and treasury bills	4,608	4,608	7,975	7,975
	43,320	43,320	57,651	57,651

Deficit balances

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

	Capital £000	Income £000
Blaenllynant endowment	2,024	(107)

21 Restricted reserves

Reserves with restrictions are as follows

	University and Consolidated 2018		University and Consolidated 2017	
	Donations £000	Total £000	Donations £000	Total £000
Capital brought forward	128	128	116	116
Accumulated income brought forward At 1 August 2017	70	70	12	12
	198	198	128	128
New donations	259	259	102	102
Investment income	-	-	-	-
Expenditure	(163)	(163)	(32)	(32)
Total restricted comprehensive income for the year	96	96	70	70
Capital carry forward	128	128	116	116
Accumulated income carry forward	166	166	12	12
	294	294	128	128

Analysis of other restricted funds and donations by purpose:

	2018		2017	
	Donations £000	Total £000	Donations £000	Total £000
Lectureships	-	-	-	-
Scholarships and bursaries	12	12	25	25
Research support	-	-	-	-
Prize funds	2	2	2	2
General	280	280	171	171
	294	294	198	198

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Cash and cash equivalents

	At 1st August 2017	Cash flow	At 31st July 2018
Consolidated	£000	£000	£000
Cash available to university	25,260	(6,058)	19,202
Restricted endowment cash	5,605	5	5,610
	30,865	6,053	24,812

23 Capital and other commitments

	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Capital commitments	6,575	5,264	2,302	2,302
	6,575	5,264	2,302	2,302

24 Contingent liabilities and assets

There are no contingent liabilities

The University is due to receive monies in 2018-19 in relation to the unpaid historic revenue sharing of Pentre Jane Morgan Student Village from the Student Village lease. This amount has not been included in the results for the year ended 31 July 2018, but is regarded as a contingent asset.

25 Events after the reporting period

Non adjusting Post Balance Sheet Events

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. We are working with the trustees of the Aberystwyth University Pension and Assurance Scheme to understand the extent to which the judgment crystallises additional liabilities for our pension scheme. The extent to which the judgment will increase the liabilities in the Aberystwyth University Pension and Assurance Scheme is not possible to identify at this point.

For the USS defined benefit pension scheme, the provision included within the financial statements at note 26 will only be impacted to the extent the change in benefits increases cash financing.

For the Local Government Pension Scheme, Dyfed Pension Fund, the Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

There are no other events after the reporting period which have an impact on the financial statements to 31 July 2018.

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

	2018	2017
	£000	£000
Operating charge in staff costs		
AUPP	3,019	3,148
USS	5,092	6,016
AUPAS	-	-
DPF	12	11
Total pension charge in staff costs	<u>8,123</u>	<u>9,175</u>

	2018	2017
	£000	£000
Interest costs		
USS	237	244
AUPAS	600	548
DPF	11	24
Total interest costs	<u>848</u>	<u>816</u>

	2018	2017
	£000	£000
Actuarial gain/(loss) in respect of pension schemes		
AUPAS	11,041	(2,431)
DPF	502	475
Total actuarial gain/(loss)	<u>11,543</u>	<u>(1,956)</u>

Impact on Balance Sheet

	2018	2017
	£000	£000
Pension Provision		
USS	11,056	12,798
AUPAS	12,433	23,946
DPF	(49)	520
Total pension liability	<u>23,440</u>	<u>37,264</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 2017-18 was £3,019,000 (2016-17 £3,148,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

(ii) THE UNIVERSITIES SUPERANNUATION SCHEME

A defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). With effect from 01 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The total amount charged to the statement of comprehensive income is £5,092,000 (2016-17 £6,016,000). The latest available full actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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

Assumptions

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

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

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

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

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS102 total scheme deficit	£8.4bn	£17.5bn
FRS102 total funding level	88%	77%

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

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

The University has agreed to a 16 year deficit reduction plan on the 31st July 2015. The present value of future payments under this deficit reduction plan has been determined using a deficit modeller produced by USS. A discount rate of 1.85 per cent (1.75 per cent in 2016-17) has been used to calculate the present value of future payments. This discount factor is based on the yield of high grade AA bonds as required by FRS102.

	2018 £000	2017 £000
Opening deficit	(12,798)	(13,922)
Current service cost	(6,246)	(6,495)
Change in deficit reduction plan assumptions	1,154	479
USS Pension cost in the Consolidated Income Statement	(5,092)	(6,016)
Net interest cost	(237)	(244)
Contribution from University	7,071	7,384
Closing deficit	<u>(11,056)</u>	<u>(12,798)</u>

(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 £1,071,000 (2016-17 £1,044,000) to the pension scheme as a contribution to reduce the value of the deficit. The scheme is closed and no contributions were made by members.

Assumptions

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

	2018 %pa	2017 %pa
Price inflation (RPI)	3.10	3.10
Price inflation (CPI)	2.10	2.10
Rate of increase in salaries	2.60	2.60
Rate of increase of pensions in payment for AUPAS members	2.10	2.10
Deferred pension revaluation	2.10	2.10
Discount rate	2.85	2.55

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

	2018	2017
Males currently aged 65 (years)	21.8	20.6
Females currently aged 65 (years)	24.1	22.4
Males currently aged 45 (years)	23.5	22.3
Females currently aged 45 (years)	26.0	24.2

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

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

	2018 £000	2017 £000
Pension cost within surplus/deficit before other gains/losses		
Current service cost	-	-
Past service costs	-	-
Total operating charge in staff costs	<u>-</u>	<u>-</u>
Interest on plan assets	2,425	2,308
Interest on pension liabilities	3,025	2,856
Net interest cost	<u>600</u>	<u>548</u>
Administrative cost	-	-
Total pension cost within deficit before other gains/losses	<u>600</u>	<u>548</u>
Actuarial gain/(loss) in respect of pension schemes		
Gain on assets	879	5,193
Experience gain on liabilities	6,461	-
Gain/(loss) on liabilities	3,701	(7,624)
Net Actuarial gain/(loss) in respect of pension schemes	<u>11,041</u>	<u>(2,431)</u>
Total comprehensive income/(cost) for the year	<u><u>10,441</u></u>	<u><u>(2,979)</u></u>

Summary of the amount shown in the balance sheet for AUPAS

Scheme assets	96,792	96,712
Scheme liabilities	109,225	120,658
Net pension liability	<u><u>12,433</u></u>	<u><u>23,946</u></u>

Analysis of movement in the present value of AUPAS liabilities

Present value of AUPAS liabilities at the start of the year	120,658	113,853
Current service cost (net of member contributions)	-	-
Loss on curtailments/changes	-	-
Interest cost	3,024	2,854
Actual member contributions (including notional contributions)	-	-
Actuarial (gain)/loss due to changes in assumptions	(3,701)	7,624
Actuarial (gain)/loss due to effect of experience adjustment	(6,461)	-
Actual benefit payments	(4,295)	(3,673)
Present value of AUPAS liabilities at the end of the year	<u><u>109,225</u></u>	<u><u>120,658</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

	2018 £000	2017 £000
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	96,712	91,840
Expected interest income on plan assets	2,425	2,308
Actual return on plan assets (excluding interest income)	879	5,193
Actual contributions paid by University	1,071	1,044
Actual member contributions (including notional contributions)	-	-
Actual benefit payments	(4,295)	(3,673)
Administrative expenses paid from plan assets	-	-
Fair value of scheme assets at the end of the year	<u>96,792</u>	<u>96,712</u>
Fair value of AUPAS scheme assets		
Cash and cash equivalents	400	400
Equity instruments	37,468	36,833
Debt instruments	40,293	41,152
Real estate	10,052	9,535
Other	8,579	8,792
Total fair value of AUPAS scheme assets	<u>96,792</u>	<u>96,712</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	2,425	2,308
Asset gain/(loss)	879	5,193
Actual return on scheme assets	<u>3,304</u>	<u>7,501</u>
Per cent return on scheme assets at start of year	3.4%	8.2%

(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 2018 by a qualified independent actuary.

Assumptions

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

	2018 % pa	2017 % pa
Price inflation	2.2	2.2
Rate of increase in salaries	3.7	3.7
Rate of increase of pensions in payment for DPF members	2.3	2.2
Discount rate	2.8	2.5

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.

	2018	2017
Males currently aged 65 (years)	22.9	22.8
Females currently aged 65 (years)	25.6	25.5
Males currently aged 45 (years)	25.1	25.0
Females currently aged 45 (years)	27.9	27.8

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

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

	2018 £000	2017 £000
Pension cost within surplus/deficit before other gains/losses		
Current service cost	12	11
Total operating charge in staff costs	12	11
Interest on plan assets	128	112
Interest on pension liabilities	139	136
Net interest cost	11	24
Administrative cost	-	-
Total pension cost within surplus/deficit before other gains/losses	23	35
Actuarial gain/(loss) in respect of pension schemes		
Gain on assets	352	497
Gain/(loss) on liabilities	150	(22)
Net Actuarial gain in respect of pension schemes	502	475
Total Comprehensive income/(cost) for the year	(479)	(440)

Summary of the amount shown in the balance sheet for DPF

	2018 £000	2017 £000
Scheme assets	5,541	5,187
Scheme liabilities	5,492	5,707
Net pension liability	(49)	520

Analysis of movement in the present value of DPF liabilities

Present value of DPF liabilities at the start of the year	5,707	5,767
Current service cost (net of member contributions)	12	11
Interest cost	139	136
Actual member contributions (including notional contributions)	2	2
Actuarial loss due to changes in assumptions	(150)	22
Actual benefit payments	(218)	(231)
Present value of DPF liabilities at the end of the year	5,492	5,707

Analysis of movement in the fair value of scheme assets

Fair value of assets at the start of the year	5,187	4,722
Expected interest income on plan assets	128	112
Actual return on plan assets (excluding interest income)	352	497
Actual contributions paid by University	90	85
Actual member contributions (including notional contributions)	2	2
Actual benefit payments	(218)	(231)
Fair value of scheme assets at the end of the year	5,541	5,187

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Pension Schemes (continued)

	2018	2017
	£000	£000
Fair value of DPF scheme assets		
Cash and cash equivalents	22	36
Equity instruments	3,912	3,678
Debt instruments	1,003	970
Real estate	604	503
Total fair value of DPF scheme assets	5,541	5,187
Actual return on scheme assets		
Expected return on scheme assets	128	112
Asset gain	352	497
Actual return on scheme assets	480	609
Per cent return on scheme assets at start of year	9.3%	12.9%

27 University and consolidated lease obligations

	Land and Buildings £000	Plant and Machinery £000	Other leases £000	Total 2018 £000	Total 2017 £000
Payable during the year	610	-	189	799	865
Future minimum lease payments due					
Not later than 1 year	326	-	187	513	20
Later than 1 year and not later than 5 years	985	-	329	1,314	513
Later than 5 years	1,589	-	178	1,767	3,597
Total lease payments due	2,900	-	694	3,594	4,130

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2018 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 £4.4 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 £4.6 million. An increase in inflation rate increases the liability, a fall in the inflation rate reduces the liability</p> <p>A change of 1 year in life expectancy changes the pension liability by £3.3 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 £185,839. An increase in discount rate reduces the liability, a fall in discount rate increases the liability</p>
Investment property	<p>Investment properties have been valued at £15.3 million by a Chartered Surveyor and Registered Valuer under the RICS Valuer Registration Scheme (Cooke and Arkwright).</p> <p>They have been valued at fair value which is the value for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.</p> <p>The property market in Aberystwyth and surrounding area is less liquid and the values of property is subject to the demand for a specific property.</p>	<p>If the value of the investment properties are determined to be lower, this will be recognised as a charge to the University's Consolidated Statement of Comprehensive Income. If the value of investment properties are determined to be higher, this will be recognised as a gain in the University's Consolidated Statement of Comprehensive Income.</p>

NOTES TO THE FINANCIAL STATEMENTS (continued)

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				
Wales Millenium Centre - (Sir Emyr Jones Parry)	-	(2)	-	-
The Learned Society of Wales - (Sir Emyr Jones Parry)	-	(15)	-	-
Ceredigion County Council - (Mr Keith Evans)	-	(632)	-	-
Alun, Thomas & John Solicitors - (Mr Richard John)	-	(5)	-	-
Natural Resources Wales - (Dr Emyr Roberts)	-	(7)	-	-
Senior Staff Members				
UCAS Media Limited - (Prof Elizabeth T Treasure)	-	(189)	-	(9)
UCAS - (Prof Elizabeth T Treasure)	-	(73)	-	-
Aber Trading Limited - (Prof Chris Thomas)	8	-	-	-
Coleg Cymraeg Cenedlaethol - (Dr Rhodri Llwyd Morgan)	-	(9)	-	-

Mr Gwion Llwyd Williams (11 months) Mr Bruce Wight and Ms Anna Wyn Jones (1 month), in addition to being University Trustees, were also members of the Aberystwyth University Students' Union. Transactions with a value of £721,663 (2016-17 £700,000) relating to block grant took place between the University and the Students' Union.

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

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 2017-18 financial statements, the University reviewed the balances within reserves, with a particular focus on the classification of endowment funds. This highlighted, following internal review and legal opinion on key documentation relating to the funds, that reserves previously held within endowments totalling £14,251,000 as at 1 August 2016 ought to have been classified as unrestricted reserves. 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 2016. Additionally, the classification of income relating to these reserves in 2016/17 has also been adjusted retrospectively, as outlined below and in the Statement of Changes in Reserves.

The net effect on total reserves is nil, but as at 1 August 2016 has the effect of moving £14,251,000 from endowment reserves to the unrestricted income and expenditure reserve. The table below shows the effect on the opening position for 2016-17, as at 1 August 2016, and as at 31 July 2017. There is no impact on the Consolidated and University Statement of Comprehensive Income for the year ended 31 July 2017, save for the classification of total comprehensive income between reserve balances, as shown below.

Consolidated and University	Income and expenditure account			Revaluation reserve	Total Including Non Controlling Interest
	Endowment £000	Restricted £000	Unrestricted £000		
Balance at 1 August 2016 as previously reported	51,897	128	25,255	72,468	149,748
Prior year adjustment	(14,251)	-	14,251	-	-
Restated balance at 1 August 2016	37,646	128	39,506	72,468	149,748
Balance at 31 July 2017 as previously reported	57,651	198	21,499	69,643	148,991
Prior year adjustment to opening balances	(14,251)	-	14,251	-	-
Prior year adjustment to comprehensive income relating to reclassified reserves	(1,453)	-	1,453	-	-
Restated balance at 31 July 2017	41,947	198	37,203	69,643	148,991