Merthyr Tydfil College Limited

Coleg Merthyr Tudful Cyfyngedig

Annual Report and

Financial Statements for the year ended

31 July 2016

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Merthyr Tydfil College Limited

Annual Report and Financial Statements for the year ended 31 July 2016

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Directors' report (incorporating the Strategic report) for the year ended 31 July 2016

The directors present their report and the audited financial statements of the Company for the year ended 31 July 2016. The financial statements have been prepared to comply with the Companies Act 2006 and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with applicable accounting standards.

Principal activities
The principal activities of the Company are the provision of further education, higher education, work based learning, professional training, consultancy and the delivery of Government initiatives to industry.

Strategic Report

Business review and future developments
During the year, the Board has agreed an updated five-year strategic plan which articulates how the College will develop. By 2016-17 the College will be in the third full year of operation as a tertiary College where all post 16 learners from Merthyr Tydfil attend the College taking a mix of academic and vocational qualifications. The College's strategic priorities are to:

- Enhance our reputation amongst learners, parents, teachers, employers and communities
- Deliver an outstanding learning experience and raise levels of achievement, success and progression
- Be recognised as a dynamic and sustainable college
- Engage positively with learners, parents, teachers, employers and communities.

Financial risk management
The College is committed to exhibiting best practice in all areas of financial risk management and corporate governance, fully adhering to the principles set out in the Governance Code of Practice and General Principles, issued by the Committee of University Chairmen (CUC) to accompany their Guide for Members of Higher Education Governing Bodies, in November 2009.

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

The College maintains a risk register which considers business, operational, compliance and financial risks. The register is regularly reviewed by senior management, and the company's risk management process is consolidated into the University of South Wales (parent entity) whose internal control guidance adheres to the combined code as amended by the British Universities Finance Directors Group.

The Board of Directors met five times during the reporting period. In terms of audit arrangements, whilst a separate College Audit Committee has not been established, all audit reports and reviews and other information relating to the company are formally received by the University of South Wales' Audit Committee which meets four times per year. The 2015-16 annual report of the internal auditors was considered by both the University's Audit Committee and the College's Board of Directors, who also approved the internal audit plan for 2016-17.
As part of the University of South Wales group financial risk management and internal control framework, as highlighted in the financial statements of the University of South Wales, the College has undertaken work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the College Executive undertakes a comprehensive review of the risks to which the College is exposed. The College Executive identify systems and procedures, including specific preventative actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review effectiveness and progress against risk mitigation actions. In addition to the annual review, the College Executive will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

Directors' report (incorporating the Strategic report) for the year ended 31 July 2016 (continued)

A risk register is maintained at the College which is reviewed four times a year by the Board of Directors. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Results
The Company's surplus for the year ended 31 July 2016 was £178K (2015: £129K).

The College's cash and liquidity positions remained strong throughout the year, with year-end cash balances exceeding target with a consistent current ratio (current assets to current liabilities).

Key Performance Indicators
The following three key performance indicators (KPIs) are relevant when assessing performance for the year:

i) Surplus - £178K (2015: £129K)

ii) Year-end cash position - £2,907K (2015: £2,422)

iii) Current ratio – 1.21 (2015: 1.05)

Student numbers: Further education recruitment remained strong.

Quality: The College received an outstanding inspection report from Estyn in March 2010, with a rating of 'Good' for all fifteen quality indicators The next Estyn inspection will take place in November 2016. The College also received outstanding reports from its further education students in the 'Learner Voice' and its higher education students in the 'National Student Satisfaction Survey'.

Health & Safety: The College as part of its work based learning consortium received a grade of excellent; its University audit demonstrated a sound approach to the management of health and safety. The College has an action plan to address any shortcomings identified in audit reports.

Principal risks and uncertainties
Outlined below are the principal risks facing the College. Not all the factors are wholly within the College's control. Other factors besides those listed below may also adversely affect the College.

Government funding
The College relies considerably on continued government funding. In 2016 85% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware that the main funding body Department for Education and Skills (DfES) has indicated that government funding is likely to reduce by at least 5% over the next three years.

The College will continue to explore alternative sources of income both in collaboration with partners and in its own right. This risk is mitigated in a number of ways:

- Funding is derived through a number of direct contractual arrangements;
- By ensuring the College is rigorous in delivering high quality education and training;
- Expansion of higher education under HEFCW's widening access agenda,
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies; and
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (continued)

Dividends
The Company is limited by guarantee. The directors do not recommend the payment of a dividend in respect of the year ended 31 July 2016 (2015 – nil).

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the annual report and financial statements understand how the principles have been applied. In the opinion of the governors, the College complies with all of the provisions of the Code, in so far as they apply to the Further and Higher Education Sectors, and it has complied throughout the year ended 31 July 2016 and up to the date of signing the annual report and financial statements.

The College reviews, at least annually, the effectiveness of the internal control system.

Directors and their interests
The existing directors and those who held office during the year and up to the date of signing the annual report and financial statements, are given below:

Mr S.H. Best* (Chairman)
Dr J. Graystone*
Mr J Scriven * (appointed 15 November 2015)
Prof. J E Lydon
Mrs C. Meade *
Mr G Morgan*
Mr J T O'Shea
Ms S M L Spray*
Mrs K J Thomas*
Mr H R Williams
Mrs K N Burns*
Mr A M Jenkins*

*non-executive directors

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (continued)

Employees
Applications for employment by disabled persons are always fully considered, taking into account the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has been undertaken, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. The Company is a member of the University of South Wales Equalities Forum, and its sub-groups. Communication with all employees is undertaken through termly staff meetings, and e-mails as required.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' report (incorporating the Strategic report) and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company financial statements in accordance the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant Accounting Standards (United Kingdom General Accounting Practice). In addition, within the terms and conditions of the Financial Memorandum agreed between the Company and the University (Financial Memorandum), the directors are required to prepare the annual report and financial statements for each accounting period which give a true and fair view of the state of affairs of the Company and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors took reasonable steps to meet their responsibilities in respect of:

- ensuring that funds from DfES were used only for the purpose for which they were given and in accordance with the Financial Memorandum and any other conditions which the Welsh Government may from time to time prescribe;
- ensuring that there were appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguarding the assets of the Company and to prevent and detect fraud and other irregularities securing the economical, efficient and effective management of the Company's resources and expenditure.

Directors' indemnities
The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance.

This was also in force at the date of approval of the annual report and financial statements.

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (continued)

Provision of information to auditors
In the case of each director in office at the date the directors' report is approved, the following applies:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) they have taken all the steps that ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at a future meeting of the Board.

By order of the board

Company secretary
W D Callaway

12th December 2016

Merthyr Tydfil College Limited

Public Benefit Statement for the year ended 31 July 2016

Merthyr Tydfil College Limited is a registered charity. The registered address is Merthyr Tydfil College, (University of South Wales),Treforest, Pontypridd. CF37 1DL and the registered number is 1140289. The members of the Board are directors for the purposes of the Companies Act 2006 and also are the trustees of the Charity and as such have due regard to the Charity Commission's guidance on public benefit and its supplementary guidance on the advancement of education for the public benefit.

Charitable Objectives

The College promotes the advancement of education and learning for the public benefit. It also provides, maintains and improves performance facilities for the benefit of the local community.

The College is well aware of its public benefit responsibility and, therefore, ensures this is embedded in all of its operations to offer fully inclusive services.

Fulfilment of the charitable objectives

Beneficiaries
The College has a student population of approximately 3,300 learners through different modes of study, 2,100 full time and 1,200 part time. The primary beneficiaries are students of the College directly engaged in high-quality training in a range of disciplines. However, beneficiaries extend to pre-College students (from the age of fourteen upwards) in addition to local employers and businesses.

Admissions policy
The College operates a flexible admissions policy and provides for individual needs in the design of learning programmes. For some programmes there are specific entry requirements which are reviewed annually and published in the College prospectus.

Bursaries/scholarships
Students enrolled at the College are entitled to apply for various support and funding in the same way as anyone studying in further or higher education in Wales.

Students studying further education courses at the College are eligible to apply for various means of support. The Education Maintenance Allowance is available to students aged 16 to 19 years with the Assembly Learning Grant available to students aged 19+. The Bursary grant is an alternative means of support which is funded through the Colleges' Access funds.

In addition to the above the College also administers other initiatives that students can access. Subsidised childcare facilities, free meals and transport allowances are available along with financial support for educational visits and study aids.

Higher education students have access to alternative methods of support. The Assembly Learning Grant or the Higher Education Fee Waiver can be applied for depending on individual circumstances. There are also funds available for HE students in financial hardship. The College provides student support and guidance on the application process.

Widening Participation
The College provides a wide range of programmes for learners from the age of 14 years. Many learners are able to access grant support as a means of tackling social exclusion. In terms of community provision, the College offers a wide range of accredited programmes that are delivered through partnership working with the local county borough council. Likewise, many family learning programmes are offered in community venues on an annual basis.

Community Engagement
The College offers other facilities which are accessible to students, staff and members of the community. A large sports hall is available for hire along with various sporting equipment. The College facilities are charged at subsidised rates to ensure their accessibility to all.

New Building
In September 2013, the College relocated from its building which was opened in 1955, to a brand new purpose built College. The new College was funded by a 100% grant from the Welsh Government and cost £33 million. This building has provided e borough of Merthyr Tydfil and the surrounding areas with a state of the art facility that will benefit learners and the wider community.

Merthyr Tydfil College Limited

Statement of trustees' responsibilities

The trustees (who are also directors of Merthyr Tydfil College Limited for the purposes of company law) are responsible for preparing the Directors' report (incorporating the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the charitable company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the charitable company and the Higher Education Funding Council for Wales and under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of recommended Practice; Accounting for Further and Higher Education Institutions;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees took reasonable steps to meet their responsibilities in respect of;

- keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant accounting standards;
- ensuring that funds from the Higher Education Funding Council for Wales are used only for those purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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;
- safeguarding the assets of the charitable company;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- securing the economical, efficient and effective management of the charitable company's resources and expenditure.

The trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies;

(a) so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

Independent auditors' report to the Governing Body of Merthyr Tydfil College Limited (the "Institution")

Report on the financial statements

Our opinion
In our opinion Merthyr Tydfil College Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the institution's affairs as at 31 July 2016, and of the institution's income and expenditure, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

What have we audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report") comprise:

- the institution's Balance Sheet as at 31 July 2016;
- the Income and Expenditure Account for the year ended;
- the Statement of Changes in Reserves for the year ended
- the Cash Flow Statement for the year ended;
- the accounting policies: and.
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Standards, comprising FRS 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice) .

In applying the financial reporting framework, the Governing Body has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in Directors' Report (incorporating the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- Directors' Report (incorporating the Strategic Report) has been prepared in accordance with the applicable legal requirements.

Independent auditors' report to the Governing Body of Merthyr Tydfil College Limited (the "Institution") - (continued)

In addition, in the light of the knowledge and understanding of the institution and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in Directors' Report (incorporating the Strategic Report). We have nothing to report in this respect.

Opinions on other matters prescribed in the Further Education Audit Code of Practice 2016 issued by the Welsh Government

In our opinion, in all material respects:

- monies expended out of Welsh Government grants and other funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation; and
- income has been applied in accordance with the financial memorandum with the Welsh Government.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the institution, or returns adequate for our audit have not been received from branches not visited by us: or
- The institution financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Governing Body

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the Governing body (who are also the directors of the institution for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland)") ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the institution's Governing body as a body in accordance with Article 18 of the college's articles of government and Chapter 3 of Part 16 of the Companies Act 2006

Independent auditors' report to the Governing Body of Merthyr Tydfil College Limited (the "Institution") - (continued)

and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of the financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Governing body; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to Directors' Report (incorporating the Strategic Report), we consider whether those reports include the disclosures required by applicable legal requirements.

Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
21 December 2016

(a) The maintenance and integrity of Merthyr Tydfil College Limited's website is the responsibility of the directors; 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.

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

Merthyr Tydfil College Limited

Company Registration No. 6671721

Income and Expenditure account for the year ended 31 July 2016

	Note	2016	2015
		£'000	£'000
Income			
Funding body grants	2	**10,950**	11,400
Tuition fees and education contracts	1	**1,732**	1,596
Research grants and contracts	3	**401**	439
Other income		**716**	696
Investment Income		**17**	7
Total income		**13,816**	14,138
Expenditure			
Staff costs	4	**8,650**	8,619
Staff costs - fundamental restructuring	4	**123**	262
Other operating expenses		**2,601**	2,867
Amortisation	10	**15**	15
Depreciation	11	**2,099**	2,106
Interest and other finance costs	6	**150**	140
Total expenditure		**13,638**	14,009
Surplus/(Deficit) for the year		**178**	129
Actuarial loss in respect of pension schemes		**(960)**	(490)
Total comprehensive expense for the year		**(782)**	(361)

All items of income and expenditure relate to continuing activities. There is no material difference between the surplus for the years retained within general reserves stated above and their historical cost equivalent.

Merthyr Tydfil College Limited

Statement of Changes in Reserves for the year ended 31st July 2016

	£'000
Balance at 1 August 2014	**371**
Surplus from the income and expenditure statement	129
Other comprehensive expense	(490)
Total comprehensive expense for the year	(361)
Balance at 1 August 2015	**10**
Surplus from the income and expenditure statement	178
Other comprehensive expense	(960)
Total comprehensive expense for the year	(782)
Balance at 31 July 2016	**(772)**

The company is limited by guarantee and comprises one member.

Merthyr Tydfil College Limited

Company Registration No. 6671721

Balance sheet as at 31 July 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Intangible assets	10	**48**	27
Fixed assets	11	**31,250**	33,143
Current assets			
Stock	12	**12**	9
Trade and other receivables	13	**1,432**	2,047
Cash at bank and in hand		**2,907**	2,422
		4,351	4,478
Creditors: amounts falling due within one year	14	**(3,598)**	(4,265)
Net current assets		**753**	213
Total assets less current liabilities		**32,051**	33,383
Creditors: amounts falling due after more than one year	15	**(26,031)**	(28,006)
Provisions			
Pension provisions	16	**(6,370)**	(5,040)
Other provisions	16	**(422)**	(327)
Total net (liabilities) / assets		**(772)**	10
Unrestricted Reserves			
Income and expenditure account – unrestricted reserve		**(772)**	10
Total Reserves		**(772)**	**10**

The financial statements on pages 13 to 31 were approved by the Board of Directors on 12th December 2016 and were signed on its behalf by:

Mr S H Best
Chairman

Merthyr Tydfil College Limited

Cashflow Statement for the year ended 31 July 2016

	2016 £'000	2015 £'000
Cash flow from operating activities		
Surplus for the year	**178**	129
Adjustment for non-cash items		
Depreciation	**2,099**	2,107
Amortisation of intangibles	**15**	15
Increase in stock	**(3)**	(1)
Decrease/(increase) in debtors	**615**	(1,470)
Decrease/(increase) in creditors	**(2,642)**	2,191
Increase in pension provision	**1,330**	750
Actuarial (loss) / gain in respect of pension schemes	**(960)**	(490)
Decrease in other provisions	**95**	(3,633)
Adjustment for investing or financing activities		
Investment income	**(17)**	(7)
Interest payable	**0**	0
Endowment income	**0**	0
Profit on the sale of fixed assets	**0**	0
Capital grant income	**(1,979)**	(1,982)
Net cash outflow from operating activities	**(1,269)**	(2,391)
Cash flows from investing activities		
Capital grants receipts	**1,979**	1,982
Investment income	**17**	7
Payments made to acquire fixed assets	**(206)**	(914)
Payments made to acquire intangible assets	**(36)**	(12)
Net cash inflow from investing activities	**1,754**	1,063
Increase / (decrease) in cash and cash equivalents in the year	**485**	(1,328)
Cash and cash equivalents at beginning of the year	**2,422**	3,750
Cash and cash equivalents at end of the year	**2,907**	2,422

Accounting policies

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) : Accounting for Further and Higher Education 2015 and in accordance with the Financial Reporting Standards (FRS 102). The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are in accordance with the historical cost convention.

Recognition of income

Funding body grants are accounted for in the year to which they relate.

Tuition fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

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

Pension schemes

Retirement benefits for employees of the Company are provided by the Teachers' Pensions Scheme Agency (TPS) and the Rhondda Cynon Taff Pension Fund (RCTPF), a Local Government Pension Scheme (LGPS). RCTPF is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme.

It is not possible to identify each institution's share of the underlying assets and liabilities in relation to the TPS and hence, contributions to the scheme are accounted for as if this was a defined contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the scheme for the period.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Early Retirement Provision

The Company maintains a provision to meet pension costs arising from the additional years of service granted to certain staff taking early retirement.

Provisions are established and the associated costs are charged to the income and expenditure account when the College has a legal or constructive obligation. The provision relates to enhanced teachers' unfunded pension arrangements established by the College. These are termination benefits made on a discretionary basis upon early retirement, in respect of the Teachers' Pension Scheme.

Accounting policies (continued)

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 College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Operating Leases
Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Foreign currency
Transactions in foreign currencies are translated 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 at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Surplus or Deficit.

Intangible assets
Intangible assets are amortised over 4 years representing the remaining estimated economic life of the asset.

Tangible Fixed Assets
Tangible fixed assets are recorded at purchase cost, including non-recoverable VAT, incidental costs of acquisition, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset, evenly over its expected useful life, as stated below.

The principal rates used for this purpose are:

Buildings	- up to 50 years straight line
Fixtures and fittings	- between 3-25 years straight line
Plant and machinery	- between 3-40 years straight line

Assets under construction represent the cost of purchasing, constructing and installing tangible fixed assets ahead of their productive use. No depreciation is charged on assets under construction until they are transferred to the appropriate asset heading when they are brought into use.

Land and buildings
The freehold interest in land and buildings is included in the balance sheet at cost or valuation. Land and buildings acquired, buildings constructed or building refurbishments undertaken during the year, are included at cost less depreciation.

Finance costs directly attributable to the construction of fixed assets are capitalised as part of the cost of those assets.

Transition to 2015 SORP
The Company is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position of the College is provided in note 24.Application of first time adoption grants certain exemptions from the full requirements of 2015 SORP in the transition period. The following exemptions have been taken into these financial statements: Fair value or revaluation as deemed cost at 1 August 2014, fair value has been used for deemed cost for properties measured at fair value. The decision was made to revalue land as at 1st August 2014 the effect being an increase of £197k in assets.

Assets Financed by Capital Grant or Donations
Where fixed assets are acquired with the aid of specific grants and donations, they are capitalised and depreciated as above. The related grants or donations are credited to deferred capital grants, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Accounting policies (continued)

Stock
Stocks are valued at the lower of cost and net realisable value.

Provisions

Provisions are recognised in the financial statements when :
(a) The College has a present obligation (legal or constructive) as a result of a past event;
(b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
(c) A reliable estimate can be made of the amount of the obligation.

A contingent liability arises from a past event that gives the College 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 College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

Notes to the financial statements for the year ended 31 July 2016

The Company is a wholly-owned subsidiary of the University of South Wales, and is included in the consolidated financial statements of the University of South Wales, which are publicly available. The Company is exempt under the terms of FRS 102 from disclosing related party transactions with entities that are part of the University of South Wales.

1. Tuition fees and education contracts

	2016 £'000	2015 £'000
Full-time home and EU students	**1,542**	1,354
Part-time students	**190**	242
	1,732	1,596

2. Funding body grants

	2016 £'000	2015 £'000
Recurrent grant	**7,982**	8,291
Specific grants	**989**	1,127
Capital Grant	**1,979**	1,982
	10,950	11,400

3. Research grants and contracts

	2016 £'000	2015 £'000
Government (UK and overseas)	**401**	439

4. Staff costs

	2016 £'000	2015 £'000
Salaries	**6,861**	7,025
Social security costs	**581**	549
Other pension costs	**1,208**	1,045
	8,650	8,619
Restructuring costs	**123**	262

	2016 £'000	2015 £'000
Emoluments of the Principal		
Salary	**100**	95
Pensions	**12**	11
	112	106

Other than the Principal there are no other remunerated directors.

Remuneration of other Higher Paid Staff, excluding employer's pension contributions (excluding loss of office):

	2016 Number	2015 Number
£50,000 - £59,999	**4**	4
£60,000 - £69,999		
£70,000 - £79,999	**1**	1
£80,000 - £89,999		
£90,000 - £99,999	**1**	1

Retirement benefits are accruing to 90 employees under a defined benefit scheme.

The monthly average number of full time equivalent (FTE) employees (including senior post-holders) by major category during the year was as follows:

	2016 Number	2015 Number
Academic	**161**	163
Management & specialist	**15**	20
Technical	**10**	10
Other	**26**	42
	212	235

5. Directors expenses and related party transactions

No expenses were paid to directors during the year (2015 – nil). No Director or other person related to the College had any personal interest in any contract or transaction entered into by the College during the year.

6. Interest and other finance costs

	2016 £'000	2015 £'000
Net charge on pension scheme	**150**	140

Notes to the financial statements for the year ended 31 July 2016 (continued)

7. Analysis of expenditure by activity

	2016	2015
	£'000	£'000
Academic and related expenditure	**7,789**	7,874
Administration and central services	**2,184**	2,262
Premises (including service concession costs)	**2,341**	2,273
Residences, catering and conferences	**5**	12
Other expenses	**1,319**	1,588
	13,638	14,009

Other operating expenses included:

External auditors remuneration in respect of audit services	**9**	9
External auditors remuneration in respect of non-audit services	**9**	8
Operating Lease rentals		
Land & Buildings	**102**	100
Other	**30**	40

8. Taxation on the profit for the year

The College is a charity registered with the Charity Commission number 1140289 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 to 488 of the Corporation Taxes Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA) 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 College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the cost of such inputs.

9. Dividends

No dividends were paid or proposed during the year (2015 - nil).

10. Intangible assets

	2016	2015
Software	£'000	£'000
Cost		
Opening balance	**70**	64
Additions in year	**36**	6
Closing balance	**106**	70
Accumulated Amortisation		
Opening balance	**43**	28
Additions in year	**15**	15
Closing balance	**58**	43
Net book value	**48**	**27**

Notes to the financial statements for the year ended 31 July 2016 (continued)

11. Fixed assets

	Freehold Land and Buildings	Plant and Machinery	Fixtures and Fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2015	30,945	4,778	2,312	38,035
Additions	-	97	109	206
At 31 July 2016	**30,945**	**4,875**	**2,421**	**38,241**
Accumulated depreciation				
At 1 August 2015	1,633	2,284	975	4,892
Charge for the year	585	1,062	452	2,099
At 31 July 2016	**2,218**	**3,346**	**1,427**	**6,991**
Net book value				
At 31 July 2016	**28,727**	**1,529**	**994**	**31,250**
At 31 July 2015	**29,312**	**2,494**	**1,337**	**33,143**

12. Stock

	2016	2015
	£'000	£'000
Stock	**12**	9

13. Trade and other receivables

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	**228**	530
Other receivables	**32**	320
Prepayments and accrued income	**123**	136
Amounts owed by group undertakings	**1,049**	1,061
	1,432	2,047

14. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade payables	**93**	34
Amounts owed to group undertakings	**186**	386
Deferred Capital Grant	**1,975**	1,979
Social security and other taxation payables	**154**	592
Accruals and deferred income	**1,190**	1,274
	3,598	4,265

15. Creditors: amounts falling due after more than one year

	2016	2015
	£'000	£'000
Amounts falling due after more than one year:		
Deferred Capital Grant	**26,031**	28,006

16. Provisions

Pension Provisions

	Pension enhancement on termination	Defined Benefit obligation	Total
	£'000	£'000	£'000
Cost			
At 1 August 2015	880	4,160	**5,040**
Utilised in year	-	-	**-**
Additions	30	1,300	**1,330**
At 31 July 2016	910	5,460	**6,370**

Other Provisions

	Legal Disputes	VAT Provision	Holiday Pay	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2015	125	-	202	**327**
Utilised in year	(12)	-	-	**(12)**
Additions	20	48	39	**107**
At 31 July 2016	133	48	241	**422**

17. Reserves

	Other Reserves	Profit and Loss reserve	Pension Reserve	Total
	£'000	£'000	£'000	£'000
At 1 August 2015	2,168	2,002	(4,160)	10
Surplus for the year	-	**178**	-	**178**
Transfer between reserves	-	**340**	**(340)**	-
Actuarial loss on pension scheme	-	-	**(960)**	**(960)**
At 31 July 2016	**2,168**	**2,520**	**(5,460)**	**(772)**

Other reserves arose on incorporation and represent the assets and liabilities transferred from the University of South Wales with the addition of £197k revaluation of Land & Buildings on 1 August 2014.

The company is limited by guarantee and comprises one member.

18. Lease obligations

Total rentals payable under operating leases:

	Land and Buildings	Plant and Machinery	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Payable during the year	102	30	**132**	97
Future minimum lease payments due:				
Not later than 1 year	104	6	**110**	141
Later than 1 year and not less than 5 years	324	7	**331**	327
Later than 5 years	462	-	**462**	572
Total lease payments due	890	13	**903**	1,040

19. Related party transactions

Due to the nature of the College's operations and the composition of the Board of Directors (being drawn from local public and private sector organisations), it is likely that transactions will take place with organisations in which a member of the Board of Directors may have an interest. All transactions involving organisations in which a member of the Board of Directors may have an interest are conducted in accordance with the College's financial regulations and normal procurement procedures.

Other than those disclosed elsewhere in the financial statements, no transactions were identified which would be disclosed under FRS102 Related Party Disclosures.

20. Pensions

The Company participates in two pension schemes, the Rhondda Cynon Taf Pension Fund (RCTPF) for non-academic staff, and the Teachers' Pension Scheme (TPS) for academic staff.

TPS

The Teachers' Superannuation Scheme is a contributory "sector-wide" scheme for academic staff administered by the Teachers' Pension Agency on behalf of the Department for Education and Skills. The scheme, which does not have a fund but instead operates on a 'pay-as-you-go' basis, is subject to actuarial valuation every five years for the purpose of determining the "sector-wide" contribution rates. The latest actuarial valuation of the scheme was as at 31 March 2012. The cost of pension increases is currently excluded from the valuation and neither employees nor employers contribute to this added value to the employee, which is met directly by the Exchequer.

The contribution rate during the year was 16.48%.

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the Income and Expenditure account of £619k (2015: £545k) is equal to the contributions payable to the scheme for the year.

RCTPF

The scheme is a defined benefit pension scheme, providing retirement benefits to participants on retirement and benefits to their dependants on death. Pre April 2014 benefits are linked to a final pensionable salary and service at date of retirement (or date of leaving scheme if earlier), post March 2014 benefits accrue on a Career Average Revalued Earnings (CARE) basis.

The scheme is valued every three years, the latest being undertaken by independent consulting actuaries as at 31 March 2013.

Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method.

In accordance with the requirements of Financial Reporting Standard 102, the independent consulting actuaries, Pension Watch Ltd, updated the results of the March 2016 actuarial valuation in order to ascertain the valuation of the "sub-funds" in the scheme at 31July 2016.

The principal assumptions used by the actuary in this respect were:-

	2016	2015	2014
	%	%	%
Discount rate / interest income on assets	2.60	3.65	4.10
General increases in pensionable salaries	2.75	3.20	3.20
CPI pension increases	1.75	2.20	2.20

The current mortality assumptions include an allowance for future improvements in mortality rates. Assumed life expectations on retirement today and at age 65 are:-

	2016 Number	2015 Number
Retiring Today:		
Males	23.1	23.0
Females	26.0	25.9

Notes to the financial statements for the year ended 31 July 2016 (continued)

	2016 Number	2015 Number
Retiring in 20 years:		
Males	25.3	25.2
Females	28.4	28.3

The assets in the scheme are valued at fair value and comprise:	2016 £000	2015 £000
Equities	6,676	5,740
Government bonds	915	737
Corporate bonds	1,075	936
Property	566	491
Cash	198	356
	9,430	8,260

Analysis of amounts shown in the balance sheet

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Estimated share of assets	9,430	8,260	7,040	5,610	4,490
Present value of scheme liabilities	(14,890)	(12,420)	(10,450)	(8,520)	(7,370)
Deficit in the scheme – net pension liabilities	(5,460)	(4,160)	(3,410)	(2,910)	(2,880)

Analysis of the amount charged to staff costs within the operating surplus

	2016 £000	2015 £000
Current service cost	500	430
Past service cost	30	-
	530	430

Analysis of the amount charged to interest payable and similar charges	2016 £000	2015 £000
Interest income on assets	(300)	(300)
Interest on pension scheme liabilities	450	440
Net charge	150	140

Notes to the financial statements for the year ended 31 July 2016 (continued)

Analysis of amount recognised in income and expenditure account	2016 £000	2015 £000
Actuarial gain / (loss) on assets	720	610
Changes in assumptions underlying the present value of scheme liabilities	(650)	(200)
Actual return on assets	(1,030)	(900)
Actuarial loss recognised in the income and expenditure account	(960)	(490)

Movement in deficit during the year	2016 £000	2015 £000
1 August	(4,160)	(3,410)
Current service cost	(500)	(440)
Contributions	340	320
Past service costs	(30)	-
Other finance (income) / charge	(150)	(140)
Actuarial (loss)	(960)	(490)
31 July	(5,460)	(4,160)

Analysis of the movement in the present value of scheme liabilities	2016 £000	2015 £000
Opening present value of liabilities	12,420	10,450
Current service cost	500	430
Past service cost	30	-
Interest cost	450	440
Contributions by participants	140	140
Actuarial (gain) / loss on liabilities	1,680	1,100
Net benefits paid	(330)	(140)
Closing present value of liabilities	14,890	12,420

Analysis of the movement in the market value of scheme assets	2016 £000	2015 £000
Opening fair value of assets	8,260	7,040
Interest income on assets	300	300
Actuarial gain / (loss) on assets	720	610
Contributions by the Employer	340	320
Contributions by the participants	140	140
Net benefits paid (out)	(330)	(140)
Administration expenses	-	(10)
Closing fair value of assets	9,430	8,260

The amounts recognised for the current and previous four years are:

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Defined benefit obligation	(14,890)	(12,420)	(10,450)	(8,520)	(7,370)
Plan assets	9,430	8,260	7,040	5,610	4,490
Net Pension Deficit	(5,460)	(4,160)	(3,410)	(2,910)	(2,880)

History of experience gains and losses

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Actuarial gain / loss on assets	720	610	850	600	(110)
Changes in assumptions underlying the present value of scheme liabilities	(650)	(200)	(20)	260	(10)
Actual return on assets	(1,030)	(900)	(1,220)	(870)	(170)
Total amount recognised in the income and expenditure account	(960)	(490)	(390)	(10)	(290)

Notes to the financial statements for the year ended 31 July 2016 (continued)

21. Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS102 and the SORP. The accounting policies set out above have been applied in preparing the financial statements for the year ended 31 July 2016, comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS102 Statement of Financial Position at 1 August 2014. In preparing its FRS102, SORP based Balance Sheet the College has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS102 and the SORP has effected the College's financial position and financial performance is set out in the following tables.

Financial position

	1 August 2014 £000	31 July 2015 £000
Total reserves under 2007 SORP	**369**	**15**
Holiday pay provision	(195)	(202)
Revaluation of Land	197	197
Total effect of transition to FRS102	2	(5)
Total reserves under 2015 SORP	**371**	**10**

Financial performance

	31 July 2015 £000
Surplus for the year under 2007 SORP	**296**
Holiday pay provision	(7)
Interest and other finance costs	(160)
Total effect of transition to FRS102	(167)
Surplus for the year under 2015 SORP	**129**

	31 July 2015 £000
Total expense for year under 2007 SORP	**(354)**
Total effect of transition to FRS102 on surplus	(167)
Actuarial gain in respect of pension	160
Total effect of transition to FRS102	(7)
Total expense for year under 2015 SORP	**(361)**

22. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is the University of South Wales, a Higher Education Corporation established under the Education Reform Act 1988. The results of the company have been incorporated in the University of South Wales' consolidated financial statements, which forms the largest and smallest group for which the Company's financial statements are consolidated, copies of which are obtainable from the following address:

University of South Wales
Pontypridd
Rhondda Cynon Taf
CF37 1DL