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MERTHYR TYDFIL COLLEGE LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010**

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MERTHYR TYDFIL COLLEGE LIMITED

Financial Statements for the year ended 31 July 2010

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MERTHYR TYDFIL COLLEGE LIMITED

Directors' report

for the year ended 31 July 2010

The directors present their report and the audited financial statements of the company for the year ended 31 July 2010. The comparative period is for the 10 months ended 31 July 2009.

Principal activities

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

Review of business and future developments

During the period, the Board has approved an updated five-year strategic plan which articulates how the College will develop. By 2015 the college will form an integral part of the Merthyr Learning Quarter (MLQ). The MLQ is a proposal to transform 16–19 education in Merthyr Tydfil so that it is delivered at the College rather than in secondary schools. Governance and management arrangements will build upon the company with all DCELLS funding for post-16 learners channelled through the College. The College's strategic objectives are

- 1 To ensure that the college has a viable and sustainable financial basis to deliver the College's educational objectives
- 2 To improve the quality of provision and ensure our service meets clients' needs
- 3 To support the economic and social regeneration of the region
- 4 To develop strategic partnerships across the region
- 5 To enhance the use of information technology in relation to learning support
- 6 To develop and deliver an effective HR strategy to achieve college objectives
- 7 To ensure effective governance and management
- 8 To improve the management, ambience and suitability of the physical environment

Results and dividends

The company is limited by guarantee. No dividends have been paid or recommended. The surplus for the year ended 31st July 2010 was £184,000 (2009 £41,000).

Directors

The directors of the company at 31 July 2010 unless otherwise stated were as follows

Mr D S Mason*

Mr S H Best*

Mrs E Elias* (office term expired 1st September 2010)

Mr J Harris* (appointed 1st August 2009)

Mrs J E Lydon (appointed 6th April 2010)

Ms S M L Spray*

Mrs K J Thomas* (appointed 1st October 2009)

Mr G Thomas*

Dr G P Thomas*

Mr H R Williams

Mr J T O'Shea (appointed 1st September 2010)

(* non-executive directors)

MERTHYR TYDFIL COLLEGE LIMITED

Directors' report

for the year ended 31 July 2010

Close company provisions

The company is a close company as defined by the provisions of the Income and Corporation Taxes Act 1988. There has been no change in this respect since the year end.

Principal risks and uncertainties

As part of the University of Glamorgan group's internal control framework, 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 Risk Management Group (RMG) undertakes a comprehensive review of the risks to which the College is exposed. The RMG identifies 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 their effectiveness and progress against risk mitigation actions. In addition to the annual review, the RMG will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at every meeting of 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.

Outlined below is a description of the principal risk factors affecting the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College relies considerably on continued government funding. In 2010, 90% 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 (DCELLS) is likely to seek efficiency gains over the next three years and will continue to ensure that it maximises funding income and efficiencies of delivery. 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 and indirect 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, especially through the Universities of the Heads of the Valleys Institute (UHOVI)
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding

MERTHYR TYDFIL COLLEGE LIMITED

Directors' report

for the year ended 31 July 2010

2. Tuition fee policy

DCELLS is currently undertaking a review of FE tuition fee policy and the College will ensure that it contributes to the review and will plan for alternative contingencies. The risk with the review of tuition fee policy is that it may make recommendations that result in funding levels being set lower than current levels on the basis of an assumed tuition fee being paid by learners or employers. If learners or employers are unwilling or unable to pay the tuition fee then actual income may fall and/or the activity will be discontinued.

Key performance indicators

The College is pleased to report that trading in 2009/10 has exceeded the financial target of a £150k surplus, end of year position.

Student Numbers Further education recruitment remained strong and the College's work based learning also exceeded targets. The College also exceeded its higher education target.

Quality The College received an outstanding inspection report from Estyn, with a rating of 'Good' for all fifteen quality indicators. 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 and Safety The College recorded an improved score, from 81 to 86 out of 100, in its University Health and Safety Audit.

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable it to ensure that the financial statements are prepared in accordance 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 (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 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 the financial statements the directors have to ensure that

- suitable accounting policies are selected and applied consistently,
- judgements and estimates are made that are reasonable and prudent,
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business.

MERTHYR TYDFIL COLLEGE LIMITED

Directors' report

for the year ended 31 July 2010

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the prevention and detection of fraud and other irregularities.

Authorisation for issue of the financial statements

The directors gave authority for the issue of financial statements to be issued on 15th November 2010. Neither the entity's owners nor others have the power to amend the financial statements after issue.

Auditors

So far as the directors are aware, there is no relevant audit information, ie information needed by the company's auditors in connection with preparing their report, of which the company's auditors are unaware, and the directors have taken all steps that they ought to have taken in order to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information.

A resolution to reappoint Pricewaterhouse Coopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board



W. Callaway
Company Secretary

1st November 2010

MERTHYR TYDFIL COLLEGE LIMITED

Independent Auditors' Report to the Members of Merthyr Tydfil College Limited

We have audited the financial statements of Merthyr Tydfil College Limited for the year ended 31 July 2010, which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the Directors and the Auditors

As described in the Directors' Report, the Directors are responsible for the preparation of the Directors' Report and the financial statements in accordance with, the Accounts Direction issued by the Welsh Assembly Government, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with, the Accounts Direction issued by the Welsh Assembly Government, the Statement of Recommended Practice – Accounting for Further and Higher Education, United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006.

We also report to you whether in our opinion, in all material respects, monies expended out of Welsh Assembly Government grants and other funds from whatever source administered by the company for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation and whether in our opinion, in all material respects, income has been applied in accordance with the financial memorandum.

We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements, if the Company has not kept adequate accounting records, if the Company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit or if certain disclosures of directors' remuneration specified by law are not made.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

MERTHYR TYDFIL COLLEGE LIMITED

Independent report of the auditors to the members of Merthyr Tydfil College Limited

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Welsh Assembly Government. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Institution's Governing Body in the preparation of the financial statements and whether the accounting policies are appropriate to the company's circumstances, consistently applied and disclosed.

We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary, in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluate the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion

- a) the financial statements give a true and fair view of the state of the Company's affairs as at 31 July 2010 and of the Company's surplus of income over expenditure for the year then ended,
- b) the financial statements have been properly prepared in accordance with the Accounts Direction issued by the Welsh Assembly Government and the Statement of Recommended Practice – Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice,
- c) the financial statements have been prepared in accordance with the Companies Act 2006,
- d) the information given in the Directors' Report is consistent with the financial statements,
- e) in all material respects, monies expended out of Welsh Assembly 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
- f) in all material respects, income has been applied in accordance with the financial memorandum with the Welsh Assembly Government.

Paul Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Swansea 15 November 2010

MERTHYR TYDFIL COLLEGE LIMITED

Registered no: 06671721

Income and Expenditure Account for the year ended 31 July 2010

	Notes	Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
Income			
Funding council grants	3	8,051	6,339
Tuition fees and education contracts	4	1,292	851
Research grants and Contracts	5	236	120
Other Income	6	521	519
Endowment and investment income	7	3	30
		<u>10,103</u>	<u>7,859</u>
Expenditure			
Staff costs	9	6,479	5,063
Other operating expenses	10	2,210	1,842
Depreciation	11	864	659
Interest and other finance costs	12	170	137
		<u>9,723</u>	<u>7,701</u>
Surplus for the period on continuing operations after depreciation of assets, before disposal of assets & exceptional items		<u>380</u>	<u>158</u>
Loss on Disposal of Assets	8	(196)	0
Surplus for the period on continuing operations after depreciation & loss on assets before exceptional items		<u>184</u>	<u>158</u>
Exceptional Item	9	<u>0</u>	<u>(117)</u>
Surplus on continuing operations after depreciation of assets		<u>184</u>	<u>41</u>

The turnover and operating surplus stated above relate to continuing activities
There is no material difference between the surplus on a historical cost basis and the result for the year.

MERTHYR TYDFIL COLLEGE LIMITED

Statement of Total Recognised Gains and Losses for the Period Ended 31 July 2010

		Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
Surplus after depreciation of assets		184	41
Actuarial Gain/(Loss) in respect of Pension Scheme	21	820	(1,070)
Total Recognised Gains and Losses relating to the period		<u>1,004</u>	<u>(1,029)</u>

Reconciliation of reserves

Opening Reserves	22	943	1,972
Total recognised gains and losses relating to the period		<u>1,004</u>	<u>(1,029)</u>
Closing reserves		<u>1,947</u>	<u>943</u>

The notes on pages 12 to 26 form part of these financial statements


MERTHYR TYDFIL COLLEGE LIMITED

Balance sheet at 31 July 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	14	9,523	7,855
Current assets			
Stock	15	11	9
Debtors	16	772	477
Cash at bank and in hand	17	1,305	2,044
		<u>2,088</u>	<u>2,530</u>
Creditors			
Amounts falling due within one year	18	(1,205)	(1,081)
		<u>883</u>	<u>1,449</u>
Net current assets			
		10,406	9,304
Total assets less current liabilities			
Provisions for liabilities and charges	19	(760)	(840)
		<u>9,646</u>	<u>8,464</u>
Net assets excluding pension liability			
Pension liability	21	(2,380)	(3,040)
		<u>7,266</u>	<u>5,424</u>
Net Assets including pension liability			
		£'000	£'000
Share Capital	25	0	0
Deferred Capital Grants	20	5,319	4,481
Other Reserve	22	1,972	1,972
Profit & Loss Reserves	22	(25)	(1,029)
		<u>1,947</u>	<u>943</u>
Total reserves			
		<u>7,266</u>	<u>5,424</u>
Total funds			

The notes on pages 12 to 26 form part of these financial statements

The financial statements were approved by the board of directors and signed on its behalf by


Mr J OShea
Merthyr Tydfil College Chief Executive Officer
On behalf of the Board of Directors
1st November 2010

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2010

1 Statement of Accounting Policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006 as adapted to the Statement of Recommended Practice (SORP) for Further and Higher Education 2007, and in accordance with applicable UK accounting standards. The principal accounting policies are set out below.

(b) Income Recognition

Funding council block grants are accounted for in the period to which they relate.

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. Donations with restrictions are recognised when relevant conditions have been met, in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments, other donations are recognised by inclusion as other income in the income and expenditure account.

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.

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2010

(c) Pension Schemes

The College participates in two principal defined benefit pension schemes, the Teachers' Superannuation Scheme (TSS) and the Rhondda Cynon Taff Superannuation Scheme (RCTSS)

TSS

It is not possible to identify each institutions share of the underlying assets and liabilities in relation to the TSS Scheme and hence, contributions to the scheme are accounted for as if these were defined contribution schemes, the cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the schemes for the year

RCTSS

The assets of the RCTSS are measured using closing market values. RCTSS 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 employees 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

(d) Tangible Fixed Assets

Land and Buildings

The freehold interest in land and buildings is included in the balance sheet at cost. Under FRS 15 the College has adopted the policy to freeze valuations at opening values without further revaluation and to treat this as the base point for future depreciation. 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.

Other tangible fixed assets

Other tangible fixed assets are capitalised where their cost is not less than £500

ii Assets are depreciated over their estimated useful lives as follows

Freehold Land	not depreciated
Buildings	up to 40 years
Computer Equipment	3 to 4 years
Fixtures and Fittings	3 to 25 years
Vehicles	3 to 5 years
Other	3 to 40 years

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2010

(e) Assets Financed by Capital Grant or Donations

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

(f) Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and net realisable value.

(g) Cashflow statement and related party disclosures

The company is a wholly owned subsidiary of the University of Glamorgan and is included in the consolidated financial statements of the University of Glamorgan which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the University of Glamorgan group.

(h) Provisions

Provisions are established and the associated costs are charged to the Income and Expenditure account when the College has a legal or constructive obligation.

2. Segmental reporting

The college activities consist solely of the further education of students in the United Kingdom.

3. Funding Council Grants

	Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
Recurrent Grants	6,106	4,733
Specific Grants	1,477	1,224
Release of Funding Council Deferred Capital Grants		
Buildings, fixtures and fittings	272	303
Equipment	196	79
	<hr/> 8,051	<hr/> 6,339

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2010

4. Tuition fees and education contracts

	Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
Part-time/Full-time students	487	291
Education contracts	805	560
	<hr/> 1,292	<hr/> 851

5. Research grants and contracts

	Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
European grant	199	120
Other Grants/Contracts	37	0
	<hr/> 236	<hr/> 120

6. Other operating income

	Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
Consulting, training and commercial activities	326	292
Other income	195	227
	<hr/> 521	<hr/> 519

7. Endowment and investment income

	Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
Bank Interest	3	30
	<hr/> 3	<hr/> 30

8. Profit/Loss on disposal of Fixed Assets

	Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
Loss on disposal of fixed assets	196	0
	<hr/> 196	<hr/> 0

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2010

9. Staff costs

	Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
Wages and salaries	5,444	4,177
Social Security Costs	422	319
Other pension costs (including FRS 17 adjustments)	613	567
	<u>6,479</u>	<u>5,063</u>
Exceptional Item	0	117
	<u>6,479</u>	<u>5,180</u>

Average full time equivalent staff numbers by major category

	<u>Number</u>	<u>Number</u>
Academic Departments	121	115
Academic Support Services	24	21
Other Support Services	20	20
Premises	5	7
Administration and Central Services	20	22
Consulting, Training & Commercial Activities	10	5
	<u>200</u>	<u>190</u>

10. Other operating expenses

	Year Ended 31 st July 2010 £'000	10 months Ended 31 st July 2009 £'000
Catering	24	15
Consumables and laboratory expenditure	142	122
Books and periodicals	15	14
Heat, light, water and power	135	99
Repairs and general maintenance	154	118
Rent & rates	15	12
Auditors remuneration in respect of financial statements	8	8
Auditors remuneration in respect of other services (regularity)	6	9
Computer and other equipment	110	88
Equipment operating lease rentals	26	19
Consulting, training and commercial activities	653	507
Franchising	63	52
Student bursaries	44	36
Insurance	18	34
Travel and subsistence	13	11
Staff recruitment and development	29	24
Legal, professional and consultancy fees	127	92
Other expenses	628	582
	<u>2,210</u>	<u>1,842</u>

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2010

11. Analysis of expenditure by activity

	Staff Costs	Depn	Other Operating Expenses	Interest Payable	12 mths ended 31.07.10 Total £'000	10 mths ended 31.07.09 Total £'000
	£'000	£'000	£'000	£'000		
Academic Departments	3,857	118	302	0	4,277	3,301
Academic Services	231	45	266	0	542	449
Other Support Services	1,239	6	405	0	1,650	942
Residences & Catering	0	0	24		24	13
Research, Grants & Contracts	224	0	0	0	224	0
Premises	174	527	466	0	1,167	952
Administration	578	121	58	0	757	599
Consulting Training & Commercial Activities	209	47	583	0	839	1,149
Other Expenses	(33)	0	106	170	243	296
	<u>6,479</u>	<u>864</u>	<u>2,210</u>	<u>170</u>	<u>9,723</u>	<u>7,701</u>

The depreciation charge has been funded by

	Year Ended 31 st July 2010 £'000	10 months ended 31 st July 2009 £'000
Deferred Capital Grants Released Note 19)	468	382
General Income	396	277
	<u>864</u>	<u>659</u>

12. Interest and other finance costs

	12 months ended 31 st July 2010 £'000	10 months ended 31 st July 2009 £'000
Interest cost on pension scheme liabilities and enhanced pension costs	170	137
	<u>170</u>	<u>137</u>

13. Taxation

Merthyr Tydfil College Limited is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and Charities Act 2006, and as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the Company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988, 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.

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2010

14. Tangible fixed assets

	Land & Buildings	Assets under construction	Equipment, Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2009	8,965	845	2,470	12,280
Additions	2	2,303	423	2,728
Disposals	(335)	0	(879)	(1,214)
At 31 July 2010	8,632	3,148	2,014	13,794
Depreciation				
At 1 August 2009	2,951	0	1,474	4,425
Charge for the period	425	0	439	864
Disposals	(140)	0	(878)	(1,018)
At 31 July 2010	3,236	0	1,035	4,271
Net book value				
At 31 July 2010	5,396	3,148	979	9,523
Net book value				
At 31 July 2009	6,014	845	996	7,855

15. Stock	2010 £'000	2009 £'000
Stock	11	9
	<u>11</u>	<u>9</u>

16. Debtors	2010 £'000	2009 £'000
Falling due within one year		
Trade debtors	233	66
Other debtors	427	245
Prepayments	78	74
Amounts owed by parent undertaking	34	92
	<u>772</u>	<u>477</u>

MERTHYR TYDFIL COLLEGE LIMITED**Notes to the financial statements****for the year ended 31 July 2010**

17. Cash at bank	2010 £'000	2009 £'000
Short term deposits and current account	1,305	2,044
	<u>1,305</u>	<u>2,044</u>
18. Creditors – Amounts falling due within one year	2010 £'000	2009 £'000
Trade creditors	94	265
Amounts owed by parent undertaking	60	59
Accruals and deferred income	507	307
Other creditors	393	318
Taxation and social security	151	132
	<u>1,205</u>	<u>1,081</u>
19. Provisions for liabilities & Charges	2010 £'000	2009 £'000
Balance B/f	840	773
Charged to Income & Expenditure	(32)	109
Contributions	(48)	(42)
At 31 July 2010	<u>760</u>	<u>840</u>

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2010

20. Deferred Capital Grants

**Funding
Council
£'000s**

Opening Balance

Buildings and Fixtures and Fittings
Equipment

3,632
849

4,481

Amounts Received

Buildings and Fixtures and Fittings
Equipment

1,292
14

1,306

Released to Income and Expenditure

Buildings and Fixtures and Fittings
Equipment

272
196

468

At 31 July 2010

Buildings and Fixtures and Fittings
Equipment

4,652
667

5,319

21. Pension Commitments

The college participates in two pension schemes, the Rhondda Cynon Taff Superannuation scheme (RCTSS) and the Teachers' Superannuation Scheme (TSS)

TSS

The TSS is a statutory contributory final salary scheme administered by the Teachers Pension Agency (TPA) an executive agency of the Department of Education. Under the TSS, which is an unfunded scheme, employees and employers contributions are credited to the Exchequer under the arrangements governed by the Superannuation Act 1992. Every 5 years the Government Actuary (GA), using normal actuarial principles, conducts an actuarial review of the TSS.

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2010

21. Pension commitments (continued)

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits (Entry Age Method)
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5% per annum

The value of notional assets at the date of last valuation was £163,240 million (estimated future contributions together with notional investments held at 31 March 2004)

The proportion of members' accrued benefits covered by the actuarial value of the assets was 98.88%

Following implementation of Teachers' Pensions (Employers Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employer contributions. For the period 1 August 2005 to 31 December 2006 the employer contributions were 13.5%. The rate increased to 14.1% from 1 January 2007. At the same time the employee rate increased from 6% to 6.4%. Contributions to the TSS amounted to £333,000 (2009 £308,000)

Under the definitions set out in Financial Reporting Standard (Financial Reporting Standard 17 (FRS 17)) Retirement Benefits, the TSS is a multi-employer pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the Company has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Company has set out above the information available on the deficit in the scheme and the implications for the college in terms of the anticipated contribution rates.

RCTSS

Funding Valuation

This scheme provides benefits for non-academic staff based on final pensionable salary. The scheme is valued every three years as required under Regulation 77(1) of the Local Government Pension Scheme Regulations 1997 (SI 1997 No 1612). The latest valuation was undertaken by independent consulting actuaries as at 31 March 2007.

Under the definitions set out in FRS 17, the Local Government Pension Scheme is a multi-employer defined benefit pension scheme. In the case of the LGSS, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2010.

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2010

21. Pension commitments (continued)

The College employs a building block approach in determining the rate of return on Fund Assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 July 2010.

FRS17

In accordance with the requirements of Financial Reporting Standard 17, the independent consulting actuaries updated the results of the March 2007 valuation in order to ascertain the valuation of the "sub-funds" in the scheme at 31 July 2010.

The major assumptions used by the actuary in this respect were

	2010 %	2009 %
Rate of increase in salaries	4.3	5.2
Rate of increase in pensions in payment	2.6	3.7
Discount rate	5.4	6.0
Inflation assumption-RPI	3.3	3.7
Inflation assumption -CPI	2.6	N/A

The Current Mortality assumptions include an allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are

	2010	2009
Retiring today		
Males	21.2	21.1
Females	23.6	23.5
Retiring in 20 years		
Males	23.5	23.4
Females	25.8	25.7

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2010

21. Pension Commitments (continued)

The assets in the scheme and the expected rate of return were

	Long-term rate of return expected at 31 Jul 2010	31 July 2010 £000s	Long-term rate of return expected at 31 Jul 2009	31 July 2009 £000s
Equities	8.2%	1,091	8.0%	1,793
Gilts	4.2%	558	4.5%	420
Bonds	4.9%	651	5.9%	275
Property	7.7%	1,024	7.0%	106
Cash	1.4%	186	0.9%	266
		<u>3,510</u>		<u>2,860</u>

The following amounts at 31 July 2010 were measured in accordance with the requirements of FRS 17

Analysis of the amount shown in the balance sheet	31 July 2010 £'000	31 July 2009 £'000
Estimated asset share	3,510	2,860
Present value of the Institution's scheme liabilities	(5,890)	(5,900)
Deficit in the scheme - Net pension liability	<u>(2,380)</u>	<u>(3,040)</u>

Analysis of the amount charged to staff costs within operating surplus	31 July 2010 £'000	31 July 2009 £'000
Current service cost	260	183
Total operating charge	<u>260</u>	<u>183</u>

Analysis of the amount that is charged to interest payable	31 July 2010 £'000	31 July 2009 £'000
Expected return on pension scheme assets	(190)	(183)
Interest on pension scheme liabilities	<u>360</u>	<u>279</u>
Net charge	<u>170</u>	<u>96</u>

MERTHYR TYDFIL COLLEGE LIMITED**Notes to the financial statements
for the year ended 31 July 2010****21. Pension Commitments (continued)**

	31 July 2010 £'000	31 July 2009 £'000
Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	290	(460)
Changes in assumptions underlying the present value of the scheme liabilities	600	(10)
Experience gains and losses arising on scheme liabilities	(70)	(600)
Actuarial gain/(loss) recognised in STRGL	820	(1,070)
Movement in period	31 July 2010 £'000	31 July 2009 £'000
Deficit on scheme at 1 August 2009	(3,040)	(1,900)
- current service cost	(260)	(183)
- contributions	270	209
- other finance charge	(170)	(96)
- actuarial gains and losses	820	(1,070)
Deficit on scheme at 31 July 2010	(2,380)	(3,040)
Analysis of the movement in the present value of the scheme liabilities	31 July 2010 £'000	31 July 2009 £'000
Opening balance as at 1 st August 2009	5,900	4,990
Current service cost	260	183
Interest cost	360	279
Contributions by scheme participants	90	75
Actuarial gains and losses	(530)	610
Benefits paid	(190)	(237)
At end of the period	5,890	5,900

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2010

21. Pension Commitments (continued)

Analysis of movement in the market value of the scheme assets	31 July 2010 £'000	31 July 2009 £'000
Opening balance as at 1 st August 2009	2,860	3,090
Expected rate of return on scheme assets	190	183
Actuarial gains and losses	290	(460)
Contributions by scheme participants	90	75
Contributions by the employer	270	209
Benefits paid	(190)	(237)
At end of the period	<u>3,510</u>	<u>2,860</u>

The experienced gains and losses for the year ended 31 July were as follows

	2010	2009
Difference between the expected and actual return on scheme assets		
Amount '000s	290	(460)
Percentage of scheme assets %	8.3	(16.1)
Experience gains and losses on scheme liabilities		
Amount '000s	(70)	(600)
Percentage of present value of scheme liabilities %	1.2	(10.2)
Total amount recognised in the statement of total recognised gains and losses		
Amount '000s	820	(1,070)
Percentage of present value of scheme liabilities %	13.9	(18.1)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £250,000 loss (2009 £1,070,000 loss)

The estimate for contributions for the defined benefit scheme in relation to the year ending 31 July 2010 is £270,000

The actual return on scheme assets in the year was £480,000 (2009 £277,000 loss)

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

year ended 31 July 2010

22. Reserves

	Other Reserves £'000	I&E Reserve £'000	Total £'000
Balance as at 1st August	1,972	(1,029)	943
Surplus for the year	0	184	184
Actuarial Gain on pension scheme	0	820	820
	1,972	(25)	1,947
Reserves excluding pension reserve			4,327
Pension Reserve			(2,380)
Reserves including pension reserve			1,947

23. Commitments and contingencies

At 31 July the College had the following capital commitments

	2010 £'000	2009 £'000
Contracted	1,113	3,297

24. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is the University of Glamorgan, a Higher Education Corporation established under the Education Reform Act 1988. The results of the company have been incorporated in the University of Glamorgan's consolidated accounts, copies of which are obtainable from the following address.

University of Glamorgan
Pontypridd
Rhondda Cynon Taff
CF37 1DL

25. Called up Share Capital

The company is limited by guarantee and comprises one member