

Company registration no : 06671721

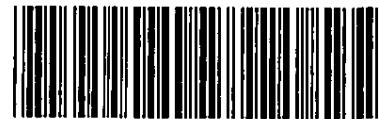
Charity registration no : 1140289

MERTHYR TYDFIL COLLEGE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 JULY 2012

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MERTHYR TYDFIL COLLEGE LIMITED

Financial Statements for the year ended 31 July 2012

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MERTHYR TYDFIL COLLEGE LIMITED

Public Benefit Statement

for the year ended 31 July 2012

Merthyr Tydfil College Limited (the Company or the College) became a registered charity on 8th February 2011 (Charity registered number 1140289). The Company registered number is 06671721 and registered address is Ynysfach, Merthyr Tydfil CF48 1AR. The members of the Board 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 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 3,000 learners through different modes of study, 1,200 full time and 1,800 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. HEFCW's Financial Contingency Fund, which is administered through the University of Glamorgan, is available for students in financial hardship. The College provides student support and guidance on the application process.

MERTHYR TYDFIL COLLEGE LIMITED

Public Benefit Statement

for the year ended 31 July 2012

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. The Myfanwy Theatre which was completely refurbished in 2009, hosts a variety of events and performances. A large sports hall is also available for hire along with various sporting equipment. The College facilities are charged at subsidised rates to ensure their accessibility to all.

MERTHYR TYDFIL COLLEGE LIMITED

Directors' report

for the year ended 31 July 2012

The directors present their report and the audited financial statements of the Company for the year ended 31 July 2012

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 year, the Board has noted an updated five-year strategic plan which articulates how the College will develop. By 2015-16 the College will be in the second 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 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 students' 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 are recommended.

The surplus for the year ended 31st July 2012 was £59,000 (2011 £840,000 deficit)

The 2011 deficit reflects the impairment adjustment of £926,000 due to the proposed demolition of the existing buildings.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were as follows

#Mr D S Mason* (Chairman)

#Mr S H Best*

#Mr J Harris* (resigned 31st July 2012)

#Mrs J E Lydon

#Mrs C Vaughan*

#Mr M R Southcoat* (resigned 31st July 2012)

#Ms S M L Spray*

#Mrs K J Thomas*

#Dr G P Thomas*

#Mr H R Williams

#Mt J T O'Shea

#Mrs L A Spacey* (appointed 1st December 2011 – resigned 31st July 2012)

(#trustees)

(*non-executive directors)

MERTHYR TYDFIL COLLEGE LIMITED

Directors' report

for the year ended 31 July 2012

Directors indemnities

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Principal risks and uncertainties

As part of the University of Glamorgan's group financial risk management and internal control framework, as highlighted in the financial statements of the University of Glamorgan, 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 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 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 wholly 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 2012, 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 Department for Education and Skills (DfES) has set out likely funding levels for the next three years but nonetheless will expect to see efficiency gains. 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, especially through the Universities Heads of the Valleys Institute (UHOVI),
- 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.

MERTHYR TYDFIL COLLEGE LIMITED

Directors' report

for the year ended 31 July 2012

2. Tuition fee policy

DfES is currently undertaking a review of the FE tuition fee policy and the College will ensure that it contributes to the review and will plan for alternative contingencies.

Key performance indicators

The College is pleased to report that trading in 2012 has exceeded the financial target of a £50k surplus before loss on disposal of fixed assets

Student numbers Further education recruitment remained strong and the College's work based learning also exceeded targets

Quality The College received an outstanding inspection report from Estyn in March 2009, 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 & Safety The College as part of its work based learning consortium received a grade of excellent, however its University audit result fell from 94% to 54%. The College has agreed an action plan to rectify the shortcomings identified in the audit report

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 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 year which give a true and fair view of the state of affairs of the Company and of the surplus or deficit for that year.

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 2012

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.

Independent Auditors

So far as the directors are aware, there is no relevant audit 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 PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the board

W Callaway
Company Secretary



MERTHYR TYDFIL COLLEGE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF MERTHYR TYDFIL COLLEGE LIMITED

We have audited the financial statements of Merthyr Tydfil College Limited for the year ended 31 July 2012 which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in the preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors of Merthyr Tydfil College Limited and the auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 7 the Directors 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 and 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 Company's members 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 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.

Scope of the audit of the financial statements

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 directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the institution's affairs as at 31 July 2012 and of the institution's surplus 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 Companies Act 2006,
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, and
- have been prepared in accordance with the Accounts Direction issued by the Welsh Government.

MERTHYR TYDFIL COLLEGE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF MERTHYR TYDFIL COLLEGE LIMITED (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Opinion on other matters prescribed in the Further Education Audit Code of Practice 2007 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, is appropriate, managed in compliance with all relevant legislation, and
- income has been applied in accordance with the financial memorandum with the Welsh Government

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Kevin Williams (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cardiff

19 November 2012

MERTHYR TYDFIL COLLEGE LIMITED

Registered number: 06671721

Income and Expenditure Account for the year ended 31 July 2012

Income	Notes	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Funding body grants	3	8,207	8,008
Tuition fees and education contracts	4	1,527	1,353
Research grants and contracts	5	536	399
Other operating income	6	580	643
Endowment and investment income	7	5	3
Total income		10,855	10,406
Expenditure			
Staff costs	9	7,481	7,222
Other operating expenses	10	2,327	2,082
Depreciation	11	900	946
Interest and other finance costs	12	80	70
Total expenditure		10,788	10,320
Surplus for the year after depreciation of fixed assets, before disposal and impairment of fixed assets		67	86
Loss on disposal and impairment of fixed assets	8	(8)	(926)
Surplus/(deficit) for the year		59	(840)

The income and surplus stated above relate to continuing activities

There is no material difference between the surplus/(deficit) on a historical cost basis and the results for the years stated above

The notes on pages 14 to 30 form part of these financial statements

MERTHYR TYDFIL COLLEGE LIMITED

Statement of Total Recognised Gains and Losses for the Year Ended 31 July 2012

		Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Surplus/(deficit) for the year		59	(840)
Actuarial loss in respect of pension scheme	21	(290)	(100)
Total recognised losses relating to the year		<u>(231)</u>	<u>(940)</u>

Reconciliation of reserves

Opening Reserves	22	1,007	1,947
Total recognised gains and losses relating to the year		(231)	(940)
Closing reserves		<u>776</u>	<u>1,007</u>

The notes on pages 14 to 30 form part of these financial statements

MERTHYR TYDFIL COLLEGE LIMITED

Balance sheet

At 31 July 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	14	15,104	7,843
Current assets			
Stocks	15	11	10
Debtors	16	1,098	746
Cash at bank and in hand	17	1,280	1,013
		<u>2,389</u>	<u>1,769</u>
Creditors, Amounts falling due within one year	18	(1,972)	(2,163)
Net current assets / (liabilities)		<u>417</u>	<u>(394)</u>
Total assets less current liabilities		15,521	7,449
Provisions for liabilities	19	(860)	(810)
Net assets excluding pension liability		<u>14,661</u>	<u>6,639</u>
Pension liability	21	(2,880)	(2,510)
Net Assets including pension liability		<u>11,781</u>	<u>4,129</u>
		£'000	£'000
Called up Share Capital	25	-	-
Deferred Capital Grants	20	11,005	3,122
Other Reserve	22	1,972	1,972
Income and expenditure reserve excluding pension reserve	22	(906)	(865)
Pension deficit	22	(290)	(100)
Income and expenditure reserve including pension reserve		<u>(1,196)</u>	<u>(965)</u>
Total Reserves		<u>776</u>	<u>1,007</u>
Total Funds		<u>11,781</u>	<u>4,129</u>

The notes on pages 14 to 30 form part of these financial statements

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

Mr D S Mason
Chairman

14/11/2012

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

1 Statement of Accounting Policies

(a) Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention and 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 which have been applied consistently, except as otherwise stated, are set out below.

(b) Income Recognition

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.

(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 institution's share of the underlying assets and liabilities in relation to the TSS and hence, contributions to the scheme are accounted for as if these were defined contribution schemes, the cost recognised within the income and expenditure account being equal to the contributions payable to the scheme for the year.

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

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 a rise from employees service in the year is charged to the operating surplus. The expected return on the scheme's assets and the increase during the year 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

Tangible fixed assets are initially recorded at cost, which represents the purchase cost plus any incidental cost of acquisition, less accumulated depreciation. 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.

Tangible fixed assets are capitalised where their cost is not less than £500.

Land and Buildings

The freehold interest in land and buildings is included in the balance sheet at cost. 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.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with FRS 11.

Depreciation

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

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.

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

(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 income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

(f) Stocks

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

(g) Cash flow 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 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. 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 members of the Teachers' Pension Scheme.

(i) Operating Leases

Rentals paid under operating leases are charged to the Income and Expenditure account on a straight line basis over the lease term.

2. Segmental reporting

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

3. Funding Body Grants

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Recurrent grants	6,199	6,192
Specific grants	1,477	1,360
Release of Funding Council Deferred Capital Grants		
Buildings, fixtures and fittings	483	327
Equipment	48	129
	<u>8,207</u>	<u>8,008</u>

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2012

4. Tuition fees and education contracts

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Part time/Full time students	815	666
Education contracts	<u>712</u>	<u>687</u>
	1,527	1,353

5. Research grants and contracts

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
European grant	484	326
Other Grants/Contracts	<u>52</u>	<u>73</u>
	536	399

6. Other operating income

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Consulting, training and commercial activities	279	340
Other income	<u>301</u>	<u>303</u>
	580	643

7. Endowment and investment income

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Bank Interest	5	3
	<u>5</u>	<u>3</u>

8. Loss on disposal and impairment of Fixed Assets

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Loss on disposal and impairment of fixed assets (note 14)	(8)	(926)
	<u>(8)</u>	<u>(926)</u>

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

9. Staff costs

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Wages and salaries	6,228	6,041
Social Security Costs	485	468
Other pension costs (including FRS 17 adjustments)	<u>768</u>	<u>713</u>
	<u>7,481</u>	<u>7,222</u>

Monthly average full time equivalent staff numbers by major category

	<u>Number</u>	<u>Number</u>
Academic Departments	142	139
Academic Support Services	25	26
Other Support Services	21	20
Premises	5	3
Administration and Central Services	21	20
Consulting, Training & Commercial Activities	<u>20</u>	<u>18</u>
Total	<u>234</u>	<u>226</u>

Remuneration of other Higher paid Staff, excluding employer's pension contributions

	<u>Number</u>	<u>Number</u>
£70,000 - £79,999	1	1
£80,000 - £89,999	1	1

The remuneration above includes amounts payable to the Principal (who is also the highest paid senior post holder) of

	2012 £'000	2011 £'000
Salary	89	89
Pension	<u>12</u>	<u>12</u>
	<u>101</u>	<u>101</u>

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

10. Other operating expenses

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Catering	22	12
Consumables and laboratory expenditure	163	156
Books and periodicals	16	13
Heat, light, water and power	106	109
Repairs and general maintenance	294	150
Rent & rates	69	47
Auditors remuneration in respect of financial statements	13	8
Auditors remuneration in respect of other services (regularity)	9	11
Computer and other equipment	118	74
Equipment operating lease rentals	25	23
Consulting, training and commercial activities	569	589
Franchising	52	63
Student bursaries	41	53
Insurance	28	22
Travel and subsistence	15	14
Staff recruitment and development	49	31
Legal, professional and consultancy fees	69	76
Other expenses	<u>669</u>	<u>631</u>
	<u>2,327</u>	<u>2,082</u>

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2012

11. Analysis of expenditure by activity

	Staff Costs	Dep'n	Other Operating Expenses	Interest payable	Year ended July 2012 Total	Year ended July 2011 Total
	£'000	£' 000	£'000	£'000	£'000	£'000
Academic Departments	4,135	154	213	-	4,502	4,534
Academic Services	315	48	269	-	632	641
Other Support Services	1,284	-	396	-	1,680	1,651
Residences & Catering	-	-	22	-	22	12
Research, Grants & Contracts	524	-	-	-	524	355
Premises	178	630	589	-	1,397	1,186
Administration	675	68	93	-	836	834
Consulting Training & Commercial Activities	254	-	671	-	925	898
Other Expenses	116	-	74	80	270	209
	<u>7,481</u>	<u>900</u>	<u>2,327</u>	<u>80</u>	<u>10,788</u>	<u>10,320</u>

The depreciation charge has been funded by

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Deferred Capital Grants Released (Note 20)	531	456
General Income	369	490
	<u>900</u>	<u>946</u>

12. Interest and other finance costs

	Year Ended 31 st July 2012 £'000	Year Ended 31 st July 2011 £'000
Net interest cost on pension scheme liabilities and enhanced pension costs	80	70
	<u>80</u>	<u>70</u>

13. Taxation

The College is a charity registered with the Charity Commission (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 478-488 of the Corporation Taxes Act 2010 (CTA 2010) formally 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.

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

14. Tangible assets

	Land & Buildings £'000	Assets under Construction £'000	Equipment, Fixtures & Fittings £'000	Total £'000
Cost				
At 1 August 2011	12,348	1,386	2,929	16,663
Additions	7	7,911	251	8,169
Disposals	<u>-</u>	<u>-</u>	<u>(191)</u>	<u>(191)</u>
At 31 July 2012	<u>12,355</u>	<u>9,297</u>	<u>2,989</u>	<u>24,641</u>
Accumulated depreciation				
At 1 August 2011	6,813	-	2,007	8,820
Charge for the year	506	-	394	900
Disposals	<u>-</u>	<u>-</u>	<u>(183)</u>	<u>(183)</u>
At 31 July 2012	<u>7,319</u>	<u>-</u>	<u>2,218</u>	<u>9,537</u>
Net book value				
At 31 July 2012	<u>5,036</u>	<u>9,297</u>	<u>771</u>	<u>15,104</u>
Net book value				
At 31 July 2011	<u>5,535</u>	<u>1,386</u>	<u>922</u>	<u>7,843</u>

15. Stock

	2012 £'000	2011 £'000
Stock	<u>11</u>	<u>10</u>
	<u>11</u>	<u>10</u>

16. Debtors

	2012 £'000	2011 £'000
Falling due within one year		
Trade debtors	114	296
Other debtors	796	309
Prepayments	59	93
Amounts owed by group undertakings	<u>129</u>	<u>48</u>
	<u>1,098</u>	<u>746</u>

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

17. Cash at bank and in hand	2012	2011
	£'000	£'000
Short term deposits and current account	<u>1,280</u>	<u>1,013</u>
	<u>1,280</u>	<u>1,013</u>
18. Creditors – amounts falling due within one year	2012	2011
	£'000	£'000
Trade creditors	689	95
Accruals and deferred income	512	246
Other creditors	352	1,271
Taxation and social security	193	177
Amounts owed by group undertakings	<u>226</u>	<u>375</u>
	<u>1,972</u>	<u>2,164</u>
19. Provisions for liabilities and Charges	2012	2011
	£'000	£'000
At 1 August	810	760
Charge to Income & Expenditure	100	100
Contributions paid to TPA in year	(50)	(50)
At 31 July	<u>860</u>	<u>810</u>

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

20. Deferred Capital Grants	Funding Council £'000
At the 1st August 2011	
Building and Fixtures and Fittings	2,584
Equipment	538
	<u>3,122</u>
Amounts Received	
Building and Fixtures and Fittings	8,414
Equipment	-
	<u>8,414</u>
Released to Income and Expenditure	
Buildings and Fixtures and Fittings	483
Equipment	<u>48</u>
	<u>531</u>
At 31 July 2012	
Buildings and Fixtures and Fittings	10,515
Equipment	<u>490</u>
	<u>11,005</u>

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 2012

Pension Commitments (continued)

The assumptions and other data that have the most significant effect on the determination of the contribution level 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 £162,240 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 £390,000 (2011 £388,000). There are no prepaid or outstanding contributions at the year end.

Under the definitions set out in Financial Reporting Standard (FRS17) 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 FRS 17 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 Regulations 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 2010.

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 2012.

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2011

Pension Commitments (continued)

FRS17

The latest actuarial valuation of the College's liabilities took place as at 31st March 2010. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principle assumptions used by the actuary in updating the latest valuation of the fund for FRS17 purposes were:

	2012	2011
	%	%
Rate of increase in salaries	2.8	4.5
Rate of increase in pensions in payment	1.8	2.6
Rate of increase to deferred pension	1.8	2.6
Discount rate	4.2	5.3
Inflation assumption – RPI	2.8	3.5
Inflation assumption – CPI	1.8	2.6

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements.

	2012	2011
Retiring today at 65		
Males	23.2	23.1
Females	24.5	24.4
Retiring in 20 years		
Males	25.1	25.0
Females	26.5	26.4

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

	Long term rate of return expected at 31 Jul 2012	31 July 2012 £'000s	Long term rate of return expected at 31 Jul 2011	31 July 2011 £'000s
Equities	7.5%	1,559	7.9%	1,269
Property	7.0%	1,455	7.4%	1,189
Government Bonds	2.5%	520	3.9%	626
Corporate Bonds	3.2%	665	4.7%	755
Cash	1.4%	291	1.5%	241
		<u>4,490</u>		<u>4,080</u>

The following amounts at 31 July 2012 were measured in accordance with the requirements of FRS 17

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements

for the year ended 31 July 2012

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 31st July 2012.

Analysis of the amount shown in the balance sheet	31 July 2012 £'000	31 July 2011 £'000	31 July 2010 £'000
Estimated asset share	4,490	4,080	3,510
Present value of the Institution's scheme liabilities	(7,370)	(6,590)	(5,890)
Deficit in the scheme – Net pension liability	<u>(2,880)</u>	<u>(2,510)</u>	<u>(2,380)</u>
Analysis of the amount charged to staff costs within Operating surplus	31 July 2012 £'000	31 July 2011 £'000	
Current service cost	280	240	
Past service cost	20	-	
Total operating charge	<u>300</u>	<u>240</u>	
Analysis of the amount that is charged to interest payable	31 July 2012 £'000	31 July 2011 £'000	
Expected return on pension scheme assets	(280)	(250)	
Interest on pension scheme liabilities	360	320	
Net finance charge	<u>80</u>	<u>70</u>	

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

Pension Commitments (continued)

	31 July 2012 £'000	31 July 2011 £'000
Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	(110)	80
Changes in assumptions underlying the present value of the scheme liabilities	(10)	150
Experience gains and losses arising on scheme liabilities	(170)	(330)
Actuarial (loss) recognised in STRGL	<u>(290)</u>	<u>(100)</u>
 Movement in year.	 31 July 2012 £'000	 31 July 2011 £'000
Deficit on scheme at 1 August	(2,510)	(2,380)
- Current service cost	(280)	(240)
- Past service cost	(20)	
- Contributions	300	280
- Other finance charge	(80)	(70)
- Actuarial (loss)/gains	(290)	(100)
Deficit on scheme at 31 July	<u>(2,880)</u>	<u>(2,510)</u>
 Analysis of the movement in the present value of the scheme Liabilities	 31 July 2012 £'000	 31 July 2011 £'000
Opening balance as at 1 st August	6,590	5,890
Current service cost	280	240
Past service cost	20	
Interest cost	360	320
Contributions by scheme participants	110	110
Actuarial losses	180	180
Benefits paid	(170)	(150)
At end of the year	<u>7,370</u>	<u>6,590</u>

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

Pension Commitments (continued)

Analysis of movement in the market value of the scheme assets	31 July 2012 £'000	31 July 2011 £'000
Opening balance as at 1 st August	4,080	3,510
Expected rate of return on scheme assets	280	250
Actuarial gains	(110)	80
Contributions by scheme participants	110	110
Contributions by the employer	300	280
Benefits paid	(170)	(150)
At end of the year	<u>4,490</u>	<u>4,080</u>

The expected return on the scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy

Analysis for current and previous four years

	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets	(110)	80	290	(460)	(570)
Changes in assumptions underlying the present value of the scheme liabilities	(10)	150	600	(10)	580
Experience gains and losses on scheme liabilities	(170)	(330)	(70)	(600)	(330)
Total amount reported in the statement of total recognised gains and losses	<u>(290)</u>	<u>(100)</u>	<u>820</u>	<u>(1,070)</u>	<u>(320)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £640,000 loss (2011 £350,000 loss)

The actual return on scheme assets in the year was £290,000 loss (2011 £330,000 loss)

The employer's regular contributions to the fund for the year ended 31st July 2013 are estimated to be £0.29m. In addition Strain on Fund Contributions may be required

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

22. Reserves

	Other Reserves £'000	I & E Reserve £'000	Total £'000
Balance as at 1 st August 2011	1,972	(965)	1,007
Surplus for the year	-	59	59
Actuarial Loss on pension scheme	-	(760)	(760)
Balance as at 31st July 2012	1,972	(1,666)	306
Reserves excluding pension reserve			3,656
Pension Reserve			(3,350)
Reserves including pension reserve			306

Other Reserves arose on incorporation and represent the assets and liabilities transferred from the University of Glamorgan

23. Commitments and contingencies

The College has entered into a contract to build a new campus at a cost of some £33m of which £23.7m was yet to be completed as at 31st July 2012. Under the terms of the WG funding, the costs associated with the project are fully reimbursed.

As at 31st July the College had annual commitments under non-cancellable operating leases for assets other than land and buildings expiring as follows:

	2012 £'000	2011 £'000
Within one year	3	-
Two to five years	22	23
After five years	-	-
Total	25	23

MERTHYR TYDFIL COLLEGE LIMITED

Notes to the financial statements for the year ended 31 July 2012

24. Ultimate parent undertaking

The ultimate 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 financial statements, which form the largest and smallest group for which the Company's statements are consolidated, copies of which are obtained 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.