



Colleges Wales / Colegau Cymru Limited Trustees' Report and Consolidated Financial Statements for the Year Ended 31 July 2011

**Charity Number: 1060182
Company Number: 2832103
(England and Wales)**

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COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited By Guarantee)
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 JULY 2011

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Report of the Trustees and Directors for the year ended 31 July 2011

The Trustees/Directors present their report and the audited financial statements for the year ended 31 July 2011

Reference and Administrative Information

Charity Name	Colleges Wales / Colegau Cymru Limited
Company Number	2832103
Registered Charity Number	1060182
Registered Office and operational address	Unit 7 Cae Gwyrdd Greenmeadow Springs Tongwynlais Cardiff CF15 7AB
External Auditors	Bevan Buckland Langdon House Langdon Road Swansea Waterfront SA1 8QY
Solicitors	Eversheds 1 Callaghan Square Cardiff CF10 5BT
Bankers	Barclays Bank plc PO Box 69 Cardiff CF1 1SG

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Trustees and Directors

The Board is comprised of seven Principals and three Chairs of Governors of colleges in Wales. The Trustees/Directors of the company during the year were

Brynley Davies (Chair) (Resigned 25 May 2011)	Principal, Ystrad Mynach College
David Jones (Appointed Chair 26 May 2011)	Principal, Deeside College
Mark Jones (Senior Vice Chair)	Principal, Bridgend College
Nick Bennett (Vice Chair)	Principal, Gower College Swansea
Dafydd Evans (Vice Chair)	Principal, Coleg Menai
Paul Croke (Resigned 31 August 2011)	Principal, Yale College
Judith Evans	Principal, Coleg Morgannwg
Jim Bennett (Appointed 26 May 2011)	Principal, Coleg Gwent
Simon Pirotte (Appointed 1 September 2011)	Principal, Coleg Powys
Peter Cope	Chair of Governors, Barry College
Derek Lloyd	Chair of Governors, Pembrokeshire College
John Bellis	Chair of Governors, Coleg Llandrillo

Senior Staff Members

John Graystone	Chief Executive, ColegauCymru
Julie Lewis	Company Secretary

No Director held any shares in the company at any time during the year

The Board of Management has formally constituted committees which act with delegated authority from the full Board. Information on the Board's committees is given below, together with details of membership during the year to 31 July 2011

Key Committees

Audit Committee	Nick Bennett (Chair), Mark Jones, Paul Martin
Remuneration Committee	David Jones (Chair), Mark Jones

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Structure, Governance and Management

The company was originally incorporated in 1993 as fforwm Limited and on 1 July 2009 changed its name to Colleges Wales / Colegau Cymru Limited and was branded as 'ColegauCymru / CollegesWales' fforwm Services Limited was established in 1995 and is a wholly owned subsidiary of Colleges Wales / Colegau Cymru Limited

Governing Document

ColegauCymru is a charitable company limited by guarantee, incorporated and registered as a charity on 16 January 1997. The company was established under a Memorandum of Association which establishes the objects and powers of the charitable company and is governed under its Articles of Association.

Recruitment and Appointment of the Board of Directors

The Directors are also charity trustees' for the purposes of charity law. The Board is comprised of three Chairs of FE governing bodies and seven Principals who are nominated by the member colleges. Four Principals are appointed on a national basis, three Chairs of FE governing bodies and three Principals are elected from each of the three regions in Wales, namely Mid/North Wales, South West Wales and South East Wales. No Chair and Principal from the same college can serve simultaneously as a Director on the Board. The three regionally elected Principals are responsible for convening one of three Regional Principals' forums, which allows Principals to meet on a regular basis in their respective regions to discuss a range of strategic issues of importance to colleges. Similarly the three Chairs of the FE governing bodies are responsible for convening one of three Regional Chair of Governors forums which allows discussion on issues relating to governance and accountability of the college and education sector along with a range of strategic issues.

Under the requirements of the Memorandum and Articles of Association, each member of the Board of Directors is elected to serve for a period of not more than three years after which s/he may be re-appointed for a further three years provided that no member holds office for more than six years in aggregate. All appointments are ratified by member colleges at the Annual General Meeting. All members of the Board give their time voluntarily and receive no personal benefits from the charity. Any expenses reclaimed from the charity are set out in note 7 to the accounts.

Due to the nature of the charity's activities and the composition of its Board of Directors and that of its subsidiary, it is inevitable that in the course of its normal business activities the charity will undertake transactions with those colleges in which a member of the Board will have an interest. All such transactions are conducted at arm's length and in accordance with the normal financial procedures. Details of such transactions are set out in note 19 to the accounts.

Director Induction

To ensure the Board operates effectively, new Directors receive an information pack outlining their legal obligations and their duties as Board Members including the Memorandum and Articles, financial performance, relevant policies and procedures and future plans and objectives along with Charity Commission information and publications. The Chief Executive meets new Directors individually to explain how the Board operates. The Directors are also encouraged to attend training events where relevant.

Organisation

ColegauCymru operates on a self-funding basis through subscriptions from its member further education (FE) colleges and institutions. All 19 FE colleges (including Merthyr Tydfil College Ltd) and the two FE Institutions in Wales are in membership. Additional income is generated by organising professional training events, conducting research and coordinating development projects related to the education sector in Wales.

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The objectives and aims of ColegauCymru are reviewed annually. A business plan is prepared against which activities are monitored. This review ensures that the charity's operations are focused on its stated purposes. The charity refers to the advice contained in the Charity Commission's general guidance with regard to public benefit when reviewing its objectives and aims and in planning future activities (section 4 of the Charities Act 2006).

The Chief Executive is responsible for the day to day management of ColegauCymru. The charity is accredited as an Investor in People.

Risk Management

The Directors review the company's activities at Board meetings, which are held six times a year, and they assess the risks to which the company is exposed. As part of this process the Directors monitor a risk management strategy that comprises of

- regular reviews of the risks that might affect the company
- the establishment of systems and procedures to mitigate any risks identified
- the implementation of internal procedures designed to minimise any potential impact on the company should any of the risks materialise

A review of the major strategic, business and operational risks to which ColegauCymru is exposed is conducted and reported on a bi-annual basis to the Audit Committee. Areas of significant risk are referred to the Board for its immediate attention.

Community Service and Access

The direct users of the charity are staff, managers and governors of its member colleges/institutions. Other users of the charity's services include a cross-section of organisations which are not members. They include organisations from the private, voluntary and public sectors including the National Institute for Adult and Community Learning in Wales (NIACE Dysgu Cymru), the National Training Federation for Wales (NTfW), the National Assembly for Wales, and locally based training providers.

Colleges are essentially local institutions providing local services to local people. Most students come from areas close to their local college. In addition to their main and satellite campuses, colleges have over 1,000 outreach centres, seeking to offer learning at places close to the learner. Colleges' services include theatres, farm shops, catering outlets, hairdressing and beauty salons, travel agencies, leisure facilities, crèches, and garden centres, all of which are used extensively by their local communities. They make their facilities available to local communities such as libraries and IT access including broadband facilities, and various leisure and other activities.

The beneficiaries of the company's services include learners in colleges, third sector further education institutions and community learning facilities – as well as potential learners. Beneficiaries include individuals and groups from the widest cross-section of the public, including people from economically disadvantaged backgrounds, those with learning difficulties and/or disabilities, those who did not achieve academic success at school, those who have suffered disruption to their learning for a wide range of reasons such as raising children, or suffering drug abuse, mental health issues or from bullying.

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The charity and its member colleges welcome learners (and staff) from a diversity of backgrounds and do not discriminate against race, religion, sexual orientation, gender or age

Objectives and Aims

The company's charitable objects and principal activities remain to promote the advancement of education for the benefit of the general public in Wales. Through its work, the charity seeks to

- ❶ provide a forum for discussion of matters of common interest conducted by all the FE corporations and other institutions receiving funding from the Welsh Government (WG), and
- ❷ make representations on behalf of its members to persons concerned with education and its funding in Wales

The aims of the charity follow on from the objectives with a key focus on post-14 education, lifelong learning and skills. The prime purpose is to raise the profile of FE with key decision-makers to improve opportunities for learners in Wales. In carrying out its mission, ColegauCymru supports its member colleges in the continuous pursuit of high quality education, training and lifelong learning aimed at stimulating economic development, social well being and cultural life, raising skills levels and improving opportunities for learners and meeting the demands of employers for the benefit of the general population in Wales.

Operational Activities

ColegauCymru exists to support, represent and promote Wales' post-14 education sector. It provides a range of services to its members including networks, conferences, research, consultancy and the sharing of good practice. Through ColegauCymru, colleges are represented on various committees, working parties and other groups influencing and shaping policy in post-14 education and lifelong learning sector.

ColegauCymru has a deserved reputation for responding positively to required changes in its external environment. While colleges are local providers, their response in meeting national policy demands and changing curriculum requirements is more coherent and more rapid because of the support work of ColegauCymru.

During the 2009/10 academic year there were 308,800 enrolments on learning programmes in the further education (FE) sector in Wales, 76% (234,820) of those enrolments were at FE colleges¹. 20% (46,865) of FE enrolments on learning programmes were full-time and 80% (187,945) part-time. Seventeen FE colleges deliver HE courses in Wales, enrolling approximately 7,000 HE learners. 82% of those learners were taking courses franchised from higher education institutions (HEIs).

Representational role

ColegauCymru has continued to develop its representational role while maintaining and building on its services to member colleges.

A key focus during the year has been leading, with the support of member colleges, a response to the important reviews carried out into FE and HE governance and into the structure of education services. Responding to these major reviews has involved a number of presentations as well as substantial written evidence at least ten separate pieces of evidence including research collected from colleges. Informal feedback has shown that the evidence from ColegauCymru was perceived as being positive and constructive and helped shaped the content of the reports.

Indeed the Thomas Review stated that *"ColegauCymru has become a collectively energetic and valued organisation showing exemplary commitment to improving education and training in Wales"*

¹ SDR 68/2011 *Further Education, Work-based Learning and Community Learning in Wales 2009/10*, Welsh Government, 27 April 2011

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ColegauCymru seeks to ensure that curriculum matters have a high profile in terms of shaping policy and responding to initiatives. ColegauCymru has been proactive in developing policies affecting post-14 learners in Wales including colleges' involvement in the 14-19 agenda, the Welsh Baccalaureate Qualification, the impact of the Credit and Qualifications Framework Wales, apprenticeships and in the delivery of wider higher education courses including Foundation Degrees in the FE sector. ColegauCymru has ensured that colleges take an active part in WG initiatives to reinvigorate the economy such as ReAct, Pathways to Apprenticeships, Adult Skills' funding, and the successor to ProAct.

Raising Standards and Sharing Good Practice

ColegauCymru continues to work with member colleges to take forward self-regulation and encourage the sharing of best practice. The Improving Quality Reducing Bureaucracy Group has built on the benchmarking activities between colleges and has worked closely with the WG's Department for Education and Skills (DfES) on its national quality effectiveness framework.

Changes introduced under Estyn's new Common Inspection Framework in September 2010 mean that colleges now have little notice to prepare for an inspection and the 'learner voice' forms a significant part of the inspection. To support colleges, ColegauCymru organised Peer Assessor training events to inform FE, work-based learning (WBL) and adult and community learning (ACL) staff on the detail of Estyn's new inspection framework and to encourage closer collaboration between providers in self assessment processes and internal inspections. A total of 306 staff attended six Peer Assessor training events during November and December 2010.

During 2010/11 academic year, three FE colleges were inspected. Colleges achieved either good or excellent for their leadership and management and prospects for improvement. Estyn identified four areas of sector-leading practice (two in St David's Catholic College and two in Pembrokeshire College).

In July 2011 ColegauCymru appointed its own Director of Bilingualism to drive forward the National Bilingual Strategy for FE (developed by ColegauCymru with the support of all member colleges in 2010) and develop bilingual opportunities for post-16 learners in FE colleges in Wales.

Continuous Professional Development Training

- ❶ During the year, 3,944 delegates attended 214 continuous professional development (CPD) training and conference events. The training events are attended by members and non-members. Last year, a total of 535 delegates attended from schools, higher education, private training providers and other educational organisations. The training aims to maintain a high level of CPD which ultimately benefits the learners and the local communities that colleges serve.
- ❷ The Postgraduate Certificate (PgCert) in Leadership and Management and the MA Leadership and Management (FE) both continue to grow. Delivered in partnership with the University of Wales Newport, the MA programme has recruited to date 226 students, which is a very high proportion of the estimated 800 middle and senior managers in the FE sector in Wales. 76 students have successfully completed the programme to date. The PgCert is delivered in partnership with the University of Glamorgan. As of July 2011, 13 students are enrolled.
- ❸ ColegauCymru facilitates 24 curriculum and functional managers' networks which meet 2 – 3 times a year. Attendance at the network meetings is free. A number of the networks are attended by private training providers and higher education institutions.
- ❹ 159 people attended ColegauCymru's 18th annual conference titled 'Future Excellence' and its accompanying awards ceremony in May 2011.
- ❺ The eighth national governors' conference was held in May 2011 and was attended by 57 governors. It provided a useful opportunity for governors from a wide range of colleges to meet and discuss the recommendations from the review of FE governance and consider recent developments in legislation impacting on governing bodies.

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Research and Development Projects

ColegauCymru has been successful in bidding for a number of educational research and development projects. These include

- ❶ **European Commission's Lifelong Learning Programme Leonardo** The project aims to secure work placements in Europe for apprentices from Wales, and to facilitate and support the apprentices' preparations for their placements. ColegauCymru has been working with three regions of Spain (Catalonia, Ibiza, the Basque Country) and Tuscany in Italy and eight colleges in Wales to provide work placements for 30 apprentices from 5 vocational areas namely, mechanical engineering, electrical engineering, catering, youth offending services and customer services.
- ❷ **Money for Life Financial Capability Project** this is Lloyds Banking Group's £4 million financial capability and personal money skills programme, targeted at the FE, WBL and ACL sectors. Led by ColegauCymru and supported by NTfW, 12 partner organisations (seven FE colleges, five WBL and five ACL providers) completed work on the following topics
 - ❶ Employability
 - ❶ Basic Skills
 - ❶ Young Parents
 - ❶ NEETSThe outcomes of this work were reported to the sector at an event in June 2011.
- ❸ **Money Skills Weeks** this project is funded by Barclays plc through the National Skills Academy for Financial Services (NSAFS). The initiative is designed to strengthen students' financial skills and knowledge, reduce their financial stress, and increase their chances of achieving their educational goals. The aim is to support 1,000 Money Weeks in the UK over the next 3 years. A celebratory event was held in Cardiff on 9 May 2011. 16 colleges were involved in the first year.
- ❹ **Credit and Qualifications Framework for Wales** this project was completed during 2011 but smaller projects have been developed as a result of this work, namely Learning Area Programmes and FE to HE progression in Wales.

CollegesWales (UK) International

A significant development has been the expansion of ColegauCymru's international activities with the appointment of an International Coordinator and the decision to form a Wales-Chongqing Further Education Consortium under the banner of CollegesWales (UK) International, which is managed by ColegauCymru.

The Consortium employs a Further Education Project Officer, based at the WG's offices in Chongqing. She is supported by an advisory group comprising local colleges, local business, the British Council and the WG. The Consortium was officially launched by the First Minister the Rt Hon Carwyn Jones AM on 25 October 2011 in Chongqing.

The further education institutions involved in the consortium are

- ❶ Bridgend College
- ❶ Cardiff and Vale College
- ❶ Coleg Gwent
- ❶ Coleg Harlech / WEAN and WEA South
- ❶ Coleg Llandrillo Cymru
- ❶ Coleg Morgannwg
- ❶ Coleg Powys
- ❶ Deeside College
- ❶ Gower College Swansea
- ❶ Yale College Wrexham
- ❶ Ystrad Mynach College

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Welsh FE Purchasing Consortium

Through its subsidiary company, fforwm Services Limited, the charity is involved in the running of the Welsh FE Purchasing Consortium (WFEPC). WFEPC continues to meet targets set for value for money savings, sustainability and best practice. Savings amounted to £3.04m during 2010/11. Based on a rechargeable cost base of £76k, this equated to a saving of £40 for every £1 invested as WFEPC subscriptions by colleges.

WFEPC is continuing to develop its relationship with other purchasing consortia in order to seek the best contracts for FE colleges in Wales. It is currently leading a major initiative to seek reductions in the fees colleges pay to awarding bodies for examinations. The WFEPC is working with WG's EIB Procurement Taskforce regarding the recommendations in the 'Buying Smarter in Tougher Times' report to ensure the needs of the sector are reflected in any changes to policy.

Activities Delivering Public Benefit

ColegauCymru recognises that under charity legislation and in meeting its charitable objects, it must ensure that education has been advanced for the benefit of the general public in Wales. During the year, the company set out a number of priorities which had the ultimate aim of ensuring that education standards were improved for the ultimate benefit of learners, communities and employers in Wales. Access to FE for all who wish to participate is an important matter for ColegauCymru and its members.

ColegauCymru, through the WFEPC, is working with its members to understand what aspects in relation to 'Community Benefits' may be included in tendering opportunities. This could include areas already identified by the WG, for example promoting corporate social responsibility, contributions to community groups and other actions to reduce poverty and tackle inequality. The WFEPC is also promoting to members the WG's Supported Businesses framework for furniture, e-cycling and signage which is already opening up greater business to organisations.

The strategic context

FE colleges have continued to respond positively to the WG's requirement to transform the post-16 education landscape. Colleges have led a number of mergers and collaborations and are working increasingly within regional partnerships. During the year, two college-college mergers took place:

- ❑ Deeside College incorporated Coleg Llŷsfasi in August 2010
- ❑ Gower College Swansea was formed from the merger of Gorseinon College and Swansea College in August 2010

Future Plans and Activities

Continuing with the WG's agenda to transform the post-16 education landscape, three further college-college merger plans have been announced:

- ❑ Barry College and Coleg Glan Hafren to merge August 2011
- ❑ Coleg Llandrillo and Coleg Menai to merge April 2012
- ❑ Yale College Wrexham and Deeside College to merge probably in August 2013

Colleges in Wales have managed a series of tough budget settlements over the last few years and have largely absorbed increased costs including unfunded pay increases in pension costs and national insurance and the administration costs of Educational Maintenance Allowances and Assembly Learning Grants. Another hidden cost for colleges is capital expenditure. DfES no longer funds equipment or capital enhancements to buildings other than through a major capital bid. Colleges have to generate surpluses to invest in computers, whiteboards, servers and other network infrastructure.

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In 2011/12 the allocations have been determined as follows

- The regular recurrent allocation which decreased from £307 million to £303 million, a reduction of 1.6%
- £8.5 million for the Pathways to Apprenticeship Programme and £17.1 million for adult skills provision, first introduced for 2010/11, in response to the increase in demand for adult skills provision arising from the economic downturn

The WG announced that it would suspend the system under which colleges are funded – the National Planning and Funding System – for three academic years 2011/12 – 2013/14 in order for it to be reviewed. In the interim, calculations for colleges' funding will be based on their baseline delivery 2010/11.

ColegauCymru's central approach concentrates on the interests of learners to make sure those opportunities are widened and standards are increased and that colleges are adequately funded to carry out these key responsibilities. A well funded FE sector will help the WG deliver its ambitious programme of training and support for businesses in Wales.

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fforwm Services Limited

fforwm Services Limited was established in 1995 and is the charity's trading subsidiary. The company's principal activities include the provision of CPD training for college staff and the wider education sector, property and equipment leasing and the purchasing consortium for FE colleges.

During the year, the company's leasing activities reduced with total turnover decreasing from £1,053,460 to £664,529. This decrease can be attributed to the uncertainty surrounding the future of the lease and leaseback arrangements due to the HM Customs & Excise challenge. This uncertainty has caused a reduction in the use of the arrangements by participating educational institutions and a consequent loss of income to the company.

The company made a surplus of £2,417 (2010 £3,087 surplus) after making a payment to Colegau Cymru under the deed of covenant of £5,000 (2010 £1,000). The Directors consider the overall financial performance of the company during the year to be satisfactory. The reduction in lease income was predicted and has been a key subject of discussion at Board meetings. As stated above, other activities will be expanded to provide additional income.

Limited by Guarantee

The company is limited by guarantee and as such has no shareholders. The members of the company are Wales' FE colleges and institutions.

Transfer to Reserves

The surplus for the year, after allowing for an actuarial loss of £26,000 on the defined benefit pension scheme was £80,199 (2010 £139,431) has been taken to reserves.

Fixed Assets

Following a decision taken by the Board in 2007/08 a major investment in new office accommodation was made in August 2008. Details of the movements in fixed assets during the year are set out in note 10 to the financial statements.

Directors

The Directors of the company and their appointments and resignations during the year are detailed under officers and professional advisors on page 3.

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Financial Review

Total income for the year fell to £1,667,862 from £2,003,154. The reduction in income can principally be attributed to the reduction in rentals receivable under the lease and leaseback arrangements undertaken by fforwm Services Limited. The performance of fforwm Services Limited is commented on separately below.

The group (the company and its trading subsidiary fforwm Services Limited) made a surplus for the year on ordinary activities of £80,199 (2010 £139,431) after actuarial loss on the defined benefit scheme of £26,000 (2010 gain of £90,000).

Principal Funding Sources

ColegauCymru received £588,897 (2010 £575,093) funding through membership subscriptions from colleges and FE institutions. The income from subscriptions has made it possible for ColegauCymru to deliver activities outlined in the business plan and to support Wales' colleges and FE institutions.

Investment Policy

In 2008 it was agreed that an investment should be made by the purchase of new office accommodation more suited to the needs of the charity. This took place on 20 August 2008 and constituted a major investment for the charity. However, the trustees are conscious of the need to also retain funds in a liquid form to meet the requirements of the charity. The trustees closely monitor the returns of the investments.

In order to secure the funds of the charity all investments are made in the company name. The trustees, having considered the operating requirements of the charity and the reserves policy have, for the purpose of security, adopted the policy of holding funds in an interest bearing account with the balance placed on treasury deposit with a major clearing bank. The use of treasury deposits seeks to achieve the best interest rate possible for the funds with no risk attached.

Reserves Policy

At the year end, the group has accumulated net assets totalling £879,190 (2010: £798,991). Of these assets £875,401 is held in fixed assets, these include the recently purchased office premises and included in liabilities is a pension liability of £373,000 that does not require to be settled immediately. The Directors regularly review the level of reserves to ensure the company is financially secure. The reserves are held in line with prudent financial management to provide sufficient assets to enable ColegauCymru to cover any contingencies which may arise and ensure the continuation of ColegauCymru's activities. The current level of free reserves available at 31 July 2011 was £376,789 (2010 £255,860).

The Directors recognise their responsibility to ensure that adequate reserves are maintained in the charity, whilst ensuring that as much money as possible is expended to further the objects of the charity.

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The Directors agreed that adequate reserves are necessary

- to meet the liabilities in the pension provision identified under FRS17 An independent actuary report concluded that the liability was £373,000 for the year ended 31 July 2011
- to retain a sum equal to six months' operating costs of £360,000
- to ensure the continued operation of ColegauCymru funds should be retained to meet the accommodation requirements

The Directors recognise the need to review the policy on an annual basis to ensure that it continues to meet the requirements of the charity.

The Directors have recognised the importance to the company of retaining the membership of all the colleges in Wales and of actively pursuing a policy to ensure that the company recognises the needs of the whole sector and caters for them appropriately

They also recognise the importance to the company of winning bids for projects and research, both in prestigious and financial terms and conversely the risks involved if the company is unsuccessful in this area

Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently
- make sound judgments and estimates that are reasonable and prudent
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice, Accounting and Reporting by Charities (issued March 2005) They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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Statement as to Disclosure of Information to Auditors

In accordance with company law, as the Directors of the company, we certify that

- so far as we are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware
- as the Directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Subject to a diligent tendering process Bevan Buckland were appointed as external auditors for a three year period from 2010/11 to 2012/13 ColegauCymru's Board of Directors formally approved their appointment on 10 November 2011

This report has been prepared in accordance with the Statement of Recommended Practice Accounting and Reporting by charities (issued March 2005) and in accordance with the provisions applicable to companies subject to small companies' regime of the Companies Act 2006

By Order of the Board


Chair of the Board

David Jones

23/3/12
Date

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Corporate Governance Statement

ColegauCymru is committed to demonstrate best practice in all aspects of corporate governance

The Board of Directors is responsible for the overall strategic direction of the charity and monitors its financial performance and ensures that the annual business plan, drawn up by the Chief Executive is considered, approved and then monitored by the Board

The Board of Directors is of the view that there is an ongoing process for identifying, evaluating and managing significant risks faced by ColegauCymru and that this process has been in place during the reporting period

The Board of Directors convenes six times a year and has delegated authority to the following Committees with terms of reference

- Remuneration Committee
- Audit Committee

The Committees are chaired by Directors of the Board

The Remuneration Committee determines the remuneration of the Chief Executive

The Audit Committee meets twice a year, with the external auditors in attendance if requested. The Committee considered detailed reports together with recommendations for the improvement of systems of internal control and management's responses and implementation plans

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TO THE TRUSTEES OF COLLEGES WALES / COLEGAU CYMRU
FOR THE YEAR ENDED 31 JULY 2011

We have audited the financial statements of Colleges Wales / Colegau Cymru Limited and its subsidiary company for the year ended 31 July 2011, on pages 10 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Charity's trustees as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 2 to 7, the trustees 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.

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 company'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.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 July 2011 and of the group's and parent company's surplus for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
INDEPENDENT AUDITORS' REPORT
TO THE TRUSTEES OF COLLEGES WALES / COLEGAU CYMRU
FOR THE YEAR ENDED 31 JULY 2011

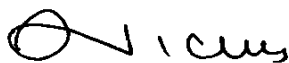
OPINION ON MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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, or
- the trustees were not entitled to take advantage of the small companies' exemption in preparing the Report of the Trustees



ALISON VICKERS (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF
BEVAN & BUCKLAND
CHARTERED ACCOUNTANTS
AND STATUTORY AUDITORS
LANGDON HOUSE
LANGDON ROAD
SA1 SWANSEA WATERFRONT
SWANSEA
SA1 8QY

DATE

24/4/2012

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(including Statement of Total Recognised Gains and Losses)
FOR THE YEAR ENDED 31 JULY 2011

	Note	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
Incoming Resources					
Incoming resources from generated funds.					
Voluntary income					
Grants and Subscriptions	3	597,526	-	597,526	588,213
Activities for generating funds					
Commercial trading operations	6	664,529	-	664,529	1,053,460
Investment Income	4	13,354	-	13,354	19,471
		<u>1,275,409</u>	<u>-</u>	<u>1,275,409</u>	<u>1,661,144</u>
Incoming Resources from Charitable Activities					
Advancement of education for the benefit of the general public	5	137,303	255,150	392,453	342,010
		<u>1,412,712</u>	<u>255,150</u>	<u>1,667,862</u>	<u>2,003,154</u>
Total incoming resources					
Resources Expended					
Cost of Generating funds					
Commercial trading operations	6	657,159	-	657,159	1,049,461
Charitable Activities					
Charitable expenditure	7	589,063	255,304	844,367	848,098
Governance costs	7	60,137	-	60,137	56,164
		<u>1,306,359</u>	<u>255,304</u>	<u>1,561,663</u>	<u>1,953,723</u>
Total Resources Expended					
Net Incoming Resources before other recognised gains					
		106,353	(154)	106,199	49,431
Transfer to restricted funds		(154)	154	-	-
Actuarial loss on defined benefit scheme		(26,000)	-	(26,000)	90,000
		<u>80,199</u>	<u>-</u>	<u>80,199</u>	<u>139,431</u>
Net movement in funds in year					
Reconciliation of Funds					
Total funds brought forward	15	<u>798,991</u>	<u>-</u>	<u>798,991</u>	<u>659,560</u>
Total Funds Carried Forward	15	<u>879,190</u>	<u>-</u>	<u>879,190</u>	<u>798,991</u>

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 JULY 2011

The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities.

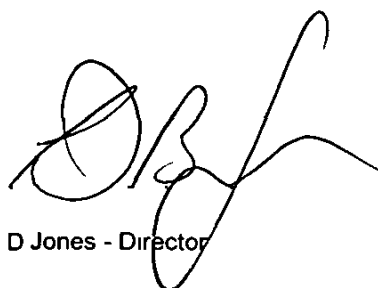
The company has not presented its own statement of financial activities as permitted by section 408 of the Companies Act 2006. The surplus of the group for the year is £106,199 (2010: £49,431).

The notes on pages 27 to 43 form part of these accounts.

COLLEGES WALES / COLEAGAU CYMRU LIMITED
(Limited by Guarantee)
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 JULY 2011

	Note	2011 £	£	2010 £	£
Fixed assets					
Tangible assets	10		875,401		896,131
Current assets					
Debtors	13	231,229		266,134	
Cash at bank and in hand		<u>447,727</u>		<u>264,998</u>	
		678,956		531,132	
Creditors - amounts falling due within one year	14	<u>(302,167)</u>		<u>(275,272)</u>	
Net current assets			376,789		255,860
Total assets less current liabilities			<u>1,252,190</u>		<u>1,151,991</u>
Deferred benefit pension scheme liability			(373,000)		(353,000)
Total assets			<u>879,190</u>		<u>798,991</u>
Funds					
Unrestricted funds	15		879,190		798,991
Restricted funds	15		<u>-</u>		<u>-</u>
			879,190		798,991

The Financial Statements were approved by the Board of Trustees on 20 MARCH 2012 and signed on behalf by




D Jones - Director

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 JULY 2011

		2011		2010	
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	11		845,946		864,524
Investments	12		<u>100</u>		<u>100</u>
			846,046		864,624
CURRENT ASSETS					
Debtors	13	101,297		134,231	
Cash at bank and in hand		<u>420,649</u>		<u>243,265</u>	
		521,946		377,496	
CREDITORS amounts falling due within one year					
Creditors	14	<u>132,003</u>		<u>103,924</u>	
NET CURRENT ASSETS			389,943		273,572
Total assets less current liabilities			<u>1,235,989</u>		<u>1,138,196</u>
Defined pension scheme liability			(373,000)		(353,000)
Total assets			<u>862,989</u>		<u>785,196</u>
Represented by:					
FUNDS					
Unrestricted funds	15		862,989		785,196
Restricted funds	15		<u>-</u>		<u>-</u>
			<u>862,989</u>		<u>785,196</u>

The Financial Statements were approved by the Board of Trustees on 20 MARCH 2012 and signed on their behalf by


D Jones - Director

COLLEGES WALES / COLEGAU CYMRU LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2011

	Note	2011	2010
		£	£
Net cash inflow / (outflow) from operating activities	1	196,853	(29,664)
Returns on investment and servicing of finance			
Interest received		1,249	1,105
Net cash inflow from returns on investments and servicing of finance		1,249	1,105
Capital expenditure			
Payments to acquire tangible fixed assets		(15,373)	(13,341)
Net cash out flow from capital expenditure		(15,373)	(13,341)
Cash inflow / (outflow) before management of liquid resources and financing		182,729	(41,900)
Increase / (decrease) in cash in the year		182,729	(41,900)

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2011

1 Reconciliation of net consolidated (outgoing)/incoming resources for the year to net cash inflow / (outflow) from operating activities

	2011 £	2010 £
Net incoming resources for the year	106,199	49,431
Depreciation charge	36,104	33,261
Loss on disposal of assets	-	-
(Increase) / decrease in debtors	34,904	226,763
Increase / (decrease) in creditors	26,895	(365,014)
Investment income	(1,249)	(1,105)
Current service cost less contributions to the pension scheme	(1,000)	10,000
Other finance income from the pension scheme	(5,000)	17,000
Net cash inflow (outflow) from operating activities	<u>196,853</u>	<u>(29,664)</u>

2 Analysis of changes in net fund

	At 31 July 2010 £	Cash Flows £	At 31 July 2011 £
Cash at bank and in hand	264,998	182,729	<u>447,727</u>

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

1 PRINCIPAL ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, the Statement of Recommended Practice "Accounting and Reporting by Charities 2005" (SORP) issued in March 2005, applicable UK Accounting Standards and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below.

Tangible Fixed Assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic life of the assets as follows:

Buildings	50 years
Computer equipment	3 years
Office equipment	5 years
Fixtures and fittings	10 years

Incoming Resources

Turnover represents the invoiced value of services supplied, annual college subscriptions and income from various government and other grants.

Income from voluntary income included subscription income receivable from member colleges and is recognised when the charity is entitled to the income.

Grant income is recognised when it is reasonably certain to be received and only deferred when the donor has imposed restrictions on the expenditure or resources which amount to pre-conditions on use.

Income from generated fund relates to commercial trading activities is recognised as earned (as the related goods and services are provided).

Investment income is recognised on a receivable basis.

Taxation

The Company is registered as a Charity and as such tax exemption applies to the income arising from and expended on charitable activities and to its investment income and gains.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

PRINCIPAL ACCOUNTING POLICIES - (Cont'd)

Pension

Pension costs are accounted for on the basis of charging the cost of providing pensions over the period during which the company benefits from the employees services. The Company pension scheme is a defined benefits scheme.

The Chanty participates in the Cardiff and Vale of Glamorgan Pension Fund, a defined benefit scheme for employees. The assets of the scheme are held separately from those of the charity. Many of the key financial assumptions are derived from the yields on AA rated corporate bonds or from yields on Government bonds with the objective of reflecting a best estimate of future experience.

The fund is valued at least every three years by a professionally qualified independent actuary with the rates of contribution payable being determined by the trustees on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension scheme assets are valued at the market value at the balance sheet date. The pension scheme deficit is recognised in full on the balance sheet.

Fund accounting

The various types of funds for which the Chanty is responsible and which require separate disclosure, are as follows:

Unrestricted funds

Funds which are expendable at the discretion of the directors in furtherance of the objects of the charity.

Restricted funds

Subscriptions and grants whose use is restricted to purposes specified by the donor. Such purposes are within the overall aims of the organisation.

Resources expended

Expenditure is recognised on an accrual basis as a liability is incurred. Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities, and its services for its beneficiaries. Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fee and costs linked to the strategic management of the charity. All costs allocated between the expenditure categories of the SOFA are on a basis designed to reflect the use of the resources.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

PRINCIPAL ACCOUNTING POLICIES - (Cont'd)

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its wholly owned subsidiary, Fforwn Services Limited for the financial year ended 31 July 2011 on a line by line basis. A separate statement of financial activities and income and expenditure account are not presented for the charity itself following the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

Operating leases

The group has entered into a number of lease and leaseback arrangements with educational institutions.

Lease income is charged to the Statement of Financial Activities in the period to which they relate on a straight line basis.

Lease expense in respect of operating leases are charged to the Statement of Financial Activities in the period to which they relate on a straight line basis.

Irrecoverable VAT

All resources expended are classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the company of resources expended for which it was incurred.

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

2 Results of the Parent Company

A separate statement of financial activities and income and expenditure account are not presented for the charity itself following the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of the SORP. The parent company's gross income and surplus for the year are as follows -

	2011	2010
Gross Income	<u>1,008,297</u>	<u>950,603</u>
Surplus	<u>97,793</u>	<u>46,341</u>

3 Voluntary Income

	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
Annual subscriptions	588,897	-	588,897	575,093
Welsh fora	4,859	-	4,859	4,757
Misc.				
Recharges to Tenants	2,213	-	2,213	8,363
Room Hire	1,557	-	1,557	-
	<u>597,526</u>	<u>-</u>	<u>597,526</u>	<u>588,213</u>

	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
4 Investment Income				
Colleges Wales / Colegau Cymru	1,213	-	1,213	1,017
Fforwm Services Limited	36	-	36	88
Rental Income	12,105	-	12,105	18,366
	<u>13,354</u>	<u>-</u>	<u>13,354</u>	<u>19,471</u>

5 Incoming Resources from Charitable Activities

	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
Incoming Resources from				
Training Activities	116,895	-	116,895	121,207
Representational Activities	19,689	-	19,689	20,590
Research/Project Activities	719	255,150	255,869	200,213
Total	<u>137,303</u>	<u>255,150</u>	<u>392,453</u>	<u>342,010</u>

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

6 Commercial trading operations and investment in trading subsidiary

The company has a wholly owned trading subsidiary, Fforwm Services Limited incorporated in England and Wales, which it acquired on 14 July 1995. Fforwm Services Limited was established to conduct the business activities of Colleges Wales / Colegau Cymru Limited, its parent company. These activities currently comprise the provision of professional training, the work of the Welsh Further Education Purchasing Consortium (WFEPC) and development courses and property and equipment leasing. The net assets of the subsidiary are £16,317 (2010: £13,900).

The trading results are shown below:

	2011 £	2010 £
Turnover	664,529	1,053,460
Cost of sales	(614,193)	(989,742)
Gross profit	<u>50,336</u>	<u>63,718</u>
Administrative expenses	(42,955)	(59,719)
Operating profit	<u>7,381</u>	<u>3,999</u>
Interest receivable and similar income	36	88
Deed of covenant	(5,000)	(1,000)
Profit for the financial year	<u>2,417</u>	<u>3,087</u>

COLLEGES WALES / COLEGAU CYMRU LIMITED

(Limited by Gaurantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2011

7 Resources expended

	Basis of Allocation	Representation & Support	Training	Research & Dev, Inc Projects	Governance	Total 2011 £	Total 2010 £
Costs Directly Allocated to Activities							
Educational Advancement	Direct	129,075	90,174	231,530	-	450,779	447,548
Staff costs	Direct	217,689	27,245	50,565	44,752	340,251	338,311
Travel	Direct	1,499	-	-	5,172	6,671	7,916
Support costs Allocated to Activities							
Accommodation	Staff time	7,058	860	1,596	1,412	10,926	12,405
Administration & Bank Charges	Staff time	16,216	1,762	3,270	2,894	24,142	27,605
Fees and charges	Staff time	26,063	575	1,066	944	28,648	17,853
Directors Liability Insurance	Staff time	-	-	-	1,076	1,076	996
Publicity and other costs	Staff time	11,851	775	140	124	12,890	24,439
Depreciation	Staff time	18,813	2,291	4,253	3,764	29,121	27,189
Total Resources Expended		428,264	123,682	292,420	60,138	904,504	904,262

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

8 Directors and employees

No director received any remuneration for their services to the company in 2011 or 2010

2 directors received a total of £419 in travelling and subsistence expenses in 2011 (2010 - 2 received £479)

Two employees received emoluments in excess of £70,000 in 2011 (2010 - 2)

The average number of directors during the year was 10 The average number of persons employed by the company during the year was 10 (2010 - 9)

Staff costs for the above consisted of :

	2011	2010
	£	£
Wages and salaries	249,408	241,468
Pension costs	67,430	67,430
Social security costs	29,413	29,413
	346,251	338,311

Emoluments of higher paid employees

	2011	2010
£70,000 to £80,000	-	1
£80,000 to £90,000	1	1
£90,000 to £100,000	1	-

The average number of employees during the year, calculated on the basis of full time equivalents, was as follows

	2011	2010
Representation & Support	6	5
Training	2	2
Research & Development, inc Projects	1	1
Governance	1	1
	10	9

9 Net incoming / (outgoing) resources

	2011	2010
	£	£
Net incoming / (outgoing) resources are stated after charging / (crediting) the following		
Depreciation on owned tangible fixed assets	36,104	33,261
Operating lease rental - land and buildings	274,120	274,120
Operating lease rental - equipment	500,470	500,470
Auditors' remuneration - group	6,750	9,000
- company	3,000	4,000
Legal and professional fees	3,701	2,078

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

10 Tangible fixed assets - Consolidated

Group	Building £	Office equipment £	Fixtures & Fittings £	Computer equipment £	Total £
Cost					
At 1 August 2010	843,650	46,661	83,355	29,691	1,003,357
Additions at cost	-	11,954	-	3,417	15,371
Disposals at cost	-	(4,951)	-	(8,961)	(13,912)
At 31 July 2011	843,650	53,664	83,355	24,147	1,004,816
Depreciation					
At 1 August 2010	33,746	32,801	16,282	24,394	107,223
Charge for the year	16,873	6,738	8,336	4,157	36,104
Disposals	-	(4,951)	-	(8,961)	(13,912)
At 31 July 2011	50,619	34,588	24,618	19,590	129,415
Net book value					
At 31 July 2011	793,031	19,076	58,737	4,557	875,401
At 31 July 2010	809,904	13,855	67,073	5,299	896,131

11 Tangible fixed assets - Company

Company	Building £	Office equipment £	Fixtures & Fittings £	Computer equipment £	Total £
Cost					
At 1 August 2010	843,650	27,122	52,335	14,392	937,499
Additions at cost	-	8,201	-	2,343	10,544
Disposals at cost	-	(2,723)	-	(3,373)	(6,096)
At 31 July 2011	843,650	32,600	52,335	13,362	941,947
Depreciation					
At 1 August 2010	33,746	17,819	10,166	11,244	72,975
Charge for the year	16,873	4,526	5,234	2,489	29,122
Disposals	-	(2,723)	-	(3,373)	(6,096)
At 31 July 2011	50,619	19,622	15,400	10,360	96,001
Net book value					
At 31 July 2011	793,031	12,978	36,935	3,002	845,946
At 31 July 2010	809,904	9,303	42,169	3,148	864,524

COLLEGES WALES / COLEGAU CYMRU LIMITED
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

12 Fixed asset investments

	Company 2011 £	Company 2010 £
Investment in subsidiary	100	100

Information relating to the charity's trading subsidiary, Fforwm Services Limited, registered in England and Wales and its activities during the year, are shown in note 6

13 Debtors	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Amounts falling due within one year				
Trade debtors	96,179	25,708	98,868	28,365
Accrued income	39,411	24,151	64,181	44,156
Amounts due from subsidiary undertaking	-	43,095	-	52,861
Other taxation and social security	18,534	-	16,943	-
Prepayments	77,105	8,343	86,142	8,850
	<u>231,229</u>	<u>101,297</u>	<u>266,134</u>	<u>134,232</u>

14 Creditors amounts falling due within one year

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Trade creditors	25,285	17,857	25,465	16,903
Accruals	96,983	90,408	68,409	61,145
Deferred income	160,586	5,790	160,617	6,695
Other taxation and social security	19,313	17,948	20,781	19,181
	<u>302,167</u>	<u>132,003</u>	<u>275,272</u>	<u>103,924</u>

Deferred income is analysed as follows and relates to income which has been received in the year for activities which occur in 2010/11

	2011 £	2010 £
Credit Framework project activity 2010/11	2,581	-
ESDGC in FE project activity 2010/11	24,085	28,085
WFEPC	43,077	29,554
Rental/recharges received for 2011/12	806	6,695
Lease finance agreements for future periods	87,634	96,283
Membership of North Wales Economic Forum	2,043	-
Certificate in Leadership and Management	361	-
	<u>160,587</u>	<u>160,617</u>

COLLEGES WALES / COLEGAU CYMRU
(Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

15 Funds

	At 01 08 10 £	Incoming resources	Resources expended	Transfer between fund	Actuarial Gain/(Loss) on pension	At 31.07.11 £
Unrestricted funds						
General Fund	1,151,991	1,412,712	(1,283,333)	(849,126)	(26,000)	406,244
Capital Asset Reserve	-	-	(23,026)	868,972	-	845,946
Pension Reserve	(353,000)	-	-	(20,000)	-	(373,000)
	798,991	1,412,712	(1,306,359)	(154)	(26,000)	879,190
Restricted funds						
Research/Project Activities	-	255,150	(255,304)	154	-	-
TOTAL FUNDS	798,991	1,667,862	(1,561,663)	-	(26,000)	879,190

The restricted funds received during the year were as follows

	Opening balance £	Income £	Expenditure £	Transfer from unrestricted funds £	Closing balance £
Eqavet	-	15,202	15,202	-	-
Barclays	-	18,871	18,889	18	-
Peer Assessor	-	24,550	24,615	65	-
Lloyds	-	102,800	102,810	10	-
CQFW	-	46,431	46,431	-	-
FSA	-	1,124	1,172	48	-
International	-	35,441	35,443	2	-
CfBT	-	5,064	5,064	-	-
ECORYS	-	802	802	-	-
Leonardo	-	3,090	3,090	-	-
Menter Mon	-	1,775	1,786	11	-
	-	255,150	255,304	154	-

The EQAVET (European Quality Assessment for Vocational Education and Training) looked at how far quality systems in place for VET in colleges in Wales matched the European Quality Assurance Reference Framework - a common set of principles for quality across Europe

Barclays Bank have provided funding for Colleges to stage Money Week in March each year with resources and activities planned by Barclays Bank

Peer Assessor training was to provide Estyn endorsed training to FE, WBL and ACL staff on the new Cif The project delivered training in three regions (North Wales, South East Wales and South West Wales) to over 300 staff

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15 Funds - (Con't)

Lloyds TSB Bank have provided funding to continue to deliver the FSA project 2011/12 funding to deliver Teach me / Teach Other training in Financial Capability for staff, a Money for Life Challenge and small grants for embedding financial capability into the curriculum

The Credit Framework project was to devise and implement strategies to help providers prepare for the changes needed to manage an increasingly credit based system of qualifications

The FSA project was to encourage Welsh Colleges to have a planned approach to students financial capability, and to raise the profile of personal finance as a context for learning in the curriculum

The International project provided funding to explore commercial opportunities for FE colleges overseas

The CFBT project was to ensure delivery in Wales of some elements of the Financial Capability Support programme

The Menter Mon project was to raise awareness on recognition of prior learning, RPL, for employees and awarding organisations operating in North West Wales

Analysis of Net assets between funds

	Fixed assets £	Net current assets £	Creditors due > 1 Yr £	Total funds £
Unrestricted funds	875,401	376,789	-	1,252,190
Designated funds	-	-	-	-
Pension fund reserve	-	-	(373,000)	(373,000)
	<u>875,401</u>	<u>376,789</u>	<u>(373,000)</u>	<u>879,190</u>

16 Capital commitments and contingencies

There were no capital commitments as at 31 July 2011 (2010 nil)

17 Financial commitments

At 31 July 2011 the company had annual commitments under operating leases as follows

	Land and buildings £ 2011	Other £ 2011	Land and buildings £ 2010	Other £ 2010
Expiring within one year	-	5,127	-	228,060
Expiring after more than one year	204,250	65,300	204,250	111,545
In more than five years	<u>110,000</u>	<u>-</u>	<u>125,000</u>	<u>-</u>

The group has entered into a number of lease and leaseback arrangements with education institutions. The annual rental commitments of the group under the head leases of those lease and leaseback arrangements are shown above. Under each head lease, the group is able to cancel the lease at any time subject to three months notice.

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18 Pensions

The charity participates in the Cardiff & Vale of Glamorgan pension fund (the "Fund"), which is part of the Local Government Pension Scheme. Colegau Cymru / Colleges Wales participates in the Fund which provides deferred benefits on members' final pensionable salary. In accordance with FRS17 - Retirement Benefits disclosure defined benefits, of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Contributions for the year ending 31 July 2011

The Employer's regular contributions to the fund for the year ending 31 July 2012 are estimated to be £0.103M. In addition, Strain on Fund Contributions may be required.

Assumptions

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

	31-Jul-11 (% pa)	31-Jul-10 (% pa)	31-Jul-09 (% pa)
Discount rate	5.3	5.3	6.0
Inflation rate - RPI	3.6	3.4	3.6
Inflation rate - CPI	2.7	2.7	N/A
Rate of increase to pensions in payment*	2.7	2.7	3.6
Rate of increase to deferred pensions	2.7	2.7	3.6
Rate of general increase in salaries	4.6	4.9	5.1

* In excess of Guaranteed Minimum Pension increases in payment where appropriate.

** In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2010.

Mortality Assumptions

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

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18 Pensions - (Cont'd)

Post retirement mortality (retirement in normal health)

Males

	31 July 11	31 July 10
Year of Birth base table	Standard SAPS Normal Health Light Amounts (S1NMA_L)	PNMA00 with allowance for MC improvement factors to 2007
Rating to above base table* (years)	0	0
Scaling to above base table rates	100%	125%
Improvement to base table rates	CMI_2009 with a long term rate of improvement of 1 25% p a	80% of LC (from 2007) subject to a minimum underpin to the improvement factors of 1 25% p a
Future lifetime from age 65 (current aged 65)	23 8	21 2
Future lifetime from age 65 (current aged 45)	25 6	23 5

Females

	31 July 11	31 July 10
Year of Birth base table	Standard SAPS Normal Health Light Amounts (S1NFA_L)	PNFA00 with allowance for MC improvement factors to 2007
Rating to above base table* (years)	0	0
Scaling to above base table rates	80%	100%
Cohort improvement factors (from 2007)	CMI_2009 with a long term rate of improvement of 1 25% p a	60% of LC (from 2007) subject to a minimum underpin to the improvement factors of 1 25% p a
Future lifetime from age 65 (current aged 65)	26 6	25 2
Future lifetime from age 65 (current aged 45)	28 6	27 4

* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

31 July 2011

Commutation Each member assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum

Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, or additional lump sum

31 July 2010

Each member assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2008 pension entitlements

Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2008 pension entitlements

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18 Pensions - (Cont'd)

Expected return on assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS 17.

	Long-term rate of return expected at 31-Jul-11 (% pa)*	Asset split as at 31-Jul-11 (% pa)	Long-term rate of return expected at 31-Jul-10 (% pa)*	Asset split as at 31-Jul-10 (% pa)	Long-term rate of return expected at 31-Jul-09 (% pa)*	Asset split as at 31-Jul-09 (% pa)
Equities	7.9	75.3	8.2	72.2	8.0	69.8
Property	7.4	4.0	7.7	4.5	7.0	3.8
Government bonds	3.9	4.9	4.2	5.7	4.5	4.7
Corporate bonds	4.7	11.0	4.9	11.9	5.9	14.4
Cash	1.5	1.1	1.4	1.1	0.9	2.4
Other**	7.9	3.7	8.2	4.6	0.9	4.9
Total	7.3	100.0	7.5	100.0	7.0	100.0

* The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

** Other holdings include hedge funds, currency holdings, asset allocation futures and other. We have assumed this year that these will get a return in line with equities.

CollegesWales / Colegau Cymru Limited 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 the 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 at 31 July 2011.

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18 Pensions - (Cont'd)

Reconciliation of funded status to balance sheet

	Value at 31 July 2011 (£M)	Value at 31 July 2010 (£M)	Value at 31 July 2009 (£M)
Fair value of fund assets	1 287	1 108	0 897
Present value of liabilities	(1 660)	(1 461)	(1 313)
Net pension asset/(liability) before consideration of paragraph 41	(0 373)	(0 353)	(0 416)
Unrecognised asset due to limit in paragraph 41	0.000	0 000	0 000
Pension asset/(liability) recognised on the Balance Sheet*	(0 373)	(0 353)	(0 416)

* The extend of any deferred tax asset/(liability) should be discussed with your tax advisers

Analysis of Profit and Loss Charge

	Year ending 31 July 2011 (£M)	Year ending 31 July 2010 (£M)
Current service costs	0 067	0 061
Past service costs	0 000	(0 112)
Interest costs	0 080	0 081
Expected return on assets	(0 085)	(0 064)
Curtailment cost	0 000	0 000
Settlement cost	0 000	0 000
Expense recognised in Profit and Loss	0 062	(0 034)

Changes to the present value of liabilities during the year

	Year ending 31 July 2011 (£M)	Year ending 31 July 2010 (£M)
Opening present value of liabilities	1 461	1 313
Current service cost	0 067	0 061
Interest cost	0 080	0 081
Contributions by participants	0 022	0 021
Actuarial (gains)/losses on liabilities *	0 036	0 106
Net benefits paid out #	(0 006)	(0 009)
Past service cost	0 000	(0 112)
Net increase in liabilities from disposals and acquisitions	0 000	0 000
Curtailments	0 000	0 000
Settlements	0 000	0 000
Closing present value of liabilities	1.660	1.461

* Includes changes to the actuarial assumptions

Consists of net cashflow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums

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18 Pensions - (Cont'd)

Changes to the present value of assets during the year

	Year ending 31 July 2011 (£M)	Year ending 31 July 2010 (£M)
Opening fair value of assets	1 108	0 897
Expected return on assets	0 085	0 064
Actuarial losses on assets	0 010	0 084
Contribution by the employer	0 068	0 051
Contribution by participants	0 022	0 021
Net benefits paid out #	(0 006)	(0 009)
Net increase in assets from disposals and acquisitions	0 000	0 000
Settlements	0 000	0 000
Closing fair value of assets	1.287	1.108

Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service sums

Actual return on assets	Year ending 31 July 2011 (£M)	Year ending 31 July 2010 (£M)
Expected return on assets	0 085	0 064
Actuarial gain on assets	0 010	0 084
Actual return on assets	0.095	0.148

Analysis of amount recognised in STRGL

	Year ending 31 July 2011 (£M)	Year ending 31 July 2010 (£M)
Total actuarial (losses)	(0 026)	(0 022)
Change in irrecoverable surplus, effect of limit in paragraph 41	0 000	0 000
Total (loss) in STRGL	(0.026)	(0 022)

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18 Pensions - (Cont'd)

History of asset values, present value of liabilities and surplus/deficit*

	Year ending 31 July 2011 (£M)	Year ending 31 July 2010 (£M)
Fair value of assets	1 287	1 108
Present value of liabilities	(1 660)	(1 461)
(Deficit)	(0.373)	(0 353)

* This history can be built up over time and need not be constructed retrospectively (and once complete will show the current period and previous four periods)

History of experience gains and losses *

	Year ending 31 July 2011 (£M)	Year ending 31 July 2010 (£M)
Experience gains on assets	0 010	0 084
Percentage of assets	0 8%	7 6%
Experience gains on liabilities#	0 009	0 000
Percentage of the present value of the liability	0 5%	0 0%

* The history can be built up over time and need not be constructed retrospectively (and once complete will show the current and previous four periods)

This item consists of gains/(losses) in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used

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19 Related party transactions

Due to the nature of the company's activities and the composition of its board of directors and that of its subsidiary undertaking Fforwm Services Limited, (being Principals and Governors of Further Education colleges in Wales) it is inevitable that in the course of its normal business activities, the company will undertake transactions with those Colleges in which a member of the board of the company will undertake transactions with those Colleges in which a member of the board of the company, or its subsidiary undertaking will have an interest

All transactions involving Colleges in which a member of either Board of Directors may have an interest are conducted at arms length and in accordance with the company's normal financial procedures

The directors of the company during the year and their relationship with the respective Colleges were

Director	College	Relationship
Bryn Davies (resigned 25 May 2011)	Ystrad Mynach College	Principal
Peter Cope (resigned 31 August 2011)	Barry College	Chair
Derek Lloyd (appointed 23 May 2007)	Pembrokeshire College	Chair
Nick Bennett (appointed 23 May 2007)	Gower College Swansea	Principal
David Jones (appointed 23 May 2007)	Deeside College	Principal
John Bellis (appointed 20 May 2008)	Coleg Llandrillo	Chair
Mark Jones (appointed 1 February 2009)	Bridgend College	Principal
Paul Croke (resigned 31 August 2011)	Yale College	Principal
Judith Evans (appointed 26 May 2010)	Coleg Morgannwg	Principal
Dafydd Evans (appointed 9 June 2010)	Coleg Menai	Principal
Jim Bennett (appointed 26 May 2011)	Coleg Gwent	Principal
Simon Pirotte (appointed 1 September 2011)	Coleg Powys	Principal
David Mason (appointed 1 September 2011)	Merthyr Tydfil College Ltd	Chair

The Directors of the subsidiary undertaking, Fforwm Services Limited, during the year and their relationship with the respective Colleges were

Director	College	Relationship
Robert Larkins (resigned 31 August 2011)	Coleg Glan Hafren	Principal
Derek Lloyd (appointed 10 July 2007)	Pembrokeshire College	Chair
Bryn Davies (resigned 25 May 2011)	Ystrad Mynach College	Principal
David Jones (appointed 2 June 2009)	Deeside College	Principal
Mike James (appointed 1 September 2011)	Cardiff and Vale College	Principal
Paul Halstead (resigned 31 August 2010)	Barry College	Principal
Mark Jones (appointed 25 May 2011)	Bridgend College	Principal

The invoices issued to the relevant colleges during the year were for subscriptions for membership of Colleges Wales /Colegau Cymru Limited, fees for attending network, staff development and governance events and reimbursement of projects costs. Payments made to colleges were for catering at network events, work carried out on project activities and MA leadership and management programme events

CollegesWales /Colegau Cymru has used staff employed by Coleg Meirion Dwyfor to assist with promoting bilingual provision

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19 Related party transactions - (Con't)

Income invoiced to Colleges during the year

	Subs- criptions	Networks	Staff Devmt	ALIS	Other	Total
	£	£	£	£	£	£
Barry College	22,498	146	26	-	302	22,972
Bridgend College	34,012	146	922	-	227	35,307
Coleg Ceredigion	7,017	108	-	-	-	7,125
Coleg Glan Hafren	34,237	38	61	1,350	-	35,686
Coleg Gwent	69,206	146	220	-	153	69,725
Coleg Harlech / WEAN	4,106	38	145	-	116	4,405
Coleg Menai	27,155	108	-	1,062	797	29,122
Coleg Morgannwg	33,964	-	228	-	-	34,192
Coleg Powys	15,936	146	-	-	45	16,127
Coleg Sir Gâr	34,055	146	-	1,721	-	35,922
Deeside College	41,749	146	58	-	1,197	43,150
Gower College Swansea	54,228	146	722	2,889	-	57,985
Coleg Llandrillo	58,110	38	1,191	3,503	1,770	64,612
Merthyr Tydfil College	9,953	-	-	-	-	9,953
Neath Port Talbot College	41,618	-	2,284	2,057	-	45,959
Pembrokeshire College	22,518	146	-	-	-	22,664
St David's Catholic College	8,463	-	-	2,363	-	10,826
WEA South	4,106	38	-	-	-	4,144
Yale College	36,324	146	-	1,799	1,158	39,427
YMCA	2,487	-	138	-	-	2,625
Ystrad Mynach College	27,155	38	-	-	91	27,284
Total	588,897	1,720	5,995	16,744	5,856	619,212

Payments to Colleges during the year

	Catering/ Accom	Other	Projects	Bilingual	Total
	£	£	£	£	£
Barry College	-	-	3,000	-	3,000
Bridgend College	-	-	-	-	-
Coleg Ceredigion	-	-	-	-	-
Coleg Glan Hafren	280	-	5,000	-	5,280
Coleg Gwent	376	-	-	-	376
Coleg Harlech / WEAN	-	-	2,491	-	2,491
Coleg Menai	-	76	-	-	76
Coleg Morgannwg	1,785	-	1,000	-	2,785
Coleg Powys	8,171	-	4,200	-	12,371
Coleg Sir Gâr	94	-	-	-	94
Deeside College	1,821	80	5,000	-	6,901
Gower College Swansea	-	-	-	-	-
Coleg Llandrillo	-	-	-	24,565	24,565
Merthyr Tydfil College	-	-	-	-	-
Neath Port Talbot College	411	-	1,941	-	2,352
Pembrokeshire College	121	-	2,411	-	2,532
St David's Catholic College	-	-	-	-	-
WEA South	-	-	-	-	-
Yale College	-	-	2,000	-	2,000
YMCA	-	-	-	-	-
Ystrad Mynach College	-	100	-	-	100
Total	13,059	256	27,043	24,565	64,923

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19 Related party transactions - (Con't)

The following amounts were receivable from Colleges at 31 July 2011

	£
Barry College	26
Coleg Harlech / WEAN	41
Coleg Llandrillo	680
Coleg Gwent	(206)
Deeside College	38
Neath Port Talbot College	103
St David's Catholic College	406
Total	<u>1,088</u>

The following amounts were payable to Colleges at 31 July 2011 :

	£
Coleg Powys	3,842
Coleg Sir Gar	180
Total	<u>4,022</u>