

CARDIFF UNIVERSITY

Report and Financial Statements

31 July 2009

CARDIFF UNIVERSITY

REPORT AND FINANCIAL STATEMENTS 2009

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CARDIFF UNIVERSITY

REPORT OF THE TREASURER – OPERATING AND FINANCIAL REVIEW

Scope of the Financial Statements

The financial statements for the year ended 31st July 2009 consolidate the results of the University and its three subsidiary companies, Cardiff University Properties Ltd, Microbridge Services Ltd and University College Cardiff Consultants Ltd.

Results for the Year

The University's consolidated income and expenditure results for the year to 31st July 2009 are summarised as follows:

	<u>2008/09</u> £000	<u>2007/08</u> £000
Income	414,359	393,545
Expenditure	<u>(400,359)</u>	<u>(379,885)</u>
Surplus for the Year after Depreciation of Assets at Valuation and Taxation	14,000	13,660
Transfer from Accumulated Income within Endowments	<u>413</u>	<u>401</u>
Surplus for the Year Retained in General Reserves	<u>14,431</u>	<u>14,061</u>
Surplus for the Year on an Historical Cost Basis	<u>17,371</u>	<u>17,030</u>

Income increased by M£20.8 (5.3%) compared to the previous year. This increase is mainly attributable to an increase in tuition fee income of M£12.9 and research income of M£9.4.

Expenditure also increased by M£20.5 (5.4%) mainly reflecting an increase in staff costs of M£11.9 associated with a small increase in staff numbers plus an increase in pension and pay costs. There was also an increase of M£8.3 in other operating costs.

Key Financial Performance Indicators

The University monitors its key financial performance indicators and compares these against comparator research led (Russell Group) universities throughout the UK. The latest available information relating to the Russell Group universities indicates that Cardiff's ratios are around the mean.

Financial Ratios	Cardiff			Russell Group - 07/08		
	06/7	07/8	08/9	High	Low	Mean
Total Income M£	367	394	414	1,074	190	471
% HC surplus to total income	3.6	4.4	4.2	14.1	(2.4)	3.5
Ratio of current assets to current liabilities	2.4	2.4	2.8	3.2	0.5	1.5
Days of net liquidity to total expenditure (excluding depreciation)	86	104	119	209	3	95

The Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, the University continues to adopt the going concern basis in preparing the accounts.

CARDIFF UNIVERSITY

REPORT OF THE TREASURER – OPERATING AND FINANCIAL REVIEW

Investment Performance & Cash Flow

The University has reviewed the liquidity, performance and credit risks associated with its investment portfolio during 2008/09 in response to the economic problems during the year. The University's investments have been managed within a framework that limits exposure to an individual counterparty and spreads risk amongst highly rated assets while ensuring the objectives of the University can be met through sufficient liquidity. The University has been able to protect the capital value of its short term deposits through its prudent investment management policy although the overall returns were slightly below the agreed benchmarks.

The University's endowment assets are invested for the longer term and reduced in value by M£2.245 between 31 July 08 and July 09 because the investment portfolio included equities.

Biofusion Plc

A ten-year deal signed with Biofusion Plc gives the company the right to commercially develop current and future research-generated intellectual property (IP) at Cardiff University. The value of shares in Biofusion as at 31 July 2009 was M£3.57 (M£9.5 as at 31 July 2008) while the release to the income and expenditure account was M£0.137 in 2008/09 (M£0.88 in 2007/08).

Pension Schemes

The University's clinical, academic and related staff are members of either the NHS Superannuation Scheme or the Universities Superannuation Scheme and the cost is recognised in the accounts only to the extent of the employer contributions.

Non academic and non clinical staff participate in the Cardiff University Pension Fund and the Local Government Scheme. The combined deficit as calculated for the purposes of FRS 17 on both of these schemes was M£62.4 as at 31st July 2009 (M£40.4 at 31st July 2008) due to an increase in the value of the liabilities and a reduction in the value of the assets..

Future Developments and the External Environment

During 2008/09, the University continued to invest in the construction of assets such as academic buildings and support infrastructure. Further developments are planned for the future including major refurbishment of academic buildings on both the Heath and Cathays Park campuses and continuing significant investment in the information technology systems within the University.

The key financial performance indicators outline the current financial strength of the University and this strength will be required as public funding is coming under increasing pressure in future years. The specific issues outlined below will impact on UK higher education and Cardiff University and require close monitoring and action as necessary.

Tuition Fees – higher home tuition fees have boosted revenues but the additional income has come with increased spending pressures including the requirement to set aside funds for bursaries, improved facilities and higher wages. There has also been continued growth in overseas student income but it is recognised that this source of income is volatile and vulnerable to factors outside the University's control such as political and economic developments in students' home countries.

Research Income – comes from a number of sources including charities and corporates but the majority comes from the public sector which is coming under increasing financial pressure. The results of the 2008 RAE indicated that almost 60% of all research at Cardiff University was assessed as world-leading or internationally excellent – 4* and 3* the top two categories of assessment. This research profile will enable the University to continue to compete in the national and international arena.

Expenditure Pressures – in Cardiff staff costs are around 59% of total expenditure and recent pressures include pay increases as well as the need to raise employer contributions to meet unfunded pension liabilities. It is likely that financial pressures in the HE sector together with low inflation will dampen future pay demands. However, to continue to attract students and staff to the University additional capital investment in academic and residential infrastructure is required and planned.

Strong Government Support – universities are important to government in achieving public policy objectives such as enhancing skills and improving competitiveness within a knowledge based economy.

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REPORT OF THE TREASURER – OPERATING AND FINANCIAL REVIEW

Universities continue to receive a high level of financial and regulatory support from government via Funding Councils which distributes funding mostly through block grant. The presence of these block grants is an important source of stability and predictability within the sector although these streams are likely to come under further pressure as public funding is reduced in future years.

Conclusion

The financial statements continue to confirm a satisfactory state of affairs, reflecting as they do the current substantial financial strength of the University. However, it is recognised that the current economic conditions and particularly the difficulties in public funding will make the next few years more challenging.

Hywel Jones - Treasurer
Date 16 December, 2009

CARDIFF UNIVERSITY

CORPORATE GOVERNANCE STATEMENT

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange. Its purpose is to help the reader of the Financial Statements understand how the principles have been applied.

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

The Council has an ongoing process for identifying, evaluating and managing the University's significant risks that has been in operation for the whole of the year ended 31 July 2009. The Council receives a regular report which includes sections on risk management, control and compliance that accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

In line with the Committee of University Chairmen's Guide, the Council receives a report which updates progress towards the University's key strategic outcomes and objectives and also undertakes an annual review of the effectiveness of the Council.

The University's Council meets five times a year and has several committees, including Strategy and Resources Committee, a Governance Committee, a Remuneration Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference.

In respect of its strategic and development responsibilities, the Council receives recommendations and advice from the Strategy and Resources Committee which is a standing committee of the Council, and from the Senate, the body responsible for the University's academic affairs.

The Strategy and Resources Committee manages, monitors and regulates the finances, accounts and investments of the University within the overall policy laid down by the Council. There is also a Finance Group which is chaired by the Treasurer and includes the Vice-Chair of Council, a lay member of Council as well as the Vice-Chancellor, Director of Finance and Financial Controller. The Finance Group meets four times a year to discuss financial and internal control matters in order to advise Strategy and Resources Committee or the Governance Committee as necessary.

The Governance Committee advises Council on matters relating to governance and on the level of compliance by the University with the mandatory requirements of legislation and other regulations. Furthermore, the Governance Committee seeks out and recommends new lay and co-opted members to serve on Council itself, and its sub-committees, in the light of the optimum skills and competencies required. Lay members form the majority of Council members.

The Remuneration Committee determines the remuneration of the most senior staff, including the Vice-Chancellor.

The Audit Committee meets four times a year, with the University's internal auditors in attendance at all meetings and the external auditors present for consideration of the annual Financial Statements and management letter or otherwise by request. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control as well as management responses and implementation plans. It also receives and considers reports from HEFCW and the Wales Audit Office as they affect the University's business and monitors adherence to the regulatory requirements. The Vice-Chancellor and other senior executives are not members of the Committee and may attend meetings by invitation.

CARDIFF UNIVERSITY

RESPONSIBILITIES OF THE COUNCIL OF CARDIFF UNIVERSITY

In accordance with the University's Charter of Incorporation, the Council is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited Financial Statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and its subsidiaries and to enable it to ensure that the Financial Statements are prepared in accordance with the University's Charter of Incorporation, the Accounts Direction issued by HEFCW, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCW and the Council of the University, the Council, through its designated office holder, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and its subsidiaries and of the surplus or deficit, total recognised gains and losses and cash flows for that year.

In causing the Financial Statements to be prepared, the Council has ensured 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. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.

The Council has taken reasonable steps to:

- ensure that funds from HEFCW, Welsh Assembly Government and other Funding Bodies are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCW and any other conditions which HEFCW or Funding Body may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and its subsidiaries and prevent and detect fraud;
- secure the economical, efficient and effective management of the resources and expenditure of the University and its subsidiaries.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative directorates;
- planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets, the overall budget being approved by the Council;
- regular reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Council;

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RESPONSIBILITIES OF THE COUNCIL OF CARDIFF UNIVERSITY

- Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Council.

Any system of internal financial control can, however, provide only reasonable, but not absolute, assurance against material misstatement or loss.

By Order of the Council

Dr David Grant
Accounting Officer

Date 16 December, 2009

CARDIFF UNIVERSITY

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF CARDIFF UNIVERSITY

We have audited the financial statements ('the financial statements') of Cardiff University for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the University Council and auditors

The University Council's responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) is set out in the Statement of the Responsibilities of the Council of Cardiff University.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the University Council in accordance with the Charters and Statutes of the University and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education. We report to you whether in our opinion, in all material respects, monies expended out of Higher Education Funding Council for Wales grants and other funds from whatever sources administered by the University for specific purposes have been properly applied in all material respects for the purposes for which they are received and, if appropriate, managed in compliance with all relevant legislation and whether in our opinion, in all material respects, income has been applied in accordance with the financial memorandum with the Higher Education Funding Council for Wales. We also report to you whether, in our opinion, the information given in the Treasurer's report is consistent with the financial statements. In addition, we report to you if, in our opinion, the University has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Treasurer's Report, the Corporate Governance Statement and the Statement of Responsibilities of the University's Council.

We also review the statement of internal control included as part of the Corporate Governance statement and comment if the statement is inconsistent with our knowledge of the University and Group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for Wales. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

CARDIFF UNIVERSITY

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF CARDIFF UNIVERSITY

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

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2009, and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education, and with United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, monies expended out of Higher Education Funding Council for Wales grants and other funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation;
- iv. in all material respects, income has been applied in accordance with the Institution's Statutes and where appropriate in accordance with the financial memorandum with the Higher Education Funding Council for Wales.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

16 December 2009

CARDIFF UNIVERSITY

INCOME AND EXPENDITURE ACCOUNT **Year ended 31 July 2009**

	Note	2009 £'000	2008 £'000
INCOME			
Grants from HEFCW	2	129,534	125,961
Academic fees and support grants	3	107,382	94,505
Research grants and contracts	4	89,137	79,702
Other operating income	5	83,312	87,145
Endowment income and interest receivable	6	4,994	6,232
 Total Income		 414,359	 393,545
EXPENDITURE			
Staff costs	7	236,193	224,325
Other operating expenses	8	143,837	135,510
Depreciation	12	16,339	17,305
Interest payable and similar charges	9	3,990	2,745
 Total Expenditure	 10	 400,359	 379,885
 Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		 14,000	 13,660
Transfer from accumulated income in endowment funds		413	401
 Surplus for the year retained in general reserves	 23	 14,413	 14,061

STATEMENT OF HISTORICAL COST SURPLUSES **Year ended 31 July 2009**

	Note	2009 £'000	2008 £'000
Surplus on continuing operations		14,000	13,660
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	3,371	3,370
 Historical cost surplus retained for the year		 17,371	 17,030

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year Ended 31 July 2009

	Note	2009 £'000	2008 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		14,000	13,660
Depreciation of endowment asset investments	21	(2,271)	(3,135)
New endowments	21	439	406
Actuarial loss on pension scheme	30	(20,840)	(7,400)
TOTAL RECOGNISED (LOSSES)/GAINS RELATING TO THE YEAR		(8,672)	3,531
Reconciliation			
Opening reserves and endowments		255,908	252,377
Total recognised (losses)/gains for the year		(8,672)	3,531
Closing reserves and endowments		247,236	255,908

CARDIFF UNIVERSITY

BALANCE SHEETS As at 31 July 2009

		<u>Consolidated</u>		<u>University</u>	
	Note	2009 £'000	2008 £'000	2009 £'000	2008 £'000
FIXED ASSETS					
Tangible assets	12	324,558	326,886	324,383	326,886
Investments	13	3,654	9,593	3,710	9,649
		<hr/>	<hr/>	<hr/>	<hr/>
		328,212	336,479	328,093	336,535
ENDOWMENT ASSET INVESTMENTS					
	14	22,092	24,337	22,092	24,337
CURRENT ASSETS					
Stocks	15	129	125	129	125
Debtors	16	48,166	46,959	48,536	46,999
Short-term deposits		119,690	99,339	119,690	99,249
Cash at bank and in hand		5,808	4,835	5,255	4,835
		<hr/>	<hr/>	<hr/>	<hr/>
		173,793	151,258	173,610	151,208
CREDITORS: amounts falling due within one year					
	17	(62,368)	(63,254)	(61,488)	(62,972)
NET CURRENT ASSETS					
		<hr/>	<hr/>	<hr/>	<hr/>
		111,425	88,004	112,112	88,236
TOTAL ASSETS LESS CURRENT LIABILITIES					
		461,729	448,820	462,307	449,108
CREDITORS: amounts falling due after more than one year					
	18	(26,990)	(28,579)	(26,990)	(28,579)
PROVISIONS FOR LIABILITIES AND CHARGES					
	30	(62,400)	(40,400)	(62,400)	(40,400)
OTHER DEFERRED INCOME					
	19	(28,350)	(26,637)	(28,350)	(26,637)
NET ASSETS					
		<hr/>	<hr/>	<hr/>	<hr/>
		343,989	353,204	344,567	353,492

CARDIFF UNIVERSITY

BALANCE SHEETS As at 31 July 2009 (Continued)

		<u>Consolidated</u>	<u>University</u>	
	Note	2009 £'000	2008 £'000	2009 £'000
DEFERRED CAPITAL GRANTS	20	96,753	97,296	96,753
ENDOWMENTS				
Permanent	21	17,959	19,850	17,959
Expendable	21	4,133	4,487	4,133
		<u>22,092</u>	<u>24,337</u>	<u>22,092</u>
				<u>24,337</u>
RESERVES				
Revaluation reserve	22	97,029	100,400	97,029
General reserves	23	128,115	131,171	128,693
		<u>225,144</u>	<u>231,571</u>	<u>225,722</u>
				<u>231,859</u>
TOTAL		<u>343,989</u>	<u>353,204</u>	<u>344,567</u>
				<u>353,492</u>

These financial statements were approved by the Council on, 16 December 2009.

Signed on behalf of the Council

Dr David Grant - Vice Chancellor

Mr Hywel Jones - Honorary Treasurer

Mr D M Davies - Director of Finance

CARDIFF UNIVERSITY

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Cash flow from operating activities	24	26,010	26,594
Returns on investments and servicing of finance	25	3,443	3,821
Capital expenditure and financial investment	26	(5,795)	(4,027)
Management of liquid resources	27	(20,351)	(24,118)
Financing	28	(2,535)	(2,473)
Increase/(Decrease) in cash		772	(203)

Reconciliation of net cash flow to movement in net funds

Increase/(Decrease) in cash	29	772	(203)
Cash inflow from liquid resources	29	20,351	24,118
Cash outflow from decrease in debt	29	2,535	2,473
Movement in net funds in the period		23,658	26,388
Net funds at 1 August		<u>72,561</u>	<u>46,173</u>
Net funds at 31 July		<u>96,219</u>	<u>72,561</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

1. ACCOUNTING CONVENTION

Basis of Preparation

The Financial Statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom and, in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions ("SORP"). Where relevant the Financial Statements adhere to the Accounting directives of HEFCW.

Basis of Accounting

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments and certain fixed assets .

Basis of Consolidation

The consolidated Financial Statements consolidate the Financial Statements of the University and all its subsidiary undertakings for the financial year to 31st July but do not include those of the University Union or the Cardiff Partnership Fund Ltd as the Council does not exercise control over their financial and operating activities. Uniform accounting policies are adopted throughout the Group.

Recognition of Income

Income from Specific Endowments and Donations, Research Grants and Contracts and Other Services Rendered is included to the extent of the direct expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and General Endowment Asset Investments is credited to the Income and Expenditure Account on a receivable basis. Specific Grants unspent are carried forward as Deferred Income.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Provision for Doubtful Debts

Provision is made for individual debts where recovery is thought to be in doubt based on historic experience.

Pension Schemes

The three principal defined benefit pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the Cardiff University Pension Fund (CUPF), and the Local Government Scheme (LGS). The schemes are funded defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme. The funds are actuarially valued every three years by a professionally qualified actuary using either the aggregate method or the attained age method with the rates of contribution payable being determined by the scheme's trustees on the advice of the actuary.

In respect of the CUPF and LGS, the net asset or liability recognised in the balance sheet represents the present value of the defined benefit obligations less the fair value of the plan's assets. Plan assets are measured using closing market rates and the pension liabilities are measured using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent terms. The increase in the present value of the liability expected to arise from employee service in the year is charged to staff costs. The expected return on plan assets and the increase during the year in the present value of the scheme liabilities arising from the passage of time are charged as an interest expense. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

It is not possible to identify the University's share of the underlying assets and liabilities of the USS. Therefore, as permitted by FRS 17, the USS is accounted for as a defined contribution scheme with the contributions accruing being charged to staff costs during the year.

In addition, the National Health Service (NHS) Superannuation Scheme is in operation for certain staff. The NHS scheme is an unfunded defined contribution scheme, with pension benefits being paid out of contributions received in the year and contribution rates determined by HM Treasury.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates and the resulting exchange differences are included in the determination of the deficit or surplus for the year.

Leases

Finance leases, which are leases that give substantially the same rights as ownership, relating to significant items of plant, machinery and vehicles have been capitalised and depreciated in accordance with the University's depreciation policy, subject to a maximum period of the term of the lease. The capital element of future lease payments is included in other creditors. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Rental income and costs under operating leases are credited and charged to income and expenditure respectively in equal annual amounts over the periods of the leases.

Land and Buildings

The University has complied with the provisions of FRS15 (Tangible Fixed Assets) and has retained Land and Buildings at their net book value (subject to the requirement to review annually for impairment). The last valuation of the former Cardiff University property was in July 1998 by Gerald Eve, Chartered Surveyors. The valuation of leasehold property on the University of Wales, NHS Trust site was carried out by the Valuation Office Agency Cardiff and the valuation of other former UWCM property was performed by Burnett Davies, Chartered Surveyors.

Formerly the basis of valuation for non-specialised freehold and for non-specialised leasehold properties was the open market value for the existing use; for specialised freehold and specialised long-leasehold properties, the basis of valuation was the depreciated replacement cost, this value has now been fixed. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life.

Buildings are depreciated over their expected useful lives of 50 years and leasehold land over the life of the lease up to a maximum of 50 years. Major refurbishments with a capital cost of over £250 that enhance the value of buildings are capitalised and depreciated over 15 years.

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

The University adheres to the HEFCW Financial Memorandum whereby approval of HEFCW must be obtained before a transaction is entered into affecting property built or developed with grants paid by the Secretary of State on the advice of the Funding Councils.

Equipment

Equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised with the exception of equipment funded from Research Grants which costs under £50,000 which is also written off in the year of acquisition.

Capitalised equipment is stated at cost and depreciated on a straight-line basis over the shorter of the lease term and the expected useful life as follows:

Main frame computer and telephone equipment	-	7 years
Motor vehicles and other general equipment	-	4 years

Equipment costing over £50,000 and funded by Research Grants is capitalised and depreciated over the lesser of the above and the remaining years of the project. The related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment.

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

Capital grants and contributions

Capital grants and contributions received by the University to finance the construction or purchase of capital assets are accounted for as deferred capital grants and released to the income and expenditure account over the expected useful life of the related assets.

Investments

Endowment Asset Investments are included in the Balance Sheet at market value. Current Asset Investments are included at the lower of cost and market value.

Stocks

The stocks are central chemical stocks and trading consumables of Catering and the Works Unit. They are valued at the lower of cost or net realisable value.

Maintenance of Premises

The University has a rolling maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred.

Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University does not receive a similar exemption in respect of Value Added Tax.

Deferred Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events result in an obligation to pay more taxation in the future, or a right to pay less taxation in future. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be taxable surpluses from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

Cash and Liquid Resources

Short-term cash deposits with recognised banks, building societies and government securities, which can be called on demand or without notice and without any material penalty are included within cash balances within the consolidated balance sheet and consolidated cash flow statements.

Provisions

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 July 2009**

2. FUNDING COUNCIL GRANTS

	Note	2009 £'000	2008 £'000
Recurrent grant		113,052	109,644
Specific grants:			
- Merger Fund		1,044	1,641
- Academic Infrastructure		1,814	1,465
- Learning & Teaching Support		1,014	1,712
- Students with Disabilities		81	1,168
- Science Research Investment Fund		47	3
- Higher Education Economic Development		1,270	1,484
- Supplementary Funds		3,916	95
- Research Investment Fund		50	50
- Medic Pay Award		1,309	1,248
- North Wales Clinical Schools		1,413	1,287
- Widening Access		299	301
- Other		1,111	1,311
Release of deferred capital grants:			
Buildings	20	2,973	2,976
Equipment	20	141	1,576
		<hr/> 129,534	<hr/> 125,961

3. ACADEMIC FEES AND SUPPORT GRANTS

		2009 £'000	2008 £'000
UK Higher Education students		44,337	35,564
European Union (EU excl UK) students		2,372	2,069
Non-EU students		29,008	26,489
Part Time fees		5,694	5,550
		<hr/>	<hr/>
Education contracts		81,411	69,672
Research training support grants		13,668	13,844
Non-Credit bearing fees		6,544	5,701
		5,759	5,288
		<hr/>	<hr/>
		107,382	94,505

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

4. RESEARCH GRANTS AND CONTRACTS

	2009 £'000	2008 £'000
Research Councils	27,176	25,782
UK-based charities	16,079	13,386
UK Government bodies	25,669	23,702
UK Industry	8,221	5,577
European Commission	6,381	5,617
Overseas	4,073	2,368
Science Research Investment Fund	241	1,603
Other grants and contracts	<u>1,297</u>	<u>1,667</u>
	<u><u>89,137</u></u>	<u><u>79,702</u></u>

5. OTHER INCOME

	Note	2009 £'000	2008 £'000
Residences, catering and conferences		18,430	16,791
Other services rendered:			
Teaching Companies		223	224
UK Central Government		33,666	37,755
UK Health Authorities		10,345	10,984
UK Industry		3,939	4,727
European Commission		110	83
Overseas		733	745
UK Universities		369	195
Other Sources		9,536	9,359
Profit on disposal of fixed assets		289	278
Rents Receivable		209	173
Exempt VAT recoverable		460	902
Donations and Subventions		228	271
Other income		4,234	3,008
Biofusion Investment Release		137	880
Released from Deferred Capital Grants	20	<u>404</u>	<u>770</u>
		<u><u>83,312</u></u>	<u><u>87,145</u></u>

6. ENDOWMENT AND INVESTMENT INCOME

	Note	2009 £'000	2008 £'000
Income from permanent endowments	21	606	875
Income from expendable endowments	21	81	214
Interest receivable		<u>4,307</u>	<u>5,143</u>
		<u><u>4,994</u></u>	<u><u>6,232</u></u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

7. STAFF COSTS

	Note	2009 £'000	2008 £'000
Staff costs			
Wages and salaries		193,936	185,645
Social security costs		16,267	14,853
Other pension costs	30	25,990	23,827
		<hr/>	<hr/>
		236,193	224,325
		<hr/>	<hr/>

The above figures exclude payments made to staff on behalf of the National Health Service.

Emoluments of the Vice Chancellor - Salary		241	234
Pension		34	31
		<hr/>	<hr/>
		275	265
		<hr/>	<hr/>

No benefits in kind were provided to the Vice Chancellor.

	2009 No.	2008 No.
Average staff numbers by major category		
Clinical and non-clinical academic and academic related	3,563	3,552
Technical services	198	190
Administrative support	957	932
Operational services	283	282
	<hr/>	<hr/>
	5,001	4,956
	<hr/>	<hr/>

Remuneration of higher paid staff includes employer's pension contributions but excludes payments made on behalf of the National Health Service in respect of its contractual obligations to University staff under separate National Health Service contracts of employment (for example distinction awards) which are also excluded from the University's income and expenditure account. This treatment is in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales.

	2009 No.	2008 No.
£100,000 - £109,999	92	86
£110,000 - £119,999	45	30
£120,000 - £129,999	36	38
£130,000 - £139,999	24	16
£140,000 - £149,999	9	6
£150,000 - £159,999	5	6
£160,000 - £169,999	2	1
£170,000 - £179,999	1	1
£180,000 - £189,999	-	2
£190,000 - £199,999	2	1
£200,000 - £209,999	-	-
£210,000 - £219,999	-	1
£260,000 - £269,999	-	1
£270,000 - £279,999	1	-
	<hr/>	<hr/>
	217	189
	<hr/>	<hr/>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

7. STAFF COSTS (continued)

Compensation for loss of office payable to a higher paid employee in respect of loss of office:

	2009 £'000	2008 £'000
Compensation payable	139	99

The compensation pay was approved by the University's Remuneration Committee.

8. OTHER OPERATING EXPENSES

	2009 £'000	2008 £'000
Consumables and laboratory expenditure	26,185	25,496
Research Grants and Contracts	30,953	26,633
Residences, catering and conferences	7,020	5,848
Books and periodicals	3,264	3,033
Heat, light, water and power	7,493	6,376
Repairs and general maintenance	3,365	3,889
Long term maintenance	3,432	2,376
Grants to Student Union	2,265	2,230
Other services rendered	29,835	32,817
Cost of early retirements	482	963
Equipment (under £10,000)	1,887	2,275
Academic support services other expenses	6,512	4,578
General education other expenses	6,150	4,189
Premises other expenses	6,433	6,736
Administrative support other expenses	5,409	4,785
Other expenses	3,152	3,286
	<hr/>	<hr/>
	143,837	135,510
	<hr/>	<hr/>

Other operating expenses include:

Auditors' remuneration – external audit	46	45
– other services	30	39
	<hr/>	<hr/>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	Note	2009 £'000	2008 £'000
Bank Loans		1,760	2,345
Interest element of pension cost	30	2,230	400
		<hr/>	<hr/>
		3,990	2,745
		<hr/>	<hr/>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

10. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating expenses £'000	Interest Payable £'000	Total 2009 £'000
Academic departments	138,586	26,185	-	164,771
Academic services	17,585	9,776	-	27,361
Research grants and contracts	35,014	30,953	-	65,967
Other services rendered	13,313	29,835	-	43,148
Residences, catering and conferences	4,951	7,020	1,760	13,731
Premises	4,141	20,723	-	24,864
Administration and central services	19,898	5,409	-	25,307
Other expenses	3,775	13,936	-	17,711
FRS 17 pension fund adjustments	(1,070)	-	2,230	1,160
Total per income and expenditure account	<u>236,193</u>	<u>143,837</u>	<u>3,990</u>	<u>384,020</u>
Depreciation (note 12)				16,339
Total per Income and Expenditure Account				<u>400,359</u>

11. SURPLUS ON CONTINUING OPERATIONS FOR THE PERIOD

The surplus on continuing operations is made up as follows:

	2009 £'000	2008 £'000
University surplus for the period	14,703	14,061
Deficit incurred by subsidiary undertakings	(290)	-
	<u>14,413</u>	<u>14,061</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

12. TANGIBLE FIXED ASSETS

	<u>Consolidated</u>				
	Land and Buildings				
	Freehold £'000	Long leasehold £'000	Assets in the course of construction £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2008	206,804	181,301	4,114	57,807	450,026
Additions at cost	25	156	8,482	5,348	14,011
Disposals (i)	-	-	-	(2,501)	(2,501)
Projects Completed	260	6,286	(6,546)	-	-
At 31 July 2009	<u>207,089</u>	<u>187,743</u>	<u>6,050</u>	<u>60,654</u>	<u>461,536</u>
Valuation	122,181	115,730	-	-	237,911
Cost	84,908	72,013	6,050	60,654	223,625
	<u>207,089</u>	<u>187,743</u>	<u>6,050</u>	<u>60,654</u>	<u>461,536</u>
Depreciation					
At 1 August 2008	35,720	36,901	-	50,519	123,140
Charge for year	4,616	5,465	-	6,258	16,339
Eliminated on Disposal	-	-	-	(2,501)	(2,501)
At 31 July 2009	<u>40,336</u>	<u>42,366</u>	<u>-</u>	<u>54,276</u>	<u>136,978</u>
Net book value					
At 31 July 2009	<u>166,753</u>	<u>145,377</u>	<u>6,050</u>	<u>6,378</u>	<u>324,558</u>
At 31 July 2008	<u>171,084</u>	<u>144,400</u>	<u>4,114</u>	<u>7,288</u>	<u>326,886</u>
Financed By:					
Funding Council	48,187	33,099	3,222	165	84,673
Endowments/Donations	887	1,072	-	-	1,959
Loans	18,135	17,800	-	-	35,935
Revaluation	26,327	60,997	-	-	87,324
Other Capital	73,217	32,409	2,828	6,213	114,667
Net book value at 31 July 2009	<u>166,753</u>	<u>145,377</u>	<u>6,050</u>	<u>6,378</u>	<u>324,558</u>

- (i) Disposal of equipment is assumed after 10 years.
- (ii) Certain buildings have been funded from Treasury sources at a cost of K£106,842 (2008 K£103,470). Should these particular buildings be sold, the University would use the proceeds in accordance with the Financial Memorandum with HEFCW.
- (iii) Note 1 outlines details of the land and buildings valuations.
- (iv) Freehold land and buildings includes non-depreciated land of K£20,881 (2008 K£20,881).

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

12. TANGIBLE FIXED ASSETS (continued)

	<u>University</u>				
	Land and Buildings				
	Freehold £'000	Long leasehold £'000	Assets in the course of construction £'000	Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2008	206,804	181,301	4,114	57,807	450,026
Additions at cost	25	156	8,482	4,997	13,660
Disposals (i)	-	-	-	(2,501)	(2,501)
Projects Completed	260	6,286	(6,546)	-	-
At 31 July 2009	207,089	187,743	6,050	60,303	461,185
Valuation	122,181	115,730	-	-	237,911
Cost	84,908	72,013	6,050	60,303	223,274
	207,089	187,743	6,050	60,303	461,185
Depreciation					
At 1 August 2008	35,720	36,901	-	50,519	123,140
Charge for year	4,616	5,465	-	6,082	16,163
Eliminated on Disposal	-	-	-	(2,501)	(2,501)
At 31 July 2009	40,336	42,366	-	54,100	136,802
Net book value					
At 31 July 2009	166,753	145,377	6,050	6,203	324,383
At 31 July 2008	171,084	144,400	4,114	7,288	326,886
Financed By:					
Funding Council	48,187	33,099	3,222	165	84,673
Endowments/Donations	887	1,072	-	-	1,959
Loans	18,135	17,800	-	-	35,935
Revaluation	26,327	60,997	-	-	87,324
Other Capital	73,217	32,409	2,828	6,038	114,492
Net book value at 31 July 2009	166,753	145,377	6,050	6,203	324,383

- (i) Disposal of equipment is assumed after 10 years.
- (ii) Certain buildings have been funded from Treasury sources at a cost of K£106,842 (2008 K£103,470). Should these particular buildings be sold, the University would use the proceeds in accordance with the Financial Memorandum with HEFCW.
- (iii) Note 1 outlines details of the land and buildings valuations.
- (iv) Freehold land and buildings includes non-depreciated land of K£20,881 (2008 K£20,881).

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 July 2009**

13. INVESTMENTS

	<u>Consolidated</u>		<u>University</u>		
	Other Invest- ments	Total	Investments In Subsidiary Undertakings	Other Invest- ments	Total
	£000's	£000's	£000's	£000's	£000's
<u>Investments at cost</u>					
Balance at 1 August 2008	9,593	9,593	60	9,589	9,649
Impairment recognised in year	(5,939)	(5,939)	-	(5,939)	(5,939)
Balance at 31 July 2009	3,654	3,654	60	3,650	3,710
	=====	=====	=====	=====	=====

The University owns 100% of the issued share capital of £1 ordinary shares of the Cardiff University Properties Ltd, registered in England and Wales and operating in the United Kingdom. Its principal business activities are the lease and leaseback of property and property development.

The University also has an interest in the following companies:

University College Cardiff Consultants Ltd (UC3)

UC3, a company limited by guarantee, has been included in the consolidated Financial Statements

Welsh Networking Ltd

The University owns a 11% interest in Welsh Networking Ltd, a company that commenced activity in 2001 to provide high bandwidth networking facilities to educational institutions in South and West Wales. This interest is not consolidated.

Cardiff Partnership Fund Ltd

The University owns a 100% interest in the Cardiff Partnership Fund Ltd, the holding company of the unincorporated Cardiff Partnership Fund Ltd Partnership. This company is not consolidated on the basis that the University does not exercise control over the activities that rest with an independent board. This investment has been fully provided for.

Biofusion Plc

A ten-year deal signed with Biofusion Plc during 2006/07 gives the company the right to commercially develop current and future research-generated intellectual property (IP) at Cardiff University. In return, the University received AIM listed shares and set up a corresponding deferred income balance to be released to the I&E over the life of the agreement. The impact on the I&E statement has been:-

2006/07 – value of shares as at 31 July 2007 was M£15.95; release to I&E M£1.595.

2007/08 – value of shares as at 31 July 2008 was M£9.5; release to I&E M£0.880.

2008/09 – value of shares as at 31 July 2009 was M£3.57; release to I&E M£0.137.

Microbridge Services Ltd (MSL)

The University owns a 100% interest in MSL. Its principal business activities are the exploitation of micro and nano engineering technology.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

14. ENDOWMENT INVESTMENTS

	<u>Consolidated and University</u>	
	2009	2008
	£'000	£'000
Balance at 1 August	24,337	27,467
Additions	241	954
Disposals	(183)	(684)
Movement in cash held as short-term deposits	(32)	(265)
Depreciation on disposal/revaluation	(2,271)	(3,135)
 Balance at 31 July	22,092	24,337
Fixed interest stock	2,777	3,683
Equities	12,488	13,333
Bank balances and short-term deposits	4,750	4,782
Other assets	2,077	2,539
 Total endowment asset investments	22,092	24,337
Fixed interest and equities at cost	18,223	18,221
 	18,223	18,221

15. STOCKS

	<u>Consolidated and University</u>	
	2009	2008
	£'000	£'000
Residences and Catering	88	94
Maintenance	41	31
 	129	125

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

16. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts falling due within one year:				
Amounts owed by subsidiary undertakings	-	-	1,125	920
Debtors:				
Fees	1,568	1,688	1,568	1,688
Accommodation	19	52	19	52
Research	29,107	26,593	29,107	26,193
NHS Distinction Awards	301	329	301	329
Miscellaneous	16,930	18,155	16,175	17,675
Prepayments	241	142	241	142
	<u>48,166</u>	<u>46,959</u>	<u>48,536</u>	<u>46,999</u>
Included in the above are amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	600	600

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Bank overdraft	699	498	699	498
Trade creditors	8,674	11,986	8,057	11,644
Sundry creditors	3,562	4,067	3,387	4,067
Social security and other taxation	5,462	5,515	5,374	5,361
Accruals and deferred income (i)	3,912	1,746	3,912	1,888
Research grants and contracts in advance	29,435	28,222	29,435	28,222
Other services rendered	9,034	8,684	9,034	8,684
Royal Bank Scotland loan (Note 18(i))	500	500	500	500
Lloyds Bank loan (Note 18(ii))	390	336	390	336
Royal Bank Scotland loan (Note 18(iii))	700	700	700	700
Barclays Bank loan (Note 18(iv))	-	1,000	-	1,000
Amounts owed to subsidiary undertakings	-	-	-	72
	<u>62,368</u>	<u>63,254</u>	<u>61,488</u>	<u>62,972</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

- (i) Includes the following unutilised tax credit income provided via ENTRUST:

	£'000
Fund balance at 1 August 2008	65
Interest	3
	<hr/>
	68
Total expenditure	(40)
	<hr/>
Fund balance at 31 July 2009	28
	<hr/>

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Royal Bank of Scotland Loan (i)	1,000	1,500	1,000	1,500
Lloyds Bank Loan (ii)	15,315	15,704	15,315	15,704
Royal Bank of Scotland Loan (iii)	10,675	11,375	10,675	11,375
	<hr/>	<hr/>	<hr/>	<hr/>
	26,990	28,579	26,990	28,579
	<hr/>	<hr/>	<hr/>	<hr/>

- (i) Royal Bank of Scotland originally advanced M£7.5 to the University to partially finance the cost of certain student residences. The loan is secured on University Hall and is repayable by 31 October 2011 by equal instalments of M£0.5 as follows:

Within one year	K£500
Between two and five years	K£1,000

Interest is payable on the loan at Base Rate plus 0.225% and is charged to Interest Payable (Note 9).

- (ii) Lloyds TSB originally advanced M£17 to the University to finance the cost of student residences. The loan is secured on Talybont South and is repayable by 28 February 2024 on a reducing balance method as follows:

Within one year	K£390
Between two and five years	K£2,248
Over five years	K£13,067

Interest is payable on the loan at 8.868% and is charged to Interest Payable (Note 9)

- (iii) Royal Bank of Scotland originally advanced M£14.0 to the University to finance the cost of Talybont Court. The loan is secured on Talybont Court and is repayable by 1 October 2025 by equal instalments of M£0.7 as follows:

Within one year	K£700
Between two and five years	K£2,800
Over five years	K£7,875

Interest is payable on the loan at 0.225% above Base Rate and is charged to Interest Payable (Note 9).

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

- (iv) Barclays Bank originally advanced M£4.0 to the University to partially finance the cost of certain academic and student residences. The last instalment of the loan was repaid on 1 April 2009.

Interest is payable on the loan at 0.22% above Base Rate and is charged to Interest Payable (Note 9).

19. OTHER DEFERRED INCOME

	<u>Consolidated and University</u>	
	2009 £'000	2008 £'000
Deferred VAT credit	-	25
Academic Infrastructure Grants	3,244	1,652
Science Research Investment Fund	1,579	6,087
Learning and Teaching Support Grants	796	1,979
Students with Disabilities	-	81
Merger Fund	458	1,501
Supplementary Funds	19,343	5,996
Other Deferred Grants	388	897
Biofusion Investment	962	7,038
Student Fees received in advance	1,580	1,381
	<hr/>	<hr/>
	28,350	26,637
	<hr/>	<hr/>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

20. DEFERRED CAPITAL GRANTS

	<u>Consolidated and University</u>		
	Funding Council £'000	Other grants/ beneficiaries £'000	Total £'000
As at 1 August 2008			
Buildings	77,874	14,865	92,739
Equipment	296	4,261	4,557
Total	<u>78,170</u>	<u>19,126</u>	<u>97,296</u>
Cash received			
Buildings	3,372	756	4,128
Equipment	11	3,376	3,387
Total	<u>3,383</u>	<u>4,132</u>	<u>7,515</u>
Released to income and expenditure			
Buildings (Note 2/Note 5)	(2,973)	(404)	(3,377)
Equipment (Note 2)	(141)	(4,540)	(4,681)
Total	<u>(3,114)</u>	<u>(4,944)</u>	<u>(8,058)</u>
At 31 July 2009			
Buildings	78,273	15,217	93,490
Equipment	166	3,097	3,263
Total	<u>78,439</u>	<u>18,314</u>	<u>96,753</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

21. ENDOWMENTS

	<u>Consolidated and University</u>					
	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2009 Total £'000	2008 Total £'000
At 1 August 2008						
Capital	1,386	10,979	12,365	3,093	15,458	16,938
Accumulated Income	1,037	6,448	7,485	1,394	8,879	10,529
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,423	17,427	19,850	4,487	24,337	27,467
New endowments	-	73	73	366	439	406
Income for year	69	537	606	81	687	1,089
Expenditure	(70)	(481)	(551)	(549)	(1,100)	(1,490)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Decrease in market value	(1)	56	55	(468)	(413)	(401)
	(245)	(1,774)	(2,019)	(252)	(2,271)	(3,135)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009 (Note 14)	2,177	15,782	17,959	4,133	22,092	24,337
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Represented by:						
Capital	1,222	9,741	10,963	2,591	13,554	15,458
Accumulated Income	955	6,041	6,996	1,542	8,538	8,879
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,177	15,782	17,959	4,133	22,092	24,337
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

22. REVALUATION RESERVE

	<u>Consolidated and University</u>	
	2009 £'000	2008 £'000
Revaluations		
At 1 August and 31 July	<hr/>	<hr/>
	140,579	140,579
Contributions to depreciation		
At 1 August	(40,179)	(36,809)
Released in year (Note 23)	(3,371)	(3,370)
	<hr/>	<hr/>
At 31 July	(43,550)	(40,179)
Net revaluation amount		
At 31 July	<hr/>	<hr/>
	97,029	100,400
	<hr/>	<hr/>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 July 2009**

23. GENERAL RESERVES

	<u>Consolidated</u>	<u>University</u>
	2009	2009
	£'000	£'000
Income and Expenditure Account Reserve		
At 1 August	131,171	131,459
Surplus for the year	14,413	14,703
Transfer from revaluation reserve (Note 22)	3,371	3,371
Actuarial loss on pension scheme	(20,840)	(20,840)
At 31 July	128,115	128,693

24. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES

	2009	2008
	£'000	£'000
Operating surplus	14,000	13,660
Depreciation	16,339	17,305
Profit on disposal of fixed assets	(289)	(278)
Endowment income and interest receivable	(4,994)	(6,232)
Deferred capital grants released to income	(8,058)	(9,442)
Interest payable	3,990	2,745
(Increase)/Decrease in stocks	(4)	3
(Increase)/ Decrease in debtors	(1,835)	1,691
Increase in creditors	7,931	8,541
Pension contributions in excess of charge	(1,070)	(1,399)
Net cash inflow from continuing operating activities	26,010	26,594

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2009 £'000	2008 £'000
Income from endowments	687	1,089
Interest received	4,935	5,030
Interest paid	(2,179)	(2,298)
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	3,443	3,821
	<hr/>	<hr/>

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2009 £'000	2008 £'000
Payments to acquire tangible assets	(14,011)	(17,491)
Payments to acquire endowment asset investments	(241)	(954)
Receipts from sales of tangible assets	289	278
Receipts from sales of endowment asset investments	214	949
Deferred capital grants received	7,515	12,785
New endowments	439	406
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	(5,795)	(4,027)
	<hr/>	<hr/>

27. MANAGEMENT OF LIQUID RESOURCES

	2009 £'000	2008 £'000
Net cash placed on short term deposits	(20,351)	(24,118)
	<hr/>	<hr/>
Net cash outflow from management of liquid resources	(20,351)	(24,118)
	<hr/>	<hr/>

28. FINANCING

	2009 £'000	2008 £'000
Net loans repaid	(2,535)	(2,473)
	<hr/>	<hr/>
Net cash outflow from financing	(2,535)	(2,473)
	<hr/>	<hr/>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

29. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2008 £'000	Cash flows £'000	At 31 July 2009 £'000
Cash at bank and in hand	4,835	973	5,808
Bank overdraft	(498)	(201)	(699)
 Total cash at bank and in hand	 4,337	 772	 5,109
 Liquid resources:			
Short-term deposits	99,339	20,351	119,690
 Debt:			
Debts falling due within one year	(2,536)	946	(1,590)
Debts falling due after one year	(28,579)	1,589	(26,990)
 Total	 72,561	 23,658	 96,219

30. PENSION SCHEMES

Particulars of the pension schemes in operation are shown in Note 1.

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

	<u>USS(i)</u>	<u>CUPF(ii)</u>	<u>LGS(iii)</u>
Latest actuarial valuations	31 March 2008	31 July 2007	31 March 2007
Investment returns per annum	4.4%	7.0%	6.2%
Salary scale increases per annum	4.3%	4.75%	4.7%
Pension increases per annum	3.3%	3.25%	3.2%
Market value of assets at date of last Valuation	M£28,843	M£43.08	M£548.0
Proportion of members' accrued benefits Covered by the actuarial value of the assets	71%	90%	71%

Notes:

- (i) The level of contributions paid by employers into USS is 14%. In relation to future service liabilities it was assumed that the investment return per annum would be 6.1%.
- (ii) The rate for CUPF members is 19.8% from 1 August 2008.
- (iii) The employer contribution rate to the LGS was 30.6% from the 1 April 2008 and increased to 32.4% from 1 April 2009 on the recommendation of the actuary.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 July 2009**

30. PENSION SCHEMES (continued)

The total pension cost for the University (excluding the interest payable element) was:

	2009 £'000	2008 £'000
USS	17,880	16,639
NHS	2,020	1,921
CUPF	5,700	4,680
LGS	390	587
 Total pension cost (Note 7)	 25,990	 23,827
	<hr/>	<hr/>

An updated estimated valuation of each of the two defined benefit schemes (CUPF and LGS) was performed at 31 July 2009 by a qualified actuary. The FRS 17 disclosures set out below are based on this updated valuation.

The major assumptions used by the actuary for the two schemes were:

	31 July 2009	31 July 2008	31 July 2007
Rate of increase in salaries	5.1%	5.3%	4.8%
Rate of increase in pensions in payment	3.6%	3.8%	3.3%
Discount rate	6.0%	6.5%	5.7%
Inflation assumption	3.6%	3.8%	3.3%

The assumed life expectations on retirement at age 65 are:

	31 July 2009	31 July 2008
CUPF		
Retiring Today:		
Males	21.0	20.9
Females	23.2	23.2
Retiring in 20 years:		
Males	22.1	22.0
Females	24.2	24.1
 LGS	 <hr/>	 <hr/>
Retiring Today:		
Males	21.1	20.3
Females	25.0	24.1
Retiring in 20 years:		
Males	23.4	22.2
Females	27.3	25.3

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

30. PENSION SCHEMES (continued)

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

<u>CUPF</u>	31 July 2009 M£	31 July 2009 %	31 July 2008 M£	31 July 2008 %	31 July 2007 M£	31 July 2007 %
Equities	58.9	8.0	58.1	7.8	64.3	7.9
Bonds	30.3	4.5	29.7	4.8	27.3	4.9
Property	3.7	7.0	6.2	6.8	0.6	6.9
Cash	1.7	0.9	2.0	5.9	8.5	6.0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>
	94.6		96.0		100.7	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

<u>LGS</u>	31 July 2009 M£	31 July 2009 %	31 July 2008 M£	31 July 2008 %	31 July 2007 M£	31 July 2007 %
Equities	8.3	8.0	8.9	7.8	11.1	7.9
Bonds	2.2	5.2	2.4	5.7	2.1	5.3
Property	0.5	7.0	0.7	6.8	0.9	6.9
Other Assets	0.9	0.9	0.6	5.9	0.4	6.0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>
	11.9		12.6		14.5	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

The following amounts at 31 July were measured in accordance with the requirements of FRS17:

<u>CUPF</u>	At 31 July 2009 M£	At 31 July 2008 M£
The assets of the scheme	94.6	96.0
Present value of scheme liabilities	(141.9)	(125.0)
<hr/>	<hr/>	<hr/>
Net pension liability	(47.3)	(29.0)
<hr/>	<hr/>	<hr/>

<u>LGS</u>	At 31 July 2009 M£	At 31 July 2008 M£
The share of the assets of the scheme	11.9	12.6
Present value of scheme liabilities	(27.0)	(24.0)
<hr/>	<hr/>	<hr/>
Net pension liability	(15.1)	(11.4)
<hr/>	<hr/>	<hr/>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

30. PENSION SCHEMES (continued)

The following components of the pension charge have been recognised in the income and expenditure account and statement of recognised gains and losses for the years ended 31 July 2009 and 31 July 2008:

	Year ended 31 July 2009		Year ended 31 July 2008	
	CUPF	LGS	CUPF	LGS
	M£	M£	M£	M£
Analysis of amounts charged to income and expenditure account:				
Current service cost	5.7	0.4	4.7	0.4
Past service cost	-	-	-	0.2
Total operating charge	<u>5.7</u>	<u>0.4</u>	<u>4.7</u>	<u>0.6</u>
Financing:				
Expected return on assets	(6.6)	(0.9)	(7.1)	(1.0)
Interest on scheme liabilities	<u>8.2</u>	<u>1.6</u>	<u>7.2</u>	<u>1.3</u>
Net expense	<u>1.6</u>	<u>0.7</u>	<u>0.1</u>	<u>0.3</u>
Analysis of amounts recognised in statement of total recognised gains and losses :				
Actual return lower than expected on scheme assets	(10.2)	(1.3)	(14.1)	(2.6)
Change in assumptions underlying the present value of scheme liabilities	<u>(7.3)</u>	<u>(2.0)</u>	<u>8.9</u>	<u>0.4</u>
Total actuarial loss recognised	<u>(17.5)</u>	<u>(3.3)</u>	<u>(5.2)</u>	<u>(2.2)</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

30. PENSION SCHEMES (continued)

The movement in the University's share of the schemes' deficits during the year is made up as follows:

	Year ended 31 July 2009		Year ended 31 July 2008	
	<u>CUPF</u> <u>M£</u>	<u>LGS</u> <u>M£</u>	<u>CUPF</u> <u>M£</u>	<u>LGS</u> <u>M£</u>
Opening fair value of assets	96.0	12.6	100.7	14.5
Movement in year:				
Expected return on assets	6.6	0.9	7.1	1.0
Actuarial losses on assets	(10.2)	(1.3)	(14.1)	(2.6)
Contributions by the employer	6.5	0.7	6.1	0.6
Contributions by participants	0.2	0.1	1.5	0.1
Net benefits paid out	(4.5)	(1.1)	(5.3)	(1.0)
	94.6	11.9	96.0	12.6
Closing fair value of assets				
	Year ended 31 July 2009		Year ended 31 July 2008	
	<u>CUPF</u> <u>M£</u>	<u>LGS</u> <u>M£</u>	<u>CUPF</u> <u>M£</u>	<u>LGS</u> <u>M£</u>
Opening present value of liabilities	125.0	24.0	125.8	23.4
Movement in year:				
Current service cost	5.7	0.4	4.7	0.4
Interest cost on liabilities	8.2	1.6	7.2	1.3
Actuarial losses/(gains) on liabilities	7.3	2.0	(8.9)	(0.4)
Contributions by participants	0.2	0.1	1.5	0.1
Past service cost	-	-	-	0.2
Net benefits paid out	(4.5)	(1.1)	(5.3)	(1.0)
	141.9	27.0	125.0	24.0
Closing present value of liabilities				

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

30. PENSION SCHEMES (continued)

The experience gains and losses for the year were as follows:

	Year ended 31 July 2009		Year ended 31 July 2008	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
Difference between the expected and actual return on scheme assets:				
Amount (M£)	(10.2)	(1.3)	(14.1)	(2.6)
Percentage of scheme assets	(10.8%)	(10.9%)	(14.7%)	(20.6%)
Experience gains and losses on scheme liabilities:				
Amount (M£)	(7.3)	2.0	8.9	0.3
Percentage of the present value of scheme liabilities	(5.2%)	7.4%	7.1%	1.3%
Total amount recognised in the STRGL:				
Amount (M£)	(17.5)	(3.3)	(5.2)	(2.2)
Percentage of the present value of scheme liabilities	(12.3%)	(12.2%)	(4.2%)	(9.2%)

31. LEASE OBLIGATIONS

	<u>Consolidated and University</u>	
	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Operating lease commitments for the next financial year, on leases expiring:		
Under two years	-	10
	<hr/>	<hr/>

32. CAPITAL COMMITMENTS

	<u>Consolidated and University</u>	
	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Commitments contracted at 31 July		
Commitments contracted at 31 July	3,392	8,720
	<hr/>	<hr/>

33. CONTINGENT LIABILITY

The University is a member of UMALT, a company limited by guarantee, formed to provide a mutual association for terrorism risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their pro-rata share spread over seven years. The university is a guarantor, on a joint and several basis with other members, of this £15 million loan facility. No liability has yet arisen under this guarantee.

The European Commission auditors have raised issues regarding the eligibility of some expenditure on four European grants awarded to the University which were completed in 2001. The University has provided evidence to the Commission through the Welsh European Funding Office supporting the eligibility of the claims. No liability has yet arisen.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2009

34. THIRD PARTY RELATED TRANSACTIONS

Owing to the nature of the University's operations and the composition of the Council (being drawn from local public and private sector organisations) it is possible that transactions may take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

35. ACCESS FUNDS

	2009 £'000	2008 £'000
Funding Council grants	1,039	1,428
Interest earned	4	24
	<hr/>	<hr/>
	1,043	1,452
Disbursed to students	(916)	(1,254)
Administration expenses	(31)	(43)
	<hr/>	<hr/>
Balance unspent as at 31 July	96	155
	<hr/>	<hr/>

Access grants are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.