

**CARDIFF UNIVERSITY**

**Report and Financial Statements**

**31 July 2008**

# CARDIFF UNIVERSITY

## REPORT AND FINANCIAL STATEMENTS 2008

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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 2008 consolidate the results of the University and its two subsidiary companies, Cardiff University Properties 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 2008 are summarised as follows:

	<u>2007/08</u> £000	<u>2006/07</u> £000
Income	393,545	367,237
Expenditure	<u>(379,885)</u>	<u>(357,348)</u>
Surplus for the Year after Depreciation of Assets at Valuation and Taxation	13,660	9,889
Transfer from Accumulated Income within Endowments	<u>401</u>	<u>68</u>
Surplus for the Year Retained in General Reserves	<u>14,061</u>	<u>9,957</u>
Surplus for the Year on an Historical Cost Basis	<u>17,030</u>	<u>13,260</u>

Income increased by M£26.3 (7.2%) compared to the previous year. This increase is mainly attributable to an increase in tuition fee income of M£16.6.

Expenditure also increased by M£22.5 (6.3%) mainly reflecting an increase in staff costs of M£17.9 associated with increased numbers, pay awards and incremental drift.

### 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 median apart from the liquidity ratio of current assets to current liabilities which is among the highest of the Group as outlined below:-

Financial Ratios	Cardiff			Russell Group - 06/07		
	05/6	06/7	07/8	High	Low	Median
Total Income M£	344	367	394	958	169	382
% HC surplus to total income	3.3	3.6	4.4	15	(1)	2.7
% staff costs to total income	55.6	56.2	57.2	61.6	45.4	56.9
Current assets to current liabilities	2.4	2.4	2.4	2.4	0.5	1.2

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.

### Investment Performance & Cash Flow

The University has reviewed the liquidity, performance and credit risks associated with its investment portfolio during 2007/08 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. However, there has been under performance during the year.

**REPORT OF THE TREASURER – OPERATING AND FINANCIAL REVIEW**

**Biofusion Plc**

A ten-year deal signed in 2006/07 with Biofusion Plc gives that 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 to the value of M£15.95 and released income of M£1.595 to the Income & Expenditure (I&E) account. However, the market value of these investments reduced to M£9.5 as at 31 July 2008 leading to a reduction in deferred income as well as a reduced release to the 2007/08 I&E account of M£0.88.

**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£40.4 as at 31st July 2008 (M£34 at 31st July 2007).

**Future Developments and the External Environment**

During 2007/08, 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 a 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 the economic outlook for the UK and the world is forecast to deteriorate, which will have a negative impact on University finances. There are some specific issues outlined below which will impact on UK higher education and Cardiff University and require close monitoring and action as necessary.

Tuition Fees – although higher home tuition fees have boosted revenues, the additional income has come with increased spending pressures including the requirement to set aside funds for bursaries, pressure to improve facilities and a successful demand for 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 – research income comes from a number of sources including charities and corporates but the majority comes from the public sector which in part is allocated on the basis of the research assessment exercise (RAE). The last RAE took place in 2001. The results of the 2008 RAE are expected soon and will have an impact on the funding and reputation of the University and therefore its ability to attract students and research contracts. The University's performance in the 2008 RAE will have a significant impact on its financial performance going forward.

Expenditure Pressures – in Cardiff staff costs are around 57% of total income and recent pressures include pay increases as well as the need to raise employer contributions to meet unfunded pension liabilities. Furthermore, to continue to attract students and staff to the University additional capital investment in academic and residential infrastructure is required.

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. 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.

**Conclusion**

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

Hywel Jones - Treasurer  
Date 15 December, 2008

## 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 in June 1998. 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 2008. 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.

## 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 in 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;

# CARDIFF UNIVERSITY

## 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 15 December, 2008

**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 2008 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 historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the Statement of Accounting Policies.

**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 also 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 Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation and whether in our opinion, in all material respects, income has been applied in accordance with the financial memorandum with the Higher Education Funding Council for Wales. We also report to you if, in our opinion, the Institution has not kept proper accounting records, the accounting records do not agree with the financial statements, 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 statement on Corporate Governance and comment if the statement is inconsistent with our knowledge of the Institution 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 Institution'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.

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## 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 Institution and the Group at 31 July 2008, and of the surplus of income over expenditure and cashflows for the year then ended, and 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;
- ii. 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;
- iii. in all material respects, income has been applied in accordance with the Institution's Statutes and where appropriate in accordance with the financial memorandum dated with the Higher Education Funding Council for Wales.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cardiff

15 December 2008

**CARDIFF UNIVERSITY**

**INCOME AND EXPENDITURE ACCOUNT**

**Year ended 31 July 2008**

	Note	2008 £'000	2007 £'000
<b>INCOME</b>			
Grants from HEFCW	2	125,961	127,475
Academic fees and support grants	3	94,505	77,925
Research grants and contracts	4	79,702	80,159
Other operating income	5	87,145	76,774
Endowment income and interest receivable	6	6,232	4,904
		<hr/>	<hr/>
Total Income		393,545	367,237
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Staff costs	7	224,325	206,412
Other operating expenses	8	135,510	131,499
Depreciation	12	17,305	16,525
Interest payable and similar charges	9	2,745	2,912
		<hr/>	<hr/>
Total Expenditure	10	379,885	357,348
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		13,660	9,889
Transfer from accumulated income in endowment funds		401	68
		<hr/>	<hr/>
Surplus for the year retained in general reserves	23	14,061	9,957
		<hr/> <hr/>	<hr/> <hr/>

**STATEMENT OF HISTORICAL COST SURPLUSES**

**Year ended 31 July 2008**

	Note	2008 £'000	2007 £'000
Surplus on continuing operations		13,660	9,889
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	3,370	3,371
		<hr/>	<hr/>
Historical cost surplus retained for the year		17,030	13,260
		<hr/> <hr/>	<hr/> <hr/>

**CARDIFF UNIVERSITY**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year Ended 31 July 2008**

	Note	2008 £'000	2007 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		13,660	9,889
(Depreciation)/Appreciation of endowment asset investments	21	(3,135)	1,044
New endowments	21	406	421
Actuarial (loss) /gain on pension scheme	30	(7,400)	5,100
		<hr/>	<hr/>
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<b>3,531</b>	<b>16,454</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation</b>			
Opening reserves and endowments		252,377	235,923
Total recognised gains for the year		3,531	16,454
		<hr/>	<hr/>
Closing reserves and endowments		255,908	252,377
		<hr/> <hr/>	<hr/> <hr/>

# CARDIFF UNIVERSITY

## BALANCE SHEETS As at 31 July 2008

	Note	<u>Consolidated</u>		<u>University</u>	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>					
Tangible assets	12	326,886	326,700	326,886	326,700
Investments	13	9,593	16,027	9,649	16,083
		<u>336,479</u>	<u>342,727</u>	<u>336,535</u>	<u>342,783</u>
<b>ENDOWMENT ASSET INVESTMENTS</b>	14	24,337	27,467	24,337	27,467
<b>CURRENT ASSETS</b>					
Stocks	15	125	128	125	128
Debtors	16	46,959	48,537	46,999	49,043
Short-term deposits		99,339	75,221	99,249	74,626
Cash at bank and in hand		4,835	5,217	4,835	5,217
		<u>151,258</u>	<u>129,103</u>	<u>151,208</u>	<u>129,014</u>
<b>CREDITORS: amounts falling due within one year</b>	17	<u>(63,254)</u>	<u>(54,781)</u>	<u>(62,972)</u>	<u>(54,460)</u>
<b>NET CURRENT ASSETS</b>		<u>88,004</u>	<u>74,322</u>	<u>88,236</u>	<u>74,554</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		448,820	444,516	449,108	444,804
<b>CREDITORS: amounts falling due after more than one year</b>	18	(28,579)	(31,116)	(28,579)	(31,116)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	30	(40,400)	(34,000)	(40,400)	(34,000)
<b>OTHER DEFERRED INCOME</b>	19	<u>(26,637)</u>	<u>(33,070)</u>	<u>(26,637)</u>	<u>(33,070)</u>
<b>NET ASSETS</b>		<u><u>353,204</u></u>	<u><u>346,330</u></u>	<u><u>353,492</u></u>	<u><u>346,618</u></u>

# CARDIFF UNIVERSITY

## BALANCE SHEETS As at 31 July 2008 (Continued)

	Note	<u>Consolidated</u>		<u>University</u>	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>DEFERRED CAPITAL GRANTS</b>	20	97,296	93,953	97,296	93,953
<b>ENDOWMENTS</b>					
Permanent	21	19,850	21,996	19,850	21,996
Expendable	21	4,487	5,471	4,487	5,471
		24,337	27,467	24,337	27,467
<b>RESERVES</b>					
Revaluation reserve	22	100,400	103,770	100,400	103,770
General reserves	23	131,171	121,140	131,459	121,428
		231,571	224,910	231,859	225,198
<b>TOTAL</b>		353,204	346,330	353,492	346,618

These financial statements were approved by the Council on, 15 December 2008.

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 2008**

	<b>Note</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>Cash flow from operating activities</b>	24	26,594	2,371
Returns on investments and servicing of finance	25	3,821	1,773
Capital expenditure and financial investment	26	(4,027)	(10,753)
Management of liquid resources	27	(24,118)	12,248
Financing	28	(2,473)	(2,433)
<b>(Decrease)/Increase in cash</b>		<u>(203)</u>	<u>3,206</u>
 <b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/Increase in cash in the period	29	(203)	3,206
Cash inflow/(outflow) from liquid resources	29	24,118	(12,248)
Cash outflow from decrease in debt	29	<u>2,473</u>	<u>2,433</u>
Movement in net funds in the period		26,388	(6,609)
Net funds at 1 August		<u>46,173</u>	<u>52,782</u>
Net funds at 31 July		<u><u>72,561</u></u>	<u><u>46,173</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 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**

Specific provision is made for individual debts where recovery is thought to be in doubt. Research, tuition and accommodation fee debts are provided for on the basis of historic experience. Tuition and accommodation fee debts are written off only if a student fails to return. All other debts are provided for in full if they are over 12 months old.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 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 K£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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**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 2008

### 2. FUNDING COUNCIL GRANTS

	Note	2008 £'000	2007 £'000
Recurrent grant		109,644	103,577
Specific grants:			
- Merger Fund		1,641	1,586
- Academic Infrastructure		1,465	672
- Learning & Teaching Support		1,712	2,836
- Students with Disabilities		1,168	1,369
- Science Research Investment Fund		3	243
- Higher Education Economic Development		1,484	1,732
- Supplementary Funds		95	6,542
- RAE Academic Support		-	1,437
- Research Investment Fund		50	50
- Medic Pay Award		1,248	1,300
- North Wales Clinical Schools		1,287	497
- Widening Access		301	320
- Other		1,311	763
Release of deferred capital grants:			
Buildings	20	2,976	2,770
Equipment	20	1,576	1,781
		125,961	127,475
		125,961	127,475

### 3. ACADEMIC FEES AND SUPPORT GRANTS

	2008 £'000	2007 £'000
UK Higher Education students	35,564	22,162
European Union (EU excl UK) students	2,069	1,905
Non-EU students	26,489	24,531
Part Time fees	5,550	5,321
	69,672	53,919
Education contracts	13,844	14,132
Research training support grants	5,701	4,396
Non-Credit bearing fees	5,288	5,478
	94,505	77,925
	94,505	77,925

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 4. RESEARCH GRANTS AND CONTRACTS

	Note	2008 £'000	2007 £'000
Research Councils		25,782	22,212
UK-based charities		13,386	13,965
UK Government bodies		23,702	21,706
UK Industry		5,577	10,160
European Commission		5,617	5,161
Overseas		2,368	2,330
Science Research Investment Fund		1,603	2,729
Other grants and contracts		1,667	1,896
		<u>79,702</u>	<u>80,159</u>

### 5. OTHER INCOME

	Note	2008 £'000	2007 £'000
Residences, catering and conferences		16,791	15,856
Other services rendered:			
Teaching Companies		224	589
UK Central Government		37,755	31,795
UK Health Authorities		10,984	10,821
UK Industry		4,727	2,613
European Commission		83	143
Overseas		745	535
UK Universities		195	585
Other Sources		9,359	5,951
Profit on disposal of fixed assets		278	464
Rents Receivable		173	228
Exempt VAT recoverable		902	628
Donations and Subventions		271	348
Other income		3,008	3,711
Biofusion Investment Release		880	1,595
Released from Deferred Capital Grants	20	770	912
		<u>87,145</u>	<u>76,774</u>

### 6. ENDOWMENT AND INVESTMENT INCOME

	Note	2008 £'000	2007 £'000
Income from permanent endowments	21	875	889
Income from expendable endowments	21	214	219
Interest receivable		5,143	3,796
		<u>6,232</u>	<u>4,904</u>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 7. STAFF COSTS

	Note	2008 £'000	2007 £'000
<b>Staff costs</b>			
Wages and salaries		185,645	171,469
Social security costs		14,853	14,075
Other pension costs	30	23,827	20,868
		224,325	206,412
		224,325	206,412

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

Emoluments of the Vice Chancellor - Salary		234	209
Pension		31	29
		265	238
		265	238

No benefits in kind were provided to the Vice Chancellor.

		2008 No.	2007 No.
<b>Average staff numbers by major category</b>			
Clinical and non-clinical academic and academic related		3,552	3,496
Technical services		190	197
Administrative support		932	899
Operational services		282	289
		4,956	4,881
		4,956	4,881

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.

		2008 No.	2007 No.
£100,000 - £109,999		86	73
£110,000 - £119,999		30	22
£120,000 - £129,999		38	32
£130,000 - £139,999		16	16
£140,000 - £149,999		6	5
£150,000 - £159,999		6	2
£160,000 - £169,999		1	1
£170,000 - £179,999		1	1
£180,000 - £189,999		2	-
£190,000 - £199,999		1	-
£200,000 - £209,999		-	2
£210,000 - £219,999		1	-
£220,000 - £229,999		-	1
£230,000 - £239,999		-	1
£240,000 - £269,999		1	-
		189	156
		189	156

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 7. STAFF COSTS (continued)

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

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Compensation payable	99	-

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

### 8. OTHER OPERATING EXPENSES

	<b>Note</b>	<b>2008</b>	<b>2007</b>
		<b>£'000</b>	<b>£'000</b>
Consumables and laboratory expenditure		25,496	24,378
Research Grants and Contracts		26,633	32,533
Residences, catering and conferences		5,848	6,204
Books and periodicals		3,033	2,901
Heat, light, water and power		6,376	6,335
Repairs and general maintenance		3,889	3,588
Long term maintenance		2,376	2,379
Grants to Student Union		2,230	2,110
Other services rendered		32,817	25,784
Cost of early retirements		963	-
Equipment (under £10,000)		2,275	2,446
Academic support services other expenses		4,578	5,395
General education other expenses		4,189	2,751
Premises other expenses		6,736	5,681
Administrative support other expenses		4,785	5,197
Other expenses		3,286	3,817
		<b>135,510</b>	<b>131,499</b>
Other operating expenses include:			
Auditors' remuneration – external audit		45	42
– other services		39	29
		<b>84</b>	<b>71</b>

### 9. INTEREST PAYABLE AND SIMILAR CHARGES

		<b>2008</b>	<b>2007</b>
		<b>£'000</b>	<b>£'000</b>
Bank Loans		2,345	2,412
Interest element of pension cost	30	400	500
		<b>2,745</b>	<b>2,912</b>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 10. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating expenses £'000	Interest Payable £'000	Total 2008 £'000
Academic departments	132,613	25,496	-	158,109
Academic services	15,729	7,611	-	23,340
Research grants and contracts	34,084	26,633	-	60,717
Other services rendered	12,977	32,817	-	45,794
Residences, catering and conferences	4,605	5,848	2,345	12,798
Premises	3,943	19,377	-	23,320
Administration and central services	18,176	4,785	-	22,961
Other expenses	3,597	12,943	-	16,540
FRS 17 pension fund adjustments	(1,399)	-	400	(999)
	<hr/>	<hr/>	<hr/>	<hr/>
Total per income and expenditure account	224,325	135,510	2,745	362,580
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

Depreciation (note 12) 17,305

Total per Income and Expenditure Account 

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379,885

	£'000
The depreciation charge has been funded by:	
Deferred capital grants released (Note 20)	9,442
Revaluation reserve (Note 22)	3,370
General income	4,493
	<hr/>
	17,305
	<hr/> <hr/>

### 11. SURPLUS ON CONTINUING OPERATIONS FOR THE PERIOD

The surplus on continuing operations is made up as follows:

	2008 £'000	2007 £'000
University surplus for the period	14,061	9,987
(Deficit)/Surplus generated by subsidiary undertakings	-	(30)
	<hr/>	<hr/>
	14,061	9,957
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**12. TANGIBLE FIXED ASSETS**

	<u>Consolidated and University</u>				
	<b>Land and Buildings</b>				
	<b>Freehold £'000</b>	<b>Long leasehold £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>					
At 1 August 2007	204,845	177,676	633	51,745	434,899
Additions at cost	510	987	7,568	8,426	17,491
Disposals (i)	-	-	-	(2,364)	(2,364)
Projects Completed	1,449	2,638	(4,087)	-	-
	<u>206,804</u>	<u>181,301</u>	<u>4,114</u>	<u>57,807</u>	<u>450,026</u>
At 31 July 2008	206,804	181,301	4,114	57,807	450,026
Valuation	122,181	115,730	-	-	237,911
Cost	84,623	65,571	4,114	57,807	212,115
	<u>206,804</u>	<u>181,301</u>	<u>4,114</u>	<u>57,807</u>	<u>450,026</u>
<b>Depreciation</b>					
At 1 August 2007	31,113	31,640	-	45,446	108,199
Charge for year	4,607	5,261	-	7,437	17,305
Eliminated on Disposal	-	-	-	(2,364)	(2,364)
	<u>35,720</u>	<u>36,901</u>	<u>-</u>	<u>50,519</u>	<u>123,140</u>
At 31 July 2008	35,720	36,901	-	50,519	123,140
<b>Net book value</b>					
At 31 July 2008	<u>171,084</u>	<u>144,400</u>	<u>4,114</u>	<u>7,288</u>	<u>326,886</u>
At 31 July 2007	<u>173,732</u>	<u>146,036</u>	<u>633</u>	<u>6,299</u>	<u>326,700</u>
<b>Financed By:</b>					
Funding Council	49,692	34,215	3,632	295	87,834
Endowments/Donations	916	1,108	-	-	2,024
Loans	18,660	14,366	-	-	33,026
Revaluation	27,200	62,958	-	-	90,158
Other Capital	74,616	31,753	482	6,993	113,844
	<u>171,084</u>	<u>144,400</u>	<u>4,114</u>	<u>7,288</u>	<u>326,886</u>
Net book value at 31 July 2008	<u>171,084</u>	<u>144,400</u>	<u>4,114</u>	<u>7,288</u>	<u>326,886</u>

- (i) Disposal of equipment is assumed after 10 years.
- (ii) Certain buildings have been funded from Treasury sources at a cost of K£103,470 (2007 K£100,071). 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 (2007 K£20,881).

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 13. INVESTMENTS

	<u>Consolidated</u>		Investments In Subsidiary Undertakings	<u>University</u>	
	Other Invest- ments	Total		Other Invest- ments	Total
	£000's	£000's		£000's	£000's
<u>Investments at cost</u>					
Balance at 1 August 2007	16,027	16,027	60	16,023	16,083
Reductions in year	(6,434)	(6,434)	-	(6,434)	(6,434)
Balance at 31 July 2008	<u>9,593</u>	<u>9,593</u>	<u>60</u>	<u>9,589</u>	<u>9,649</u>

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 in 2006/07 with Biofusion Plc gives that 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 to the value of M£15.95 and released income of M£1.595 to the I&E account. However, the value of these investments reduced to M£9.5 as at 31 July 2008 which resulted in a reduced release of M£0.88 (2006/07 – M£1.595) to the 2007/08 I&E account.

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 14. ENDOWMENT INVESTMENTS

	<u>Consolidated and University</u>	
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	27,467	26,070
Additions	954	1,478
Disposals	(684)	(1,428)
Movement in cash held as short-term deposits (Depreciation)/Appreciation on disposal/revaluation	(265)	303
	<u>(3,135)</u>	<u>1,044</u>
Balance at 31 July	<u>24,337</u>	<u>27,467</u>
Fixed interest stock	3,683	4,799
Equities	13,333	16,227
Bank balances and short-term deposits	4,782	5,047
Other assets	2,539	1,394
Total endowment asset investments	<u>24,337</u>	<u>27,467</u>
Fixed interest and equities at cost	18,221	16,234
Land and Property at Cost	-	1,150
	<u>18,221</u>	<u>17,384</u>

### 15. STOCKS

	<u>Consolidated and University</u>	
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Residences and Catering	94	95
Maintenance	31	33
	<u>125</u>	<u>128</u>

**CARDIFF UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**16. DEBTORS**

	<u>Consolidated</u>		<u>University</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Amounts owed by subsidiary undertakings	-	-	920	610
Debtors:				
Fees	1,688	1,513	1,688	1,513
Accommodation	52	34	52	34
Research	26,593	26,084	26,193	26,084
NHS Distinction Awards	329	312	329	312
Miscellaneous	18,155	20,422	17,675	20,318
Prepayments	142	172	142	172
	<u>46,959</u>	<u>48,537</u>	<u>46,999</u>	<u>49,043</u>
Included in the above are amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	600	200
	<u>-</u>	<u>-</u>	<u>600</u>	<u>200</u>

**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>Consolidated</u>		<u>University</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank overdraft	498	677	498	677
Trade creditors	11,986	8,558	11,644	8,198
Sundry creditors	4,067	3,020	4,067	3,020
Social security and other taxation	5,515	5,114	5,361	4,999
Accruals and deferred income (i)	1,746	3,551	1,888	3,549
Research grants and contracts in advance	28,222	25,053	28,222	25,053
Other services rendered	8,684	6,336	8,684	6,336
Royal Bank Scotland loan (Note 18(i))	500	500	500	500
Lloyds Bank loan (Note 18(ii))	336	272	336	272
Royal Bank Scotland loan (Note 18(iii))	700	700	700	700
Barclays Bank loan (Note 18(iv))	1,000	1,000	1,000	1,000
Amounts owed to subsidiary undertakings	-	-	72	156
	<u>63,254</u>	<u>54,781</u>	<u>62,972</u>	<u>54,460</u>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 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 2007	75
Interest	3
	78
Total expenditure	(13)
	65
Fund balance at 31 July 2008	

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

	Consolidated		University	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Royal Bank of Scotland Loan (i)	1,500	2,000	1,500	2,000
Lloyds Bank Loan (ii)	15,704	16,041	15,704	16,041
Royal Bank of Scotland Loan (iii)	11,375	12,075	11,375	12,075
Barclays Bank Loan (iv)	-	1,000	-	1,000
	28,579	31,116	28,579	31,116

- (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£1,500

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£336
Between two and five years	K£1,953
Over five years	K£13,751

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£8,575

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**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 loan is unsecured and repayable by 1 April 2009 in equal instalments of M£1.0 as follows:

Within one year K£1,000

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>	
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Deferred VAT credit	25	26
Academic Infrastructure Grants	1,652	836
Science Research Investment Fund	6,087	7,820
Learning and Teaching Support Grants	1,979	2,952
Students with Disabilities	81	1,212
Merger Fund	1,501	3,196
Supplementary Funds	5,996	-
Other Deferred Grants	897	1,575
Biofusion Investment	7,038	14,352
Student Fees received in advance	1,381	1,101
	<u>26,637</u>	<u>33,070</u>

**CARDIFF UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 July 2008**

**20. DEFERRED CAPITAL GRANTS**

	<u>Consolidated and University</u>		
	<b>Funding Council £'000</b>	<b>Other grants/ beneficiaries £'000</b>	<b>Total £'000</b>
As at 1 August 2007			
Buildings	77,452	12,214	89,666
Equipment	1,811	2,476	4,287
Total	79,263	14,690	93,953
Cash received			
Buildings	3,398	2,976	6,374
Equipment	61	6,350	6,411
Total	3,459	9,326	12,785
Released to income and expenditure			
Buildings (Note 2/Note 5)	(2,976)	(325)	(3,301)
Equipment (Note 2)	(1,576)	(4,565)	(6,141)
Total	(4,552)	(4,890)	(9,442)
At 31 July 2008			
Buildings	77,874	14,865	92,739
Equipment	296	4,261	4,557
Total	78,170	19,126	97,296

**CARDIFF UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**21. ENDOWMENTS**

	<u>Consolidated and University</u>					
	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2008 Total £'000	2007 Total £'000
At 1 August 2007						
Capital	1,557	12,142	13,699	3,239	16,938	16,313
Accumulated Income	1,196	7,101	8,297	2,232	10,529	9,758
	<u>2,753</u>	<u>19,243</u>	<u>21,996</u>	<u>5,471</u>	<u>27,467</u>	<u>26,071</u>
New endowments	-	406	406	-	406	421
Income for year	99	776	875	214	1,089	1,108
Expenditure	(876)	(512)	(1,388)	(102)	(1,490)	(1,177)
	(777)	264	(513)	112	(401)	(69)
(Decrease)/Increase in market value	447	(2,486)	(2,039)	(1,096)	(3,135)	1,044
At 31 July 2008 (Note 14)	<u>2,423</u>	<u>17,427</u>	<u>19,850</u>	<u>4,487</u>	<u>24,337</u>	<u>27,467</u>
Represented by:						
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
	<u>2,423</u>	<u>17,427</u>	<u>19,850</u>	<u>4,487</u>	<u>24,337</u>	<u>27,467</u>

**22. REVALUATION RESERVE**

	<u>Consolidated and University</u>	
	2008 £'000	2007 £'000
<b>Revaluations</b>		
At 1 August and 31 July	<u>140,579</u>	<u>140,579</u>
<b>Contributions to depreciation</b>		
At 1 August	(36,809)	(33,438)
Released in year (Note 10/Note 23)	(3,370)	(3,371)
At 31 July	<u>(40,179)</u>	<u>(36,809)</u>
<b>Net revaluation amount</b>		
At 31 July	<u>100,400</u>	<u>103,770</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**23. GENERAL RESERVES**

	<u>Consolidated</u>	<u>University</u>
	<b>2008</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Income and Expenditure Account Reserve		
At 1 August	121,140	121,428
Surplus for the year	14,061	14,061
Transfer from revaluation reserve (Note 22)	3,370	3,370
Actuarial loss on pension scheme	(7,400)	(7,400)
	<u>131,171</u>	<u>131,459</u>
At 31 July	<u>131,171</u>	<u>131,459</u>

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

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Operating surplus	13,660	9,889
Depreciation	17,305	16,525
Profit on disposal of fixed assets	(278)	(464)
Endowment income and interest receivable	(6,232)	(4,905)
Deferred capital grants released to income	(9,442)	(8,676)
Interest payable	2,745	2,912
Decrease in stocks	3	7
Decrease/(Increase) in debtors	1,691	(8,472)
Increase/(Decrease) in creditors	8,541	(1,645)
Pension contributions in excess of charge	(1,399)	(2,800)
	<u>26,594</u>	<u>2,371</u>
Net cash inflow from continuing operating activities	<u>26,594</u>	<u>2,371</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Income from endowments	1,089	1,128
Interest received	5,030	3,056
Interest paid	(2,298)	(2,411)
	<u>3,821</u>	<u>1,773</u>
Net cash inflow from returns on investments and servicing of finance	<u>3,821</u>	<u>1,773</u>

**26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Payments to acquire tangible assets	(17,491)	(23,573)
Payments to acquire endowment asset investments	(954)	(1,478)
Receipts from sales of tangible assets	278	464
Receipts from sales of endowment asset investments	949	1,125
Deferred capital grants received	12,785	12,288
New endowments	406	421
	<u>(4,027)</u>	<u>(10,753)</u>
Net cash outflow from capital expenditure and financial investment	<u>(4,027)</u>	<u>(10,753)</u>

**27. MANAGEMENT OF LIQUID RESOURCES**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Net cash (placed on)/returned from short term deposits	(24,118)	12,248
	<u>(24,118)</u>	<u>12,248</u>
Net cash (outflow)/inflow from management of liquid resources	<u>(24,118)</u>	<u>12,248</u>

**28. FINANCING**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Net loans repaid	(2,473)	(2,433)
	<u>(2,473)</u>	<u>(2,433)</u>
Net cash outflow from financing	<u>(2,473)</u>	<u>(2,433)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**29. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 August 2007 £'000	Cash flows £'000	At 31 July 2008 £'000
Cash at bank and in hand	5,217	(382)	4,835
Bank overdraft	(677)	179	(498)
	<hr/>	<hr/>	<hr/>
Total cash at bank and in hand	4,540	(203)	4,337
Liquid resources:			
Short-term deposits	75,221	24,118	99,339
Debt:			
Debts falling due within one year	(2,472)	(64)	(2,536)
Debts falling due after one year	(31,116)	2,537	(28,579)
	<hr/>	<hr/>	<hr/>
	(33,588)	2,473	(31,115)
	<hr/>	<hr/>	<hr/>
Total	46,173	26,388	72,561
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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 2005	31 July 2007	31 March 2007
Investment returns per annum	4.5%	7.0%	6.2%
Salary scale increases per annum	3.9%	4.75%	4.7%
Pension increases per annum	2.9%	3.25%	3.2%
Market value of assets at date of last Valuation	M£21,739	M£43.08	M£548.0
Proportion of members' accrued benefits Covered by the actuarial value of the assets	77%	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 6.2%.
- (ii) University contributions into CUPF were 24.3% and, for ex members of the CU(WCM)SS, 35%. Following the 2007 actuarial valuation, the rate for all members is 19.8% from 1 August 2008.
- (iii) The employer contribution rate to the LGS was 29.58% from the 1 April 2007 and increased to 30.6% from 1 April 2008 on the recommendation of the actuary.

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 30. PENSION SCHEMES (continued)

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

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
USS	16,639	15,384
NHS	1,921	1,884
CUPF	4,680	3,100
LGS	587	500
	<b>23,827</b>	<b>20,868</b>
Total pension cost (Note 7)	<b>23,827</b>	<b>20,868</b>

An updated estimated valuation of each of the two defined benefit schemes (CUPF and LGS) was performed at 31 July 2007 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:

	<b>31 July 2008</b>	<b>31 July 2007</b>	<b>31 July 2006</b>
Rate of increase in salaries	5.3%	4.8%	4.6%
Rate of increase in pensions in payment	3.8%	3.3%	3.1%
Discount rate	6.5%	5.7%	5.1%
Inflation assumption	3.8%	3.3%	3.1%

The assumed life expectations on retirement at age 65 are:

	<b>31 July 2008</b>	<b>31 July 2007</b>
<b>CUPF</b>		
Retiring Today:		
Males	20.9	21.8
Females	23.2	24.6
Retiring in 20 years:		
Males	22.0	22.4
Females	24.1	25.2
	<b>31 July 2008</b>	<b>31 July 2007</b>
<b>LGS</b>		
Retiring Today:		
Males	20.3	19.1
Females	24.1	22.8
Retiring in 20 years:		
Males	22.2	20.9
Females	25.3	24.1

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 30. PENSION SCHEMES (continued)

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

<u>CUPE</u>	31 July 2008 M£	31 July 2008 %	31 July 2007 M£	31 July 2007 %	31 July 2006 M£	31 July 2006 %
UK Equities	32.1	7.8	35.0	7.9	30.1	7.4
Overseas Equities	26.0	7.8	29.3	7.9	25.2	7.4
Fixed interest Bonds	-	4.8	-	4.9	24.8	5.1
Index linked Bonds	29.7	4.8	27.3	4.9	2.7	4.4
Property	6.2	6.8	0.6	6.9	8.0	6.4
Cash	2.0	5.9	8.5	6.0	1.0	4.7
	<u>96.0</u>		<u>100.7</u>		<u>91.8</u>	
	<u><u>96.0</u></u>		<u><u>100.7</u></u>		<u><u>91.8</u></u>	
<u>LGS</u>	31 July 2008 M£	31 July 2008 %	31 July 2007 M£	31 July 2007 %	31 July 2006 M£	31 July 2006 %
Equities	8.9	7.8	11.1	7.9	10.0	7.4
Bonds	2.4	5.7	2.1	5.3	2.2	4.8
Property	0.7	6.8	0.9	6.9	0.8	6.4
Other Assets	0.6	5.9	0.4	6.0	0.2	4.7
	<u>12.6</u>		<u>14.5</u>		<u>13.2</u>	
	<u><u>12.6</u></u>		<u><u>14.5</u></u>		<u><u>13.2</u></u>	

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

<u>CUPE</u>	At 31 July 2008 M£	At 31 July 2007 M£
The assets of the scheme	96.0	100.7
Present value of scheme liabilities	(125.0)	(125.8)
	<u>(29.0)</u>	<u>(25.1)</u>
	<u><u>(29.0)</u></u>	<u><u>(25.1)</u></u>
<u>LGS</u>	At 31 July 2008 M£	At 31 July 2007 M£
The share of the assets of the scheme	12.6	14.5
Present value of scheme liabilities	(24.0)	(23.4)
	<u>(11.4)</u>	<u>(8.9)</u>
	<u><u>(11.4)</u></u>	<u><u>(8.9)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**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 2008 and 31 July 2007:

	<b>Year ended 31 July 2008</b>		<b>Year ended 31 July 2007</b>	
	<b><u>CUPE</u></b>	<b><u>LGS</u></b>	<b><u>CUPE</u></b>	<b><u>LGS</u></b>
	<b>M€</b>	<b>M€</b>	<b>M€</b>	<b>M€</b>
Analysis of amounts charged to income and expenditure account:				
Current service cost	4.7	0.4	3.1	0.5
Past service cost	-	0.2	-	-
	<u>4.7</u>	<u>0.6</u>	<u>3.1</u>	<u>0.5</u>
Total operating charge	<u><u>4.7</u></u>	<u><u>0.6</u></u>	<u><u>3.1</u></u>	<u><u>0.5</u></u>
 Financing:				
Expected return on assets	(7.1)	(1.0)	(6.1)	(0.9)
Interest on scheme liabilities	7.2	1.3	6.3	1.2
	<u>0.1</u>	<u>0.3</u>	<u>0.2</u>	<u>0.3</u>
Net expense	<u><u>0.1</u></u>	<u><u>0.3</u></u>	<u><u>0.2</u></u>	<u><u>0.3</u></u>
	<b>Year ended 31 July 2008</b>		<b>Year ended 31 July 2007</b>	
	<b><u>CUPE</u></b>	<b><u>LGS</u></b>	<b><u>CUPE</u></b>	<b><u>LGS</u></b>
	<b>M€</b>	<b>M€</b>	<b>M€</b>	<b>M€</b>
Analysis of amounts recognised in statement of total recognised gains and losses :				
Actual return lower than expected on scheme assets	(14.1)	(2.6)	0.2	0.8
Change in assumptions underlying the present value of scheme liabilities	8.9	0.4	3.2	0.9
	<u>8.9</u>	<u>0.4</u>	<u>3.2</u>	<u>0.9</u>
Total actuarial (loss)/gain recognised	<u><u>(5.2)</u></u>	<u><u>(2.2)</u></u>	<u><u>3.4</u></u>	<u><u>1.7</u></u>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 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 2008		Year ended 31 July 2007	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
		M€	M€	M€
Opening fair value of assets	100.7	14.5	91.8	13.2
Movement in year:				
Expected return on assets	7.1	1.0	6.1	0.9
Actuarial gains/(losses) on assets	(14.1)	(2.6)	0.2	0.8
Contributions by the employer	6.1	0.6	5.8	0.6
Contributions by participants	1.5	0.1	1.4	0.1
Net benefits paid out	(5.3)	(1.0)	(4.6)	(1.1)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing fair value of assets	96.0	12.6	100.7	14.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Year ended 31 July 2008		Year ended 31 July 2007	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
		M€	M€	M€
Opening present value of liabilities	125.8	23.4	122.8	23.6
Movement in year:				
Current service cost	4.7	0.4	3.1	0.5
Interest cost on liabilities	7.2	1.3	6.3	1.2
Actuarial (gains)/losses on liabilities	(8.9)	(0.4)	(3.2)	(0.9)
Contributions by participants	1.5	0.1	1.4	0.1
Past service cost	-	0.2	-	-
Net benefits paid out	(5.3)	(1.0)	(4.6)	(1.1)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing present value of liabilities	125.0	24.0	125.8	23.4
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

### 30. PENSION SCHEMES (continued)

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

	Year ended 31 July 2008		Year ended 31 July 2007	
	<u>CUPE</u>	<u>LGS</u>	<u>CUPE</u>	<u>LGS</u>
Difference between the expected and actual return on scheme assets:				
Amount (M£)	(14.1)	(2.6)	0.2	0.8
Percentage of scheme assets	(14.7%)	(20.6%)	0.2%	5.7%
Experience gains and losses on scheme liabilities:				
Amount (M£)	8.9	0.3	(1.3)	(0.1)
Percentage of the present value of scheme liabilities	7.1%	1.3%	(1.0%)	(0.2%)
Total amount recognised in the STRGL:				
Amount (M£)	(5.2)	(2.2)	3.4	1.7
Percentage of the present value of scheme liabilities	(4.2%)	(9.2%)	2.7%	7.3%

### 31. LEASE OBLIGATIONS

	<u>Consolidated and University</u>	
	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Operating lease commitments for the next financial year, on leases expiring:		
Under two years	10	10

### 32. CAPITAL COMMITMENTS

	<u>Consolidated and University</u>	
	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Commitments contracted at 31 July	8,720	8,983

### 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 that eligibility of the claims. No liability has yet arisen.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2008**

**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**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Funding Council grants	1,428	1,195
Interest earned	24	15
	1,452	1,210
Disbursed to students	(1,254)	(1,033)
Administration expenses	(43)	(36)
	155	141
Balance unspent as at 31 July	155	141

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.