

CARDIFF UNIVERSITY

Report and Financial Statements

31 July 2006

CARDIFF UNIVERSITY

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS	Page
Report of the Treasurer	3
Corporate Governance Statement	5
Responsibilities of the Council of Cardiff University	6
Independent auditors' report	8
Income and expenditure account	10
Statement of historical cost surpluses and deficits	10
Statement of total recognised gains and losses	11
Balance sheets	12
Cash flow statement	14
Notes to the financial statements	15

CARDIFF UNIVERSITY

REPORT OF THE TREASURER

Scope of the financial statements

The financial statements for the year ended 31st July, 2006 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, 2006 are summarised as follows:

	<u>2005/06</u> £000	<u>2004/05</u> £000 (Restated)
Income	344,437	314,735
Expenditure	<u>(336,588)</u>	<u>(307,206)</u>
Surplus for the Year after Depreciation of Assets at Valuation and Taxation	7,849	7,529
Transfer (to)/from Accumulated Income within Specific Endowments	<u>(293)</u>	<u>3</u>
Surplus for the Year Retained in General Reserves	<u>7,556</u>	<u>7,532</u>
Surplus for the Year on an Historical Cost Basis	<u>11,220</u>	<u>11,007</u>

Income increased by M£30 (10%) compared to the previous year. This increase is partly attributable to an increase in grant from the Higher Education Funding Council for Wales (HEFCW) of M£9 and a M£3 increase in tuition fee income. Income from research grants and contracts also increased by over M£10 and reached over M£76 in the financial year.

Expenditure also increased by M£29 (10%) mainly reflecting an increase in staff costs associated with increased numbers, inflation and incremental drift. Other operating expenses increased by over M£16 partly attributable increased spend on research contracts and services rendered.

Investment Performance & Cash Flow

Cash balances are administered in accordance with the University's Treasury Management Policy. In 2005/06, the University's cash investments slightly under performed the agreed market comparators.

The consolidated cash flow statement shows a net cash inflow from operating activities of M£18.5. During 2005/06, the University invested over M£17 in the construction of assets including new student residences and further expenditure on academic buildings.

Pension Schemes

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

Non academic and clinical staff participate in the Cardiff University Pension Fund, Cardiff University (Wales College of Medicine) Superannuation Scheme and the Local Government Scheme. The combined deficit as calculated for the purposes of FRS 17 on all three of these schemes was M£41.4 as at 31st July 2006 (M£40.9 at 31st July 2005). These deficits as calculated for the purpose of FRS 17 and have been incorporated into the financial results for the first time this year .

REPORT OF THE TREASURER

Future Developments

As noted previously, 2005/06 saw substantial investment in the University's academic and support infrastructure and further developments are planned for the future including the completion of a new building for the Cardiff School of Optometry and Vision Sciences, major refurbishment of academic buildings on both the Heath and Cathays Park campuses and a significant investment in the information technology system within the University.

While cash balances remain strong the effect of the above commitments together with increased investment in academic staff appointments to further strengthen the University's excellence in teaching and research, may be expected to reduce the cash balances in future years.

Conclusion

The financial statements continue to display a satisfactory state of affairs, reflecting as they do a substantial financial strength and the benefits of merger.

Hywel Jones
Treasurer

Date 12 December, 2006

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 31st July 2006. 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 Nominations 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, 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 five times a year to discuss detailed financial and internal control matters in order to advise Strategy and Resources Committee as necessary.

The Nominations 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 five 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 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, The National Council ELWa/ 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 12 December, 2006

**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 2006 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 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.

**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 2006, 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

12 December 2006

CARDIFF UNIVERSITY

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 July 2006

	Note	2006 £'000	2005 Restated £'000
INCOME			
Grants from HEFCW	2	115,518	106,397
Academic fees and support grants	3	71,568	68,346
Research grants and contracts	4	76,787	66,039
Other operating income	5	75,709	68,450
Endowment income and interest receivable	6	4,855	5,503
		<hr/>	<hr/>
Total Income		344,437	314,735
EXPENDITURE			
Staff costs	7	191,629	179,807
Other operating expenses	8	129,668	112,798
Depreciation	12	12,403	12,079
Interest payable and similar charges	9	2,888	2,522
		<hr/>	<hr/>
Total Expenditure	10	336,588	307,206
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		7,849	7,529
Transfer (to)/from accumulated income within specific endowments		(293)	3
Surplus for the year retained in general reserves	23	<hr/> <u>7,556</u>	<hr/> <u>7,532</u>

STATEMENT OF HISTORICAL COST SURPLUSES

Year ended 31 July 2006

	Note	2006 £'000	2005 Restated £'000
Surplus on continuing operations		7,849	7,529
Revaluation reserve release on disposal of fixed assets	22	-	149
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	<hr/> <u>3,371</u>	<hr/> <u>3,329</u>
Historical cost surplus retained for the year		<hr/> <u>11,220</u>	<hr/> <u>11,007</u>

CARDIFF UNIVERSITY

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year Ended 31 July 2006

	Note	2006 £'000	2005 Restated £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		7,849	7,529
Appreciation of endowment asset investments	21	1,683	2,731
Excess of general endowment expenditure over income	21	(66)	(78)
New endowments	21	335	363
Actuarial loss on pension scheme	30	(2,400)	(10,800)
TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR		7,401	(255)
Prior Year Adjustment FRS 17		(38,724)	-
TOTAL RECOGNISED LOSS SINCE LAST ANNUAL REPORT		(31,323)	(255)
Reconciliation			
Opening reserves and endowments –as previously stated		267,246	255,839
Prior Year Adjustment FRS 17		(38,724)	(27,062)
Adjusted opening reserves and endowments		228,522	228,777
Total recognised gains/(losses) for the year		7,401	(255)
Closing reserves and endowments		235,923	228,522

CARDIFF UNIVERSITY

BALANCE SHEETS As at 31 July 2006

	Note	<u>Consolidated</u>		<u>University</u>	
		2006 £'000	2005 Restated £'000	2006 £'000	2005 Restated £'000
FIXED ASSETS					
Tangible assets	12	319,652	314,240	319,652	314,240
Investments	13	80	76	136	247
		<u>319,732</u>	<u>314,316</u>	<u>319,788</u>	<u>314,487</u>
ENDOWMENT ASSET INVESTMENTS	14	26,070	23,825	26,070	23,825
CURRENT ASSETS					
Stocks	15	135	168	135	168
Debtors	16	39,325	44,199	39,923	44,785
Short-term deposits		87,469	60,724	86,672	60,258
Cash at bank and in hand		2,527	2,861	2,527	2,861
		<u>129,456</u>	<u>107,952</u>	<u>129,257</u>	<u>108,072</u>
CREDITORS: amounts falling due within one year	17	(53,838)	(51,018)	(53,437)	(50,946)
NET CURRENT ASSETS		<u>75,618</u>	<u>56,934</u>	<u>75,820</u>	<u>57,126</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		421,420	395,075	421,678	395,438
CREDITORS: amounts falling due after more than one year	18	(33,588)	(19,546)	(33,588)	(19,546)
PROVISIONS FOR LIABILITIES AND CHARGES	30	(41,400)	(40,900)	(41,400)	(40,900)
OTHER DEFERRED INCOME	19	(20,168)	(17,623)	(20,168)	(17,623)
NET ASSETS		<u><u>326,264</u></u>	<u><u>317,006</u></u>	<u><u>326,522</u></u>	<u><u>317,369</u></u>

CARDIFF UNIVERSITY

BALANCE SHEETS As at 31 July 2006 (Continued)

	Note	<u>Consolidated</u>		<u>University</u>	
		2006 £'000	2005 Restated £'000	2006 £'000	2005 Restated £'000
DEFERRED CAPITAL GRANTS	20	90,341	88,484	90,341	88,484
ENDOWMENTS					
Specific	21	23,181	21,000	23,181	21,000
Appeal	21	52	47	52	47
General	21	2,837	2,778	2,837	2,778
		<u>26,070</u>	<u>23,825</u>	<u>26,070</u>	<u>23,825</u>
RESERVES					
Revaluation reserve	22	107,141	110,512	107,141	110,512
General reserves	23	102,712	94,185	102,970	94,548
		<u>209,853</u>	<u>204,697</u>	<u>210,111</u>	<u>205,060</u>
TOTAL		<u>326,264</u>	<u>317,006</u>	<u>326,522</u>	<u>317,369</u>

These financial statements were approved by the Council on, 12 December 2006.
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 2006

	Note	2006 £'000	2005 £'000
Cash flow from operating activities	24	18,498	11,882
Returns on investments and servicing of finance	25	2,590	4,399
Capital expenditure and financial investment	26	(10,953)	(36,691)
Management of liquid resources	27	(26,745)	26,573
Financing	28	15,786	(3,463)
(Decrease)/Increase in cash in the period		<u>(824)</u>	<u>2,700</u>
 Reconciliation of net cash flow to movement in net funds			
(Decrease)/Increase in cash in the period	29	(824)	2,700
Cash inflow/(outflow) from liquid resources	29	26,745	(26,573)
Cash outflow from (increase)/decrease in debt	29	(15,786)	3,463
Movement in net funds in the period		<u>10,135</u>	<u>(20,410)</u>
Net funds at 1 August		<u>42,647</u>	<u>63,057</u>
Net funds at 31 July		<u><u>52,782</u></u>	<u><u>42,647</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

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.

The University has adopted FRS 17 – Retirement Benefits during the year and the comparative figures have been restated to reflect this change in accounting policy with respect to pension costs.

The effect of the change in accounting policy to adopt FRS 17 was to decrease staff costs by £1,612k (2005: increase of £163k), increase interest payable by £600k (2005: £700k), leading to an increase in the operating surplus for the year of £ 1,012k (2005: decrease £862k). In addition, the amounts charged to the statement of total recognised gains and losses have increased by £2,400k (2005: £10,800k) and opening reserves at 1 August 2005 reduced by £38,724k.

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 four principal defined benefit pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the Cardiff University Pension Fund (CUPF), the University of Wales College of Medicine Superannuation Scheme (CU(WCM)SS) 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, CU(WCM)SS 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

Where equipment is acquired with the aid of specific grants, it is 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 equipment.

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 2006

2. FUNDING COUNCIL GRANTS

	Note	2006 £'000	2005 £'000
Recurrent grant		100,688	94,880
Specific grants:			
- Merger Fund		1,719	1,480
- Academic Infrastructure		1,610	1,510
- Learning & Teaching Support		1,842	1,335
- Students with Disabilities		1,305	-
- Science Research Investment Fund		94	125
- Higher Education Economic Development		1,342	1,047
- Supplementary Funds		544	734
- RAE Academic Support		553	-
- Research Investment Fund		50	50
- Welsh Medium Provision		-	13
- Medic Pay Award		1,146	1,065
- North Wales Clinical Schools		296	-
- Other		752	742
Release of deferred capital grants:			
Buildings	20	1,854	1,693
Equipment	20	1,723	1,723
		115,518	106,397
		115,518	106,397

3. ACADEMIC FEES AND SUPPORT GRANTS

	2006 £'000	2005 £'000
UK Higher Education students	20,781	21,278
European Union (EU excl UK) students	1,980	1,814
Non-EU students	22,670	21,091
Part Time fees	4,624	3,657
	50,055	47,840
Education contracts	13,583	13,294
Research training support grants	2,741	2,130
Non-Credit bearing fees	5,189	5,082
	71,568	68,346
	71,568	68,346

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

4. RESEARCH GRANTS AND CONTRACTS

	2006	2005
	£'000	£'000
Research Councils	21,762	18,203
UK-based charities	13,272	12,005
UK Government bodies	17,480	11,666
UK Industry	8,362	6,103
European Commission	4,571	5,634
Overseas	2,035	1,945
Joint and Science Research Investment Fund	6,895	8,237
Other grants and contracts	2,410	2,246
	<u>76,787</u>	<u>66,039</u>

5. OTHER INCOME

	Note	2006	2005
		£'000	£'000
Residences, catering and conferences		16,136	15,167
Other services rendered:			
Teaching Companies		577	342
UK Central Government		30,318	23,548
UK Health Authorities		10,588	12,428
UK Industry		2,013	2,066
European Commission		62	16
Overseas		448	604
UK Universities		549	1,030
Other Sources		8,562	6,228
Profit on disposal of fixed assets		580	981
Rents Receivable		163	170
Exempt VAT recoverable		658	509
Donations and Subventions		54	(12)
Other income		3,925	4,239
Released from Deferred Capital Grants	20	1,076	1,134
		<u>75,709</u>	<u>68,450</u>

6. ENDOWMENT AND INVESTMENT INCOME

	Note	2006	2005
		£'000	£'000
Income from specific endowments	21	1,106	1,003
Transferred from appeal endowments	21	-	1
Transferred from general endowments	21	165	159
Interest receivable		3,584	4,340
		<u>4,855</u>	<u>5,503</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

7. STAFF COSTS

	Note	2006 £'000	2005 Restated £'000
Staff costs			
Wages and salaries		157,800	148,799
Social security costs		13,633	12,361
Other pension costs	30	20,196	18,647
		191,629	179,807
		191,629	179,807

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

Emoluments of the Vice Chancellor - Salary		200	205
Pension		19	14
		219	219
		219	219

No benefits in kind were provided to the Vice Chancellor.

		No.	No.
Average staff numbers by major category			
Clinical and non-clinical academic and academic related		3,078	2,943
Technical		412	405
Clerical		1,020	1,018
Other, including clerical and ancillary		300	302
		4,810	4,668
		4,810	4,668

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 applicable for the year ended 31 July 2006 issued by the Higher Education Funding Council for Wales.

		No.	No.
£70,000 - £79,999		107	99
£80,000 - £89,999		66	37
£90,000 - £99,999		57	60
£100,000 - £109,999		30	13
£110,000 - £119,999		32	15
£120,000 - £129,999		21	25
£130,000 - £139,999		13	15
£140,000 - £149,999		5	12
£150,000 - £159,999		-	5
£160,000 - £189,999		2	2
£190,000 - £219,999		3	4
		336	287
		336	287

The figures for 2005 include a backdated pay award for clinical academics

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

8. OTHER OPERATING EXPENSES

	Note	2006 £'000	2005 £'000
Consumables and laboratory expenditure		16,952	15,027
Research Grants and Contracts		35,606	30,277
Residences, catering and conferences		7,091	7,298
Books and periodicals		3,061	2,754
Heat, light, water and power		5,499	3,974
Repairs and general maintenance		4,544	3,081
Long term maintenance		1,884	2,897
Grants to Student Union		2,060	2,000
Other services rendered		28,314	22,298
Cost of early retirements		834	251
Equipment (under £10,000)		1,690	1,240
Academic support services other expenses		4,442	3,751
General education other expenses		2,011	2,122
Premises other expenses		5,618	5,437
Administrative support other expenses		5,327	5,944
Other expenses		4,735	4,447
		<u>129,668</u>	<u>112,798</u>
Other operating expenses include:			
Auditors' remuneration – external audit		40	39
– other services		22	23
		<u>62</u>	<u>62</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

		2006 £'000	2005 £'000
Bank Loans		2,288	1,822
Interest element of pension cost	30	600	700
		<u>2,888</u>	<u>2,522</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

10. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating expenses £'000	Interest Payable £'000	Total 2006 £'000
Academic departments	114,530	16,952	-	131,482
Academic services	12,223	7,503	-	19,726
Research grants and contracts	29,643	35,606	-	65,249
Other services rendered	11,328	28,314	-	39,642
Residences, catering and conferences	3,887	7,091	2,288	13,266
Premises	3,752	17,545	-	21,297
Administration and central services	14,950	5,328	-	20,278
Other expenses	2,928	11,329	-	14,257
FRS 17 pension fund adjustments	(1,612)	-	600	(1,012)
	<u>191,629</u>	<u>129,668</u>	<u>2,888</u>	<u>324,185</u>
Total per income and expenditure account				
				<u>12,403</u>
Depreciation (note 12)				
Total per Income and Expenditure Account				<u>336,588</u>
		£'000		
The depreciation charge has been funded by:				
Deferred capital grants released (Note 20)		4,652		
Revaluation reserve (Note 22)		3,371		
General income		4,380		
		<u>12,403</u>		

11. SURPLUS ON CONTINUING OPERATIONS FOR THE PERIOD

The surplus on continuing operations comes solely from the University surplus generated within the period.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

12. TANGIBLE FIXED ASSETS

	<u>Consolidated and 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 2005	166,865	160,917	22,828	51,275	401,885
Additions at cost	640	1,622	14,155	1,398	17,815
Disposals (i)	-	-	-	(4,466)	(4,466)
Projects Completed	16,505	3,356	(19,861)	-	-
	<u>184,010</u>	<u>165,895</u>	<u>17,122</u>	<u>48,207</u>	<u>415,234</u>
At 31 July 2006	184,010	165,895	17,122	48,207	415,234
Valuation	122,181	115,730	-	89	238,000
Cost	61,829	50,165	17,122	48,118	177,234
	<u>184,010</u>	<u>165,895</u>	<u>17,122</u>	<u>48,207</u>	<u>415,234</u>
Depreciation					
At 1 August 2005	22,521	22,376	-	42,748	87,645
Charge for year	4,078	4,261	-	4,064	12,403
Eliminated on Disposal	-	-	-	(4,466)	(4,466)
	<u>26,599</u>	<u>26,637</u>	<u>-</u>	<u>42,346</u>	<u>95,582</u>
At 31 July 2006	26,599	26,637	-	42,346	95,582
Net book value					
At 31 July 2006	<u>157,411</u>	<u>139,258</u>	<u>17,122</u>	<u>5,861</u>	<u>319,652</u>
At 31 July 2005	<u>144,344</u>	<u>138,541</u>	<u>22,828</u>	<u>8,527</u>	<u>314,240</u>
Financed By:					
Funding Council	44,028	23,906	12,819	4,152	84,905
Endowments/Donations	973	1,180	-	-	2,153
Loans	19,709	15,224	-	-	34,933
Revaluation	28,946	66,881	-	-	95,827
Other Capital	63,755	32,067	4,303	1,709	101,834
	<u>157,411</u>	<u>139,258</u>	<u>17,122</u>	<u>5,861</u>	<u>319,652</u>
Net book value at 31 July 2006	<u>157,411</u>	<u>139,258</u>	<u>17,122</u>	<u>5,861</u>	<u>319,652</u>

- (i) Disposal of equipment is assumed after 10 years
- (ii) Certain buildings have been funded from Treasury sources at a cost of K£92,377 (2005 K£83,594). 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 (2005 K£20,880).

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

13. INVESTMENTS

	<u>Consolidated</u>			<u>University</u>	
	<u>Other</u>	<u>Total</u>	<u>Investments In</u>	<u>Other</u>	<u>Total</u>
	<u>Invest-</u>		<u>Subsidiary</u>	<u>Invest-</u>	
	<u>ments</u>		<u>Undertakings</u>	<u>ments</u>	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<u>Investments at cost</u>					
Balance at 1 August 2005	76	76	171	76	247
Additions in year	4	4	-	-	-
Disposals in year	-	-	(111)	-	(111)
	<u>80</u>	<u>80</u>	<u>60</u>	<u>76</u>	<u>136</u>

The University owns 100% of the issued share capital of £1 ordinary shares of the following companies, registered in England and Wales and operating in the United Kingdom:

<u>Name of Undertaking</u>	<u>Principal Business Activities</u>
Cardiff University Properties Ltd	Lease and leaseback of property and property development

During the year the Cardiff University Equipment Services Ltd and Cardiff University Residential Property Services Ltd were struck off from the Register of Companies at Companies House.

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.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

14. ENDOWMENT INVESTMENTS

	<u>Consolidated and University</u>	
	2006	2005
	£'000	£'000
Balance at 1 August	23,825	20,812
Additions	597	958
Disposals	(726)	(1,075)
Movement in cash held as short-term deposits	691	800
Appreciation on disposal/revaluation	1,683	2,330
	<u>26,070</u>	<u>23,825</u>
Balance at 31 July	26,070	23,825
Fixed interest stock	4,842	4,552
Equities	16,484	15,220
Bank balances and short-term deposits	4,744	4,053
	<u>26,070</u>	<u>23,825</u>
Total endowment asset investments	26,070	23,825
	<u>16,719</u>	<u>15,212</u>
Fixed interest and equities at cost	16,719	15,212

15. STOCKS

	<u>Consolidated and University</u>	
	2006	2005
	£'000	£'000
Residences and Catering	90	96
Maintenance	45	72
	<u>135</u>	<u>168</u>

16. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Amounts owed by subsidiary undertakings	-	-	702	664
Debtors:				
Fees	1,064	1,023	1,064	1,023
Accommodation	24	33	24	33
Research	20,460	19,096	20,460	19,096
NHS Distinction Awards	780	302	780	302
Miscellaneous	16,875	23,635	16,771	23,557
Prepayments	122	110	122	110
	<u>39,325</u>	<u>44,199</u>	<u>39,923</u>	<u>44,785</u>
Included in the above are amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	200	200

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank overdraft	1,193	703	1,193	703
Trade creditors	12,033	14,495	11,533	14,134
Sundry creditors	3,241	2,824	3,241	2,824
Social security and other taxation	4,708	4,807	4,570	4,774
Accruals and deferred income (i)	6,322	2,528	6,320	2,526
Research grants and contracts in advance	21,518	20,485	21,518	20,485
Other services rendered	2,390	4,487	2,390	4,487
Royal Bank Scotland loan (Note 18(i))	500	500	500	500
Lloyds Bank loan (Note 18(ii))	233	189	233	189
Royal Bank Scotland loan (Note 18(iii))	700	-	700	-
Barclays Bank loan (Note 18(iv))	1,000	-	1,000	-
Amounts owed to subsidiary undertakings	-	-	239	324
	<u>53,838</u>	<u>51,018</u>	<u>53,437</u>	<u>50,946</u>

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

	£'000
Fund balance at 1 August 2005	240
Funds received	27
Interest	9
	<u>276</u>
Total expenditure	(143)
	<u>133</u>

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

	<u>Consolidated</u>		<u>University</u>	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Royal Bank of Scotland Loan (i)	2,500	3,000	2,500	3,000
Lloyds Bank Loan (ii)	16,313	16,546	16,313	16,546
Royal Bank of Scotland Loan (iii)	12,775	-	12,775	-
Barclays Bank Loan (iv)	2,000	-	2,000	-
	<u>33,588</u>	<u>19,546</u>	<u>33,588</u>	<u>19,546</u>

(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£2,000
Over five years	K£500

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

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

- (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£233
Between two and five years	K£1,280
Over five years	K£15,033

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£9,975

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

- (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
Between two and five years	K£2,000

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

19. OTHER DEFERRED INCOME

	<u>Consolidated and University</u>	
	2006	2005
	£'000	£'000
Deferred VAT credit	28	30
Academic Infrastructure Grants	762	1,072
Science Research Investment Fund	4,670	7,116
Learning and Teaching Support Grants	3,472	1,030
Students with Disabilities	1,433	-
Merger Fund	4,782	7,426
Other Deferred Grants	3,899	-
Student Fees received in advance	1,122	949
	<u>20,168</u>	<u>17,623</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

20. DEFERRED CAPITAL GRANTS

	<u>Consolidated and University</u>		
	Funding Council £'000	Other grants/ beneficiaries £'000	Total £'000
As at 1 August 2005			
Buildings	69,305	12,621	81,926
Equipment	4,775	1,783	6,558
	74,080	14,404	88,484
Cash received			
Buildings	6,429	-	6,429
Equipment	80	-	80
Total	6,509	-	6,509
Released to income and expenditure			
Buildings (Note 2/Note 5)	(1,854)	(325)	(2,179)
Equipment (Note 2)	(1,723)	(750)	(2,473)
Total	(3,577)	(1,075)	(4,652)
At 31 July 2006			
Buildings	73,880	12,296	86,176
Equipment	3,132	1,033	4,165
Total	77,012	13,329	90,341

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

21. ENDOWMENTS

	<u>Consolidated and University</u>			
	Specific £'000	Appeal £'000	General £'000	Total £'000
At 1 August 2005	21,000	47	2,778	23,825
New endowments	335	-	-	335
Appreciation of investments	1,553	3	127	1,683
Income for year	1,106	2	97	1,205
Transferred to income and expenditure	(813)	-	(165)	(978)
	<u>23,181</u>	<u>52</u>	<u>2,837</u>	<u>26,070</u>
At 31 July 2006 (Note 14)	<u>23,181</u>	<u>52</u>	<u>2,837</u>	<u>26,070</u>
Representing:				
Chairs and lectureship funds	6,937			
Museum research and Lectures	361			
Prizes and Medals	1,258			
Tithe Fund	873			
Student Amenities	81			
Fellowship and scholarship funds	5,390			
John Bird Fund	693			
Miscellaneous funds	7,588			
	<u>23,181</u>			
At 31 July 2006	<u>23,181</u>			

22. REVALUATION RESERVE

	<u>Consolidated and University</u>	
	2006 £'000	2005 £'000
Revaluations		
At 1 August	140,579	140,728
Released on Disposals (Transfer to Income And Expenditure Account)	-	(149)
	<u>140,579</u>	<u>140,579</u>
At 31 July	<u>140,579</u>	<u>140,579</u>
Contributions to depreciation		
At 1 August	(30,067)	(26,738)
Released in year (Note 10/Note 23)	(3,371)	(3,329)
	<u>(33,438)</u>	<u>(30,067)</u>
At 31 July	<u>(33,438)</u>	<u>(30,067)</u>
Net revaluation amount		
At 31 July	<u>107,141</u>	<u>110,512</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

23. GENERAL RESERVES

	<u>Consolidated</u>	<u>University</u>
	2006	2006
	£'000	£'000
Income and Expenditure Account Reserve		
At 1 August as previously reported	132,909	133,272
Prior year adjustment for FRS17	(38,724)	(38,724)
	<hr/>	<hr/>
As restated	94,185	94,548
Surplus for the year	7,556	7,451
Transfer from revaluation reserve (Note 22)	3,371	3,371
Actuarial loss on pension scheme	(2,400)	(2,400)
	<hr/>	<hr/>
At 31 July	<u>102,712</u>	<u>102,970</u>

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

	2006	2005
	£'000	Restated £'000
Operating surplus	7,849	7,529
Depreciation	12,403	12,079
Profit on disposal of fixed assets	(580)	(981)
Endowment income and interest receivable	(4,855)	(5,503)
Deferred capital grants released to income	(4,653)	(4,550)
Interest Payable	2,888	2,522
Decrease in stocks	33	20
(Increase)/Decrease in debtors	5,135	(16,986)
Increase in creditors	302	11,462
Increase in other deferred income	2,545	6,539
Pension contributions in excess of charge	(2,569)	(249)
	<hr/>	<hr/>
Net cash inflow from continuing operating activities	<u>18,498</u>	<u>11,882</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2006	2005
	£'000	£'000
Income from endowments	1,271	1,483
Interest received	3,323	5,076
Interest paid	(2,004)	(2,160)
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	<u>2,590</u>	<u>4,399</u>

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2006	2005
	£'000	£'000
Payments to acquire tangible assets	(17,815)	(46,636)
Payments to acquire endowment asset investments	(597)	(958)
Receipts from sales of tangible assets	580	1,411
Receipts from sales of endowment asset investments	35	275
Deferred capital grants received	6,509	8,854
New endowments	335	363
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	<u>(10,953)</u>	<u>(36,691)</u>

27. MANAGEMENT OF LIQUID RESOURCES

	2006	2005
	£'000	£'000
Net cash (placed on)/ returned from short term deposits	(26,745)	26,573
	<hr/>	<hr/>
Net cash (outflow)/ inflow from management of liquid resources	<u>(26,745)</u>	<u>26,573</u>

28. FINANCING

	2006	2005
	£'000	£'000
Net loans entered into/ (repaid)	15,786	(3,463)
	<hr/>	<hr/>
Net cash inflow/outflow from financing	<u>15,786</u>	<u>(3,463)</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

29. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2005 £'000	Cash flows £'000	At 31 July 2006 £'000
Cash at bank and in hand	2,861	(334)	2,527
Bank loans and overdrafts	(703)	(490)	(1,193)
	<hr/>	<hr/>	<hr/>
Total cash at bank and in hand	2,158	(824)	1,334
Liquid resources:			
Short-term deposits	60,724	26,745	87,469
Debt:			
Debts falling due within one year	(689)	(1,744)	(2,433)
Debts falling due after one year	(19,546)	(14,042)	(33,588)
	<hr/>	<hr/>	<hr/>
	(20,235)	(15,786)	(36,021)
	<hr/>	<hr/>	<hr/>
Total	42,647	10,135	52,782
	<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>	<u>CU(WCM)SS(iv)</u>
Latest actuarial valuations	31 March 2005	31 July 2004	31 March 2004	1 August 2004
Investment returns per annum	4.5%	7.0%	6.2%	7.0%
Salary scale increases per annum	3.9%	4.5%	4.4%	4.4%
Pension increases per annum	2.9%	3.0%	2.9%	3.0%
Market value of assets at date of last Valuation	M£21,739	M£43.08	M£548.0	M£22.8
Proportion of members' accrued benefits Covered by the actuarial value of the assets	77%	76%	63%	77%

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% from the 1 October 2005.
- (iii) The employer contribution rate to the LGS was 23.5% from the 1 April 2005 and increased to 26.64% from 1 April 2006 on the recommendation of the actuary.
- (iv) University contributions to CU(WCM)SS were increased from 5% to 22% from 1 October 2005, and to a new rate of 28% from the 1 August 2006.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

30. PENSION SCHEMES (continued)

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

	2006	2005
	£'000	Restated £'000
USS	14,153	12,935
NHS	2,143	1,849
CUPF	2,567	2,570
LGS	467	395
CU(WCM)SS	866	898
	20,196	18,647
	20,196	18,647

From the 1 August 2006 the CU(WCM)SS was merged with the CUPF to form one combined scheme.

An updated estimated valuation of each of the three defined benefit schemes (CUPF, LGS and CU(WCM)SS) was performed at 31 July 2006 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 all three schemes were:

	31 July 2006	31 July 2005	31 July 2004
Rate of increase in salaries	4.6%	4.2%	4.4%
Rate of increase in pensions in payment	3.1%	2.7%	2.9%
Discount rate	5.1%	5.0%	5.7%
Inflation assumption	3.1%	2.7%	2.9%

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

<u>CUPF</u>	31 July 2006 M£	31 July 2006 %	31 July 2005 M£	31 July 2005 %	31 July 2004 M£	31 July 2004 %
UK Equities	17.8	7.4	15.8	7.3	15.2	8.0
Overseas Equities	12.8	7.4	10.1	7.3	8.8	8.0
Fixed interest Bonds	21.9	5.1	15.3	5.0	9.0	5.7
Index linked Bonds	-	4.4	3.1	4.3	3.8	5.0
Property	7.0	6.4	5.8	7.0	5.1	7.0
Cash	0.8	4.7	2.1	4.3	1.2	4.8
	60.3		52.2		43.1	
	60.3		52.2		43.1	

<u>LGS</u>	31 July 2006 M£	31 July 2006 %	31 July 2005 M£	31 July 2005 %	31 July 2004 M£	31 July 2004 %
Equities	10.04	7.4	9.43	7.4	8.96	8.0
Bonds	2.17	4.8	1.89	4.7	1.88	5.3
Property	0.82	6.4	0.56	6.4	0.59	7.0
Other Assets	0.22	4.7	0.17	4.7	0.35	4.8
	13.25		12.05		11.78	
	13.25		12.05		11.78	

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

30. PENSION SCHEMES (continued)

<u>CU(WCM)SS</u>	31 July 2006 M£	31 July 2006 %	31 July 2005 M£	31 July 2005 %	31 July 2004 M£	31 July 2004 %
Equities	24.7	7.4	22.4	7.3	17.9	7.5
Bonds	5.6	4.8	4.4	4.7	3.8	4.5
Property	1.0	6.4	0.8	7.0	0.8	6.5
Cash	0.2	4.7	0.2	0.2	-	4.0
	<u>31.5</u>		<u>27.8</u>		<u>22.5</u>	

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

<u>CUPE</u>	At 31 July 2006 M£	At 31 July 2005 M£
The assets of the scheme	60.3	52.2
Present value of scheme liabilities	(81.6)	(73.2)
Net pension liability	<u>(21.3)</u>	<u>(21.0)</u>
<u>LGS</u>	At 31 July 2006 M£	At 31 July 2005 M£
The share of the assets of the scheme	13.25	12.05
Present value of scheme liabilities	(23.62)	(22.25)
Net pension liability	<u>(10.37)</u>	<u>(10.20)</u>
<u>CU(WCM)SS</u>	At 31 July 2006 M£	At 31 July 2005 M£
Total market value of assets	31.5	27.8
Present value of scheme liabilities	(41.2)	(37.5)
Net pension liability	<u>(9.7)</u>	<u>(9.7)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

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 2006 and 31 July 2005:

	Year ended 31 July 2006			Year ended 31 July 2005		
	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>
	M€	M€	M€	M€	M€	M€
Analysis of amounts charged to income and expenditure account:						
Current service cost	2.6	0.5	0.9	2.6	0.4	0.9
Financing:						
Expected return on assets	3.4	0.8	1.9	3.1	0.9	1.6
Interest on scheme liabilities	(3.7)	(1.1)	(1.9)	(3.5)	(1.2)	(1.6)
Net expense	(0.3)	(0.3)	-	(0.4)	(0.3)	-
	Year ended 31 July 2006			Year ended 31 July 2005		
	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>
	M€	M€	M€	M€	M€	M€
Analysis of amounts recognised in statement of total recognised gains and losses :						
Actual return lower than expected on scheme assets	1.9	0.8	1.5	4.9	1.1	3.9
Experience losses arising on scheme liabilities	0.5	-	0.5	(0.1)	0.6	(1.9)
Change in assumptions underlying the present value of scheme liabilities	(4.6)	(0.7)	(2.3)	(9.5)	(2.5)	(7.3)
Total actuarial (loss)/gain recognised	(2.2)	0.1	(0.3)	(4.7)	(0.8)	(5.3)

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

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 2006			
	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>	<u>TOTAL</u>
	<u>M£</u>	<u>M£</u>	<u>M£</u>	<u>M£</u>
Deficit on scheme at 1 August	(21.0)	(10.2)	(9.7)	(40.9)
Movement in year:				
Total operating charge	(2.6)	(0.5)	(0.9)	(4.0)
Net return	(0.3)	(0.3)	-	(0.6)
Contributions	4.8	0.5	1.2	6.5
Actuarial (loss)/gain	(2.2)	0.1	(0.3)	(2.4)
	<u>(21.3)</u>	<u>(10.4)</u>	<u>(9.7)</u>	<u>(41.4)</u>
Deficit on scheme at 31 July	<u>(21.3)</u>	<u>(10.4)</u>	<u>(9.7)</u>	<u>(41.4)</u>
	Year ended 31 July 2005			
	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>	<u>TOTAL</u>
	<u>M£</u>	<u>M£</u>	<u>M£</u>	<u>M£</u>
Deficit on scheme at 1 August	(16.0)	(9.2)	(4.4)	(29.6)
Movement in year:				
Total operating charge	(2.6)	(0.4)	(0.9)	(3.9)
Net return	(0.4)	(0.3)	-	(0.7)
Contributions	2.7	0.5	0.9	4.1
Actuarial (loss)/gain	(4.7)	(0.8)	(5.3)	(10.8)
	<u>(21.0)</u>	<u>(10.2)</u>	<u>(9.7)</u>	<u>(40.9)</u>
Deficit on scheme at 31 July	<u>(21.0)</u>	<u>(10.2)</u>	<u>(9.7)</u>	<u>(40.9)</u>

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

	Year ended 31 July 2006			Year ended 31 July 2005		
	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>
Difference between the expected and actual return on scheme assets:						
Amount (M£)	1.9	0.8	1.5	4.9	1.1	3.9
Percentage of scheme assets	3.1%	6.0%	4.6%	9.4%	9.1%	14.0%
Experience gains and losses on scheme liabilities:						
Amount (M£)	0.5	(0.1)	0.5	(0.1)	0.6	(1.9)
Percentage of the present value of scheme liabilities	1.6%	(0.1%)	1.2%	(0.1%)	2.7%	(5.1%)
Total amount recognised in the STRGL:						
Amount (M£)	(2.2)	0.1	(0.3)	(4.7)	(0.8)	(5.3)
Percentage of the present value of scheme liabilities	(2.7%)	0.2%	(0.7%)	(6.4%)	(3.6%)	(14.1%)

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

31. LEASE OBLIGATIONS

	<u>Consolidated and University</u>	
	2006	2005
	£'000	£'000
Operating lease commitments for the next financial year, on leases expiring:		
Over five years	10	10

32. CAPITAL COMMITMENTS

	<u>Consolidated and University</u>	
	2006	2005
	£'000	£'000
Commitments contracted at 31 July	13,173	24,571

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.

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

	2006	2005
	£'000	£'000
Funding Council grants	1,125	1,155
Interest earned	10	15
	1,135	1,170
Disbursed to students	(1,008)	(1,066)
Administration (expenses)/funding	(28)	26
Balance unspent as at 31 July	99	130

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.