



FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2016

Contents

Reference and Administrative Information	1
Strategic Report	2
Corporate Governance Statement	6
Public Benefit Statement	7
Responsibilities of the Council of Cardiff University	8
Independent Auditors' Report	10
Consolidated Statement of Comprehensive Income	12
Statements of Changes in Reserves	13
Balance Sheets	14
Consolidated Statement of Cash Flows	15
Notes to the Financial Statements	16

Reference and Administrative Information

Charity Name: Cardiff University

Charity Registration Number: 1136855

Registered Office: Main Building
Cathays Park
Cardiff
CF10 3AT

Members of Council

Chair: Mr D John Jeans [resigned 31 December 2015, replaced by Professor Stuart Palmer 1 January 2016]

Vice Chair: Dr G Treharne [resigned 31 July 2016, replaced by Rev Gareth Powell]

Vice-Chancellor: Professor C Riordan

Deputy Vice-Chancellor: Professor E Treasure

Mr R Aggarwal

Mrs M Battle

Ms S Timbers

Mr G Clarke [resigned 31 July 2016, replaced by Judge Ray Singh]

Mr R Calil [resigned 31 July 2016, replaced by Robert Lewis-Watkin]

Mr M Leighfield

Ms R Williams

Professor G Boyne

Dr C Bell

Mr A Gibbons

Ms S Gwyer-Roberts [resigned 31 July 2016, replaced by Ms Jan Juillerat]

Ms C Blakeway [resigned 30 June 2016, replaced by Mr M Hanafy]

Professor S Palmer [Chair from 1 January 2016]

Ms L Phillips

The Reverend G Powell [Vice-Chair from 1 August 2016]

Mr R Preece

Professor P Price [resigned 31 July 2016, replaced by Professor Paul Milbourne]

Mr D Simpson

Professor N De Leeuw

Dr S Luke

Mr R Leach

Professor A Coffey

Ms N Richards [appointed 29 February 2016]

All of those persons listed above served as Charity Trustees throughout the period covered by this Report. Unless otherwise indicated they also occupied these positions on the date on which the Report was approved.

Strategic Report

Introduction

The past year has been very industrious for the University as capital developments continued at pace throughout the year and a successful bond issue brought in £300m to finance the University's capital investment plans at a very favourable rate.

Her Majesty the Queen opened the new £44m Cardiff University Brain Imaging Centre (CUBRIC) in June 2016, which houses Europe's most powerful brain scanner. This Centre has helped cement Cardiff University's position as one of the UK's top three for Neuroimaging, Psychology and Psychiatry

Developments have progressed for other landmark buildings on the Innovation Campus and elsewhere in the University, such as the Centre for Student Life on the Cathays Park campus. A £38m five-year refurbishment of learning and teaching spaces is also progressing well.

The University's stated goal is to be a top 100 world university and it is envisaged that these developments will help achieve that. More importantly, the investment will support the University's goals of providing excellent research and teaching in facilities that are comparable to the best in the country.

While the University is enacting its plans before an external backdrop of public spending cuts and the fall-out from the result of the referendum on Europe, it is doing so from a position of financial strength. The Financial Statements suggest that it is well placed to make the necessary investment to ensure it is attuned to the needs of a modern, global university. Year-on-year surpluses have been secured and the University is working hard to increase its income from research grants and students.

Scope of the Financial Statements

The financial statements for the year ended 31 July 2016 consolidate the results of the University, its subsidiary company University College Cardiff Consultants Limited and the joint ventures Compound Semiconductors Limited and Cardiff Medicentre Limited.

Results for the Year

The surplus for the year was in line with expectations.

The introduction of the new Statement of Recommended Practice (SORP) for FE and HE Institutions has led to more volatility into the results of universities. Income is no longer consistently matched to expenditure in the same way and capital grants are no longer deferred and released in line with depreciation.

Net assets have also been bolstered by the introduction of the SORP. The Land and Buildings of the University have been revalued adding £275m to the University's net asset value. This more than offsets the major change to liabilities as the provision introduced to estimate the cost of future payments that will be required to fund the University's share of the deficit in the USS Pension Scheme now stands at £50m.

Summary of Results	2015/16	2014/15
	£m	£m
Income	512	483
Expenditure	485	481
Surplus before other gains & losses	27	2
Gain/(loss) on investments	6	(1)
Share of deficit in joint ventures	(1)	-
Corporation Tax	-	(2)
Actuarial losses on pension schemes	(21)	(4)
Total Comprehensive Income	11	(5)

Income Growth 6%

Income has continued to grow with increases of £18m in tuition fees and £6m in research income. The Higher Education Funding Council for Wales (HEFCW) recurrent grant is static whilst £10m of capital grants have been recognised during the year due to the new financial reporting standard preventing deferral to match against future depreciation.

The increased student fee income is mainly due to home full-time undergraduate fees.

The research income includes £1.2m (2015 £9.8m) of Research and Development Expenditure Credits (RDEC) from HM Revenue and Customs. The taxation figure relates entirely to tax paid on these credits giving a net non-recurring source of income of £0.9m (2015 £7.6m) for the year. The other significant movement is in income from Research Councils which has grown from £26m to £37m.



Expenditure Increase 1%

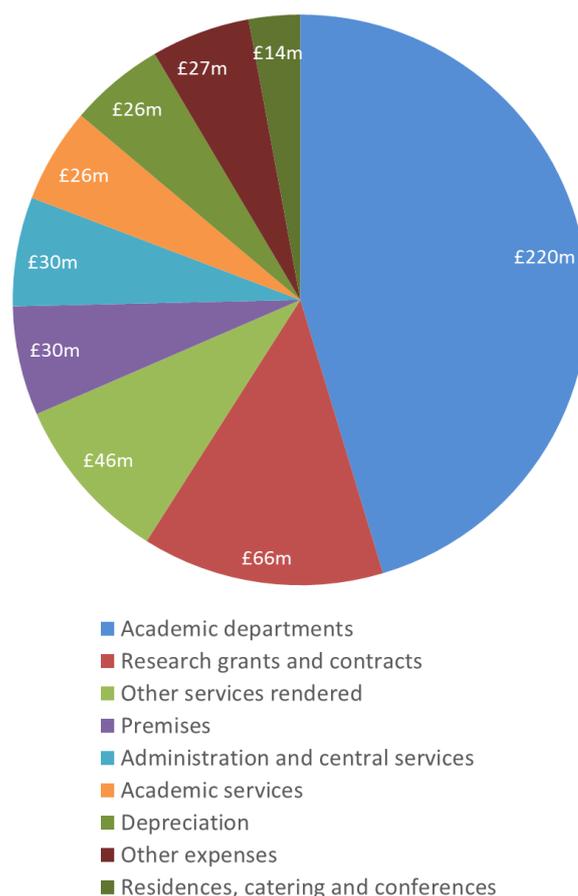
The majority of spend is incurred in the areas of teaching and research which together represent 60% of total expenditure.

Research revenue expenditure decreased by £6m in the year but was more than replaced by a greater proportion of research income spent on capital items. This was mainly due to funding received for large projects including CUBRIC2 and the Musculoskeletal Research Centre.

The depreciation charge has increased by £5m in the year which reflects the increase in capital investment.

Pension fund adjustments within expenditure were lower this year with the USS liability increase at £6m compared to £25m in 2014/15. There was a gain of £3.0m included within staff costs partially offset by a loss of £2.1m on interest within other costs as a result of pension-related costs. However, the actuarial losses on pension schemes further down the Statement of Consolidated Income and Expenditure were significant, contributing a further increase of £21.3m to the pension provision in the Balance Sheet. Further information is provided on this in the accounting policies note and notes 20 and 22.

Analysis of 2015/16 Spend by Category



Strategic Report

Key Financial Performance Indicators in line with Russell Group

The University monitors its key financial performance indicators and compares these against the Russell Group of research led universities in the UK.

The latest available information relating to Russell Group universities indicates that Cardiff's ratios are broadly in line with its comparators as outlined in the table.

KPI's	Cardiff		Russell Group Median*
	2015/16	2014/15	2014/15
	£m	£m	£m
Total Income	512	483	550
Operating Surplus	27	2	33
Staff Costs	278	259	281
% Income	54%	54%	51%
Research Income	114	107	125
% Income	22%	22%	23%

* The Russell Group Median is based upon figures prepared under the previous SORP

Cashflow Surplus 5%

In addition to the KPIs above, the Way Forward strategy aims for a minimum cashflow surplus of 5% of income each year to fund its ambitious investment programme. The net cash inflow from operating activities for 2015/16 of £48m is adjusted for capital grants of £20m (HEFCW £10m; Research Grants £10m) to give a surplus of £28m which represents 5% of income.

Capital Investment

During the year £69m was spent on investment in infrastructure and equipment. This was funded from the cash surplus generated in the year, £20m of capital grants plus the use of existing reserves within the University

Of this total £33m was invested in building projects. The aforementioned CUBRIC2 building on the Maindy Road campus was completed in the year and many existing buildings were refurbished in line with the Estates Masterplan, which aims to provide state-of-the-art research, teaching and student facilities. A further £36m was invested in new equipment and systems which included the CUBRIC 2 scanners, equipment for a new Musculoskeletal Research Facility and equipment for the new Ser Cymru funded Chairs and University Research Institutes.

Compound Semiconductor Centre Limited

A further £15.2 million was invested in this new joint venture with IQE Plc during the year bringing the total invested to £21m. The investment is integral to the establishment of the Institute for Compound Semiconductors which will be based in the Translational Research Facility (TRF) on the Innovation Campus. The Institute will provide facilities to help researchers and industry work together, positioning Cardiff as the UK and European leader in compound semiconductors.

Cardiff Medicentre

Cardiff Medicentre is a business incubator for biotech and medtech startups based on the Heath Park Campus. A sum of £2m was invested during the year in increasing the University's share in the Cardiff Medicentre joint venture. The University bought out the 66.75% owned by Welsh Ministers and Cardiff County Council to increase its stake in this joint venture to 89%. The remaining 11% remains with Cardiff and Vale University Health Board.

Future Developments

Work is planned to commence in early 2017 on two new buildings for a Translational Research Facility (TRF) and Innovation Central, both sited on the Innovation Campus on Maindy Road in 2016/17 with completion due in September 2018. The £72m TRF building will house the Institute for Compound Semiconductors and the Cardiff Catalysis Institute (CCI). The CCI is already established as one of the world's top five catalysis research centres and moving to a new building will enable growth across many scientific disciplines. The £46m Innovation Central building will be home to a Social Science Research Park which aims to provide solutions to pressing global problems, and the Innovation Centre which plans to provide start-up companies with resources and support to help them thrive.

In addition, a £45m Centre for Student Life building will provide new state-of-the art teaching and student facilities on Park Place. The design contract was awarded in October 2015 and further tenders are taking place to enable commencement of this building during the 2017/18 academic year with completion due in May 2019.

Outlook and Principal Risks

The University is in a very sound financial position to face the challenges that will affect the higher education sector over the next few years. All UK universities are exposed to changes in our relationship with Europe and it remains to be seen what impact the Brexit outcomes will have in terms of EU students attending UK universities and in terms of the potential loss of research income. The recent decision by UK and Welsh Governments with regard to 2017 EU student intake is very positive and hopefully a longer term solution can be found as well.

In addition to the EU challenge the University, alongside all other UK universities, is exposed to any adverse (or positive) changes to student recruitment from overseas countries. Given the dominance of the Chinese market and the volatility of oil prices the overseas recruitment market undoubtedly carries both huge benefits and risks. The University manages these risks and continually monitors the market to ensure it is well placed to respond to any eventuality.

The next few years will see a massive capital programme come to life with the developments on Maindy Road and the Centre for Student Life on Park Place expected to be completed in 2018/19. These developments will significantly enhance the research capability of the University and provide a showcase facility for our students.

Financial forecasts for the next few years show a tight budgetary landscape but still allows reasonable cash surpluses to be created each year to contribute to our capital ambitions. The recent publication of the Diamond Review on university funding in Wales is a very welcome development and if adopted in full by the government will undoubtedly bring financial stability and sustainability to the Welsh HE sector.

Professor Stuart Palmer

Chair of Council

28 November 2016

Corporate Governance Statement

The University is committed to exhibiting best practice in all aspects of corporate governance. It endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life, namely selflessness, integrity, objectivity, accountability, openness, honesty and leadership, in accordance with the guidance provided to universities by the Committee of University Chairs. This summary is provided 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 University has a framework for risk management and a risk management policy which incorporates recommended best practice. A corporate strategic risk register has been developed, based upon the University's strategic priorities and risks identified by Colleges and Professional Services Leadership Team. Council, through the Audit Committee, receives regular reports on internal control and compliance across the University; the internal audit programme is based on an assessment of areas of priority and risk using the new framework and the strategic priorities identified in The Way Forward.

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 Policy 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 Policy 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 Policy and Resources Committee manages, monitors and regulates the finances, accounts and investments of the University within the overall policy laid down by the Council.

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 the 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 met five times in 2015-16, including a special meeting of the Committee in January 2016 to consider the restated Financial Statements required for its fund-raising activities. The University's internal auditors attended all meetings except the January 2016 meeting. The external auditors were present for the special meeting in January 2016 and for consideration of the annual Financial Statements and management letter as well as the annual audit plan. 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, the Wales Audit Office and Research Councils UK 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.

In the preparation of this statement the Council of the University has had regard for the guidance issued by the Charity Commission.

Public Benefit Statement

Cardiff University is a registered charity (no 1136855). Its Royal Charter, first granted in 1884, sets out its constitutional arrangements and its objects. Embodied within the objects are such fundamental principles as the advancement of education, including the University's power to conduct research, to teach, examine, and award degrees. They also contain obligations to develop the character of the students, to promote health and welfare, especially in Wales and generally to contribute to social, cultural and economic development. The University is a member of the group of research intensive universities, the Russell Group, and exists to create and share knowledge and to educate for the benefit of all. Cardiff University sees fundamental research both as an essential to human aspiration and as critical to the development of cultural artefacts, technologies and services to improve the quality of life for all. Its research reputation is one of the principal factors in staff and student recruitment.

The University's strategic aims are set out in 'The Way Forward 2012 – 2017' and are summarised below.

Research and Innovation

Cardiff's aim is to be firmly positioned in the top ten UK universities. Through its research, which includes the establishment of a number of University research institutes, the University will tackle critical global issues that require cross disciplinary co-operation. It is also establishing itself as an Innovation University that acts as a magnet for participants and for funding whilst reinforcing our civic responsibilities. In this way we are equipping our graduates with entrepreneurial capacity so that they can contribute to the growth of the knowledge economy. We will ensure that our research has global impact by tackling the grand challenges of our time.

Education

The University educates our students to the highest standards and supports them through the transition to independent learning. The student experience is based on excellence where students actively participate in their learning experience and benefit from an environment of top quality research and scholarship. We are increasing the employability of our students by investing in the "Languages for All" and "Welsh for All" programmes and by offering increased opportunities, through the Global Opportunities Centre, to students to spend time overseas whether in study or as volunteers.

The University's students are drawn from a variety of backgrounds, with students attracted from throughout Wales, the rest of the UK and worldwide and supported by a range of targeted scholarships and bursaries to ensure fair access for all. In 2015/16 we invested £7.4 million in scholarships and bursaries.

International

The University's international activities range from our collaborations with business and education partners all over the world to the enormous contribution that international students make to the social and cultural life of the University. Cardiff also attracts the highest calibre of researchers from around the world. International students are welcomed from 100 different countries and account for some 18% of the total student population.

Engagement

The University demonstrates its commitment to the communities of Cardiff and Wales through knowledge exchange projects that directly and indirectly help those who do not traditionally engage with the University. One example is the Strong Communities, Healthier People project which works directly with people in Merthyr Tydfil and Cardiff. We also welcome the public at many of our events and activities, The University's students continue in their thousands to support local community projects and activities through Student Volunteering Cardiff.

Promoting health and welfare is an important role of the University and one which is fulfilled via a strongly interdisciplinary and multi-partnership approach. Central among the University's partners are the University Health Boards in Wales who provide not only clinical training for students but also are essential collaborators in conducting clinically based research.

As a major presence within Cardiff, both as employer and educator, the University's relationship with the City is also particularly important and it is committed to maintaining and further developing a mutually beneficial relationship with the community of which we are such an important and integral part.

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 preparing the Financial Statements in accordance with applicable law and regulations.

The law applicable to the University requires the Council to prepare financial statements for each financial year. Under that law the Board of Trustees has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the Council must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the University and the consolidated group and of the incoming and expenditure of the University and the consolidated group for that period.

In preparing these Financial Statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting for Further and Higher Education;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in business.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the consolidated and University financial position and to enable it to ensure that the Financial Statements are prepared in accordance with the University's Charter of Incorporation, the Accounts Direction issued by HEFCW, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCW and the Council of the University, the Council, through its designated office holder, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and its subsidiaries and of the surplus or deficit, statement of movements on reserves and cash flows for that year.

The Council has taken reasonable steps to:

- ensure that funds from HEFCW, Welsh 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.

Responsibilities of the Council of Cardiff University

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 departments;
- 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;
- an 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.

On behalf of the Council

Professor Colin Riordan

Accounting Officer

28 November 2016

Independent Auditor’s Report to the Council of Cardiff University (the “Institution”)

Report on the financial statements

Our opinion

In our opinion, Cardiff University’s group financial statements and parent institution financial statements (the “financial statements”):

- give a true and fair view of the state of the group’s and the parent institution’s affairs as at 31 July 2016, and of the group’s income and expenditure, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of section 144 of the Charities Act 2011 and Regulation 14 of The Charities (Accounts and Reports) Regulations 2008.

What we have audited

The group financial statements and parent institution’s financial statements document as a whole (the “Financial Statements”), which are prepared by Cardiff University comprise:

- the Balance Sheets for the group and parent institution as at 31 July 2016;
- the consolidated Statement of Comprehensive Income for the year then ended;
- the Statements of Changes in Reserves for the group and parent institution for the year then ended;
- the consolidated Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in its preparation of the financial statements is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Accounting Standards, comprising FRS102 “the Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Governing Body has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Opinions on other matters prescribed in the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation and any other terms and conditions attached to them;
- income has been applied in accordance with the institution's articles of government; and
- funds provided by HEFCW have been applied in accordance with the financial memorandum and any other terms and conditions attached to them.

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received.

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- sufficient accounting records have not been kept by the parent institution; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under the Charities Act 2011 we are required to report to you if, in our opinion, the non-financial information given in the Financial Statements is inconsistent in any material respect with the Financial Statements. We have no exceptions to report arising from this responsibility.

Independent Auditor’s Report to the Council of Cardiff University (the “Institution”)

Internal Control

Under the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the statement of internal control is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Council

As explained more fully in the statement of Responsibilities of the Council of Cardiff University set out on page 8, the Council (who are also trustees for the purposes of charity law) are responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) (“ISAs (UK & Ireland)”). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the institution’s Council as a body in accordance with Article 18 of the institution’s Articles of Government and section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992 and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of the financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution’s circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Council; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Council judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cardiff

7 December 2016

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

a) The maintenance and integrity of Cardiff University’s website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income
Year ended 31 July 2016

	Note	2016 £'000	2015 £'000
INCOME			
Funding Body Grants	2	68,016	61,059
Tuition fees and support grants	3	237,724	219,896
Research grants and contracts	4	112,494	97,590
Research grants and contracts - RDEC	4	1,129	9,773
Other income	5	85,666	89,771
Investment income	6	5,128	1,141
Donations and Endowments	7	1,596	3,728
		<u>511,753</u>	<u>482,958</u>
EXPENDITURE			
Staff costs	8	277,671	259,391
Staff costs – Increase in USS pension scheme provision	10	5,650	24,819
Other operating expenses	10	167,454	171,917
Depreciation	12	26,276	21,515
Interest and other finance costs	9	7,624	3,387
		<u>484,675</u>	<u>481,029</u>
Total Expenditure	10		
Surplus before other gains and losses		27,078	1,929
Gain/ (loss) on investments	13/16	5,977	(868)
Share of operating deficit in joint ventures	13	(941)	-
		<u>32,114</u>	<u>1,061</u>
Surplus before tax			
Corporation Tax	11	(233)	(2,143)
		<u>31,881</u>	<u>(1,082)</u>
Surplus/ (deficit for the year)			
Actuarial loss in respect of pension schemes	22	(21,300)	(3,900)
		<u>(21,300)</u>	<u>(3,900)</u>
Total comprehensive income/ (expenditure) for the year		<u><u>10,581</u></u>	<u><u>(4,982)</u></u>
Represented by:			
Endowment comprehensive income for the year		1,601	1,132
Restricted comprehensive income for the year		-	722
Unrestricted comprehensive income for the year		8,980	(6,836)
		<u>10,581</u>	<u>(4,982)</u>

All items of income and expenditure relate to continuing activities

Statements of Changes in Reserves

Year ended 31 July 2016

<i>Consolidated</i>	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i> £'000	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	£'000	£'000
Balance at 1 August 2014	27,536	-	309,788	364,545	701,869
Surplus/(deficit) from the income and expenditure statement	1,132	722	(2,936)	-	(1,082)
Other comprehensive income	-	-	(3,900)	-	(3,900)
Transfers between revaluation and income and expenditure reserve	-	-	6,366	(6,366)	-
	<u>1,132</u>	<u>722</u>	<u>(470)</u>	<u>(6,366)</u>	<u>(4,982)</u>
Balance at 1 August 2015	28,668	722	309,318	358,179	696,887
Surplus/(deficit) from the income and expenditure statement	1,601	-	30,280	-	31,881
Other comprehensive income	-	-	(21,300)	-	(21,300)
Transfers between revaluation and income and expenditure reserve	-	-	6,297	(6,297)	-
	<u>1,601</u>	<u>-</u>	<u>15,277</u>	<u>(6,297)</u>	<u>10,581</u>
Balance at 31 July 2016	30,269	722	324,595	351,882	707,468

<i>University</i>	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i> £'000	<i>Restricted</i> £'000	<i>Unrestricted</i> £'000	£'000	£'000
Balance at 1 August 2014	27,536	-	310,464	364,545	702,545
Surplus/(deficit) from the income and expenditure statement	1,132	722	(2,936)	-	(1,082)
Other comprehensive income	-	-	(3,900)	-	(3,900)
Transfers between revaluation and income and expenditure reserve	-	-	6,366	(6,366)	-
	<u>1,132</u>	<u>722</u>	<u>(470)</u>	<u>(6,366)</u>	<u>(4,982)</u>
Balance at 1 August 2015	28,668	722	309,994	358,179	697,563
Surplus/(deficit) from the income and expenditure statement	1,601	-	31,221	-	32,822
Other comprehensive income	-	-	(21,300)	-	(21,300)
Transfers between revaluation and income and expenditure reserve	-	-	6,297	(6,297)	-
	<u>1,601</u>	<u>-</u>	<u>16,218</u>	<u>(6,297)</u>	<u>11,522</u>
Balance at 31 July 2016	30,269	722	326,212	351,882	709,085

Balance Sheets

As at 31 July 2016

	Note	<i>Consolidated</i>		<i>University</i>	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
NON-CURRENT ASSETS					
Tangible fixed assets	12	705,496	663,536	705,496	663,536
Investments	13	39,042	15,569	53,039	15,563
Investment in joint ventures	13	13,062	-	-	-
		<u>757,600</u>	<u>679,105</u>	<u>758,535</u>	<u>679,099</u>
CURRENT ASSETS					
Stocks	14	239	231	239	231
Debtors	15	65,674	60,941	66,039	61,327
Investments	16	293,937	129,082	293,937	129,061
Cash and cash equivalents		118,516	42,370	118,510	42,370
		<u>478,366</u>	<u>232,624</u>	<u>478,725</u>	<u>232,989</u>
CREDITORS: amounts falling due within one year	17	<u>(107,811)</u>	<u>(112,558)</u>	<u>(107,488)</u>	<u>(112,241)</u>
NET CURRENT ASSETS		<u>370,555</u>	<u>120,066</u>	<u>371,237</u>	<u>120,748</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,128,155	799,171	1,129,772	799,847
CREDITORS: amounts falling due after more than one year	18	(310,220)	(17,893)	(310,220)	(17,893)
PENSION PROVISIONS	20	(110,467)	(84,391)	(110,467)	(84,391)
TOTAL NET ASSETS		<u><u>707,468</u></u>	<u><u>696,887</u></u>	<u><u>709,085</u></u>	<u><u>697,563</u></u>
RESTRICTED RESERVES					
Income and expenditure reserve – endowment reserve	21	30,269	28,668	30,269	28,668
Income and expenditure reserve – restricted reserve		722	722	722	722
UNRESTRICTED RESERVES					
Income and expenditure reserve - unrestricted		324,595	309,318	326,212	309,994
Revaluation reserve		351,882	358,179	351,882	358,179
TOTAL RESERVES		<u><u>707,468</u></u>	<u><u>696,887</u></u>	<u><u>709,085</u></u>	<u><u>697,563</u></u>

The financial information was approved by the Council on 28 November 2016 and was signed on its behalf on that date by:

Professor Stuart Palmer
Chair of Council

Professor Colin Riordan
Vice Chancellor

D M Davies
Director of Finance

Consolidated Statement of Cash Flows
Year ended 31 July 2016

	Note	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Cash flow from operating activities			
Surplus/ (deficit) for the year		31,881	(1,082)
Adjustment for non-cash items			
Depreciation	12	26,276	21,515
(Gain)/ loss on investments	13/16	(5,977)	871
Increase in stock		(8)	(43)
Increase in debtors		(4,733)	(19,437)
(Decrease)/ increase in creditors		(4,655)	13,224
Increase in pension provision		4,776	21,519
Share of operating deficit in joint ventures	13	941	-
Adjustment for investing or financing activities			
Profit on sale of tangible fixed assets		(602)	-
Other disposal of tangible fixed assets		44	-
Investment income	6	(5,128)	(1,141)
Interest payable	9	5,439	1,169
Endowment income	21	(596)	(816)
Net cash inflow from operating activities		<u>47,658</u>	<u>35,779</u>
Cash flows from investing activities			
New deposits		(159,697)	(27,108)
Investment income	6	5,128	1,141
Payments made to acquire fixed assets	12	(69,422)	(56,605)
New non-current asset investments	13	(47,310)	(5,653)
Proceeds from sale of fixed assets		1,743	-
Proceeds from sale of non-current investments		11,556	-
		<u>(258,002)</u>	<u>(88,225)</u>
Cash flows from financing activities			
Interest paid	9	(5,439)	(1,169)
Endowment cash received	21	596	816
Net proceeds of bond issue	18	291,870	-
New loans	18	1,034	-
Repayments of amounts borrowed		(1,571)	(1,477)
		<u>286,490</u>	<u>(1,830)</u>
Increase/ (decrease) in cash and cash equivalents in the year		<u>76,146</u>	<u>(54,276)</u>
Cash and cash equivalents at beginning of the year		42,370	96,646
Cash and cash equivalents at end of the year		118,516	42,370

Notes to the Financial Statements

Year ended 31 July 2016

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

This consolidated financial information has been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial information is prepared in accordance with the historical cost convention (modified by the revaluation of land and buildings and the measurement of certain financial instruments at fair value).

Basis of Consolidation

The consolidated financial information consolidates the financial statements of the University and its subsidiary undertaking University College Cardiff Consultants Limited for the financial year to 31 July but do not include those of the University Union, WWII Limited or the Cardiff Partnership Fund Limited as the Council does not exercise control over their financial and operating activities. Uniform accounting policies are adopted throughout the Group. Joint ventures are accounted for using the equity method.

Recognition of Income

Fee income is stated gross of any expenditure which is not a discount or overseas agent payment and credited to the Consolidated Statement of Comprehensive Income and Expenditure. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Investment income is credited to the consolidated statement of comprehensive income and expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the performance related conditions have been met and the University has become entitled to the income and. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and movements in fair value of endowments are recorded in income in the year in which they arise and as either restricted or unrestricted income according to the terms of the restrictions applied to the individual endowment funds.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Notes to the Financial Statements

Year ended 31 July 2016

Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

IP Group Plc Shares

In 2007 the University sold the right to commercialise any intellectual property arising in the next 10 years in exchange for shares in IP Group plc. The gain recognised on the receipt of the IP Group plc shares is released from deferred income on a straight line basis over the 10 year life of the agreement. This investment was sold during the financial year and the final tranche of this gain was released to the Statement of Comprehensive Income.

Research and Development Expenditure Credits (RDEC)

Income is recognised under the RDEC legislation at the point at which the claim methodology in relation to expenditure incurred has been approved by HM Revenue and Customs.

Provision for Doubtful Debts

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

Pension Schemes

The three principal defined benefit pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the Cardiff University Pension Fund (CUPF), and the Local Government Pension Scheme (LGPS). The schemes are funded defined benefit schemes and were contracted out of the State Earnings-Related Pension Scheme until 31 March 2016. 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.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to University members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

Defined Contribution Plan:

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated statement of comprehensive income and expenditure in the periods during which services are rendered by employees.

Defined Benefit Plan:

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

In addition, the National Health Service (NHS) Superannuation Scheme is in operation for certain staff. The NHS scheme is an unfunded defined benefit scheme, with pension benefits being paid out of contributions received in the year and contribution rates determined by HM Treasury. This is accounted for as a defined contribution scheme. To comply with The Pensions Act 2008, the University also uses the NEST defined contributions pension scheme for eligible non-contractual workers.

Notes to the Financial Statements

Year ended 31 July 2016

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

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.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Fixed assets

Fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

The difference between the revalued amount and historical cost is credited to a revaluation reserve. An amount equal to the depreciation in excess of that on the historical cost basis is transferred from the revaluation reserve to retained earnings.

Land and buildings

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated on a straight line basis over their expected useful lives as follows:

Academic buildings and listed buildings	50 years
Pre 1990 residence sites	25 years
Post 1990 and Talybont North residence sites	50 years
Residential Houses	50 years
Semi-permanent and Maths/ Education buildings	25 years
New UHW site buildings	50 years
Old UHW site buildings	25 years
Refurbishments	15 years

No depreciation is charged on assets in the course of construction.

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 over its expected useful life of four years. Assets under construction are not depreciated until brought into use.

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.

Investments

Non-current asset investments with the exception of IP Group plc shares are held on the Balance Sheet at cost less impairment, as the shares are unlisted and the fair value cannot be determined reliably. IP Group plc shares are held at fair value with movements recognised in the surplus or deficit. Joint ventures are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the surplus or deficit.

Notes to the Financial Statements

Year ended 31 July 2016

Stocks

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in 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 a registered charity within the meaning of Chapter 1 Section 3 of the Charities Act 2011 and as such is a charity within the meaning of Section 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 478-488 of the Corporation Tax Act 2010 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 for public benefit.

The only Corporation Tax charge reflected in the consolidated financial information is the tax deducted at source by HMRC in respect of Research and Development Expenditure Credits (RDEC) recognised in the consolidated statement of comprehensive income and expenditure during the year.

All subsidiary companies are liable to Corporation Tax and Value Added Tax (VAT). The University's principal activities are exempt from VAT but certain ancillary supplies and services are liable to VAT at various rates. Expenditure includes irrecoverable VAT charged by suppliers to the University. The University does not have to pay Stamp Duty Land Tax when buying and leasing a property.

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.

Financial Instruments

The University has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments for its consolidated and University accounts.

(i) Financial Assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in surplus or deficit.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment is recognised in the surplus or deficit.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value which is normally transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the surplus or deficit, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Notes to the Financial Statements

Year ended 31 July 2016

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the assets are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Transition to 2015 SORP

The University is preparing its financial information in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 26.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. The following exemptions have been taken into this financial information:

Fair value or revaluation as deemed cost - at 31 July 2014, fair value based upon a revaluation as at that date has been used as deemed cost for properties.

Notes to the Financial Statements

Year ended 31 July 2016

Significant estimates and judgements

Significant estimates and judgements used in the preparation of this financial information were as follows:

(i) Tangible Fixed Assets

Land and Buildings were revalued on adoption of FRS 102. The revaluation was performed by qualified quantity surveyors based upon their independent review of the estate and supporting information from the University.

Following the revaluation of land and buildings the estimated useful lives of the buildings have been reviewed and updated based upon an assessment of the age and condition of the estate.

(ii) Carrying value of Compound Semiconductor Centre Limited

The investment made in July 2015 with further payments made during 2015/16 relating to the new joint venture in Compound Semiconductor Centre is considered to be recoverable based upon a business model that shows sufficient returns to support the recovery of the investments.

(iii) Recoverability of debtors

The policy for provision for bad and doubtful debts is specific for each debt based upon known circumstances and post year end recovery of debts. Any un-provided debts are deemed as recoverable.

(iv) Retirement benefit obligations

The University operates its own scheme, Cardiff University Pension Fund (CUPF) and participates in a Local Government Pension Scheme (LGPS); both are defined benefit schemes. Actuarial valuations of the schemes are carried out as determined by the trustees at intervals of not more than three years.

Pension costs under FRS 102 are assessed in accordance with the advice of independent actuaries based upon latest actuarial valuations and assumptions determined by the actuaries. The assumptions are based upon information supplied to the actuaries by the University, supplemented by discussions between the actuary and management. The assumptions are documented in note 22.

The Universities Superannuation Scheme (USS) is accounted for as a defined contribution scheme as insufficient information is available to use defined benefit accounting. However, as the University is contractually obliged to pay contributions into the USS to fund past deficits, this obligation is provided for on the balance sheet.

The deficit recovery plan put in place by the USS sets out the proportion of annual contributions that relate to past deficit recovery, and the period for which these are committed. These committed deficit contributions are re-assessed with each triennial valuations of the scheme, and form the basis of the provision, together with assumptions on appropriate inflation and discount factors. The significant movement in the provision in the year ended 31 July 2015 was due to the finalisation of the 2014 Deficit Recovery Plan which extended the obligation for contributions in respect of past deficits from 2022 to 2031. A lesser movement was required in the year ended 31 July 2016 due to a change in discount rate used.

Notes to the Financial Statements
Year ended 31 July 2016

2. FUNDING BODY GRANTS

	2016	2015
	£000	£000
Recurrent grant	56,978	56,773
Specific grants	1,248	3,622
Capital grants	9,790	664
	<u>68,016</u>	<u>61,059</u>

3. TUITION FEES AND SUPPORT GRANTS

	2016	2015
	£000	£000
UK and European Union Undergraduate	122,644	112,644
UK and European Union Postgraduate	11,440	10,945
Overseas (including part-time)	63,949	58,783
Part Time (UK and European Union)	5,401	5,161
	<u>203,434</u>	<u>187,533</u>
Education contracts	16,805	15,649
Research training support grants	6,202	6,178
Non-Credit bearing fees	11,283	10,536
	<u>237,724</u>	<u>219,896</u>

4. RESEARCH GRANTS AND CONTRACTS

	2016	2015
	£000	£000
Research Councils	37,119	26,192
UK-based charities	20,662	19,029
UK Government bodies	33,613	31,457
UK Industry	4,603	4,006
European Commission	11,474	10,663
Overseas	4,569	4,174
Other grants and contracts	1,583	11,842
	<u>113,623</u>	<u>107,363</u>

Included within other grants and contracts is £1,129k (2015 £9,773k) in relation to Research and Development Expenditure Credits (RDEC) receivable for the financial year ending 31 July 2016. This is a one-off source of income and will not occur in future years. The table below shows a breakdown:

	2016	2015
	£000	£000
Income receivable under RDEC	1,129	9,773
Tax payable (note 11)	(233)	(2,143)
Net receipt due included in debtors	<u>896</u>	<u>7,630</u>

Notes to the Financial Statements
Year ended 31 July 2016

5. OTHER INCOME

	2016	2015
	£000	£000
Residences, catering and conferences	26,172	25,230
Other services rendered:		
UK Central Government	34,848	33,497
UK Health Authorities	8,754	9,716
UK Industry	1,377	1,841
European Union	1,383	1,865
Overseas	261	188
UK Universities	569	761
Other Sources	5,405	4,880
	52,597	52,748
Profit on disposal of fixed assets	601	-
Rents Receivable	164	136
Exempt VAT recoverable	458	623
Other income	4,074	3,440
IP Group plc Investment Release	1,600	1,594
Capital Grants	-	6,000
	<u>85,666</u>	<u>89,771</u>

6. INVESTMENT INCOME

	2016	2015
	£000	£000
Income from investments	4,413	451
Income from endowment investments	715	690
	<u>5,128</u>	<u>1,141</u>

7. DONATIONS AND ENDOWMENTS

	Note	2016	2015
		£000	£000
New endowments	21	596	816
Donations with restrictions		-	722
Unrestricted donations		1,000	2,190
		<u>1,596</u>	<u>3,728</u>

Notes to the Financial Statements
Year ended 31 July 2016

8. STAFF COSTS

	Note	2016 £000	2015 £000
Staff costs			
Wages and salaries		223,086	212,148
Social security costs		18,962	16,979
Other pension costs	22	35,623	30,264
		<u>277,671</u>	<u>259,391</u>

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

Emoluments of the Vice Chancellor - Salary	244	242
Bonus	8	6
Pension	41	39
Benefits in kind	1	1
	<u>294</u>	<u>288</u>

In addition to the emoluments above, there is a 5 year deferred bonus arrangement in place. A maximum of £49k will be payable in December 2017 if performance targets are met.

	2016 £000	2015 £000
Remuneration paid to Trustees in total for expenses	8	6
	<u>8</u>	<u>6</u>

No Trustee receives payments for serving.

Average staff numbers by major category	2016 Number FTE	2015 Number FTE
Clinical and non-clinical academic and academic related	4,013	3,799
Technical services	226	216
Administrative support	993	971
Operational services	278	282
	<u>5,510</u>	<u>5,268</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel.

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Key management personnel	1,910	1,825
	<u>1,910</u>	<u>1,825</u>

Notes to the Financial Statements
Year ended 31 July 2016

8. STAFF COSTS (Continued)

Remuneration of higher paid staff (excluding the Vice Chancellor) excludes employer's pension contributions and 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.

Salary band	2016 Number	2015 Number
£100,000 - £109,999	47	57
£110,000 - £119,999	37	36
£120,000 - £129,999	15	14
£130,000 - £139,999	10	8
£140,000 - £149,999	5	6
£150,000 - £159,999	5	3
£160,000 - £169,999	5	5
£170,000 - £179,999	-	2
£180,000 - £189,999	2	3
£190,000 - £199,999	2	1
	<u>128</u>	<u>135</u>
	2016 £'000	2015 £'000
Compensation for loss of office payable to higher paid employees		
Compensation payable – 5 employees (2015 - 1 employee)	<u>379</u>	<u>58</u>

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

9. INTEREST AND OTHER FINANCE COSTS

	2016 £000	2015 £000
Bond interest	4,345	-
Bank loan interest	1,103	1,169
Net charge on pension schemes	1,380	1,350
Unwind of discount on USS pension provision	796	868
	<u>7,624</u>	<u>3,387</u>

Notes to the Financial Statements
Year ended 31 July 2016

10. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £000	Other operating expenses £000	Interest Payable £000	Total 2016 £000	Total 2015 £000
Academic departments	168,514	51,146	-	219,660	212,319
Academic services	15,041	10,660	-	25,701	23,505
Research grants and contracts	38,026	28,401	-	66,427	72,761
Other services rendered	21,266	24,924	-	46,190	45,152
Residences, catering and conferences	5,781	6,661	1,094	13,536	13,271
Premises	6,802	23,176	-	29,978	27,635
Administration and central services	19,365	6,465	4,354	30,184	24,258
Other expenses	5,926	16,021	-	21,947	19,094
Pension fund adjustments	(3,050)	-	2,176	(874)	(3,300)
Total per income and expenditure account	277,671	167,454	7,624	452,749	434,695
Depreciation (note 12)				26,276	21,515
Staff costs - Increase in USS pension scheme provision (note 20)				5,650	24,819
Total per Income and Expenditure Account				484,675	481,029

The impact of accounting for pension liabilities under FRS102 is not allocated by activity.

	2016 £000	2015 £000
Other expenses include:		
Auditors' remuneration – external audit	61	66
– audit-related services	15	28
– other tax services	-	-

In addition to the above £150k was received by the auditors in respect of services in relation to the bond issue.

11. TAXATION

The tax charge for the year arises from the claim for Research and Development Expenditure Credits (RDEC).

	2016 £000	2015 £000
Current Tax		
UK Corporation tax of 20.67% on income receivable under RDEC for the year (note 4)	233	2,143

Notes to the Financial Statements
Year ended 31 July 2016

12. TANGIBLE FIXED ASSETS

	<i>Consolidated and University</i>				
	Land and Buildings			Equipment	
	Freehold £000	Long leasehold £000	Assets in the Course of Construction £000	£000	Total £000
Cost or valuation					
At 1 August 2015	393,305	236,285	26,955	94,095	750,640
Additions at cost	11,413	2,182	19,620	36,207	69,422
Disposals (i)	-	-	(44)	(3,965)	(4,009)
Projects completed	22,573	3,041	(25,614)	-	-
At 31 July 2016	<u>427,291</u>	<u>241,508</u>	<u>20,917</u>	<u>126,337</u>	<u>816,053</u>
Valuation (ii)	379,584	229,472	-	-	609,056
Cost	<u>47,707</u>	<u>12,036</u>	<u>20,917</u>	<u>126,337</u>	<u>206,997</u>
	<u>427,291</u>	<u>241,508</u>	<u>20,917</u>	<u>126,337</u>	<u>816,053</u>
Accumulated depreciation					
At 1 August 2015	7,249	5,059	-	74,796	87,104
Charge for year	8,225	5,408	-	12,643	26,276
Eliminated on disposal	-	-	-	(2,823)	(2,823)
At 31 July 2016	<u>15,474</u>	<u>10,467</u>	<u>-</u>	<u>84,616</u>	<u>110,557</u>
Net book value					
At 31 July 2016	<u>411,817</u>	<u>231,041</u>	<u>20,917</u>	<u>41,721</u>	<u>705,496</u>
At 31 July 2015	<u>386,056</u>	<u>231,226</u>	<u>26,955</u>	<u>19,299</u>	<u>663,536</u>

- (i) Disposal of equipment is assumed after 10 years.
- (ii) A full valuation of the University's Estate was carried out on 31 July 2014 by Cooke and Arkwright Chartered Surveyors in accordance with the RICS Valuation – Professional Standards January 2014 (the Red Book). Of the total valuation of £609m, £557m was at fair value by depreciated replacement cost and £52m was at fair value.
- (iii) Certain buildings have been funded from Treasury sources at a cost of £132m. Should these particular buildings be sold, the University would use the proceeds in accordance with the Financial Memorandum with HEFCW.
- (iv) Land and buildings includes non-depreciated land of £113m.
- (v) The carrying amount of land and buildings under historical cost basis as at 31 July 2015 was £205m Freehold and £86m Long Leasehold.

Notes to the Financial Statements

Year ended 31 July 2016

13. NON CURRENT INVESTMENTS

	<i>Consolidated</i>			<i>University</i>	
	Other Investment	Investment in joint ventures	Total	Other Investments	Total
	£000	£000	£000	£000	£000
Balance at 1 August 2015	15,569	-	15,569	15,563	15,563
Additions	35,707	11,603	47,310	47,310	47,310
Transfer of equity	(2,400)	2,400	-	-	-
Movement in fair value	1,722	-	1,722	1,722	1,722
Share of operating deficit in joint ventures	-	(941)	(941)	-	-
Disposals	(11,556)	-	(11,556)	(11,556)	(11,556)
Balance at 31 July 2016	39,042	13,062	52,104	53,039	53,039

The University has investments in the following:

IP Group Plc

In 2007, the University acquired shares in IP Group plc in exchange for the right to commercially develop current and future research-generated intellectual property (IP) at the University over a ten year period. This investment was sold during the financial year.

Compound Semiconductor Centre (CSC) Limited

During the year additional investment of £15,215k was made in this joint venture with IQE plc relating to preference shares of £5,615k and equity of £9,600k bringing group's the total investment after its share of operating deficit to £8,868k of preference shares and £10,267k of equity. The preference shares are debt instruments and are included in 'other investments'.

University College Cardiff Consultants Limited (UC3)

The results of UC3, a company limited by guarantee and registered in the UK, have been included by consolidation in the financial information. The company's principal activity is the commercialisation of the intellectual property and other outputs of research generated by the academic schools of the University. The company is also responsible for the University's interests through shareholdings in a number of spin-off companies arising from the University's research and other operations.

Cardiff Partnership Fund Limited

The University owns a 100% interest in the Cardiff Partnership Fund Limited, the holding company of the unincorporated Cardiff Partnership Fund Limited 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. The company has no trading activities and net assets of £75,617 at 31 July 2015 (£20,277 at July 2014).

WWII Limited

The University has a 100% holding in WWII limited, a company limited by guarantee and registered in England and Wales, whose vision is to improve wound prevention and treatment. This company is not consolidated on the basis that the University does not exercise control over the activities that rest with an independent board.

Cardiff Medicentre

The University acquired an additional 69.5% interest in this joint venture from Cardiff Council and Welsh Ministers for the consideration of £2.0 million during the year. The University now holds an 89% interest with Cardiff and Vale UHB holding the remaining 11%. This brings the group's total investment after its share of operating surpluses to £2,795k.

Close Brothers Short Term Deposit

This 18 month short term deposit of £30 million with an interest rate of 1.4% expires on 13 November 2017 and has been classified as a non-current investment as at 31 July 2016.

Notes to the Financial Statements
Year ended 31 July 2016

14. STOCKS

	<i>Consolidated and University</i>	
	2016	2015
	£000	£000
Residences and Catering	116	110
Maintenance	81	82
Schools	42	39
	<u>239</u>	<u>231</u>

15. DEBTORS

	<i>Consolidated</i>		<i>University</i>	
	2016	2015	2016	2015
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors:				
Fees	3,213	2,784	3,213	2,784
Research	33,320	26,944	33,320	26,944
NHS Distinction Awards	159	344	159	344
Accommodation	25	96	25	96
Trade Debtors	13,631	11,051	13,631	11,051
RDEC	3,812	7,630	3,812	7,630
Other	11,189	11,394	10,954	11,180
Amount due from subsidiary undertaking	-	-	600	600
Less: provision for impairment	(1,217)	(621)	(1,217)	(621)
	<u>64,132</u>	<u>59,622</u>	<u>64,497</u>	<u>60,008</u>
Prepayments	542	319	542	319
	<u>64,674</u>	<u>59,941</u>	<u>65,039</u>	<u>60,327</u>
Amounts falling due after more than one year:				
Compound Semiconductor Centre Limited (i)	1,000	1,000	1,000	1,000
	<u>65,674</u>	<u>60,941</u>	<u>66,039</u>	<u>61,327</u>

- (i) The amount due from the Compound Semiconductor Centre Limited (the CSC) relates to an interest bearing loan agreement for a £2.0 million facility of which £1.0 million had been drawn down by the year end. The interest is accrued daily at the European State Aid Reference Rate and is payable on repayment of the loan. The repayment is subject to the CSC generating sufficient profits to do so.

Notes to the Financial Statements

Year ended 31 July 2016

15. DEBTORS (continued)

As at 31 July 2016, the provision for impairment of debtors was aged as follows:

	<i>Consolidated and University</i>	
	2016	2015
	£'000	£'000
Less than 3 months past due	-	-
3 to 6 months past due	12	96
Over 6 months past due	1,205	525
	<u>1,217</u>	<u>621</u>

Movement on the provision for impairment of debtors is as follows:

	<i>Consolidated and University</i>	
	2016	2015
	£'000	£'000
At 1 August	621	650
Debtors written off during the year	-	(74)
Provision adjustments	596	45
	<u>1,217</u>	<u>621</u>

As at 31 July 2016, debtors past their due date but not impaired were aged as follows:

	<i>Consolidated and University</i>	
	2016	2015
	£'000	£'000
Less than 3 months past due	2,328	3,943
Over 3 months past due	3,278	3,387
	<u>5,606</u>	<u>7,330</u>

16. CURRENT INVESTMENTS

	<i>Consolidated</i>		<i>University</i>	
	2016	2015	2016	2015
	£000	£000	£000	£000
Short term investment in shares	110,570	80,295	110,570	80,295
Short term bonds	19,305	18,128	19,305	18,128
Other short term investments	18,864	15,607	18,864	15,586
Short term deposits	145,198	15,052	145,198	15,052
	<u>293,937</u>	<u>129,082</u>	<u>293,937</u>	<u>129,061</u>

The increase in fair value of short term investments in the year was £4,255k (2015 reduction £2,053k).

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 1.15% (2015 0.87%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 112 days. The fair value of these deposits was not materially different from the book value.

Notes to the Financial Statements
Year ended 31 July 2016

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Consolidated</i>		<i>University</i>	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade creditors	10,787	6,781	10,060	6,413
Sundry creditors	8,588	6,653	8,588	6,653
Employee leave accrual	8,449	7,680	8,449	7,680
Social security and other taxation	6,268	5,202	6,268	5,208
Accruals and deferred income (i)	22,295	26,465	22,293	26,461
Deferred capital grants (i)	1,835	1,956	1,835	1,956
Other deferred income	313	6,431	313	6,431
Research grants and contracts in advance	27,257	36,272	27,257	36,272
Other services rendered	20,049	13,547	20,049	13,547
Lloyds Bank loan (Note 18(i))	984	871	984	871
Royal Bank Scotland loan (Note 18(ii))	700	700	700	700
Invest-to-Save loan (Note 18(iv))	286	-	286	-
Amounts due to subsidiary undertaking	-	-	406	49
	<u>107,811</u>	<u>112,558</u>	<u>107,488</u>	<u>112,241</u>

(i) Where income has been deferred due to performance conditions, it is expected that these conditions will be satisfied over the next financial year.

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

	<i>Consolidated and University</i>	
	2016	2015
	£000	£000
Lloyds Bank Loan (i)	10,434	11,418
Royal Bank of Scotland Loan (ii)	5,775	6,475
Public Bond (iii)	293,263	-
Invest-to-Save Loan (iv)	748	-
	<u>310,220</u>	<u>17,893</u>

(i) Lloyds Bank originally advanced £17 million 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	£984k
Between two and five years	£5,259k
Over five years	£5,175k

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

Notes to the Financial Statements

Year ended 31 July 2016

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

- (ii) Royal Bank of Scotland originally advanced £14 million 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 £0.7 million as follows:

Within one year	£700k
Between two and five years	£2,800k
Over five years	£2,975k

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

- (iii) The 39 year public bond of £300 million was issued in February 2016 and is repayable in full in February 2055. Interest is payable at a coupon rate of 3.1%. The University received proceeds from the bond issue of £291.9m which are net of transaction costs of £8.1m.
- (iv) The interest free Welsh Government Invest-to-Save energy saving loan was taken out during the year and is repayable in instalments by 31 March 2020 as follows:

Within one year	£286k
Between two and five years	£748k

19. FINANCIAL INSTRUMENTS

The University has the following financial instruments:

	Note	2016	Consolidated 2015
Financial assets at fair value through surplus or deficit			
Investments in equity instruments and listed bonds	16	148,739	114,030
		<u>148,739</u>	<u>114,030</u>
Financial assets that are debt instruments measured at amortised cost			
Trade receivables	15	15,627	13,214
Other receivables	15	45,693	39,778
Investments in short term deposits	16	175,290	15,052
		<u>236,610</u>	<u>68,044</u>
Financial liabilities measured at amortised cost			
Public bond	18	293,263	-
Loans	17/18	18,927	19,464
Trade creditors	17	10,787	6,781
Accruals	17	80,198	92,351
Other creditors	17	8,588	6,653
		<u>411,763</u>	<u>125,249</u>

Notes to the Financial Statements
Year ended 31 July 2016

20. PENSION PROVISION

	<i>Consolidated and University</i>			
	Obligation to fund deficit on USS Pension £'000	Defined benefit obligations (Note 22) £'000	2016 Total Pension Provision £'000	2015 Total Pension Provision £'000
At 1 August 2015	45,421	38,970	84,391	58,972
Utilised in year	(1,910)	-	(1,910)	(3,738)
Additions in 2015/16	5,650	21,540	27,190	28,289
Unwind of discount	796	-	796	868
At 31 July 2016	<u>49,957</u>	<u>60,510</u>	<u>110,467</u>	<u>84,391</u>

USS deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. The additional charge in the year ended 31 July 2015 relates to the extension of the period of committed payments from 2021 to 2031. The adjustment charge in 2015/16 relates to a charge in the discount rate.

21. ENDOWMENT RESERVES

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2016 Total £000	2015 Total £000
Opening Balance						
Capital	1,807	15,663	17,470	1,098	18,568	17,905
Accumulated Income	1,151	7,399	8,550	1,550	10,100	9,631
	<u>2,958</u>	<u>23,062</u>	<u>26,020</u>	<u>2,648</u>	<u>28,668</u>	<u>27,536</u>
New endowments	-	354	354	242	596	816
Income for year	75	585	660	55	715	690
Expenditure	(71)	(472)	(543)	(168)	(711)	(618)
	4	113	117	(113)	4	72
Increase in market value	104	832	936	65	1,001	244
Closing Balance	<u>3,066</u>	<u>24,361</u>	<u>27,427</u>	<u>2,842</u>	<u>30,269</u>	<u>28,668</u>
Represented by:						
Capital	1,909	16,628	18,537	1,157	19,694	18,568
Accumulated Income	1,157	7,733	8,890	1,685	10,575	10,100
	<u>3,066</u>	<u>24,361</u>	<u>27,427</u>	<u>2,842</u>	<u>30,269</u>	<u>28,668</u>

Notes to the Financial Statements

Year ended 31 July 2016

21. ENDOWMENT RESERVES (continued)

Analysis by type of purpose:	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2016 Total £000	2015 Total £000
Appeal Fund	-	60	60	-	60	58
Chairs	-	9,370	9,370	-	9,370	9,078
Lectures	-	650	650	-	650	624
Hardship Funds	8	1,333	1,341	105	1,446	921
Scholarships	-	6,454	6,454	142	6,596	6,308
Prizes	-	2,122	2,122	29	2,151	2,051
Research	-	1,004	1,004	1,790	2,794	2,670
General	3,058	3,368	6,426	776	7,202	6,958
	<u>3,066</u>	<u>24,361</u>	<u>27,427</u>	<u>2,842</u>	<u>30,269</u>	<u>28,668</u>
Analysis by asset						
Current asset investments – shares					19,397	18,044
- bonds					2,844	3,311
- other					3,093	2,946
Cash & cash equivalents					<u>4,935</u>	<u>4,367</u>
					<u>30,269</u>	<u>28,668</u>

22. PENSION SCHEMES

Different categories of staff were eligible to join one of five different schemes:

- Universities' Superannuation Scheme (USS)
- Cardiff University Pension Scheme (CUPF)
- Local Government Pension Scheme (LGPS)
- National Health Service Pension Scheme (NHSPS).
- NEST.

The first three of these schemes are defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds.

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. To comply with The Pensions Act 2008, the University also uses the NEST defined contributions pension scheme for eligible non-contractual workers.

The total pension cost for the University was:

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
USS	24,484	20,192
NHS	2,139	2,202
CUPF	8,587	7,492
LGPS	410	376
NEST	3	2
	<u>35,623</u>	<u>30,264</u>
USS minimum funding	5,650	24,819
	<u>41,273</u>	<u>55,083</u>

Notes to the Financial Statements

Year ended 31 July 2016

22. PENSION SCHEMES (continued)

(i) The Universities Superannuation Scheme

The Universities' Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary for Final Salary members (now closed to new entrants) and Career Revalued Benefits (CRB) for new entrants since 2011. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual Universities and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other Universities' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102(28), accounts for the scheme as if it were a defined contribution scheme.

As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. However, under the new FEHE SORP, a liability is also recorded within provisions for any contractual commitment to fund past deficits within the USS. Movements in this provision can also give rise to charges to the income and expenditure account as shown in note 20 above.

The appointment of directors to the board of the trustee is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2014. This was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date.

An "inflation risk premium" adjustment was also included by deducting 0.2% from the market-implied inflation on account of the historically high level of inflation implied by government bonds

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 5.2% per annum, salary growth would be 2.6% per annum (CPI) in year 1, CPI+1% in year 2 and RPI+1% thereafter and pensions would increase by CPI.

Standard mortality tables were used as follows:

Male members' mortality	98% SAPS S1NA "light" YOB
Female members' mortality	99% SAPS S1NA "light" YOB with a -1 year adjustment

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Male (females) currently aged 65	24.2 (26.3) years
Males (females) currently aged 45	26.2 (28.6) years

At the valuation date the value of the assets of the scheme was £41,604m and the value of the scheme's technical provisions was £46,900m indicating a deficit of £5,300m. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Notes to the Financial Statements

Year ended 31 July 2016

22. PENSION SCHEMES (continued)

Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 54% funded on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 54% of the amount necessary to secure all the USS benefits with an insurance company.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high.

Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the scheme provided Career Revalued Benefits for new entrants since 2011 and final salary benefits for members who joined prior to that date. The employer's contribution rate was 16% of Salaries and CRB members contributed 6.5% and Final Salary members 7.5% of pensionable pay.

From 1 April 2016 the Final Salary section was closed and all members' future service is on a Career Revalued Benefits basis on pensionable salary up to £55k p.a. plus other benefits on a Defined Contribution basis. Employee contributions were increased to 8.5% of salary and to 18% for the employer

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. In addition, a pension increase cap is provided for such that if official pensions increases by more than 5% then USS will match the first 5% of the increase but then only half of any higher increase up to a maximum of 10% in total.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in Assumption	Impact on scheme	Change in total contribution rate % salaries over 17 year recovery period
Investment return (discount rate)	Decrease by 0.25%	Increase by £0.8 billion	Increase by 0.5%
Discount rate in 20 years' time	decrease by 0.25%	increase by £1.1 billion	Increase by 2.1%
RPI inflation rate	Increased by 0.25%	Increase by £0.8 billion	Increase by 1.9%
Members live longer than assumed	1 year longer	Increase by £0.5 billion	Increase by 0.8%

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

Notes to the Financial Statements

Year ended 31 July 2016

22. PENSION SCHEMES (continued)

The trustee believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the funds' liabilities.

Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers.

At 31 March 2016, USS had over 186,000 active members and the University had 3,858 active members participating in the scheme.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers, enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. However, the trustee is mindful of the difficult economic climate that exists for defined benefits pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan become necessary following the next valuation to compile a formal financial management plan, which will bring together the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

(ii) Cardiff University Pension Fund and the Local Government Pension Scheme

Both of these defined benefit schemes are externally funded and are contracted out of the State Second Pension (S2P) pension provision.

The last formal triennial actuarial valuation of the schemes were performed by professionally qualified actuaries as at 31 July 2013 for the Cardiff University Pension Fund (CUPF) and 31 March 2013 for the Local Government Pension Scheme (LGPS).

During the accounting period, the University paid contributions to the CUPF of 20% of pensionable salaries (LGPS - 27.3% plus a cash lump sum of £1.3m). The University has also contributed the salary sacrifice amount of 7.5% (final salary members) or 6.5% for Career Average Revalued Earnings members for each Non-Contributory member (i.e. those participating in the Salary Sacrifice arrangement) in the CUPF. Salary sacrifice of pension contributions is not permitted in the LGPS scheme.

An updated estimated valuation of each of the two defined benefit schemes was performed at 31 July 2014 by a qualified actuary. The FRS 102 disclosures set out below are based upon this updated valuation.

Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	CUPF At 31 July 2016 %pa	LGPS At 31 July 2016 %pa	CUPF At 31 July 2015 %pa	LGPS At 31 July 2015 %pa
Price Inflation (RPI)	2.6	2.6	3.2	3.2
Price Inflation (CPI)	1.5	1.5	2.1	2.1
Rate of increase in salaries	2.5	2.5	3.1	3.1
Rate of increase of pensions in payment	1.5	1.5	2.1	2.1
Increases to deferred pensions before retirement	1.5	1.5	2.1	2.1
Discount rate	2.4	2.3	3.6	3.6

Notes to the Financial Statements
Year ended 31 July 2016

22. PENSION SCHEMES (continued)

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	CUPF At 31 July 2016	LGPS At 31 July 2016	CUPF At 31 July 2015	LGPS At 31 July 2015
Pensioner – male	22.0	23.8	22.0	23.8
Pensioner - female	25.1	26.8	25.0	26.7
Non-pensioner (currently aged 45) - male	24.0	25.9	23.9	25.8
Non-pensioner (currently aged 45) - female	26.7	29.1	26.6	29.0

Scheme assets and expected rate of return

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

The assets in the scheme were:

	Fair value as at 31 July 2016		Fair value as at 31 July 2015	
	CUPF £m	LGPS £m	CUPF £m	LGPS £m
Equities	122.5	20.3	115.2	18.3
Bonds	62.1	4.3	52.7	3.4
Other	0.7	1.9	0.4	2.0
Total	185.3	26.5	168.3	23.7

	Year ended 31 July 2016		Year ended 31 July 2015	
	CUPF £m	LGPS £m	CUPF £m	LGPS £m
Analysis of the amount shown in the balance sheet:				
Scheme assets	185.3	26.5	168.3	23.7
Scheme liabilities	(233.0)	(39.3)	(196.0)	(35.0)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 20)	(47.7)	(12.8)	(27.7)	(11.3)
Current service cost	8.1	0.4	7.0	0.4
Administrative expenses	0.5	-	0.5	-
Total operating charge:	8.6	0.4	7.5	0.4
Analysis of the amount charged to interest payable/credited to other finance income				
Interest cost	1.0	0.4	0.9	0.5
Total profit and loss charge before deduction for tax	9.6	0.8	8.4	0.9
Analysis of other comprehensive income:				
Loss on liabilities	18.9	2.4	3.9	-
Total charge to other comprehensive income before deduction for tax	28.5	3.2	12.3	0.9

Notes to the Financial Statements
Year ended 31 July 2016

22. PENSION SCHEMES (continued)

	At 31 July		At 31 July	
	2016	2016	2015	2015
	CUPF	LGPS	CUPF	LGPS
	£m	£m	£m	£m
Analysis of movement in deficit				
Deficit at beginning of year	27.7	11.3	23.4	12.1
Contributions or benefits paid by the University	(8.5)	(1.7)	(8.0)	(1.7)
Current service cost	8.6	0.4	7.5	0.4
Other finance charge	1.0	0.4	0.9	0.5
Loss recognised in other comprehensive income	18.9	2.4	3.9	-
Deficit at end of year	47.7	12.8	27.7	11.3
Analysis of movement in the present value of liabilities				
Present value of liabilities at the start of the year	196.0	35.0	177.0	33.0
Current service cost (net of member contributions)	8.1	0.4	7.5	0.4
Actual member contributions (including notional contributions)	0.2	0.1	0.2	0.1
Interest cost	7.1	1.2	7.1	1.3
Actuarial loss/(gain)	28.0	4.0	10.7	1.5
Actual benefit payments	(6.4)	(1.3)	(6.5)	(1.3)
Present value of liabilities at the end of the year	233.0	39.4	196.0	35.0
Analysis of movement in the fair value of scheme assets				
Fair value of assets at the start of the year	168.3	23.7	153.6	20.9
Interest income on assets	6.1	0.8	6.2	0.8
Actuarial gain on assets	9.1	1.6	6.8	1.5
Actual contributions paid by University	8.5	1.7	8.0	1.7
Actual member contributions (including notional contributions)	0.2	0.1	0.2	0.1
Actual benefit payments	(6.9)	(1.3)	(6.5)	(1.3)
Fair value of scheme assets at the end of the year	185.3	26.6	168.3	23.7

CUPF and LGPS assets do not include any of the University's own financial instruments, or any property occupied by the University.

	CUPF	LGPS	CUPF	LGPS
	Year to	Year to	Year to	Year to
	31 July	31 July	31 July	31 July
	2016	2016	2015	2015
	£m	£m	£m	£m
Actual return on scheme assets				
Interest income on scheme assets	6.1	0.8	6.2	0.8
Asset gain	9.1	1.6	6.8	1.5
	15.2	2.4	13.0	2.3

Notes to the Financial Statements

Year ended 31 July 2016

23. CAPITAL COMMITMENTS

	2016 £000	2015 £000
Commitments contracted at 31 July	15,446	38,009

24. RELATED PARTY TRANSACTIONS

During the year, Cardiff University made a block grant payment of £2.67 million to the Cardiff University Students' Union. There are no other material related party transactions.

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. The University maintains a Register of Interests of members of Council and senior officers.

No council member has received any remuneration/ waived payments from the Group during the year.

25. POST BALANCE SHEET EVENTS

Compound Semiconductor Centre Limited

Since the year end, a further £0.132 million has been invested in Compound Semiconductor Centre Limited out of a total committed investment of £21 million. Additionally, a further £1.0 million loan has been extended to CSC Limited. This 50/50 joint venture with IQE Plc is integral to the establishment of the Institute for Compound Semiconductors to be based in the Translational Research Facility in Maindy Road.

26. TRANSITION TO FRS102 AND THE 2015 SORP

As explained in the accounting policies, this is the University's first financial information prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial information for the year ended 31 July 2015, and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Financial position	1 August 2014 £'000	31 July 2015 £'000
Total reserves under 2007 SORP including endowment funds and net of pension reserve	335,737	351,540
USS pension provision (i)	(23,472)	(45,421)
Revaluation of land and buildings (ii)	274,521	275,747
Grant income (iii)	123,181	125,464
Employee leave accrual (iv)	(7,391)	(7,680)
Current asset investments (v)	(707)	(2,763)
Total effect of transition to FRS 102	366,132	345,347
Total reserves under 2015 SORP	701,869	696,887

Notes to the Financial Statements
Year ended 31 July 2016

26. TRANSITION TO FRS102 AND THE 2015 SORP (continued)

	Year ended 31 July 2015 £'000
Financial performance	
Surplus for the year under 2007 SORP	21,720
USS pension provision (i)	(21,949)
Revaluation of land and buildings (ii)	1,226
Grant income (iii)	2,280
Employee leave accrual (iv)	(289)
Current asset investments (v)	(2,056)
Included in the STRGL under the 2007 SORP:	
Movement in fair value of endowments and investments	2,076
Actuarial loss on CUPF and LGPS	(7,990)
Total effect of transition to FRS 102	(26,702)
Total comprehensive income for the year under 2015 SORP	(4,982)

- (i) Under 2007 SORP USS was accounted for as a defined contribution scheme as permitted by FRS17 as it was not possible to identify the University's share of the underlying assets and liabilities. Under FRS102 the USS scheme is still accounted for as a defined contribution scheme, but the additional contracted contributions under the USS recovery plan to fund past deficits have been included as a provision.
- (ii) Under FRS 102 a one-off revaluation to fair value at the date of transition has been used as deemed cost without the requirement for future revaluations.
- (iii) The performance method has been adopted in relation to government grants in line with FRS102 requirements. Under previous UK GAAP, grants were accounted for under the accruals method.
- (iv) Under FRS102 there is a requirement to include an accrual for employee holiday pay.
- (v) Current asset investments have been restated to fair value where publicly traded and reliably measured in line with FRS102 requirements

Cash Flows

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents.

27. ACCESS FUNDS

	2016 £000	2015 £000
Balance brought forward 1 August	19	-
Funding Council grants	-	385
	19	385
Disbursed to students	(19)	(354)
Administration expenses	-	(12)
Balance unspent as at 31 July	-	19

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.