

**CARDIFF UNIVERSITY**

**FINANCIAL STATEMENTS FOR THE YEAR TO 31ST JULY, 2004**

**CONTENTS**

	PAGE
Treasurer's Report	2-3
Corporate Governance Statement	4
Responsibilities of the University's Council	5-6
Independent Auditors Report	7-8
Statement of Principal Accounting Policies	9-11
Consolidated Income and Expenditure Account & Statement of Historical Cost Surpluses and Deficits	12
Statement of Consolidated Total Recognised Gains and Losses	13
Balance Sheets	14-15
Consolidated Cash Flow Statement	16
Notes to the Financial Statements	17-40

Cardiff University is the public name of the University of Wales, Cardiff, a constituent institution of the University of Wales. All references to Cardiff University and the University in this publication refer to the University of Wales, Cardiff.

**TREASURER'S REPORT****Scope of the Financial Statements**

The Financial Statements for the year ended 31st July, 2004 consolidate the results of the University and its four subsidiary companies, Cardiff University Equipment Services Ltd, Cardiff University Properties Ltd, Cardiff University Residential Property Services Ltd and University College Cardiff Consultants Ltd.

**Results for the Year**

The University's consolidated income and expenditure results for the year to 31st July, 2004 are summarised as follows:

	<u>2003/04</u> £000	<u>2002/03</u> £000
Income	197,526	186,884
Expenditure	(191,721)	(176,791)
Surplus for the Year after Depreciation of Assets at Valuation and Taxation	5,805	10,093
Transfer from Accumulated Income Within Specific Endowments	<u>91</u>	<u>109</u>
Surplus for the Year Retained in General Reserves	<u>5,896</u>	<u>10,202</u>
Surplus Before Taxation for the Year on an Historical Cost Basis	<u>8,866</u>	<u>13,154</u>

Income has increased by M£10.6 (5.7%) compared to the previous year. This increase was attributable to an increase in the Higher Education Funding Council for Wales (HEFCW) grants of M£3.6 and a M£3.2 increase in tuition fee income particularly from overseas students. Income from research grants and contracts continues to increase year-on-year and reached over M£44 in the financial year.

Expenditure has increased by M£14.9 (8.4%) mainly due to an increase in staff costs reflecting an increase in staff numbers, inflation and incremental drift. Other operating expenses have increased by about M£4.6 partly reflecting one-off merger costs and increased long term maintenance spend.

**Investment Performance & Cash Flow**

Cash balances are administered in accordance with the University's Treasury Management Policy. The University's cash investments have under-performed by reference to the agreed market comparators during 2003/04 although since inception of the funds, cash investments have out-performed those comparators.

The consolidated cash flow statement shows a net cash inflow from operating activities of M£12.9. There was a net decrease in cash of K£913 after taking account of capital expenditure, financial investment and financing.

**Pension Schemes**

The combined deficit on the Cardiff University Pension Fund (CUPF) and the Local Government Scheme (LGS) as calculated for the purposes of FRS 17 was M£25.1 as at 31st July 2004 (M£23.5 at 31st July 2003).

Continuing stock market uncertainty underlies the basic situation while actuarial factors have a further significant influence. These deficits should be seen in the context of general reserves of M£110.5. Under the present accounting standards, deficits as calculated for the purpose of FRS 17 are not required to be incorporated into financial results as such.

**Future Developments**

On 1st December 2004, Cardiff University merged with the University of Wales College of Medicine, the two institutions having worked in association since 1st August 2004. The merger marks a major step forward in Cardiff University's vision to achieve World Class status, pursuing both research and teaching of the highest quality. Applications for student places continue to increase, as does the University's research activity.

**TREASURER'S REPORT - Continued**

**Future Developments (Continued)**

The University's continued success requires significant investment to be made in its academic infrastructure. Consequently, a major capital programme is taking place which includes the completion of a planned new M£16 building for the Cardiff School of Optometry and Vision Sciences and the purchase of land to facilitate future building developments.

While the University cash balances remain strong the effect of the above investment, together with increased investment in academic staff appointments brought about through the merger process, will reduce significantly the short-term deposits in the balance sheet in future years.

**Conclusion**

The Financial Statements continue to display a satisfactory state of affairs, embodying as they do a substantial financial strength as the University moves forward to an era of challenge and opportunity following merger.

R D Gagg  
Treasurer

Date 17th December, 2004

**CORPORATE GOVERNANCE STATEMENT**

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the Financial Statements understand how the principles have been applied.

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

The Council has an ongoing process for identifying, evaluating and managing the University's significant risks that has been in operation for the whole of the year ended 31st July 2004. The Council agenda includes a regular report which includes sections on risk management, control and compliance that accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

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

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

The Nominations Committee seeks out and recommends new lay and co-opted members to serve on Council itself, and its sub-committees, in the light of the optimum skills and competencies required. Lay members form the majority of Council members.

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

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

The major issue facing the University during 2003/04 was the merger with UWCM and which is noted in the Treasurer's Report. To act on behalf of the Councils of the University and UWCM in taking forward the merger, a Merger Commission was created. The Commission considered all matters relating to the management, regulation and constitution of the merged institution and determined the policies and procedures to be operated in the merged institution from August 2004. The Chair of the Commission was a former member of Council of both Cardiff University and UWCM, while membership included the Chairs of Council, Vice-Chancellors and Student Presidents of both institutions together with two lay members who were not lay members of either Council. All lay members on the Merger Commission were appointed on the advice of the Nominations Committees of both institutions.

**RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL**

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

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

In causing the Financial Statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Financial Statements are prepared on the going concern basis. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Financial Statements.

The Council has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic 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;

**RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL - Continued**

- 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;
- 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, only provide reasonable, but not absolute, assurance against material misstatement or loss.

By Order of the Council

Dr David Grant  
Accounting Officer

Date 17th December, 2004

**INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF CARDIFF UNIVERSITY**

We have audited the Financial Statements for the year ended 31st July, 2004 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the Statement of Accounting Policies.

**Respective Responsibilities of the University Council and the Auditors**

As described in the Statement of Responsibilities of the University's Council, the Council is responsible for the preparation of the Financial Statements in accordance with the Accounts Direction issued by the HEFCW, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the University Council and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Accounts Direction issued by the HEFCW and the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the Financial Memorandum with the HEFCW.

We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the Financial Statements or if we have not received all the information and explanations we require for our audit.

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

**Basis of Audit Opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the HEFCW. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the University Council in the preparation of the Financial Statements, and whether the accounting policies are appropriate to the University's circumstances, consistently applied and disclosed.

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

**Opinion**

In our opinion:

- i. the Financial Statements give a true and fair view of the state of affairs of the University as at 31st July, 2004 and of its surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended, and have been properly prepared in accordance with the Accounts Direction issued by the HEFCW and the Statement of Recommended Practice – Accounting for Further and Higher Education;

**INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF CARDIFF UNIVERSITY -  
Continued**

- ii. in all material respects, income from HEFCW, grants and income for specific purposes and from other restricted funds from whatever source administered by the University have been applied only for the purpose for which they were received;
- iii. in all material respects, income has been applied in accordance with the University's statutes and where appropriate with the Financial Memorandum with HEFCW.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cardiff

Date 17th December, 2004

**Notes**

- (a) The maintenance and integrity of the Cardiff University website is the responsibility of the University 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 Financial Statements may differ from legislation in other jurisdictions.

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES****Basis of Preparation**

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

**Basis of Accounting**

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

**Basis of Consolidation**

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

**Recognition of Income**

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

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

**Provision for Doubtful Debts**

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

**Pension Schemes**

Pension costs have been accounted for in accordance with SSAP24, Accounting for Pension Costs.

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Wales, Cardiff University Pension Fund (CUPF) and the Local Government Scheme (LGS). The schemes are defined-benefit schemes which are externally-funded and contracted out of the State Earnings-Related Pension Scheme. The Funds are valued every three years by actuaries using either the aggregate method or the attained-age method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the Schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services.

Variations from regular cost are spread over the expected average remaining working lifetime of Members of the Schemes after making allowances for future withdrawals. A small number of staff remain in other pension schemes.

The transitional measures of FRS17 retirement benefits have continued to be applied for the year ended 31st July 2004.

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES - Continued****Foreign Currencies**

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

**Leases**

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

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

**Land and Buildings**

The University has complied with the provisions of FRS15 Tangible Fixed Assets and has retained Land and Buildings at their net book value (subject to the requirement to review annually for impairment). The last valuation was in July 1998 by Gerald Eve, Chartered Surveyors.

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

Buildings are depreciated over their expected useful lives of 50 years and leasehold land over the life of the lease up to a maximum of 50 years. Major refurbishments with a capital cost of over M£¼ that enhance the value of buildings are capitalised and depreciated over 15 years.

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

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

**Equipment**

Equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

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

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

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

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES - Continued****Capital grants and contributions**

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

**Investments**

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

**Stocks**

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

**Maintenance of Premises**

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

**Taxation Status**

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

**Deferred Taxation**

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

**Cash and Liquid Resources**

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

**Provisions**

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

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT****For the Year Ended 31st July, 2004**

	Note	<u>2003/04</u> £000	<u>2002/03</u> £000 Restated
<b>INCOME</b>			
Funding Council Grants	1	80,389	76,833
Tuition Fees and Support Grants	2	43,671	40,445
Research Grants and Contracts	3	44,219	42,855
Other Operating Income	4	26,311	23,846
Endowment Income and Interest Receivable	5	<u>2,936</u>	<u>2,905</u>
Total Income		<u>197,526</u>	<u>186,884</u>
<b>EXPENDITURE</b>			
Staff Costs	6	110,265	99,989
Other Operating Expenses	7	70,927	66,372
Depreciation	11	8,675	8,397
Interest Payable and Similar Charges	8	<u>1,854</u>	<u>2,033</u>
Total Expenditure	9	<u>191,721</u>	<u>176,791</u>
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Taxation		5,805	10,093
Transfer from accumulated income within specific endowments		<u>91</u>	<u>109</u>
Surplus for the year retained in general reserves	23	<u>5,896</u>	<u>10,202</u>

**STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS****For the Year Ended 31st July, 2004**

	Note	<u>2003/04</u> £000	<u>2002/03</u> £000
Surplus on Continuing Operations Before Taxation		5,805	10,093
Difference Between an Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	22	<u>3,061</u>	<u>3,061</u>
Historical Cost Surplus Before Taxation		<u>8,866</u>	<u>13,154</u>
Historical Cost Surplus After Taxation		<u>8,866</u>	<u>13,154</u>

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES****For the Year Ended 31st July, 2004**

	<u>Note</u>	<u>2003/04</u> £000	<u>2002/03</u> £000 Restated
Surplus on Continuing Operations After Depreciation of Assets at Valuation, Disposal of Assets and Taxation		5,805	10,093
New Endowments	21	140	4
Appreciation/(Devaluation) of Endowment Asset Investments	21	<u>190</u>	<u>17</u>
Total Recognised Gains Relating to the Year		<u>6,135</u>	<u>10,114</u>
Reconciliation:			
Opening Reserves and Endowments		213,079	202,965
Total Recognised Gains and Losses for the Year		<u>6,135</u>	<u>10,114</u>
Closing Reserves and Endowments		<u>219,214</u>	<u>213,079</u>

**BALANCE SHEETS AS AT 31ST JULY, 2004**

		<u>Consolidated</u>		<u>University</u>	
	Note	<u>2004</u> £000	<u>2003</u> £000	<u>2004</u> £000	<u>2003</u> £000
<b>FIXED ASSETS</b>					
Tangible Assets	11	238,784	240,911	238,784	240,911
Investments	12	<u>46</u>	<u>76</u>	<u>216</u>	<u>216</u>
		<u>238,830</u>	<u>240,987</u>	<u>239,000</u>	<u>241,127</u>
<b>ENDOWMENT INVESTMENTS</b>	13	<u>7,870</u>	<u>7,632</u>	<u>7,870</u>	<u>7,632</u>
<b>CURRENT ASSETS</b>					
Stocks	14	188	164	188	164
Debtors	15	16,987	15,116	17,577	15,862
Short-Term Deposits		78,613	64,854	78,483	64,684
Cash at Bank and in Hand		<u>350</u>	<u>1,263</u>	<u>350</u>	<u>1,263</u>
		96,138	81,397	96,598	81,973
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	<u>(22,713)</u>	<u>(23,285)</u>	<u>(22,980)</u>	<u>(23,638)</u>
<b>NET CURRENT ASSETS</b>		<u>73,425</u>	<u>58,112</u>	<u>73,618</u>	<u>58,335</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		320,125	306,731	320,488	307,094
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	<u>(22,298)</u>	<u>(23,698)</u>	<u>(22,298)</u>	<u>(23,698)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	<u>(2,539)</u>	<u>(2,902)</u>	<u>(2,539)</u>	<u>(2,902)</u>
<b>OTHER DEFERRED INCOME</b>	19	<u>(11,084)</u>	<u>(7,645)</u>	<u>(11,084)</u>	<u>(7,645)</u>
<b>TOTAL NET ASSETS</b>		<u>284,204</u>	<u>272,486</u>	<u>284,567</u>	<u>272,849</u>

**BALANCE SHEETS AS AT 31ST JULY, 2004 - Continued**

		<u>Consolidated</u>		<u>University</u>	
	Note	<u>2004</u> £000	<u>2003</u> £000	<u>2004</u> £000	<u>2003</u> £000
DEFERRED CAPITAL GRANTS	20	64,990	59,407	64,990	59,407
ENDOWMENTS					
Specific	21	7,427	7,201	7,426	7,201
Appeal	21	37	36	38	36
General	21	<u>406</u>	<u>395</u>	<u>406</u>	<u>395</u>
		<u>7,870</u>	<u>7,632</u>	<u>7,870</u>	<u>7,632</u>
RESERVES					
Revaluation Reserve	22	100,879	103,939	100,879	103,939
Income and Expenditure Reserves	23	<u>110,465</u>	<u>101,508</u>	<u>110,828</u>	<u>101,871</u>
		<u>211,344</u>	<u>205,447</u>	<u>211,707</u>	<u>205,810</u>
TOTAL FUNDS		<u>284,204</u>	<u>272,486</u>	<u>284,567</u>	<u>272,849</u>

The Financial Statements on pages 9 to 40 were approved by the Council on 17th December, 2004, and signed on its behalf by:

Dr DAVID GRANT, Vice-Chancellor

R D GAGG, Treasurer

D M DAVIES, Director of Finance

Cardiff University

**CONSOLIDATED CASH FLOW STATEMENT****For the Year Ended 31st July, 2004**

	<u>Note</u>	<u>2003/04</u> £000	<u>2002/03</u> £000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	27	12,903	15,584
Returns on Investments and Servicing of Finance	28	116	1,548
Capital Expenditure and Financial Investment	29	1,192	(14,366)
Management of Liquid Resources	30	(13,759)	(1,441)
Financing	31	<u>(1,365)</u>	<u>(1,337)</u>
<b>Decrease in Cash in the Period</b>	32	<u><u>(913)</u></u>	<u><u>(12)</u></u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
Decrease in Cash in the Period	32	(913)	(12)
Cash Outflow from Liquid Resources	32	13,759	1,441
Cash Outflow from Decrease in Debt	32	<u>1,365</u>	<u>1,337</u>
Change in Net Funds Resulting from Cash Flows and Movement in Net Funds	32	14,211	2,766
Net Funds at 1st August		<u>41,054</u>	<u>38,288</u>
Net Funds at 31st July		<u><u>55,265</u></u>	<u><u>41,054</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

<b>1. FUNDING COUNCIL GRANTS</b>	<u>2003/04</u>	<u>2002/03</u>
	£000	£000
Recurrent Grant	72,527	70,901
Specific Grants		
Academic Infrastructure	2,574	1,219
Learning & Teaching Support	1,260	1,316
Science Research Investment Fund	269	342
Higher Education Economic Development	739	920
Supplementary Funds	298	-
Other	618	509
Deferred Capital Grants Released in Year		
Buildings (Note 20)	1,771	1,302
Equipment (Note 20)	<u>333</u>	<u>324</u>
	<u>80,389</u>	<u>76,833</u>
<b>2. TUITION FEES AND SUPPORT GRANTS</b>	<u>2003/04</u>	<u>2002/03</u>
	£000	£000
Full-time UK students charged home fees	18,126	16,985
Full-time European Union (EU) students charged home fees	1,405	1,666
Full-time non-EU students charged overseas fees	17,115	15,793
Part-time fees	1,687	1,464
Research Training Support Grants	1,087	795
Non-Credit-Bearing Fees	<u>4,251</u>	<u>3,742</u>
	<u>43,671</u>	<u>40,445</u>
<b>3. RESEARCH GRANTS AND CONTRACTS</b>	<u>2003/04</u>	<u>2002/03</u>
	£000	£000
Research Councils	14,015	11,775
UK Based Charities	7,591	6,707
UK Govt, Local and Health Authorities	10,364	9,066
UK Limited Companies and Public Corps.	4,749	4,682
European Commission and Other	2,737	2,334
Overseas	953	994
Joint and Strategic Research Infrastructure Funding	1,389	4,720
Other	<u>2,421</u>	<u>2,577</u>
	<u>44,219</u>	<u>42,855</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

4. OTHER OPERATING INCOME	<u>2003/04</u> £000	<u>2002/03</u> £000
Residences, Catering and Conferences	14,358	14,290
Other Services Rendered	6,992	6,420
Released from Deferred Capital Grants (Note 20)	55	55
Rents Receivable	78	21
Exempt VAT Recoverable	378	414
Postgraduate Awards	13	11
Donations and Subventions	166	93
Other Income	<u>4,271</u>	<u>2,542</u>
	<u>26,311</u>	<u>23,846</u>

5. ENDOWMENT INCOME AND INTEREST RECEIVABLE	<u>2003/04</u> £000	<u>2002/03</u> £000 Restated
Income from Specific Endowments (Note 21)	298	186
Transferred from Appeal Endowments (Note 21)	-	4
Income from General Endowment Asset Investments (Note 21)	9	9
Interest Receivable	<u>2,629</u>	<u>2,706</u>
	<u>2,936</u>	<u>2,905</u>

Income transferred from Specific Endowments in 2002/03 of K£109 previously included within Endowment Income and Interest Receivable has been reanalysed into a separate line in the Consolidated Income and Expenditure Account and the comparative figure has been restated accordingly.

6. STAFF	<u>2003/04</u> £000	<u>2002/03</u> £000
Staff Costs:		
Wages and Salaries	90,825	82,904
Social Security Costs	7,396	6,281
Other Pension Costs (Note 33)	<u>12,044</u>	<u>10,804</u>
	<u>110,265</u>	<u>99,989</u>
Emoluments of the Vice-Chancellor – Salary	146	141
Pension Contribution	<u>14</u>	<u>14</u>
	<u>160</u>	<u>155</u>

No benefits in kind were payable to the Vice-Chancellor.

Average Staff Numbers by Major Category:	<u>Number</u>	<u>Number</u>
Academic and Academic-Related	2,024	1,937
Technical	255	254
Clerical	744	691
Other	<u>292</u>	<u>279</u>
	<u>3,315</u>	<u>3,161</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****6. STAFF (Continued)**

Remuneration of Higher-Paid Staff including the Vice-Chancellor,  
including employers' pension costs:

	<u>Number</u>	<u>Number</u>
£70,000-£79,999	58	30
£80,000-£89,999	20	14
£90,000-£99,999	4	-
£100,000-£119,999	4	4
£120,000-£159,999	1	1

**7. OTHER OPERATING EXPENSES**

	<u>2003/04</u> £000	<u>2002/03</u> £000
Consumables and Laboratory Expenditure	11,831	10,964
Research Grants and Contracts	19,552	19,839
Residences, Catering and Conferences Operating Expenses	7,171	7,916
Books and Periodicals	2,572	2,478
Heat, Light, Water and Power	2,456	2,058
Repairs and General Maintenance	2,131	1,447
Long-Term Maintenance	3,529	1,989
Grants to University Students' Union	1,700	1,666
Other Services Rendered	2,818	2,805
Cost of Early Retirements	848	357
Equipment	1,890	1,929
Auditors' Remuneration – Audit Services (University K£23, 2002 K£22)	27	26
Auditors' Remuneration in Respect of Non-Audit Services (i)	31	26
Academic Support Services Other Expenses	3,918	3,704
General Education Other Expenses	1,485	1,466
Premises Other Expenses	3,271	3,094
Administrative Support Other Expenses	4,321	3,020
Other Expenses	<u>1,376</u>	<u>1,588</u>
	<u>70,927</u>	<u>66,372</u>

(i) Charges Rendered for the audit of Grant Certificates and taxation.

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2003/04</u> £000	<u>2002/03</u> £000
Debentures and Other Loans: Repayable wholly in more than 5 years	<u>1,854</u>	<u>2,033</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****9. ANALYSIS OF 2003/04 EXPENDITURE BY ACTIVITY**

	Staff Costs £000	Other Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	64,406	11,831	-	76,237
Academic Services	8,260	6,490	-	14,750
Research Grants and Contracts	18,290	19,552	-	37,842
Residences, Catering and Conferences Premises	3,373	7,171	1,854	12,398
Administration	3,042	11,387	-	14,429
Other Expenses	9,277	4,360	-	13,637
	<u>3,617</u>	<u>10,136</u>	<u>-</u>	<u>13,753</u>
	<u>110,265</u>	<u>70,927</u>	<u>1,854</u>	183,046
Depreciation (Note 11)				<u>8,675</u>
Total per Income and Expenditure Account				<u>191,721</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 20)	2,159
Revaluation Reserve Released (Note 22)	3,061
General Income	<u>3,455</u>
	<u>8,675</u>

**10. SURPLUS ON CONTINUING OPERATIONS FOR THE PERIOD**

The surplus on continuing operations for the period is made up as follows:

	<u>2003/04</u> £000	<u>2002/03</u> £000
University Surplus for the Period	5,896	8,328
Surplus/(Deficit) Generated by Subsidiary Undertakings and Transfers to the University Under Deeds of Covenant	<u>-</u>	<u>1,874</u>
	<u>5,896</u>	<u>10,202</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

11. TANGIBLE FIXED ASSETS	<u>Consolidated</u>				
	<u>Land and Buildings</u>		Assets in Course of Construction £000	Equipment £000	Total £000
	Freehold £000	Long Leasehold £000			
<u>Valuation/Cost</u>					
At 1st August, 2003					
Valuation	122,135	101,265	-	-	223,400
Cost	18,431	5,303	19,442	31,722	74,898
Additions	-	-	4,187	2,361	6,548
Disposals (i)	-	-	-	(5,424)	(5,424)
Projects Completed	<u>4,408</u>	<u>15,601</u>	<u>(20,009)</u>	<u>-</u>	<u>-</u>
At 31st July, 2004					
Valuation	122,135	101,265	-	-	223,400
Cost	<u>22,839</u>	<u>20,904</u>	<u>3,620</u>	<u>28,659</u>	<u>76,022</u>
<u>Depreciation</u>					
At 1st August, 2003	15,476	13,238	-	28,673	57,387
Charge for year	3,427	3,245	-	2,003	8,675
Eliminated on Disposals (i)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,424)</u>	<u>(5,424)</u>
At 31st July, 2004	<u>18,903</u>	<u>16,483</u>	<u>-</u>	<u>25,252</u>	<u>60,638</u>
<u>Net Book Value</u>					
At 31st July, 2004	<u>126,071</u>	<u>105,686</u>	<u>3,620</u>	<u>3,407</u>	<u>238,784</u>
At 31st July, 2003	<u>125,090</u>	<u>93,330</u>	<u>19,442</u>	<u>3,049</u>	<u>240,911</u>
Financed By:					
Funding Council	39,949	20,472	2,319	288	63,028
Endowments/Donations	869	1,093	-	-	1,962
Loan	20,757	5,594	-	-	26,351
Revaluation	36,038	60,075	-	-	96,113
Other	<u>28,458</u>	<u>18,452</u>	<u>1,301</u>	<u>3,119</u>	<u>51,330</u>
Net Book Value At 31st July 2004	<u>126,071</u>	<u>105,686</u>	<u>3,620</u>	<u>3,407</u>	<u>238,784</u>

Notes:

- (i) Disposal of equipment is assumed after 10 years.
- (ii) Certain buildings have been funded from Treasury sources at a cost of K£74,543 (2003 K£71,339). Should these particular buildings be sold, the University would use the proceeds in accordance with the Financial Memorandum with HEFCW.
- (iii) The last valuation was undertaken by Gerald Eve, Chartered Surveyors as at the 31st July, 1998. In accordance with the University's accounting policy, no further valuations are due.

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

11. TANGIBLE FIXED ASSETS (Continued)	University						Total £000
	Land and Buildings		Assets in Course of Construction £000	Equipment £000	Leased Equipment £000		
	Freehold £000	Long Leasehold £000					
<u>Valuation/Cost</u>							
At 1st August, 2003							
Valuation	122,135	101,265	-	-	-		223,400
Cost	18,431	5,303	19,442	19,102	12,620		74,898
Additions	-	-	4,187	2,361	-		6,548
Disposals (i)	-	-	-	(1,943)	(3,481)		(5,424)
Projects Completed	<u>4,408</u>	<u>15,601</u>	<u>(20,009)</u>	<u>-</u>	<u>-</u>		<u>-</u>
At 31st July, 2004							
Valuation	122,135	101,265	-	-	-		223,400
Cost	<u>22,839</u>	<u>20,904</u>	<u>3,620</u>	<u>19,520</u>	<u>9,139</u>		<u>76,022</u>
<u>Depreciation</u>							
At 1st August, 2003	15,476	13,238	-	16,053	12,620		57,387
Charge for year	3,427	3,245	-	2,003	-		8,675
Eliminated on Disposals (i)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,943)</u>	<u>(3,481)</u>		<u>(5,424)</u>
At 31st July, 2004	<u>18,903</u>	<u>16,483</u>	<u>-</u>	<u>16,113</u>	<u>9,139</u>		<u>60,638</u>
<u>Net Book Value</u>							
At 31st July, 2004	<u>126,071</u>	<u>105,686</u>	<u>3,620</u>	<u>3,407</u>	<u>-</u>		<u>238,784</u>
At 31st July, 2003	<u>125,090</u>	<u>93,330</u>	<u>19,442</u>	<u>3,049</u>	<u>-</u>		<u>240,911</u>
Financed By:							
Funding Council	39,949	20,472	2,319	288	-		63,028
Endowments/Donatns	869	1,093	-	-	-		1,962
Loan	20,757	5,594	-	-	-		26,351
Revaluation	36,038	60,075	-	-	-		96,113
Other	<u>28,458</u>	<u>18,452</u>	<u>1,301</u>	<u>3,119</u>	<u>-</u>		<u>51,330</u>
Net Book Value At 31st July 2004	<u>126,071</u>	<u>105,686</u>	<u>3,620</u>	<u>3,407</u>	<u>-</u>		<u>238,784</u>

Notes:

- (i) Disposal of equipment is assumed after 10 years.
- (ii) Certain buildings have been funded from Treasury sources at a cost of K£74,543 (2003 K£71,339). Should these particular buildings be sold, the University would use the proceeds in accordance with the Financial Memorandum with HEFCW.
- (iii) The last valuation was undertaken by Gerald Eve, Chartered Surveyors as at the 31st July, 1998. In accordance with the University's accounting policy, no further valuations are due.

**NOTES TO THE FINANCIAL STATEMENTS - Continued****12. INVESTMENTS**

	<u>Consolidated</u>			<u>University</u>		
	Investments In Subsidiary Undertakings £000	Other Invest- ments £000	Total £000	Investments In Subsidiary Undertakings £000	Other Invest- ments £000	Total £000
<u>Investments at cost</u>						
At 1st August	-	76	76	171	45	216
Written off	-	(30)	(30)	-	-	-
At 31st July, 2004	-	<u>46</u>	<u>46</u>	<u>171</u>	<u>45</u>	<u>216</u>

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

<u>Name of Undertaking</u>	<u>Principal Business Activities</u>
Cardiff University Equipment Services Limited	Lessor of finance leases
Cardiff University Properties Limited	Lease and leaseback of property and property development
Cardiff University Residential Property Services Limited	Property management.

University College Cardiff Consultants Ltd (UC3)

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

Welsh Networking Limited

The University owns a 10% interest in Welsh Networking Limited, a company that commenced activity in 2001 to provide high bandwidth networking facilities to educational institutions in South and West Wales. This company is not consolidated.

Cardiff Partnership Fund Limited

The University owns a 70% 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 rests with an independent board. This investment was fully provided for in 2001.

**NOTES TO THE FINANCIAL STATEMENTS - Continued****13. ENDOWMENT INVESTMENTS**Consolidated and University

	<u>2004</u> £000	<u>2003</u> £000
Balance at 1st August	7,632	7,731
Additions	711	283
Disposals	(662)	(399)
Appreciation	<u>189</u>	<u>17</u>
Balance at 31st July	<u>7,870</u>	<u>7,632</u>
Represented by:		
Fixed Interest Stocks	1,102	1,534
Equities	4,992	4,727
Bank Balances	<u>1,776</u>	<u>1,371</u>
Total Endowment Asset Investments	<u>7,870</u>	<u>7,632</u>
Fixed Interest Stocks and Equities at Cost	<u>5,709</u>	<u>6,077</u>

All endowment investments are listed.

**NOTES TO THE FINANCIAL STATEMENTS - Continued****14. STOCKS**Consolidated and University

	<u>2004</u> £000	<u>2003</u> £000
Residences and Catering	100	86
Maintenance	<u>88</u>	<u>78</u>
	<u>188</u>	<u>164</u>

**15. DEBTORS**ConsolidatedUniversity

	<u>2004</u> £000	<u>2003</u> £000	<u>2004</u> £000	<u>2003</u> £000
Amounts falling due within one year:				
Amounts owed by subsidiary undertakings	-	-	882	833
Debtors	16,854	15,001	16,562	14,914
Prepayments	<u>133</u>	<u>115</u>	<u>133</u>	<u>115</u>
	<u>16,987</u>	<u>15,116</u>	<u>17,577</u>	<u>15,862</u>
Included in the above are amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>Consolidated</u>		<u>University</u>	
	<u>2004</u> £000	<u>2003</u> £000	<u>2004</u> £000	<u>2003</u> £000
Trade Creditors	4,738	5,422	4,468	5,361
Sundry Creditors	2,041	1,637	2,041	1,637
Social Security and Other Taxation Payable	2,501	2,308	2,425	2,238
Accruals and Deferred Income (ii)	4,604	5,613	4,602	5,609
Research Grants and Contracts in Advance (i)	7,429	6,940	7,429	6,940
Royal Bank of Scotland Loan (Note 17(i))	500	500	500	500
Midland Bank Loan (Note 17(ii))	750	750	750	750
Lloyds Bank Loan (Note 17(iii))	150	115	150	115
Amounts Owed to Subsidiary Undertakings	-	-	615	488
	<u>22,713</u>	<u>23,285</u>	<u>22,980</u>	<u>23,638</u>

- (i) Includes K£NIL (2003 K£190) of unutilised Strategic Research Infrastructure Funding.  
(ii) Includes the following unutilised landfill tax credit income provided via ENTRUST:

	£'000
Fund balance at 1st August 2003	690
Funds received	11
Interest income	<u>23</u>
	724
Total expenditure	<u>(412)</u>
Fund balance at 31st July 2004	<u>312</u>

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>Consolidated</u>		<u>University</u>	
	<u>2004</u> £000	<u>2003</u> £000	<u>2004</u> £000	<u>2003</u> £000
Royal Bank of Scotland Loan (i)	3,500	4,000	3,500	4,000
Midland Bank Loan (ii)	2,063	2,812	2,063	2,812
Lloyds Bank Loan (iii)	<u>16,735</u>	<u>16,886</u>	<u>16,735</u>	<u>16,886</u>
	<u>22,298</u>	<u>23,698</u>	<u>22,298</u>	<u>23,698</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****17. CREDITORS: AMOUNTS FALLING DUE  
AFTER MORE THAN ONE YEAR (Continued)**

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

Within one year	K£500
Between two and five years	K£2,000
Over five years	K£1,500

Interest is payable on the loan at LIBOR plus 0.875% and is charged to Interest Payable (Note 8).

- (ii) Midland Bank PLC originally advanced M£7.5 to the University to partially finance the cost of certain student residences. The loan is secured on Talybont North and is repayable by 31st March, 2008 by equal annual instalments of M£0.75 as follows:

Within one year	K£750
Between two and five years	K£2,063

Interest is payable on the loan at 7.75% and is charged to Interest Payable (Note 8).

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

Within one year	K£150
Between two and five years	K£1,031
Over five years	K£15,704

Interest is payable on the loan at 8.868% and is charged to Interest Payable (Note 8).

**18. PROVISIONS FOR LIABILITIES AND CHARGES****Consolidated and University**

At 1st August, 2003  
Utilised in Year

Total £000
2,902
<u>(363)</u>

At 31st July, 2004

<u>2,539</u>
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The Pension Fund provision for the LGS Scheme (K£530, 2003 K£606) was set aside to meet the anticipated actuarial deficiency estimated on the members accrued benefits at the March 1998 actuarial valuation.

The Pension Fund provision for the CUPF Scheme (K£2,009, 2003 K£2,296) was set aside to meet the anticipated actuarial deficiency estimated on the members accrued benefits at the July 1996 valuation.

Both provisions are being released over the estimated remaining working lives of the employees within each scheme.

**NOTES TO THE FINANCIAL STATEMENTS - Continued****19. OTHER DEFERRED INCOME****Consolidated and University**

	<u>2004</u> £000	<u>2003</u> £000
Deferred VAT Credit	31	1,596
Academic Infrastructure Grants	400	891
Science Research Investment Fund	7,007	4,011
Learning & Teaching Support Grants	993	692
Merger Fund	2,144	-
Student Fees Received in Advance	509	450
Residences Deferred Income	-	<u>5</u>
	<u>11,084</u>	<u>7,645</u>

**20. DEFERRED CAPITAL GRANTS****Consolidated and University**

	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1st August, 2003			
Buildings	56,808	2,017	58,825
Equipment	<u>582</u>	<u>-</u>	<u>582</u>
Total	<u>57,390</u>	<u>2,017</u>	<u>59,407</u>
Cash Received			
Buildings	7,703	-	7,703
Equipment	<u>39</u>	<u>-</u>	<u>39</u>
Total	<u>7,742</u>	<u>-</u>	<u>7,742</u>
Released to Income and Expenditure			
Buildings (Note 1/Note 4)	(1,771)	(55)	(1,826)
Equipment (Note 1)	<u>(333)</u>	<u>-</u>	<u>(333)</u>
Total (Note 9)	<u>(2,104)</u>	<u>(55)</u>	<u>(2,159)</u>
At 31st July, 2004			
Buildings	62,740	1,962	64,702
Equipment	<u>288</u>	<u>-</u>	<u>288</u>
Total	<u>63,028</u>	<u>1,962</u>	<u>64,990</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****21. ENDOWMENTS****Consolidated and University**

	Specific £000	Appeal £000	General £000	Total £000
At 1st August, 2003 (Note 13)	7,201	36	395	7,632
Additions	140	-	-	140
Appreciation of Endowment Asset Investments	178	1	11	190
Income for Year (Note 5)	298	-	9	307
Transferred to Income and Expenditure Account	<u>(390)</u>	<u>-</u>	<u>(9)</u>	<u>(399)</u>
At 31st July, 2004 (Note 13)	<u>7,427</u>	<u>37</u>	<u>406</u>	<u>7,870</u>
Representing:				
Chairs	597			
Museum Research and Lectures	273			
Prizes and Medals	765			
Tithe Fund	508			
Student Amenities	59			
Scholarships	3,395			
John Bird Fund	460			
Miscellaneous Funds	<u>1,370</u>			
	<u>7,427</u>			

**22. REVALUATION RESERVE****Consolidated and University**

	<u>2004</u> £000	<u>2003</u> £000
<u>Revaluations</u>		
At 1st August and 31st July	<u>125,979</u>	<u>125,979</u>
<u>Contributions to Depreciation</u>		
At 1st August	(22,039)	(18,979)
Released in Year (Note 9/Note 23)	<u>(3,061)</u>	<u>(3,061)</u>
At 31st July	<u>(25,100)</u>	<u>(22,040)</u>
<u>Net Revaluation Amount</u>		
At 31st July	<u>100,879</u>	<u>103,939</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

23. INCOME AND EXPENDITURE RESERVES	<u>Consolidated</u>		
	Income and Expenditure A/C £000	Unexpended Balances £000	Total £000
At 1st August, 2003	45,553	55,955	101,508
Surplus for the Year	5,896	-	5,896
Movement on Reserves	(6,526)	6,526	-
Transfer from Revaluation Reserve to Income and Expenditure Account (Note 22)	<u>3,061</u>	<u>-</u>	<u>3,061</u>
At 31st July, 2004	<u>47,984</u>	<u>62,481</u>	<u>110,465</u>

  

	<u>University</u>		
	Income and Expenditure A/C £000	Unexpended Balances £000	Total £000
At 1st August, 2003	45,906	55,965	101,871
Surplus for the Year	5,896	-	5,896
Movement on Reserves	(6,526)	6,526	-
Transfers from Revaluation Reserve to Income and Expenditure Account (Note 22)	<u>3,061</u>	<u>-</u>	<u>3,061</u>
At 31st July, 2004	<u>48,337</u>	<u>62,491</u>	<u>110,828</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****24. LEASE OBLIGATIONS**Consolidated and University

	<u>2004</u> £000	<u>2003</u> £000
Operating lease commitments for the 2004/2005 financial year, on leases expiring: Over five years	<u>10</u>	<u>10</u>

**25. CAPITAL COMMITMENTS**Consolidated and University

	<u>2004</u> £000	<u>2003</u> £000
Commitments contracted at 31st July	<u>29,730</u>	<u>3,591</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****26. CONTINGENT LIABILITIES**

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

**27. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM CONTINUING OPERATING ACTIVITIES**

	<u>2003/04</u> £000	<u>2002/03</u> £000
CONTINUING OPERATIONS		
Surplus before taxation	5,805	10,093
Depreciation (Note 11)	8,675	8,397
Deferred Capital Grants released to Income (Note 20)	(2,159)	(1,681)
Investment Income (Note 5)	(2,936)	(2,905)
Interest Payable (Note 8)	1,854	2,033
(Increase)/Decrease in Stocks (Note 14)	(24)	21
(Increase)/Decrease in Debtors	(959)	440
(Decrease) in Creditors	(429)	(2,046)
(Decrease) in Provisions	(363)	(362)
Increase in Deferred Income	<u>3,439</u>	<u>1,594</u>
Net Cash Inflow from Operating Activities	<u>12,903</u>	<u>15,584</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****28. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	<u>2003/04</u> £000	<u>2002/03</u> £000
Income from Endowments	307	188
Interest Received	1,680	3,351
Interest Paid	<u>(1,871)</u>	<u>(1,991)</u>
Net Cash Inflow from Returns on Investments and Servicing of Finance	<u>116</u>	<u>1,548</u>

**29. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	<u>2003/04</u> £000	<u>2002/03</u> £000
Payments to Acquire Tangible Assets	(6,641)	(18,978)
Payments to Acquire Endowment Investments	<u>(711)</u>	<u>(283)</u>
Total Payments to Acquire Fixed and Other Investments	(7,352)	(19,261)
Receipts from Sales of Endowment Assets	662	399
Deferred Capital Grants Received (Note 20)	7,742	4,492
Endowments Received (Note 21)	<u>140</u>	<u>4</u>
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment	<u>1,192</u>	<u>(14,366)</u>

**30. MANAGEMENT OF LIQUID RESOURCES**

	<u>2003/04</u> £000	<u>2002/03</u> £000
Net Cash Placed on Short-Term Deposits	<u>(13,759)</u>	<u>(1,441)</u>
Net Cash Outflow from Management of Liquid Resources	<u>(13,759)</u>	<u>(1,441)</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****31. FINANCING**

	<u>2003/04</u> £000	<u>2002/03</u> £000
Net Loans Repaid	<u>(1,365)</u>	<u>(1,337)</u>
Net Cash Outflow from Financing	<u>(1,365)</u>	<u>(1,337)</u>

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

	1st August 2003	Cash Flow	Other Non Cash Changes	31st July 2004
Cash at Bank and in Hand	<u>1,263</u>	<u>(913)</u>	-	<u>350</u>
Liquid Resources:				
Short-Term Deposits	<u>64,854</u>	<u>13,759</u>	-	<u>78,613</u>
Debt:				
Debts Falling Due Within One Year	<u>(1,365)</u>	<u>1,365</u>	<u>(1,400)</u>	<u>(1,400)</u>
Debts Falling Due After One Year	<u>(23,698)</u>	<u>-</u>	<u>1,400</u>	<u>(22,298)</u>
	<u>(25,063)</u>	<u>1,365</u>	-	<u>(23,698)</u>
Net Funds	<u>41,054</u>	<u>14,211</u>	-	<u>55,265</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****33. PENSION SCHEMES**

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), Cardiff University Pension Fund (CUPF) and the Local Government Scheme (LGS). The assets of the schemes are held in separate trustee-administered funds. The schemes are defined - benefit schemes which are externally-funded and are valued every three years by actuaries using either the aggregate method or the attained-age method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. USS provides benefits based on final pensionable salary for academic and academic-related staff, CUPF provides similar benefits for certain non-academic and non-academic-related staff whilst LGS provides similar benefits for certain manual and clerical staff. The pension costs are assessed using the projected-unit method. The assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:

	<u>USS</u> (i)	<u>CUPF</u> (ii)	<u>LGS</u> (iii)
Latest actuarial valuations	31st March, 2002	31st July, 2001	31st March, 2001
Investment returns per annum	5.0%	7.0%	6.55%
Salary scale increases per annum	3.7%	4.5%	3.8%
Pension increases per annum	2.7%	3.0%	2.3%
Market value of assets at date of last valuation	£19,938 million	£41.41 million	£573.4 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	101%	92%	82%

Notes:

- (i) The level of contributions paid by employers into USS is 14.0%. A formal valuation was undertaken as at 31st March 2002 and contributions are to remain the same.
- (ii) University contributions into CUPF were 18% from 1st August 2002.
- (iii) The employer contribution rate to the LGS was 19.20% from 1st April 2003 and increased to 20.76% from 1st April 2004 on the recommendation of the actuary.

The total pension cost for the University and its subsidiaries was:

	<u>2003/04</u> £000	<u>2002/03</u> £000
<u>Principal Schemes</u>		
Regular Pension Cost	11,811	10,804
<u>Other Schemes</u>	-	-
Total Pension Cost (Note 6)	<u>11,811</u>	<u>10,804</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****33. PENSION SCHEMES (Continued)****Implementation of FRS17 – Retirement Benefits**

The effect of FRS17 implementation on the three principal pension schemes for the University's staff are as follows:-

- a) USS is a defined benefits scheme based on final pensionable salary. It is externally funded and contracted out of the state earnings related pension scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify the University's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment.

In relation to the future service liabilities it was assumed that the valuation rate of interest would be 5.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was M£19,938 (including an estimated M£55 in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was M£19,776 leaving a surplus of assets of M£162. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The University contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the University contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of M£82.5 of the surplus. This left a past service surplus of M£79.5 (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due as at 31st March 2005 when the above rates will be reviewed.

The University paid K8,898 (2003 K£8,143) into USS as contributions in the year to 31st July 2004.

- b) CUPF and LGS are both defined benefit schemes based on final pensionable salary. An estimate of the financial position of the two funds was carried out at 31st July 2002 by qualified actuaries. The estimate was based on the most recent valuations which were 31st July 2001 for CUPF and 31st March 2001 for LGS. The University paid the following contributions in the year to 31st July 2004:-

CUPF – K£2,680 (2003 K£2,218)  
LGS – K£466 (2003 K£443)

**NOTES TO THE FINANCIAL STATEMENTS - Continued****33. PENSION SCHEMES (Continued)****Implementation of FRS17 – Retirement Benefits (continued)**

The major assumptions used by the actuaries were:

<u>CUPF</u>	<u>31st July 2004</u>	<u>31st July 2003</u>	<u>31st July 2002</u>
Salary Increases	4.4%	4.0%	4.0%
Increases to pensions and deferred pensions	2.9%	2.5%	2.5%
Discount Rate	5.7%	5.5%	5.85%
RPI	2.9%	2.5%	2.5%

<u>LGS</u>	<u>31st July 2004</u>	<u>31st July 2003</u>	<u>31st July 2002</u>
Salary Increases	4.4%	4.2%	3.9%
Increases to pensions and deferred pensions	2.9%	2.7%	2.4%
Discount Rate	5.7%	5.5%	6.0%
RPI	2.9%	2.7%	2.4%

The assets of the schemes and expected returns on assets were:

<u>CUPF</u>	<u>31st July 2004</u>		<u>31st July 2003</u>		<u>31st July 2002</u>	
	M£	%	M£	%	M£	%
UK equities	15.2	8.0	18.0	7.25	15.6	7.25
Overseas equities	8.8	8.0	8.2	7.25	6.4	7.25
Fixed interest bonds	9.0	5.7	6.3	5.50	7.1	5.85
Index linked bonds	3.8	5.0	3.2	4.75	3.6	5.00
Cash	1.2	4.8	0.5	3.50	0.7	4.00
Property	<u>5.1</u>	7.0	<u>2.3</u>	7.25	<u>2.1</u>	7.25
Total Assets	<u>43.1</u>		<u>38.5</u>		<u>35.5</u>	

<u>LGS</u>	<u>31st July 2004</u>		<u>31st July 2003</u>		<u>31st July 2002</u>	
	M£	%	M£	%	M£	%
Equities	8.96	8.0	7.94	7.8	7.48	7.9
Bonds	1.88	5.3	1.58	4.8	1.59	4.9
Property	0.59	7.0	0.35	6.8	-	-
Other Assets	<u>0.35</u>	4.8	<u>0.67</u>	3.3	<u>0.94</u>	3.4
Total Assets	<u>11.78</u>		<u>10.54</u>		<u>10.01</u>	

The financial position of the schemes are:

<u>CUPF</u>	<u>31st July 2004</u>	<u>31st July 2003</u>
	M£	M£
The assets of the scheme	43.1	38.5
Actuarial liabilities	<u>(59.1)</u>	<u>(52.9)</u>
Net pension liability	<u>(16.0)</u>	<u>(14.4)</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****33. PENSION SCHEMES (Continued)****Implementation of FRS17 – Retirement Benefits (continued)**

<u>LGS</u>	<u>31st July 2004</u> M£	<u>31st July 2003</u> M£
The share of the assets of the scheme	11.78	10.54
Actuarial liabilities	<u>(20.92)</u>	<u>(19.67)</u>
Net pension liability	<u>(9.14)</u>	<u>(9.13)</u>

If the above amounts had been recognised in the financial statements, the University's net assets and income and expenditure reserve would be as follows:

	<u>31st July 2004</u> M£	<u>31st July 2003</u> M£
Net assets excluding pension liability	286.74	275.39
Pension liability	<u>(25.14)</u>	<u>(23.53)</u>
Net assets including pension liability	<u>261.60</u>	<u>251.86</u>
Income & expenditure reserve excluding pension liability	113.01	104.41
Pension reserve	<u>(25.14)</u>	<u>(23.53)</u>
Income and expenditure reserve	<u>87.87</u>	<u>80.88</u>

Additionally, if the pension costs had been recognised in accordance with FRS17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31st July 2004:

	<u>Year ended 31st July 2004</u>		<u>Year ended 31st July 2003</u>	
	<u>CUPF</u> M£	<u>LGS</u> M£	<u>CUPF</u> M£	<u>LGS</u> M£
Analysis of amounts charged to income and expenditure account:				
Current service cost	<u>2.4</u>	<u>0.5</u>	<u>1.7</u>	<u>0.4</u>
Financing:				
- expected return on pension scheme assets	2.6	0.8	2.4	0.7
- interest on expected scheme liabilities	<u>(3.0)</u>	<u>(1.1)</u>	<u>(2.8)</u>	<u>(0.9)</u>
Net return	<u>(0.4)</u>	<u>(0.3)</u>	<u>(0.4)</u>	<u>(0.2)</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****33. PENSION SCHEMES (Continued)****Implementation of FRS17 – Retirement Benefits (continued)**

	<u>Year ended 31st July 2004</u>		<u>Year ended 31st July 2003</u>	
	<u>CUPF</u> M£	<u>LGS</u> M£	<u>CUPF</u> M£	<u>LGS</u> M£
Analysis of amounts recognised in statement of total recognised gains and losses:				
Actual return less expected return on pension scheme assets	0.7	0.2	(0.1)	(0.4)
Experience gains and losses arising on scheme liabilities	(0.1)	-	0.1	-
Changes in assumptions underlying the present value of scheme liabilities	<u>(2.1)</u>	<u>-</u>	<u>(3.7)</u>	<u>(2.4)</u>
Total actuarial gain/(loss) recognised	<u>(1.5)</u>	<u>0.2</u>	<u>(3.7)</u>	<u>(2.8)</u>

The total, the movement in the University's share of the scheme's deficit during the year is made up as follows:

	<u>Year ended 31st July 2004</u>		<u>Year ended 31st July 2003</u>	
	<u>CUPF</u> M£	<u>LGS</u> M£	<u>CUPF</u> M£	<u>LGS</u> M£
Deficit on scheme at 1st August 2003	(14.4)	(9.1)	(10.8)	(6.2)
Movement in year:				
- current service cost	(2.4)	(0.5)	(1.7)	(0.4)
- contributions	2.7	0.5	2.2	0.5
- other finance expense	(0.4)	(0.3)	(0.4)	(0.2)
- actuarial gain/(loss)	<u>(1.5)</u>	<u>0.2</u>	<u>(3.7)</u>	<u>(2.8)</u>
Deficit on scheme at 31st July 2004	<u>(16.0)</u>	<u>(9.2)</u>	<u>(14.4)</u>	<u>(9.1)</u>

**NOTES TO THE FINANCIAL STATEMENTS - Continued****33. PENSION SCHEMES (Continued)****Implementation of FRS17 – Retirement Benefits (continued)**

The experience gains and losses for the year ended 31st July 2004 were as follows:

	<u>Year ended 31st July 2004</u>		<u>Year ended 31st July 2003</u>	
	<u>CUPF</u>	<u>LGS</u>		
Difference between the expected and actual return on scheme assets:				
Amount (M£)	0.7	0.2	(0.1)	(0.4)
Percentage of scheme assets	1.6%	1.7%	0.3%	3.5%
Experience gains and losses on scheme liabilities:				
Amount (M£)	(0.1)	-	0.1	-
Percentage of the present value of scheme liabilities	-	-	-	-
Total amount recognised in the statement of total recognised gains and losses:				
Amount (M£)	(1.5)	0.2	(3.7)	(2.8)
Percentage of the present value of the scheme liabilities	2.5%	2.2%	7%	14%

**34. ACCESS FUNDS****Consolidated and University**

	<u>2003/04</u> <u>£000</u>	<u>2002/03</u> <u>£000</u>
Funding Council Grants	852	997
Interest Gained	<u>8</u>	<u>11</u>
	860	1,008
Disbursed to Students	<u>(753)</u>	<u>(932)</u>
Balance Unspent at 31st July	<u>107</u>	<u>76</u>
Funds carry over 2004/05	<u>107</u>	<u>76</u>

Funding Council 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.

**35. RELATED PARTY TRANSACTIONS**

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