

PROSPECTUS DATED 4 FEBRUARY 2016



CARDIFF UNIVERSITY

(incorporated by Royal Charter)

£300,000,000

3.000 per cent. Bonds due 2055

The issue price of the £300,000,000 3.000 per cent. Bonds due 2055 (the "**Bonds**") of Cardiff University (the "**Issuer**") is 97.791 per cent. of their principal amount.

Unless previously redeemed or purchased or cancelled, the Bonds will be redeemed at their principal amount on 7 December 2055. The Bonds are subject to redemption, in whole but not in part, at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the United Kingdom. The Bonds may also be redeemed at any time at the option of the Issuer, in whole or in part, at the Redemption Price (as defined in "*Terms and Conditions of the Bonds—Condition 5(c)—Redemption at the option of the Issuer*"). See "*Terms and Conditions of the Bonds—Redemption and Purchase*".

The Bonds will bear interest from 8 February 2016 (the "**Issue Date**") at the rate of 3.000 per cent. per annum payable semi-annually in arrear on 7 June and 7 December in each year, except that the first payment of interest shall be made on 7 June 2016 in respect of the period from (and including) the Issue Date to (but excluding) 7 June 2016. Payments on the Bonds will be made in sterling without deduction for or on account of taxes imposed or levied by the United Kingdom to the extent described under "*Terms and Conditions of the Bonds—Condition 7—Taxation*".

Applications have been made to the United Kingdom Financial Conduct Authority (the "**FCA**") under Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") for the Bonds to be admitted to listing on the Official List of the FCA and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Bonds to be admitted to trading on the Regulated Market of the London Stock Exchange. The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments.

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. The Bonds are being offered outside the United States by the Joint Lead Managers (as defined in "**Subscription and Sale**") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds will be in bearer form and in the denominations of £100,000 and higher integral multiples of £1,000 (up to and including £199,000). The Bonds will initially be in the form of a temporary global bond (the "**Temporary Global Bond**"), without interest coupons, which will be deposited on or around the Issue Date with a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Temporary Global Bond will be exchangeable, in whole or in part, for interests in a permanent global bond (the "**Permanent Global Bond**"), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form in the denominations of £100,000 and higher integral multiples of £1,000 (up to and including £199,000) each with interest coupons and (if applicable) talons attached. See "*Summary of Provisions Relating to the Bonds in Global Form*".

The Bonds are expected to be assigned a rating of Aa2 by *Moody's Investors Service Limited* ("**Moody's**") upon issue. Moody's is established in the European Economic Area ("**EEA**") and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Bonds involves certain risks; for a discussion of these risks see "Risk Factors" herein.

JOINT LEAD MANAGERS

HSBC

LLOYDS BANK

MORGAN STANLEY

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IMPORTANT NOTICES

This Prospectus comprises an approved prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to HSBC Bank plc, Lloyds Bank plc, and Morgan Stanley & Co. International plc (the **"Joint Lead Managers"**) that this Prospectus contains all information which is (in the context of the issue, offering and sale of the Bonds) material; this Prospectus is true and accurate in all material respects and is not misleading; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading and are based on reasonable assumptions; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Bonds other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers or the Trustee.

Neither the Joint Lead Managers nor any of their respective affiliates or the Trustee have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bond shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe or purchase, any Bonds.

The distribution of this Prospectus and the offering, sale and delivery of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of this Prospectus and other offering material relating to the Bonds, see *"Subscription and Sale"*.

In particular, the Bonds have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. Persons.

In this Prospectus, unless otherwise specified, references to "£" or **"sterling"** are to the lawful currency for the time being of the United Kingdom. References to **"billions"** are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of the Bonds, Lloyds Bank plc (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over allot Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Bonds should be based on a consideration of the Prospectus as a whole.

Words and expressions defined in the "Terms and Conditions of the Bonds" below or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	Cardiff University.
Joint Lead Managers:	HSBC Bank plc. Lloyds Bank plc. Morgan Stanley & Co. International plc.
Trustee:	HSBC Corporate Trustee Company (UK) Limited.
Principal Paying Agent:	HSBC Bank plc.
The Bonds:	£300,000,000 3.000 per cent. Bonds due 2055.
Issue Price:	97.791 per cent. of the principal amount of the Bonds.
Issue Date:	8 February 2016.
Use of Proceeds:	General corporate purposes. See " <i>Use of Proceeds</i> ".
Interest:	The Bonds will bear interest from 8 February 2016 at a rate of 3.000 per cent. per annum payable semi-annually in arrear on 7 June and 7 December in each year, except that the first payment of interest shall be made on 7 June 2016 in respect of the period from (and including) the Issue Date to (but excluding) 7 June 2016.
Status:	The Bonds will constitute direct, unsecured and unconditional obligations of the Issuer.
Form and Denomination:	The Bonds will be issued in bearer form in the denominations of £100,000 and higher integral multiples of £1,000 (up to and including £199,000). The Temporary Global Bond and the Permanent Global Bond are to be issued in new global note form.
Final Redemption:	7 December 2055.
Optional Redemption:	On giving not less than 10 nor more than 20 days' notice to the Bondholders (which notice shall be irrevocable) in accordance with Condition 15 (<i>Notices</i>), the Issuer may redeem some or all of the Bonds for the time being outstanding at any time at the Redemption Price together with interest accrued to (but excluding) the date of redemption. See Condition 5(c) (<i>Redemption at the option of the Issuer</i>).
Tax Redemption:	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, in the event of certain changes affecting taxation in the United Kingdom. See Condition 5(b) (<i>Redemption for tax reasons</i>).

Negative Pledge:	So long as any of the Bonds remain outstanding, the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness of the Issuer or any guarantee or indemnity by the Issuer in respect of any Relevant Indebtedness without (a) at the same time or prior thereto securing the Bonds equally and rateably therewith or (b) providing such other security for the Bonds as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders. See Condition 3 (<i>Negative Pledge</i>).
Cross Default:	The Trustee may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality if (i) any Indebtedness of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period; or (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or (iii) the Issuer fails to pay when due any amount payable by it under any guarantee for, or indemnity in respect of, any Indebtedness, provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee or indemnity referred to in sub-paragraph (iii) above individually or in the aggregate exceeds £25,000,000 (or its equivalent in any other currency or currencies). See Condition 8(c) (<i>Cross-default of Issuer</i>).
Withholding Tax:	All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon presented for payment in the limited circumstances set out in Condition 7 (<i>Taxation</i>).
Rating:	<p>The Bonds are expected to be assigned a rating of Aa2 by Moody's.</p> <p>Moody's is established in the EEA and registered under the CRA Regulation.</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</p>
Governing Law:	The Bonds, the Trust Deed, the Paying Agency Agreement and any non-contractual obligations arising out of or in connection with any of them will be governed by the law of England and Wales.
Listing and Trading:	Applications have been made for the Bonds to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London

	Stock Exchange.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of the Bonds and on the distribution of offering materials in the United Kingdom and the United States see " <i>Subscription and Sale</i> ".
Risk Factors:	Investing in the Bonds involves risks. See " <i>Risk Factors</i> ".
ISIN:	XS1351950149
Common Code:	135195014

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Bonds for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks relating to the Issuer

There is a degree of uncertainty over whether the current level of United Kingdom ("UK") and other European Union ("EU") student numbers will be maintained.

Funding arrangements for the university sector have been reformed, with new funding arrangements having taken effect from the 2012/13 academic year. The effect of these changes is that the proportion of teaching income received from the Higher Education Funding Council for Wales ("HEFCW") has reduced and the proportion of teaching income derived from student fees has increased.

HEFCW was established by the Further and Higher Education Act 1992. From 1 July 1999, HEFCW became a sponsored body of the newly-elected National Assembly for Wales, now known as a 'Welsh-Government Sponsored Body'. The total amount of public funding that HEFCW receives in connection with higher education institutions is set by the Welsh Government each year and HEFCW distributes this funding according to agreed principles and criteria. In the 2014/15 academic year the Issuer received £16.4 million for teaching, £40.4 million for research and £5.3 million for 'other' from the HEFCW. The total block grant for the full financial year was £62.1 million, with an estimated £128.7 million being generated by UK and EU student tuition fees.

The HEFCW teaching block grant to the Issuer has been reduced from £61.8 million in the year ended 31 July 2012 to £16.4 million in the year ended 31 July 2015. HEFCW have confirmed that the teaching grant will slightly increase to £16.8 million in the year to 31 July 2016.

Following the introduction of the £9,000 maximum level of tuition fees for UK/EU students, the Issuer experienced a small fall in demand for students joining for the academic year starting September 2012. Whilst the Issuer has not been affected to any significant extent to date (and whilst the Issuer has seen an increase in student enrolment numbers since 2012), there is a risk that continued high tuition fees may affect enrolment numbers in the future and, accordingly, the income received by the Issuer from student tuition fees. With each government change and/or adoption of new higher education policies, there is a risk that fees could continue to be increased over time, which could impact on the level of student enrolment numbers.

The Issuer does not have control over the number of applications received (or offers accepted) and this could have an impact on the revenue generated by the Issuer from its teaching activities.

The funding that the Issuer receives for teaching UK/EU students is primarily dependent upon the number of students who choose to study on a course provided by the Issuer.

The ability of the Issuer to attract new applicants could be impacted by various factors including poor perception/reputation, aggressive competitor activity from rival universities, unattractive portfolio courses, poor marketing, recruitment or admissions processes, poor facilities or services, unattractive bursaries, higher fees compared to other institutions, and the fact that potential applicants may question the value of a degree in the face of the increased costs of higher education - all of which have the potential to affect the Issuer's income and impact on the quality and calibre of students.

The current economic climate could have an impact on the willingness of students to enter higher education, and this could impact on the number of students who apply to the Issuer.

Whilst the Issuer has historically attracted a high level of student applications, there can be no guarantee that this will continue. A significant reduction in student numbers could have a material impact on the Issuer's teaching income and overall finances.

The Issuer does not have complete control over the tuition fees that it is able to charge to UK/EU undergraduate students and this could have an impact on the revenue generated by the Issuer from its teaching activities.

The Issuer does not have complete freedom over the amount that it can charge UK/EU undergraduate students for tuition fees. Where the Issuer specifies a fee limit in its fee and access plan (see “*The Issuer’s ability to charge the maximum tuition fees is dependent on compliance with a fee and access plan*”) in relation to a year and a course, the fee limit must not exceed the maximum amount specified by the Welsh Government. The maximum amount is currently £9,000 per annum. The Welsh Government may increase or decrease this amount.

Continued pressure to reduce government funding means that there is no guarantee that the current system or levels of funding will be maintained. The Issuer could see a reduction in revenue from its teaching activities if the Welsh Government policy changes and, for example, the maximum amount of tuition fee is reduced.

The Issuer’s ability to charge the maximum tuition fees is dependent on compliance with a fee and access plan.

The maximum tuition fee for UK/EU undergraduate students is £9,000 per annum per student and is dependent upon the Issuer demonstrating a commitment to widening access to higher education and other related policy objectives through the fee and access plan it submits to HEFCW. This is above the minimum rate of tuition fees for UK/EU students commencing undergraduate courses with the Issuer in the 2014/15 academic year, which is set at £4,000 per year. In order to be able to charge the higher rate, the Issuer must compile and submit a fee plan to HEFCW for approval. This sets out measures, such as outreach work and financial support, to be delivered by the Issuer to promote higher education and equality of access to higher education.

If the Issuer fails to comply with its fee and access plan, it may lose its ability to charge the maximum level of tuition fees for UK/EU undergraduate students. Such a reduction in the level of tuition fees would reduce the revenue generated by the Issuer from its teaching activities.

Risks associated with possible further reform to Higher Education Funding.

There is no guarantee that the current system or levels of university sector funding will be maintained.

The Student Loans Company Limited, operating in Wales as “**Student Finance Wales**”, may be reformed. Any change to the operation of Student Finance Wales may affect the number of students applying to universities in Wales, including the Issuer.

Whilst HEFCW is regarded by the Issuer as a stable and reputable body, there is always a risk that it may be reformed (or replaced). Such changes to the higher education funding body could make obtaining funding more difficult for the Issuer.

Following the introduction of the new student fees regime in the 2012/13 academic year, full-time undergraduates who are ordinarily resident in Wales (“**Welsh Undergraduates**”) have been eligible for a non-means tested tuition fee grant to cover the difference between the tuition fees being charged by the university attended by the Welsh Undergraduate and the maximum loan available from Student Finance Wales. This grant is paid by the Welsh Government to the relevant university on behalf of Welsh domiciled students wherever they study in the UK. For Welsh Undergraduates commencing or continuing their course in 2015/2016, a tuition fee grant of £5,190 per annum is available from the Welsh Government and the maximum tuition fee loan from Student Finance Wales is £3,810 per annum. Maintenance loans for Welsh higher education students are also available from Student Finance Wales, up to a maximum of £5,376 a year (2015/16) if a student lives away from home (depending on household income).

The current grant arrangements for Welsh Undergraduates may be reformed, which may affect the number of Welsh Undergraduates applying to the Issuer.

Significant changes are being made to the way in which the government provides funding for research that could impact adversely upon the Issuer's research funding.

The need for the Issuer to focus on research excellence is crucial to ensuring that the maximum level of funding is obtained and to maintain its reputation in the academic world. Any decline in the Issuer's academic reputation may reduce the Issuer's ability to access external funding and participate fully in major research projects.

A new system for assessing the quality of research in UK higher education institutions, known as the Research Excellence Framework (“REF”), was completed in 2014 to assess research which had taken place in the period from 2008 to 2013 (inclusive). The results of the 2014 REF are likely to apply until the next REF. The current indication from the UK Government is that it will hold the next peer reviewed REF by 2021.

HEFCW provides block grants for institutions to support their research infrastructure and enable their research activities. The majority of this HEFCW-provided grant is known as "quality-related" or "QR" funding. Providing the funding as a block grant allows the particular institution freedom to decide how to use the funds. The Issuer's performance in the REF relative to the rest of the sector will affect its recurrent QR funding for the period after 2015. In the 2014/2015 academic year, 8 per cent. of the Issuer's total income was provided by QR funding.

The continued success of the Issuer in relation to its research activities cannot be guaranteed. A change in the assessment of the quality of the Issuer's research activities relative to the rest of the sector could impact adversely on the level of QR funding received by the Issuer.

The results of the REF also have a much wider reputational impact. The continued success of the Issuer in relation to its research activities is an important factor in the ability of the Issuer to maintain its ranking amongst other global academic institutions and to attract further research funding.

There is an increasing expectation from the UK Government that universities deliver research benefits to society in a range of forms including in relation to the economy, society, culture, public policy or services, health, the environment or quality of life. This has been expressed in a variety of commissioned reviews (for example *A Review of Business-University Collaboration* by Professor Sir Tim Wilson DL, February 2012 and *Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and Growth*, October 2013), the UK Science and Innovation strategy and through Higher Education and Research Funder policy (e.g. the inclusion of impact as a substantial criteria for the REF and the requirement for planning impact generation and reporting outcomes in Research Councils UK and National Institute of Health Research etc). Failure to encourage and support academic staff to engage with external stakeholders and pursue impact from their research and knowledge exchange activity will reduce access to research and knowledge exchange funding and damage the Issuer's institutional reputation. Additionally, failure to implement systems, processes and support structures to incentivise, support, monitor and capture this impact may lead to a competitive disadvantage compared to other universities. It will also reduce the opportunity for the Issuer to benefit from promoting its contribution to wider society. To look to try to tackle this, the Issuer has introduced strategies to ensure strong performance in future REF or similar assessment exercises (see “*Description of the Issuer – Funding Body Grants – Research*”).

Risks associated to Welsh Government changes throughout the life of the Bonds.

The education and funding policies are set by the Welsh Government (e.g. level of student fees). As a result, the Issuer might experience a reduction in revenue if Welsh Government policy changes. Any change of government in Wales might result in reforms to the funding and higher education sector in Wales as a whole. With each new government, the higher education sector is likely to be reformed further and it is difficult to predict the impact of any such reform on the Issuer (see “*There have been changes to the UK's immigration system which could impact negatively on the Issuer's ability to attract non-UK/EU students and recruit/retain academic staff from overseas.*” below). Any such reform will affect the higher education sector in Wales as a whole, not just the Issuer. However, while funding delivered through research councils (“**Research Councils**”) and some broader elements of research policy are reserved to the UK Government,

higher education is generally a devolved matter in Wales. The Issuer, along with other Welsh universities, is exposed to the risk that reforms to the higher education sector in Wales make studying in Wales a less attractive option than studying elsewhere in the UK, which has the potential to affect the Issuer's income and impact on the quality and calibre of students it attracts.

Risks associated with greater competition between higher education providers.

There has always been a high level of competition between higher education providers to attract the best students. However, the level of competition has increased since the phasing out of restrictions on the overall number of students that institutions are able to recruit and the increase of tuition fees. This requires all universities to operate efficiently whilst investing to maintain their competitive positions.

The removal of restrictions on student numbers has increased competition for the most highly qualified students amongst universities and has encouraged the most successful universities to expand. While the Issuer, based on its current pattern of applications and acceptances, should be in a position to recruit additional students should it choose to do so, there is also a risk that it may lose high quality students who would otherwise have accepted a place at the Issuer to other universities seeking to expand. If these places are not filled by students with lower grades, the overall number of students accepting places at the Issuer may decrease, with a consequent decrease in tuition fees.

The cost of running a university is likely to increase in the future and will include the need to continuously upgrade equipment/facilities and infrastructure to help maintain the Issuer's competitive position.

The Issuer's capital investment plan includes some of the requirements for cutting edge technology and state of the art facilities to ensure that the Issuer remains competitive. However, as with any technology, it can quickly become redundant and there is a risk that the required level of investment associated with the purchase of such equipment or the development of new facilities is too great. In terms of IT infrastructure, as for many other universities, the Issuer is continuously looking to improve its IT infrastructure as not doing so would have an adverse impact on communication, reputation and security. The Issuer is also keen to ensure that whilst this investment is being made, the improvements are future proof and fit for purpose.

The move towards a more competitive market for students will increase the importance of the quality of the student experience, and fluctuations in the Issuer's rating by its existing and/or former students may lead to an increase or decrease in student numbers.

In such a competitive environment, institutions can differentiate themselves by the quality of experience they offer their students. The Issuer is continuously seeking to improve its facilities so as to enhance the overall student experience (see "*Risks associated with greater competition between higher education providers*" above).

The National Student Survey ("NSS") is generally viewed as the most comprehensive survey of a student's experience in university. The NSS gathers opinions from undergraduates in their final year on the quality of their courses. The survey asks undergraduates to provide feedback on what it has been like to study their course at their institution. In the 2015 NSS, the Issuer received an overall satisfaction rating of 90 per cent. up by 1 percentage point since 2014. This result put the Issuer above both the Welsh (85 per cent.) and sector-wide (86 per cent.) average for overall student satisfaction. It also places the Issuer in third place among the Russell Group of research intensive UK universities for overall student satisfaction. While these results are positive, the Issuer's rating could go down as well as up, which could have an adverse effect on student recruitment. Two of the key performance indicators in the Issuer's strategic plan (*The Way Forward 2012 – 2017*) are to achieve, by 2017, at least 90 per cent. overall satisfaction in NSS for every school and at least 80 per cent. satisfaction in NSS assessment and feedback category for every school.

Potential risk of the UK leaving the EU.

The current UK Government is committed to holding a referendum on the UK's continued membership of the European Union by the end of 2017. Aside from the impact on the UK as a whole and any effect on general trade and business relations, a departure from the EU could have a significant impact on the higher education sector generally, and has the potential to affect research funding, staff recruitment and retention, student numbers and collaborative partnerships as a significant proportion of higher education funding, including that received by the Issuer, stems from the EU.

Currently, Horizon 2020, the follow-up programme from 7th Framework Programme for Research and Technological Development (2007-2013), is the largest EU Research and Innovation programme with nearly €80 billion of funding available until 2020 to UK research programs, 70 per cent. of which is to be distributed to higher education institutions. In terms of international research collaboration projects, presently 80 per cent. of the UK's international academic co-publications are with EU researchers. In 2014/15, the Issuer's research income from the EU Commission was £10.964 million and income from services rendered from the EU was £1.865 million.

On a full-time equivalent basis, in 2014/15 the Issuer had 768 undergraduate students, and 415 postgraduate students, from the EU (excluding the UK). Any departure of the UK from the EU would also have the potential to reduce the number of EU students attending courses offered by the Issuer, as those students may be required to pay overseas students tuition fees which are much higher than those set for EU students. In addition, the ability of the Issuer to offer some courses which include an element of studying at an EU university may also be affected, which may have an impact on the number of applicants.

The loss of EU funding could have an impact on the UK's higher education competitiveness and prestige.

A departure from the EU might also affect staffing. As at 12 June 2015, the Issuer employed 486 staff from the EU (other than the UK), from a total staff population on that day of 6,617. The UK leaving the EU could have an impact on the Issuer's ability to recruit key academic staff from the EU, with potentially higher associated costs.

The Issuer receives research grant income from publicly-funded Research Councils, government departments, charitable foundations, the EU, overseas sources and through collaborations with the private sector none of which can be guaranteed to continue in the future.

In addition to the HEFCW block grant, the Issuer receives public funding from competitively won grants for specific research projects and programmes provided by UK Research Councils.

The Issuer also receives a significant proportion of its research grant income from UK and foreign charitable foundations, the EU, overseas sources, government departments and through collaborations with the private sector. Further cuts to the funding available to these sources, and hence the funds available to them to support research activities, cannot be ruled out.

There is uncertainty over whether postgraduate taught student numbers and postgraduate research numbers can be maintained.

Between the 2011/12 academic year and the 2015/16 academic year, based on full-time equivalent figures, the Issuer saw a 19 per cent. increase in the number of students studying on taught postgraduate courses and an increase of 16 per cent. in the number of students studying on research-based postgraduate courses.

Postgraduate taught/Postgraduate research full-time equivalent numbers

	2011	2012	2013	2014	2015
Postgraduate taught.....	3,402	3,565	3,660	3,655	4,054
Postgraduate research.....	1,281	1,359	1,363	1,374	1,480

It is not yet clear whether the increase in the level of tuition fees for UK/EU undergraduate students will affect the number of prospective students who choose to go on to apply for a place on a taught postgraduate or postgraduate research course. Given the increased student loan liability incurred by UK/EU students, there is no guarantee that the numbers of UK/EU postgraduate students will remain at their current levels.

The numbers of UK/EU postgraduate taught students could decrease from their current levels as the funding available to these students is limited.

The numbers of UK/EU postgraduate research students could decrease from their current levels if the Issuer's levels of research funding for such students reduces (see "*Significant changes are being made to the way in which the government provides funding for research that could impact adversely upon the Issuer's research funding*" above).

In the 2014/15 academic year, the Issuer's total number of UK/EU full-time postgraduate students (comprising students on both taught and research courses) was 1,935, representing 38 per cent. of the total postgraduate population of the Issuer. Any significant reduction in the numbers of postgraduate students will impact on the Issuer's teaching revenue and on its ability to continue its research activities at current levels.

Risk associated with decrease in International Students.

Although the Issuer is not subject to a fee cap in relation to non-UK/EU students and is therefore able to charge a higher amount than for UK/EU students, the maintenance of its fee levels cannot be guaranteed. The ability of the Issuer to set fee levels for non-UK/EU students is, to an extent, dictated by market forces. The Issuer is competing in a global market and its ability to command particular fee levels will depend on, amongst other things, global economic conditions, its competitors and the international reputation of the Issuer more generally.

If the Issuer is unable to maintain the current fee levels charged to non-UK/EU students, this could reduce the Issuer's non-UK/EU student fee income and could impact on the overall revenue of the Issuer from overseas. While the trend has been that an increasing number of students are from overseas, the flow of international students enrolling on courses at the Issuer cannot be guaranteed.

Total number of students (full-time equivalents)

	2010	2011	2012	2013	2014
EU/UK	17,842	17,941	18,228	18,898	19,288
Overseas.....	3,357	3,797	4,088	4,126	4,534
Total	21,199	21,738	22,316	23,024	23,822

As competition between universities globally continues to increase (including from universities in other countries such as the Netherlands where courses are also taught in English), the Issuer may need to review the level of overseas fees to remain attractive to overseas students. The Issuer is also facing tougher scrutiny from third parties with respect to funding arrangements with overseas students, particularly in light of sanctions legislation. As a result, the Issuer may find it has to turn down students from certain countries or with funding arrangements which have the potential to breach sanctions regulations. The UK's immigration policy is currently under scrutiny and there is a risk that tougher legislation may be introduced, making the UK less attractive to overseas students (see "*There have been changes to the UK's immigration system which could impact negatively on the Issuer's ability to attract non-UK/EU students and recruit/retain academic staff from overseas.*" below).

There have been changes, and may be future changes, to the UK's immigration system which could impact negatively on the Issuer's ability to attract non-UK/EU students and recruit/retain academic staff from overseas.

Fee income from non-UK/EU students is a significant element in the Issuer's total income. In 2014/15, tuition fee income from non-UK/EU students was £58.8 million as compared with £128.7 million for tuition fee income from UK/EU students. In contrast to fees from UK/EU students, the Issuer is not subject to a fee cap in relation to non-UK/EU students and is therefore able to charge a higher amount.

There is a risk that current and future UK immigration arrangements will impact negatively on the competitiveness of the UK higher education sector and on the way in which the UK higher education sector is perceived internationally. The increasingly strict immigration rules being imposed on the UK higher education sector by the Home Office are impacting on the UK's image as a friendly and welcoming destination for international students. The UK's desirability as a study destination is further impacted by the implications of the Tier 4 visa regime and the requirement to be earning more than £20,800 per annum to remain in the UK for more than four months after graduation. The Issuer's ability to continue to recruit international students is dependent on its ability to retain its Tier 4 immigration sponsor licence. This could have implications for the Issuer's capacity to attract non-UK/EU students at current levels and therefore could reduce the Issuer's non-UK/EU student fee income.

It is possible that future governments may change immigration policy further which may give rise to additional issues which could further impact on the Issuer's ability to attract more UK/EU students and recruit/retain academic staff from overseas.

There are financial risks associated with the pensions schemes in which the Issuer participates which could have an adverse impact on the Issuer.

The principal pension schemes in which the Issuer participates are:

- the Universities Superannuation Scheme ("USS"), which is the Issuer's principal scheme for academic and academic-related staff;
- the Cardiff University Pension Fund ("CUPF"); and
- the Cardiff and Vale of Glamorgan Pension Fund ("LGPS").

The Issuer also participates in the NHS Pension Scheme ("NHSPS") and the National Employment Savings Trust ("NEST").

The USS, the CUPF, the LGPS and the NHSPS are currently contracted out of the State Second Pension ("S2P"). The assets of all five schemes are held separately from those of the Issuer in separate trustee administered funds. The USS, the CUPF and the LGPS have a full valuation every three years carried out by professionally qualified independent actuaries.

The USS and the NHSPS are large multi-employer schemes. As a result of the mutual nature of the schemes, their assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The Issuer is therefore exposed to the actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. As such, as required by FRS 17, the Issuer accounts for the USS and the NHSPS schemes as if they were defined contribution schemes.

The last triennial actuarial valuation of the USS was carried out as at 31 March 2014. At the valuation date of 31 March 2014, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The scheme's assets were sufficient to cover 89 per cent. of the benefits which had accrued to members after allowing for expected future increases in earnings.

As part of the valuation, the trustee has determined a recovery plan to pay off the shortfall by 31 March 2031.

The employers' contributions will increase to 18 per cent. per annum of earnings from 1 April 2016 (from its current level of 16 per cent. per annum).

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

For the year ended 31 July 2015, the total pension cost to the Issuer was £23.9 million in relation to USS.

With effect from 31 March 2016 there will be a number of changes to the benefits provided by the scheme, which include the following:

- for both current Final Salary ("FS") and Career Revalued Basis ("CRB") members, accrued benefits at the implementation date will be revalued in line with increases in official pensions (currently the Consumer Price Index) each April up to the point of retirement or leaving the scheme;
- all members will accrue a pension of $\frac{1}{75}$ th and a cash lump sum of $\frac{3}{75}$ ths of salary for each year of service after the implementation date in respect of salary up to and including a salary threshold of £55,000 a year and the salary threshold will be automatically revalued in line with increases in official pensions subject to a review to be undertaken by 31 March 2020;
- all members will have access to a new defined contribution section, made up of individual defined contribution accounts for salary in excess of the salary threshold;

- all member contributions, for both FS and CRB members will increase to 8 per cent. of salary;
- employer contributions will increase to 18 per cent. of salary for all members until 31 March 2020; and
- optional additional contributions into the members defined contribution account will be available with the first 1 per cent. of additional contributions being matched by the employer.

The CUPF is the Issuer's own pension fund scheme for those staff not eligible to join the USS. The final salary section of the scheme is now closed to new members (from January 2012). From this date all new members joined the career average revalued earnings ("CARE") section of the scheme,

A full actuarial valuation was carried out as at 31 July 2013 and an update carried out as at 31 July 2014. The 2013 valuation revealed a funding shortfall (technical provisions minus value of assets) of £17.5 million. A recovery plan was agreed by the trustees and the Issuer to eliminate the shortfall by 31 July 2023. The 2014 update showed that the funding deficit had increased from £17.5 million to £25.0 million.

The Issuer currently pays contributions at the rate of 20 per cent. per annum of earnings and employees pay 7.5 per cent. per annum and 6.5 per cent. per annum of earnings for final salary and CARE respectively.

For the year ended 31 July 2015 the total pension cost for the Issuer in respect of CUPF was £7.5 million.

The Issuer is an admitted body of the LGPS. The scheme contains the pension benefits of those employees who joined the Issuer following the merger of University College, Cardiff and the University of Wales Institute of Science and Technology in 1988. The scheme was closed to new members from 1995. The active membership as at 31 July 2015 was 58.

The Issuer has a ring fenced share of the assets and liabilities of the scheme and as at 31 March 2013 the funding shortfall was £14.0 million.

The Issuer currently pays contributions at the rate of 27.3 per cent. per annum of earnings together with a cash contribution of £1.3 million. The total pension cost for the Issuer in respect of the scheme for the year ended 31 July 2015 was £1.7 million.

The Issuer also participates in the NHSPS. The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the government. There are no underlying assets. It is not possible to identify each institution's share of the underlying assets and liabilities of the NHSPS and hence contributions to the NHSPS 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 is therefore equal to the contributions payable to the NHSPS for the year.

The latest published actuarial valuation of the NHSPS was at 31 March 2012. The contribution rate payable by the Issuer during the year ended 31 July 2015 was equal to 14 per cent. of the total pensionable salaries, in accordance with the conclusion of the Government Actuary's report on the NHSPS.

The total pension cost for the Issuer in respect of the NHSPS for the year ended 31 July 2015 was £2.2 million.

NEST is the UK Government scheme which the Issuer offers to non-contractual workers. The Issuer contributes 1 per cent. per annum of earnings to this defined contribution scheme. Total payments in the year ended 31 July 2015 were less than £1,943.

Given the current status of the pensions schemes described above, it is possible that the Issuer may be required to make further payments in respect of those schemes which could have an adverse impact on the Issuer's finances.

A deterioration in employee relations with the Issuer's staff and trade unions could lead to industrial action and impact on the Issuer's reputation, research and teaching functions.

The nature and size of the Issuer coupled with the need to remain efficient (and current cap on tuition fees) means that constant organisational developments and changes are required to be made affecting various areas (pensions, pay claims, staff flexibility, strategic initiatives etc). As a result, the Issuer may experience a deterioration in employee relations with its staff and trade unions. Any such deterioration could result in informal action, such as work to rule, or formal industrial action, including strike action, which could impact on the Issuer's reputation (eg: students being unable to graduate, complaints from students and stakeholders, impact on student experience), research projects, teaching functions and quality and standards. Students and stakeholders may seek compensation or other forms of legal redress. The Issuer regularly consults with the three recognised trade unions (Unison, Unite and the University and College Union (UCU)) and the Issuer continues, via its human resources department, to engage in regular discussions with them and develop partnerships. However, it is possible that such consultations may result in potential delay (and dispute) in respect of the implantation of efficiency measures and changes.

The delivery of the University's strategic long term plan, The Way Forward, 2012 – 2017, includes risks associated with any major estates project.

The Issuer's Campus Master Plan is a major transformation of the Issuer's campus. Work on the first phase will cost in the region of £450 million, including approximately £300 million on an Innovation campus to help support the Issuer's vision of innovation-led growth. As with any major capital project, there are risks that the works may not be completed on time and within budget, with consequent disruption to the student and staff experience over a period of years. The main buildings included within the first phase of the Master Plan are currently at the design stage.

In an increasingly competitive environment, the Issuer's ability to recruit and retain the best academics cannot be guaranteed.

The Issuer's ability to attract the highest calibre of researchers and teachers cannot be guaranteed. On the global stage, the Issuer competes for the best academics with foreign institutions a number of whom have greater endowment and other investment assets. The reputational impact of the REF going forward, the changes to the UK immigration system, possible changes to the academic pension scheme and potential future cuts to the public funding of higher education could all have an impact on the ability of the Issuer to compete for and retain the best academics. In addition, the uncertainty over whether postgraduate student numbers can be maintained could have an adverse effect on the number and quality of the academics employed by the Issuer in the future (many of whom are recruited from the current pool of postgraduate students).

Failure to recruit and retain high quality staff may mean that the Issuer is unable to deliver the level of high quality research it aspires to through an increased number of staff holding research grants, and an increase in pure and translational research.

The value of the Issuer's endowments can fall as well as rise.

The total endowment assets of the Issuer were valued at £28.668 million as at 31 July 2015. The value of the Issuer's investments, and the income received from them, could fall as well as rise and therefore the income, return and the availability of funding to the Issuer from the endowment assets could vary considerably.

The Issuer's endowment assets are restricted for specific purposes.

Most of the endowment assets reported within the balance sheet of the Issuer are restricted for specific purposes, and must be applied solely for the purpose for which they were given to the Issuer. The value of the Issuer's endowment assets is therefore not available to holders of the Bonds or other creditors of the Issuer.

Other sources of income are important for the Issuer, the continued availability of which cannot be guaranteed.

The Issuer derives significant rental income from its student residences and additional income from catering and conference facilities. In 2014/15 these activities generated £25.2 million of income for the Issuer. If student numbers decline as a result of the risk factors mentioned above, this may have an adverse impact on these levels of rental income.

The Issuer also generated substantial income from other services and miscellaneous activities. In total, this amounted to £58.5 million in 2014/15. Most of this income is competitively won and there is therefore no guarantee that this level of income can be generated in future.

Claims against the Issuer could have a material impact on the revenue or business of the Issuer.

To date, claims against the Issuer have not had a material impact on the revenue or business of the Issuer, although there can be no assurance that the Issuer will not, in the future, be subject to a claim which may have a material impact upon its revenue or business, with associated reputational damage.

The Issuer has the benefit of insurance for, among others, employer's liability, public liability and professional indemnity at a level which the Issuer considers to be prudent for the type of activities in which the Issuer is engaged.

Reputation risk.

The Issuer is a leading academic institution and has a reputation as a leading teaching and research institution. This reputation has been built up over a long time since its foundation in 1884. The Issuer's reputation is an important factor in attracting the best academics and the best students. If, for example, the integrity of research, behaviour of a large number of staff or students, admissions, failure to manage risk, or standards and quality of teaching and university facilities were to be called into question, this would have the potential to damage the reputation of the Issuer.

A failure to manage reputational risk effectively could materially affect the Issuer's business and prospects.

Information Technology Risks.

The Issuer is dependent upon the continued effective operation of its information technology systems and related infrastructure. If the same were to fail it would have a significant negative impact on the effective operation of the Issuer. To help manage this risk the Issuer has a detailed disaster recovery plan which is subject to regular internal audit.

Risks relating to the Bonds

There is no active trading market for the Bonds.

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Bonds to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

The Bonds may be redeemed prior to maturity.

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Bonds due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United

Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Bonds in accordance with their terms and conditions (the "**Conditions**").

In addition the Conditions provide that the Bonds are redeemable at the Issuer's option and accordingly the Issuer may choose to redeem the Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

Because the Temporary Global Bond and the Permanent Global Bond are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Bonds will initially be represented by the Temporary Global Bond and thereafter by a Permanent Global Bond except in certain limited circumstances described in the Permanent Global Bond. The Temporary Global Bond and the Permanent Global Bond will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Bond, investors will not be entitled to receive Definitive Bonds (as defined below). Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Temporary Global Bond and the Permanent Global Bond. While the Bonds are represented by the Temporary Global Bond or the Permanent Global Bond, investors will be able to trade beneficial interests in the Bonds only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Bonds by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Permanent Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Permanent Global Bond.

Holders of beneficial interests in the Temporary Global Bond or the Permanent Global Bond will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Minimum Denomination

As the Bonds have denominations consisting of the minimum denomination of £100,000 and higher integral multiples of £1,000 (up to and including £199,000), it is possible that the Bonds may be traded in amounts in excess of £100,000 that are not integral multiples of £100,000. In such case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination of £100,000 may not receive a Definitive Bond in respect of such holding (should Definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to that minimum denomination.

Credit Rating

The Bonds are expected to be assigned a rating of "Aa2" by Moody's. Moody's is established in the EEA and registered under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.

Exchange rate risks and exchange controls

Payments of principal and interest on the Bonds will be made in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds. Government and

monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

The Bonds bear interest at a fixed rate. An investment in the Bonds during that time involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Modifications, waivers and substitution

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of the Conditions or the Trust Deed and to obtain written resolutions of Bondholders without calling a meeting.

Any modification of the Conditions or the Trust Deed may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Bondholders holding not less than one-quarter of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than one-third of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; provided, however, that certain proposals (including any proposal to delay or extend any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which one or more persons holding or representing not less than one-half or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

A written resolution signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Trust Deed and whose Bonds are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Bonds are held in global form in Euroclear and Clearstream, Luxembourg, the Issuer and the Trustee (as the case may be) will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Bonds for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer and/or the Trustee (as the case may be) by accountholders in the clearing systems with entitlements to the Permanent Global Bond or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Bondholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Bondholders satisfying the special quorum in accordance with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a

meeting of Bondholders duly convened and held. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds other than in respect of a Reserved Matter (as defined below) or (ii) determine without the consent of the Bondholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Bonds in place of the Issuer, in each case in the circumstances described in Condition 12 (*Meetings of Bondholders; Modification and Waiver; Substitution*) and the Trust Deed.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds which (subject to completion and amendment) will be endorsed on each Bond in definitive form:

The £300,000,000 3.000 per cent. Bonds due 2055 (the “**Bonds**”, which expression includes any further Bonds issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Cardiff University (the “**Issuer**”) are constituted by a trust deed dated on or around the Issue Date (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and HSBC Corporate Trustee Company (UK) Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed). The Issuer, HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee have entered into a paying agency agreement dated on or around the Issue Date (as amended or supplemented from time to time, the “**Paying Agency Agreement**”) in relation to the Bonds. Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and subject to their detailed provisions. The holders of the Bonds (the “**Bondholders**”) and the holders of the related interest coupons (the “**Couponholders**” and the “**Coupons**”, respectively, which expressions shall, unless the context otherwise requires, include the holders of the talons for further Coupons (the “**Talons**”) and the Talons, respectively) are bound by and have the benefit of the Trust Deed and are deemed to have notice of all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection by Bondholders during normal business hours at the specified offices (as defined in the Trust Deed) of each of the Paying Agents, the initial specified offices of which are set out below.

1. Form, Denomination and Title

The Bonds are serially numbered and in bearer form in denominations of £100,000 and higher integral multiples of £1,000 up to and including £199,000 with Coupons and Talons attached at the time of issue. Bonds of one denomination will not be exchangeable for Bonds of another denomination. Title to the Bonds, the Coupons and the Talons will pass by delivery. The holder of any Bond, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

2. Status

The Bonds constitute direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by applicable laws relating to creditors’ rights.

3. Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness of the Issuer or any guarantee or indemnity by the Issuer in respect of any Relevant Indebtedness without (a) at the same time or prior thereto securing the Bonds equally and rateably therewith or (b) providing such other security for the Bonds as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

In these Conditions:

“Relevant Indebtedness” means any indebtedness for money borrowed or raised which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which, for the time being, is, or is intended by the Issuer to be, listed, quoted, dealt in or traded on any stock exchange or regulated securities market; and

“Security Interest” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

4. Interest

The Bonds bear interest from 8 February 2016 (the **“Issue Date”**) at the rate of 3.000 per cent. per annum, (the **“Rate of Interest”**) payable semi-annually in arrear on 7 June and 7 December in each year (each, an **“Interest Payment Date”**), except that the first payment of interest shall be made on 7 June 2016 (also, an **“Interest Payment Date”**) in respect of the period from (and including) the Issue Date to (but excluding) such Interest Payment Date, subject as provided in Condition 6 (*Payments*).

The amount of interest payable on the first Interest Payment Date shall be £9.84 per £1,000 (the **“Calculation Amount”**). The amount of interest payable on any other Interest Payment Date shall be £15 per Calculation Amount. The period from and including the Issue Date to but excluding the initial Interest Payment Date, and each period from and including one Interest Payment Date to but excluding the next Interest Payment Date shall constitute an **“Interest Period”**.

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

If interest is required to be paid in respect of a Bond on any date other than an Interest Payment Date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by a fraction (a) the numerator of which is the number of days from (and including) the most recent Interest Payment Date (or from the Issue Date if such period is before the first scheduled Interest Payment Date) to (but excluding) the date of payment; and (b) the denominator of which is the number of days (including the first such day and excluding the last such day) in the scheduled Interest Period in which the relevant calculation period falls multiplied by two, rounding the resulting figure to the nearest penny (half a penny being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Bond divided by the Calculation Amount.

5. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 7 December 2055, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with condition 15 (*Notices*) (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 February 2016; and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee:

- (A) a certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely on such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above without liability to any person for so doing, in which event it shall be conclusive and binding on the Bondholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(b).

- (c) *Redemption at the option of the Issuer:* On giving not less than 10 nor more than 20 days' notice to the Bondholders in accordance with Condition 15 (*Notices*), the Issuer may redeem some or all of the Bonds for the time being outstanding at any time at the Redemption Price (as defined below) together with interest accrued to (but excluding) the date of redemption (the "**Redemption Date**").

The "**Redemption Price**" shall be the higher of (a) the principal amount of the Bonds to be redeemed and (b) the product of the principal amount of the Bonds to be redeemed and the price, expressed as a percentage (rounded to three decimal places, with 0.005 being rounded down), (as reported in writing to the Issuer and the Trustee by an independent financial adviser (a "**financial adviser**") appointed by the Issuer and notified to the Trustee) at which the Gross Redemption Yield on the Bonds on the Calculation Date is equal to the sum of (i) the Gross Redemption Yield at 11.00 a.m. (London time) on such date of the 4.250 per cent. Treasury Stock due December 2055 (or, where such financial adviser advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as such financial adviser may recommend) and (ii) 0.15 per cent.

For such purposes:

"**Business Day**" means a day on which banks are generally open for business in London;

"**Calculation Date**" means the date which is the second Business Day prior to the date on which the notice to redeem is dispatched; and

"**Gross Redemption Yield**" means a yield, expressed as a percentage, calculated by the financial adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8 June, 1998 and updated on 15 January, 2002 and 16 March, 2005) (as updated, amended or supplemented from time to time) on a semi-annual compounding basis (converted on an annualised yield and rounded up (if necessary) to four decimal places) or, if such formula does not reflect generally accepted market practice at the time of redemption, a yield calculated in accordance with generally accepted market practice at such time, all as advised to the Issuer and the Trustee by such financial adviser.

Any notice given pursuant to this Condition 5(c) (*Redemption at the option of the Issuer*) shall be irrevocable and shall specify the Redemption Date and the Redemption Price. If any such notice has been given, references in these Terms and Conditions and the Trust Deed to "**principal**", "**principal moneys**" and "**principal amount**" shall, unless the context otherwise requires, be deemed to include references to the Redemption Price in relation to any redemption pursuant to such notice. Upon the expiry of any such notice, the Issuer shall be bound to redeem the Bonds so called for redemption at the applicable

Redemption Price on the Redemption Date together with accrued interest as aforesaid unless previously purchased and cancelled or redeemed. The Trustee may rely absolutely on the advice of any financial adviser appointed as provided in this Condition 5(c) (*Redemption at the option of the Issuer*) and shall not be liable for so doing.

- (d) *Partial redemption*: If the Bonds are to be redeemed in part only on any date in accordance with Condition 5(c) (*Redemption at the option of the Issuer*), the Bonds to be redeemed shall be selected by the drawing of lots in such place as the Issuer approves and in such manner as shall be fair and reasonable in the circumstances, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Bonds have then been admitted to listing, trading and/or quotation, and the notice to Bondholders referred to in Condition 5(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Bonds so to be redeemed and the aggregate principal amount of the Bonds which will be outstanding after the partial redemption.
- (e) *Purchase*: The Issuer or any party acting on its behalf may at any time purchase Bonds in the open market or otherwise and at any price, *provided that* all unmatured Coupons and unexchanged Talons are purchased therewith.

Bonds purchased by or on behalf of the Issuer may, at the option of the Issuer or the relevant party, be cancelled (together with all unmatured Coupons purchased therewith) or may be held, re-issued or re-sold. Bonds held by or on behalf of the Issuer shall not entitle the holder to vote at any meetings of the Bondholders and such Bonds shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of Bondholders or for the purposes of Condition 8 (*Events of Default*), Condition 12 (*Meetings of Bondholders; Modification and Waiver; Substitution*) and Condition 13 (*Enforcement*).

6. Payments

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bonds at the Specified Office of any Paying Agent outside the United States by transfer to a sterling account maintained by the payee with a bank in London.
- (b) *Interest*: Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.
- (d) *Deduction for unmatured Coupons*: If a Bond is presented without all unmatured Coupons relating thereto, then:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment;

provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

- (e) *Payments on business days*: If the due date for payment of any amount in respect of any Bond or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, “**business day**” means, in respect of any place (including the place of presentation), a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and, in the case of payment by transfer to a sterling account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.
- (f) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bonds at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (h) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Bonds (each, a “**Coupon Sheet**”), the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 9 (*Prescription*)). Upon the due date for redemption of any Bond, any unexchanged Talon relating to such Bond shall become void and no Coupon will be delivered in respect of such Talon.

7. Taxation

All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon presented for payment:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Bond or Coupon; or
- (b) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union; or
- (c) more than 30 days after the Relevant Date except to the extent that the holder of such Bond or Coupon would have been entitled to such additional amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

8. Events of Default

If any of the following events occurs and is continuing (each, an “**Event of Default**”), then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Bonds on the due date for payment thereof or fails to pay any amount of interest in respect of the Bonds within three days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or remediation or (ii) being a default which is, in the opinion of the Trustee, capable of remedy or remediation, remains unremedied or unremediated for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer; or
- (c) *Cross-default of Issuer*:
 - (i) any Indebtedness (as defined below) of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
 - (iii) the Issuer fails to pay when due any amount payable by it under any guarantee for, or indemnity in respect of, any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee or indemnity referred to in sub-paragraph (iii) above individually or in the aggregate exceeds £25,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law for the payment of an amount in excess of £25,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer; or
- (f) *Insolvency, etc.*: (i) the Issuer is (or is deemed to be) insolvent or bankrupt under any applicable insolvency or other similar law or is unable to pay its debts as they fall due; (ii) the Issuer stops or suspends payment of all or a material part of its debts being an amount not less than £25,000,000 (or its

equivalent in any other currency or currencies), or makes a general assignment or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or a material part of the debts of the Issuer being an amount not less than £25,000,000 (or its equivalent in any other currency or currencies), in each case in circumstances of the Issuer's financial distress; and/or (iii) an administrator or liquidator is appointed over the whole or substantially the whole of the undertaking, assets and revenues of the Issuer; or

- (g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer save for a solvent winding-up solely for the purposes of a reconstruction or amalgamation of the Issuer, the terms of which have been previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (h) *Failure to take action, etc.*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its payment obligations under and in respect of the Bonds or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bonds, the Coupons and the Trust Deed admissible in evidence in the courts of the United Kingdom is not taken, fulfilled or done; or
- (i) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its payment obligations under or in respect of the Bonds or the Trust Deed,

provided that, in the case of sub-paragraphs (b), (e), (h) and (i) above, the Trustee shall have certified in writing that the happening of the relevant event or events is in its opinion materially prejudicial to the interests of the Bondholders.

For the purpose of these Conditions, "**Indebtedness**" means indebtedness for money borrowed or raised, other than indebtedness created by the Bonds.

9. Prescription

Claims for principal shall become void unless the relevant Bonds are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. For this purpose, references to Bonds and Coupons shall not include Talons.

10. Replacement of Bonds, Coupons and Talons

If any Bond, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent and the Paying Agent having its Specified Office in London, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds, Coupons or Talons must be surrendered before replacements will be issued.

11. Trustee and Paying Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Bondholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Bondholders as a class and will not be responsible for any consequence for individual holders of Bonds or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Paying Agency Agreement and in connection with the Bonds and the Coupons, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders or Couponholders.

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee, not to be unreasonably withheld) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain (a) a principal paying agent and (b) a paying agent in London.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Bondholders in accordance with Condition 15 (*Notices*).

12. Meetings of Bondholders; Modification and Waiver; Substitution

- (a) *Meetings of Bondholders:* The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Bondholders holding not less than one-quarter of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than one-third of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided, however, that* certain proposals (including, without limitation, any proposal to delay or extend any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a **“Reserved Matter”**)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which one or more persons holding or representing not less than one-half or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of all Bonds then outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Bondholders or Couponholders agree to any modification of these Conditions or the Trust Deed or the Paying Agency Agreement (other than in respect of a Reserved Matter) if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds, the Trust Deed or the Paying Agency Agreement which is in the opinion of the Trustee of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Bondholders or Couponholders authorise or waive any proposed breach or breach of the Bonds or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

The Trustee may rely absolutely on the advice of any financial adviser appointed by it or the Issuer in connection with the foregoing and shall not be liable for so doing.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders as soon as practicable thereafter.

- (c) *Substitution:* The Trust Deed contains provisions under which a successor in business of the Issuer or any other party may, without the consent of the Bondholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Bonds *provided that* certain conditions specified in the Trust Deed are fulfilled.

No Bondholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder or (as the case may be) Couponholder except to the extent provided for in Condition 7 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

13. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such steps, actions or proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Bonds, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Further Issues

The Issuer may from time to time, without the consent of the Bondholders or Couponholders and in accordance with the Trust Deed, create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of Bonds having the benefit of the Trust Deed.

15. Notices

Notices to the Bondholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or via a recognised information service under the Financial Services and Markets Act 2000 or equivalent. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bondholders.

16. Governing Law and Jurisdiction

- (a) The Bonds, the Coupons and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds, the Coupons and the Trust Deed are governed by the law of England and Wales.
- (b) The courts of England and Wales have exclusive jurisdiction to settle any dispute arising out of or in connection with the Bonds, the Coupons or the Trust Deed including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their validity and any dispute relating to any non-contractual obligations arising out of or in connection with the Bonds, the Coupons or the Trust Deed (a “**Dispute**”) and each of the Issuer, the Trustee and any Bondholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the courts of England and Wales.
- (c) For the purposes of this Condition, the Issuer waives any objection to the courts of England and Wales on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds will initially be in the form of the Temporary Global Bond which will be deposited on the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Bonds will be issued in new global note ("NGN") form. On 13 June 2006 the European Central Bank (the "ECB") announced that Bonds in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Bonds in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Bonds are intended to be held in a manner which would allow Eurosystem eligibility and will therefore be deposited with one of the International Central Securities Depositories as common safekeeper. Accordingly, the Bonds are intended to be held in a manner which would allow the Bonds to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Bondholders should note that the European Central Bank has applied a temporary extension of Eurosystem eligibility to Sterling denominated securities, the effective commencement date of which was 9 November 2012. However, should this extension cease at any time during the life of the Bonds, the Bonds will not be in a form which can be recognised as eligible collateral.

The Temporary Global Bond will be exchangeable in whole or in part for interests in the Permanent Global Bond not earlier than 40 days after the Issue Date upon certification as to non U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, interest payments in respect of the Bonds cannot be collected without such certification of non U.S. beneficial ownership.

The Permanent Global Bond will be exchanged in whole, but not in part, for Bonds in definitive form ("**Definitive Bonds**") in the denomination of £100,000 each and higher integral multiples of £1,000 up to and including £199,000 against presentation and surrender of the Permanent Global Bond to the Principal Paying Agent if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business (an "**Exchange Event**").

So long as the Bonds are represented by a Temporary Global Bond or a Permanent Global Bond and the relevant clearing system(s) so permit, the Bonds will be tradeable only in the minimum authorised denomination of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Bonds will be issued with a denomination above £199,000.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons and (if applicable) Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Bond and the Permanent Global Bond will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Temporary Global Bond and the Permanent Global Bond. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Permanent Global Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Permanent Global Bond to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds. On each occasion on which a payment of principal or interest is made in respect of the Permanent Global Bond, the Issuer shall procure that the payment is entered in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Permanent Global Bond "business day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 5(c) (*Redemption at the option of the Issuer*) in relation to some only of the Bonds, the Permanent Global Bond may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Bonds to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 15 (*Notices*), while all the Bonds are represented by the Permanent Global Bond (or by the Permanent Global Bond and/or the Temporary Global Bond) and the Permanent Global Bond is (or the Permanent Global Bond and/or the Temporary Global Bond are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Bondholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

Meetings: The holder of the Permanent Global Bond shall (unless the Permanent Global Bond represents only one Bond) be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Bondholders and, at any such meeting, as having one vote in respect of each £1,000 in principal amount of Bonds.

Purchase and Cancellation: Cancellation of any Bond required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Permanent Global Bond.

Trustee's Powers: In considering the interests of Bondholders while the Permanent Global Bond is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Permanent Global Bond and may consider such interests as if such accountholders were the holder of the Permanent Global Bond.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds, expected to amount to £292,773,000 after deduction of the total commissions and other expenses incurred in connection with the issue of the Bonds, will be used by the Issuer for general corporate purposes.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer's historic roots are in the University College of South Wales and Monmouthshire which was granted its royal charter by Queen Victoria in 1884. In 1893, the University College of South Wales and Monmouthshire became one of the founding institutions of the University of Wales and began awarding University of Wales degrees. In 1972, the University College of South Wales and Monmouthshire changed its name to University College, Cardiff.

In 1988, University College, Cardiff merged with the University of Wales Institute of Science and Technology becoming a university college with the name University of Wales College of Cardiff. In 1996, the name of the University of Wales College of Cardiff was changed by Special Statute to University of Wales, Cardiff.

In 2004, the University of Wales, Cardiff merged with the University of Wales College of Medicine. In March 2005, the Privy Council approved a new Supplemental Charter granting the Issuer university status. The legal name of the Issuer changed to Cardiff University. The Issuer is now independent of the University of Wales. The Issuer admitted students to pursue programmes leading to a Cardiff University award from 2005/06 with the exception of undergraduate students in Medicine, Dentistry, Healthcare and Nursing who received University of Wales awards. Since the academic year 2012/13, the Issuer has only awarded its own degrees.

The Issuer is the only Welsh member of the Russell Group, which is now made up of 24 leading institutions in the UK.

Globally, the Issuer was placed 151-200th in the Academic Ranking of World Universities 2015, compiled by Shanghai Jiao Tong University (18th-21st in the UK). It was placed 122nd in the QS World Rankings 2015/6 (22nd in the UK) and 182nd in the Times Higher World University Rankings 2015/6 (30th in the UK).

The Issuer was ranked 5th among UK universities in the UK's Research Excellence Framework 2014 for the quality of its research (behind Imperial College London, the London School of Economics and Political Science, the University of Oxford and the University of Cambridge). The Issuer ranks second in the UK on the impact measure which assesses the significance and reach of the impact of Issuer's research.

The Issuer is the eighth largest university in the UK by total number of enrolled students as shown in the Higher Education Statistics Agency (HESA) statistics for 2013/14.

The Issuer's students pursue taught courses or study for research degrees across a wide range of subjects. In the 2014/15 academic year the Issuer offered more than 843 taught programmes of which 438 (52 per cent.) were available to undergraduates and 405 (48 per cent.) were available to taught postgraduate students. The Issuer has three principal academic bodies, known as Colleges. "College" for this purpose indicates a financial and administrative academic grouping of related facilities and departments for teaching and research disciplines. The three Colleges are: the College of Arts, Humanities and Social Sciences; the College of Biomedical and Life Sciences; and the College of Physical Sciences and Engineering.

The Issuer has the highest graduate employment rate in the Russell Group, as measured by HESA. In 2013/14, 95.5% of the Issuer's graduates were either in employment, further study or both within 6 months of graduation.

Each College is headed by a Pro Vice-Chancellor and Head of College who is responsible and accountable to the President and Vice-Chancellor for the management of the College.

Professional support is provided by the Professional Services, headed by the Chief Operating Officer.

The Issuer's objects and strategic vision

The Issuer's objects ("**Objects**") are set out in its Royal Charter ("**Charter**"). The Objects are:

- to advance knowledge and education by teaching and research and by the example and influence of its corporate life;

- to provide instruction and courses of study for persons seeking to qualify for degrees and other awards of the Issuer, and of other universities and for other persons;
- to promote and make provision for research and for such methods of advancing, disseminating, preserving and applying knowledge as may be decided upon from time to time by the Issuer;
- to develop the character of the students by virtue of its corporate life;
- to promote, itself or jointly with others, health and welfare with special reference to the needs of Wales; and
- to contribute to the social, cultural and economic development of Wales and the United Kingdom.

In 2012, the Issuer adopted its strategic plan, *The Way Forward 2012 – 2017*. This identifies an ambition that, by 2017, the Issuer will consistently be among the top 100 universities in the world and the top 20 in the UK. To achieve this, the Issuer is focussing on five areas:

- **research and innovation:** the Issuer aims to be firmly positioned in the top ten UK universities in Research Excellent Framework (“REF”) terms, with success judged by the effect on the Issuer’s reputation, and to achieve a 10% per annum increase in both research funding and industry funding;
- **education:** the Issuer aims to educate its students to the very highest standards and support them through the transition to independent learning and to achieve at least 90% overall student satisfaction for every school in the National Student Survey;
- **international:** the Issuer aims to form a tight-knit collaboration with two other outstanding international universities and to be ranked within the top 100 universities in the world (QS world rankings) and the top 20 universities in the United Kingdom (Times Higher World University rankings);
- **engagement:** the Issuer aims to demonstrate its commitment to the communities of Cardiff and Wales through knowledge exchange and engagement projects
- **finance:** the Issuer aims to maintain an annual cash surplus of at least 5% and for staff costs to be no more than 54% of total income.

The Issuer is progressing its strategic plan, for example, it signed a co-operation agreement with the University of Leuven on 22 September 2014 and is progressing its search for a second collaboration with an outstanding international university.

Welsh Language

The Issuer has a Welsh Language Scheme 2014, which has been approved and commended by the Welsh Language Commissioner. The Scheme reflects the Issuer’s ongoing commitment to treating the Welsh language no less favourably than the English, and to meeting its commitments under the Welsh Language Measure 2011, a Measure of the National Assembly for Wales which makes provision about the official status of the Welsh language in Wales. A rolling programme of actions and targets accompanies the Scheme. The Issuer’s Welsh Language Services Unit is charged with overseeing the following:

- compliance with the Issuer's Welsh Language Scheme;
- assist schools/divisions in the use of the Welsh Language;
- co-ordinate the Issuer's translation requirements; and
- assist in the development of Welsh Medium Academic provision through liaison with the Issuer’s Registry.

The Issuer is committed to the sector-wide developments in relation to Welsh medium academic provision, working with Coleg Cymraeg Cenedlaethol. In 2015/16, around 125 modules can be studied through the medium of Welsh, available across a wide range of subjects including Law and Medicine.

History and constitution of the Issuer

The Issuer is a body corporate which has its origins in 1884 with the granting of a Royal Charter to constitute and found the University College of South Wales and Monmouthshire. As a university established by Royal Charter, the Issuer is a body corporate with all the powers of a natural person to do all lawful acts subject only to compliance with internal regulations.

In 1972, the University College of South Wales and Monmouthshire changed its name to University College, Cardiff.

In 1988, a Royal Charter was granted marking the merger of the University College, Cardiff with the University of Wales Institute of Science and Technology, becoming a university college with the name University of Wales College of Cardiff (the “**1988 Charter**”).

The 1988 Charter has been amended at various times by Special Statutes duly made under the 1988 Charter and approved by the Privy Council. By such a Special Statute made in 1996 the name and style of University of Wales College of Cardiff was changed to the University of Wales, Cardiff. On 11 March 2005 Queen Elizabeth II granted a supplemental charter (the “**2005 Charter**”) which revoked the 1988 Charter and substituted the provisions of the 2005 Charter. That revocation and substitution was, however, without prejudice to the part of the 1988 Charter which incorporated the University of Wales, Cardiff and conferred upon it perpetual succession and a common seal and power to sue and be sued and to do all such other things as are ancillary to a body corporate.

The Issuer's principal constitutional document is the 2005 Charter, which sets out the Objects of the Issuer and provides for the Council of the University (“**Council**”) to be responsible for the management and administration of the revenue and property of the Issuer. The Council is the supreme authority as the governing body of the Issuer and has general control over the conduct of the affairs of the Issuer and performs such functions as may be prescribed by the statutes of the Issuer (the “**Statutes**”). Further information on the Council and the governance structure of the Issuer is set out in the section titled “*Governance and Regulation of the Issuer*”.

The Charter gives power to the Council to make Statutes which amend, revoke or add to the Statutes of the Issuer (subject to Privy Council approval). A Statute may direct that any matter for which it makes provision shall be the subject of further provision by ordinances (“**Ordinances**”), regulations (“**Regulations**”) or standing orders (“**Standing Orders**”). The Statutes provide that the Council may make, vary or repeal Ordinances or Regulations relating to any matter connected with the government and administration of the Issuer. No Ordinance shall be made by the Council in respect of any matters having academic implications, as prescribed by Ordinance, until the Senate has been consulted and the views of the Senate have been fully considered by the Council. The Senate, the body responsible for the ordering of academic affairs of the Issuer (the “**Senate**”), may make, vary or repeal Regulations relating to any matter within its responsibilities as set out in the Charter, Statutes and Ordinances. The Council has enacted, amended and repealed various Statutes, Ordinances, Standing Orders and Regulations over time for these purposes. The Issuer is therefore governed by its Charter, the Statutes, Ordinances, Standing Orders and Regulations, together with applicable national and EU legislation.

The Charter may be amended and the Statutes may be enacted, amended and repealed from time to time but any such action requires the approval of Her Majesty in Council (being the Queen acting through the Privy Council). Ordinances, Standing Orders and Regulations may be enacted, amended or repealed from time to time by the Council (with the Senate being consulted and its views fully considered by the Council in respect of any matters having academic implications) without needing to seek the approval of Her Majesty in Council. The Senate may make Regulations in respect of any matter within its responsibility.

The Issuer is a registered charity (number: 1136855) under the Charities Act 2011. The members of the Council are the charity trustees. Further information on the charity status of the Issuer is set out in the section titled “*Governance and Regulation of the Issuer*”.

Student and Staff Numbers

The Issuer has undergraduate and postgraduate students from the UK, EU and overseas (outside the EU). Details of full and part-time student numbers for each of the last five academic years are set out below (expressed as full time equivalents measured in November each year; figures may be subject to rounding):

<i>FTE numbers</i>	2011	2012	2013	2014	2015
Academic year	2011/12	2012/13	2013/14	2014/15	2015/16
Total students	21,198	21,738	22,316	23,023	23,821
Undergraduate (UG)	16,516	16,814	17,293	17,995	18,288
<i>Full-time (Ft)</i>	16,218	16,522	17,028	17,726	18,060
<i>Part-time (Pt)</i>	298	293	265	269	228
UK & EU	14,970	15,110	15,521	16,118	16,299
Non-EU	1,546	1,705	1,772	1,877	1,989
Postgraduate Taught	3,402	3,565	3,660	3,655	4,054
<i>Full-time (Ft)</i>	2,311	2,494	2,633	2,675	3,038
<i>Part-time (Pt)</i>	1,091	1,071	1,028	980	1,016
UK & EU	1,919	1,813	1,712	1,798	1,937
Non-EU	1,483	1,752	1,948	1,857	2,118
Postgraduate Research	1,281	1,359	1,363	1,374	1,480
<i>Full-time (Ft)</i>	1,157	1,226	1,229	1,251	1,364
<i>Part-time (Pt)</i>	124	134	135	124	116
UK & EU	953	1,019	995	983	1,053
Non-EU	328	340	368	392	427
Total Full-time	19,686	20,241	20,889	21,651	22,462
Total Part-time	1,512	1,497	1,427	1,373	1,360
Total UK & EU	17,842	17,941	18,228	18,898	19,288
Total non-EU	3,357	3,797	4,088	4,126	4,534

For the 2015/16 academic year, as at 2 November 2015 there were 23,821 full time equivalent students registered with the Issuer (excluding Incoming Exchange, International Foundation Programme, English Language and Continuing Professional Education). Historically, additional students are registered in the course of an academic year.

The above table also shows details of UK/EU and overseas students for each of the last five academic years (again expressed as full time equivalents).

Competition for student places at the Issuer is strong. For undergraduate entry in 2015, 38,824 applications for courses were received which equates to 6.6 applications for every student enrolled.

The numbers of undergraduate applications and undergraduate admissions for the last five academic years are set out below:

<i>Academic year of entry</i>	Number of undergraduate applications received	Enrolments
2015/6	38,824	5,856
2014/5	39,105	5,674
2013/4	34,885	5,682
2012/3	30,759	5,343
2011/2	33,229	5,420

The fall in applications for the 2012/13 academic year versus the 2011/12 academic year coincided with an overall reduction in applications to universities in England and Wales arising from the major changes in the fee regime for undergraduates in England and Wales. UK-wide university applications fell 8.9 per cent. in 2012/13 when compared with levels in 2011/12. Applications to the Issuer reduced by 6.5 per cent. over the same period, and enrolments reduced by 1.4 per cent. despite the number of students deferring entry from 2011 to 2012 being reduced from historic levels for that year.

For undergraduate entry in the 2016/17 academic year, as at 1 December 2015, the Issuer has received 16,883 undergraduate applications for places of study compared to 16,373 at the same time the previous year, a rise of 3 per cent.

The Issuer had an average of 5,399 full time equivalent members of staff in the year ended 31 July 2015 engaged in its activities, including 2,276 academic staff, 1,412 administrative and management staff, 228 clinical staff, 215 technical staff, 985 clerical staff and 283 other support staff. The Issuer decided to increase its academic resources to meet demand and since 1 August 2014, has recruited around 492 academic staff, including some leading scholars.

Principal Activities of the Issuer

The principal activities of the Issuer can be summarised as follows:

- research and knowledge exchange;
- learning and teaching;
- examining and awarding of degrees;
- social and corporate responsibility; and
- other activities, including the operation of residences, catering and conferencing facilities, libraries and collections and consultancy and the commercialisation of intellectual property generated within the Issuer.

Sources of Income

The Issuer's income in each of the last four academic years (as reported in the consolidated income and expenditure account in the Issuer's financial statements), is shown in the table, and described in more detail below.

	£,000			
	2011/12	2012/13	2013/14	2014/15
Funding Body Grants.....	117,368	95,639	82,318	67,497
Tuition fees and support grants	123,847	158,828	192,784	219,780
Research grants and contracts	87,654	88,211	93,550	107,782
Other income	93,492	90,963	83,617	83,662
Endowment and investment income	3,178	3,044	3,462	3,871
Total Income	425,539	436,685	455,731	482,592

Funding Body Grants

The Issuer receives recurrent grant funding from the Welsh Government through the Higher Education Funding Council for Wales ("HEFCW") in the form of funding for teaching, for research and for other activities. HEFCW was established by the Further and Higher Education Act 1992. From 1 July 1999, HEFCW became a sponsored body of the newly-established National Assembly for Wales. HEFCW subsequently became known as an Assembly Government Sponsored Body (Government of Wales Act 2006) and a Welsh Government Sponsored Body (WGSB) in May 2011. HEFCW administers funds made available to it by the Welsh Ministers and others for the purpose of providing financial support for activities relating to the provision of higher education, teacher training and other activities of higher education institutions in Wales. The Further and Higher Education Act 1992 and the Education Act 2005 gives the requisite powers to the Welsh Government to impose conditions and obligations on HEFCW in respect of payment of grant funding to designated Welsh universities.

The total amount of public funding HEFCW receives in connection with Welsh higher education institutions is set by the Welsh Government each year. The terms on which the Issuer currently receives teaching and research funding from HEFCW are set out in its Financial Memorandum with HEFCW.

- *Research*

The Issuer receives a block grant from HEFCW to support its research infrastructure and enable its research activities.

HEFCW calculates the block grant primarily on the basis of research quality, taking into account the volume and relative cost of research in different areas (“**QR funding**”). HEFCW calculates how much funding to provide for research in different subjects, and then allocates the total for each subject between institutions according to the QR Funding calculation.

A new system for assessing the quality of research in UK higher education institutions was completed in 2014 to assess research which had taken place in the period from 2008 to 2013 (inclusive). Known as the Research Excellence Framework (“**REF**”) it replaced the Research Assessment Exercise (“**RAE**”) and included an additional requirement to demonstrate the impact of research by reference to its reach and significance in terms of public benefit beyond academia in addition to research quality. The Issuer's performance in the REF relative to the rest of the Welsh sector affects its recurrent HEFCW QR Funding for the period after 2015.

The calculation of QR Funding takes into account the quality of research as measured in the 2014 REF, the volume of research using research active staff numbers and relative costs reflecting the fact that laboratory based research is more expensive than library based research. Funding is also allocated for other research related costs such as supervision of postgraduate research students and funds to support research that universities carry out with charities and with business and industry.

The Issuer was allocated £39.8 million of QR Funding, representing 56 per cent. percent of the overall Welsh sector grant award in the 2015/16 academic year. 87 per cent. of the Issuer's research activity was judged to be world leading (4*) or internationally excellent (3*) in the 2014 REF. The Issuer was allocated £2.87 million for postgraduate research training in 2015/16 (55 per cent. of the Welsh sector grant).

Applying data from the REF, the Issuer was placed fifth among the UK universities in terms of quality alone (measured by grade point average) and sixth overall when the Institute of Cancer Research (a specialist institution) is included. The Issuer is ranked second for impact (ranking measured by grade point average and excluding specialist institutions) and 18th in the UK in terms of research power (calculated using the overall grade point average, multiplied by the number of FTE research staff submitted). Research at the Issuer is undertaken across all the disciplines embraced by its three Colleges and was submitted to 27 of the 35 Units of Assessment in the REF.

The Issuer has embarked on a strategy which has been presented to the Senate to ensure strong performance in future REF and similar assessment exercises. The strategy focuses on five work streams:

- **Research Excellence:** building on the results of the REF and supporting staff to ensure that the quality profile applies to a higher number of staff.
- **Research Income:** increasing peer-reviewed research income by demonstrating the highest quality research proposals according to external peer review, and developing minimum threshold expectations for staff.
- **Impact:** improving understanding of the impact of research, to inform assessment of where most effort should be placed when looking at a pipeline of research projects.
- **Outputs:** all staff to have an individual strategy regarding the outputs of their research, for example, publications, keynote addresses at conferences, international collaborations and impact on academic community.
- **Postgraduate Research:** developing an overarching strategy to support an expansion in numbers of research students.
- *Teaching*

University teaching is supported by a combination of the HEFCW block grant and student fees. The amount of the teaching block grant is calculated by HEFCW according to the number of UK and EU undergraduate and postgraduate taught students enrolled on the Issuer's courses, the mode of study (full-time or part-time) and the nature of the courses. There are also special allocations to assist

Welsh Government priorities such as Welsh language provision, widening participation and students with disabilities.

Prior to the 2012/13 academic year, higher education institutions received a significant proportion of their funding for undergraduate teaching as part of the HEFCW recurrent grant. The Issuer received £60.8 million for full-time undergraduate teaching within its total HEFCW grant for the 2011/12 academic year. Since the 2012/13 academic year, a significant proportion of funding for teaching has been distributed by the Student Loans Company Limited, operating in Wales as ‘Student Finance Wales’ (“**Student Finance Wales**”) (as higher tuition fees paid direct to institutions for newly admitted students underwritten by loans made to those students) and the HEFCW recurrent grant has subsequently reduced. The Issuer received £10.6 million for full-time undergraduate teaching within its total HEFCW grant for the 2015/16 academic year. The HEFCW grant for 2015/16 also continues to provide funding for part-time study and special allocations.

In recognition that clinical medicine and dentistry courses cost more to provide than the maximum fee of £9,000, HEFCW provides the Issuer with an element of teaching block grant to assist with the direct funding of these courses, although this position may change in the future due to political influence.

The Higher Education (Wales) Act 2015 (the “**2015 Act**”) was given royal assent in March 2015, and will come into force on a staged basis over two years. The purpose of the 2015 Act is to:

- (a) ensure robust and proportionate regulation of institutions in Wales whose courses are supported by Welsh Government backed higher education grants and loans;
- (b) safeguard the contribution made to the public good arising from the Welsh Government’s financial subsidy of higher education;
- (c) maintain a strong focus on fair access to higher education; and
- (d) preserve and protect the institutional autonomy and academic freedom of universities.

Tuition Fees for UK and EU Students

Students are charged tuition fees for courses undertaken at the Issuer. The tuition fees are regulated for UK and EU undergraduate students. Tuition fees for UK and EU postgraduate courses are not regulated and are variable according to cost of provision and issues such as market demand.

Since the 2012/13 academic year the Issuer’s fees are set at a maximum of £9,000 per annum for full time undergraduate UK and EU students and £7,000 *pro rata* per annum for part-time undergraduate UK and EU students.

Following the introduction of the new student fees regime in the 2012/13 academic year, full-time undergraduates who are ordinarily resident in Wales (“**Welsh Undergraduates**”) have been eligible for a non-means tested tuition fee grant to cover the difference between the tuition fees being charged by the university and the maximum loan available from Student Finance Wales. This grant is paid by the Welsh Government directly to the relevant university on behalf of Welsh domiciled students wherever they study in the UK. For Welsh undergraduates commencing or continuing their course in 2015/2016 the tuition fee grant available from the Welsh Government is £5,190 per annum in addition to the maximum tuition fee loan from Student Finance Wales of £3,810 per annum (being £9,000 per annum in aggregate). Maintenance loans for Welsh higher education students are also available from Student Finance Wales; up to a maximum of £5,376 a year (2015/16) if a student lives away from home (depending on household income). Under the current regime, students will only be required to repay loans to Student Finance Wales if they are earning over £21,000 per year. Once they earn over this threshold, students are only required to pay 9 per cent. of their income.

The 2015 Act establishes a new regulatory framework for higher education providers in Wales whereby institutions (such as the Issuer) which currently have a fee plan approved by HEFCW under the Higher Education Act 2004 will be entitled to set their own fees up to an amount specified in regulations made by the Welsh ministers and HEFCW will be required to monitor compliance with those fees. During the transitional

period from 1 August 2015 to 1 September 2017, such institutions with a fee and access plan in place will be regarded as ‘regulated institutions’ and under the 2015 Act will be required to:

- comply with the fee limits set out in their fee plans;
- co-operate with HEFCW, which monitors their fee limit compliance;
- comply with guidance and co-operate with HEFCW in relation to quality assessments and arrangements for quality assessments; and
- take into account any guidance from HEFCW relevant to improving or maintaining the quality of education.

During the transitional period, HEFCW will be able to enforce fee limits and to assess or make arrangements for the assessment of the quality of education provided by or on behalf of regulated institutions.

Tuition Fees for Non UK and Non EU Students

Tuition fees for non-UK/EU students are not regulated and are variable according to cost of provision and other such factors as market demand. Fees for non-UK/EU undergraduate students in 2015/16 have been set by the Issuer according to subject bandings. For example, standard fees for non-UK/EU students in 2015/16 have been set at £14,000 per annum for an Arts-based course and £17,500 per annum for a Science-based course.

Research Grants and Contracts

The Issuer is regarded as one of the leading research universities in the UK. The Issuer has 2 Nobel prize winners among its staff.

The Issuer receives income in the form of grants and contracts for specific research projects and programmes. Sources of income include UK Research Councils, charities, central government departments and hospital and health authorities. It also generates income from collaborations with the private sector and from overseas sources.

A breakdown of research grants and contracts income by source is set out below:

	£,000			
	2011-12	2012-13	2013-14	2014-15
Research Councils	26,465	22,865	22,301	25,525
UK based charities	18,158	18,382	19,517	19,429
UK central government, hospitals and health authorities	25,231	26,810	29,123	31,590
UK Industry & Commerce	4,667	4,955	5,370	4,323
Overseas	4,037	5,163	4,782	4,154
Other sources	9,096	10,036	12,457	22,760
Total	87,654	88,211	93,550	107,781

Typically the Issuer will receive research awards up to one year in advance of the research activity commencing. The awards are recognised as research income in the Issuer's financial statements only once the research activity has commenced and usually over the duration of a number of years.

Other Income

- *Services Rendered*

The Issuer receives income from a variety of sources for services rendered. In 2014/5 this totalled £52.1 million (2013/14 £54.1 million). The main contributor to this was contracts with the UK Government (£33.5 million) and UK Health Authorities (£9.3 million).

- *Residences, catering and conferences*

Income generated by the Issuer from residences, catering and conferences is set out below:

	Amount in £ millions			
	2011/12	2012/13	2013/14	2014/15
Income from residences, catering and conferences	19.9	20.6	22.5	25.2

Endowment and Investment Income

The Issuer held £28.7 million of endowment assets as at 31 July 2015. The endowment assets are made up of £24.7 million invested in an investment portfolio managed by Barclays Wealth and short-term cash held in a money market account with Fidelity (£4 million).

The Issuer's Policy and Resources Committee has set up an Investment and Banking Sub-Committee which has responsibility for overseeing all necessary arrangements in connection with bank accounts, loans, mortgages, insurances and other similar matters ensuring value for money is achieved. It makes recommendations to the Policy and Resources Committee and to the Council on external financing. It reports to the Policy and Resources Committee on investment strategy, investment performance and any strategic risks. The Investment Policy statement is reviewed on an annual basis; any changes required are approved by the Council on the recommendation of the Policy and Resources Committee.

The Issuer's Estate

The Issuer's estate is diverse and extensive with the Issuer having freehold and long leasehold interests in a wide variety of property, including academic buildings, student residences and other associated properties. The Issuer is situated on over 68 hectares of land in Cardiff, focused in the city's civic centre around Cathays Park, with a narrow footprint stretching 2 miles from the Heath Park campus in the north to the Queen's Buildings on Newport Road in the south and the playing fields at Llanrumney in the east. The Issuer occupies 125 academic buildings and 166 residences, totalling over 440,000 m² of floor area (GIA) and ranging in age from grand, listed buildings built in the early 1900s to new academic buildings with state-of-the-art facilities. The largest building is over 28,000 m² and 15 per cent. of the academic buildings have been built since the year 2000. The academic buildings contain over 70,000 m² of teaching space and 92,000 m² of research space, 69,000 m² of which has been configured for specialised use. The residential buildings house more than 5,000 students, primarily on 3 sites. Student accommodation ranges from large accommodation blocks to smaller houses.

The Campus Masterplan, approved by the Council in December 2014, recognises the importance of the Issuer to the city of Cardiff, as well as the need for a university quarter to support the college structure. The plan will support the Issuer's overall strategic plan, *The Way Forward 2012-17*, and will involve:

- the relocation of the College of Biomedical and Life Sciences activities to the Heath campus;
- the relocation of the College of Physical Sciences and Engineering to the Cathays campus;
- the development of a new innovation campus on the Maindy Road site; and
- the relocation of professional services to the Cathays campus.

Phase One of the Campus Masterplan was approved by the Council in December 2014. The main buildings included within the first phase are currently at the design stage. The current intention is to construct a new student support/welfare building, rationalisation and redevelopment of library services, new building for the Schools of Maths and Computer Sciences, Translation Research (hosting Catalysis and Compound Semi Conductor research) and Social Science/Innovation buildings, land acquisition/ground leases for the College of Biomedical and Life Sciences, relocation of the School of Chemistry, relocation of the School of Journalism. These works will also require significant infrastructure/enabling works including car parking provision and pedestrianisation of Park Place.

The Net Book Value of the freehold and long leasehold estate as at 31 July 2015 was £341.5 million. The total reinstatement cost assessment, as at 1 August 2015, of all space occupied by the Issuer (including lease space) is £1,501,400,924 of which £1,071,400,924 relate to buildings. Certain buildings have been funded from Treasury sources at a cost of £132 million (at 31 July 2015). Should these particular buildings be sold, the Issuer would use the proceeds in accordance with the Financial Memorandum with HEFCW.

Libraries and Special Collections

The Issuer owns library collections comprising 1.3 million catalogued volumes. The insured value for the main collection is £125 million, with a further two collections valued at £4.5 million (the Cardiff Rare Books Collection and WG Collingwood Archive).

Commercialisation of Intellectual Property

In January 2007 a ten-year agreement was signed with Fusion IP Plc (“**Fusion IP**”) giving Fusion IP the first right of refusal to develop commercially current and future research-generated intellectual property at the Issuer via the formation of spin-out companies. As part of the arrangement, the Issuer received shares in the AIM-listed Fusion IP. In March 2014, following the acquisition of Fusion IP by IP Group Plc, the shares held by the Issuer in Fusion IP were disposed of in return for shares in IP Group Plc. The latter are subject to higher trading volumes which afforded the Issuer the opportunity to sell its shareholding in IP Group Plc in November 2015 for £11.6 million.

Since inception, the relationship with Fusion IP has led to almost £45 million of investment in spin-outs of the Issuer. Graduates of the Issuer have established more than 175 start-up companies since 2012 making the Issuer the top higher education institution in Wales and the tenth highest in the UK for the level of graduate start-ups.

The Issuer is ranked in the top five UK higher education institutions for the number of knowledge transfer programmes (source: UK Knowledge Transfer Partnerships website). In 2013/14, 81 per cent. of all intellectual property income in Wales is generated by the Issuer (source: the 2013-14 Higher Education Business Community Interaction Survey).

The Issuer has developed a strategy to assist it in translating research excellence into economic, cultural and social benefits, and stimulating the economy of Cardiff Region, known as the Cardiff Innovation System. The development of the innovation campus is a key part of this strategy.

Widening Participation and Economic Impact

All Welsh Universities are required by HEFCW to report on their strategies for widening access to HEFCW in the context of HEFCW’s Corporate Strategy and Strategic Approach and Plan for Widening Access to Higher Education.

The Issuer is committed to widening participation and has responded to the Welsh Government and HEFCW’s expectations by developing a widening access and retention strategy (which is currently being refreshed) through which it seeks to:

- raise the aspirations and attainment of students from groups under-represented in higher education, particularly in Wales;
- ensure that it recruits students to the Issuer from all backgrounds and recognise the full potential of students during the admissions process;
- offer additional routes onto selected full-time undergraduate courses and more flexible postgraduate modes of delivery; and
- provide tailored support for students to allow them to develop academically, professionally and personally to their full potential.

In 2015, the Issuer commissioned a report from London School of Economics, “The Economic and Social Impact of Cardiff University”. Based on an analysis of 2012/13 data, the report concluded that the Issuer contributes £2.74 billion annually to the United Kingdom economy.

The Issuer's Solvency

There have been no recent events particular to the Issuer that are relevant, to a material extent, to the evaluation of the Issuer's solvency.

The Issuer's Subsidiaries and Joint Ventures

The Issuer is part of a group as it has various subsidiary undertakings (together with the Issuer, the “**Group**”) and interests in other entities in the UK. The Issuer is not dependent on any other entity within the Group.

The Issuer has two active wholly owned subsidiary undertakings, University College Cardiff Consultants Limited and Cardiff Partnership Fund Limited. Both of these subsidiaries are very small relative to the Issuer. The aggregate income and net assets of all subsidiaries (excluding inter-group trading and net assets) is less than 1 per cent. of the Issuer’s consolidated income and net assets.

On 1 August 2015, the Issuer entered into a joint venture arrangement with IQE plc (“**IQE**”) and formed a jointly owned company called Compound Semiconductor Centre Limited. This for profit venture will seek to develop a cluster of expertise in the development and commercialisation of compound semiconductor technologies. The new company is a 50:50 joint venture. Both parties hold 10,000 ordinary shares each for which the Issuer made a £12 million cash payment and IQE made an investment in kind in the form of equipment valued at £12 million. In addition, the Issuer invested a further £9 million cash in return for 9,000 preference shares. IQE contributed intellectual property and knowledge valued at £8 million in return for 8,000 preference shares. Finally, the Issuer agreed a shareholder loan of up to £2 million, of which £1 million was drawn down on 1 August 2015.

GOVERNANCE AND REGULATION OF THE ISSUER

Introduction

An explanation of certain key governance aspects of the Issuer, together with a summary of each of the constituent bodies and offices referred to in the summary, is set out below.

The Charter sets out the purpose and powers of the Issuer. The Charter defines the objects, powers and officers of the Issuer. These include the power to teach, examine, carry out research and award degrees.

The Statutes amplify the Charter and both the Charter and the Statutes are approved by the Privy Council on behalf of Her Majesty the Queen. Ordinances support the Charter and Statutes and are created and approved by the Council. Other Regulations may be created and approved by Council or by other committees on delegated authority from the Council.

Under the Charter, the governing body of the Issuer is the Council.

- The Council is the supreme authority upon which the final decision for all matters rests. As the governing body of the Issuer, the Council has general control over the conduct of the affairs of the Issuer and performs such functions as may be prescribed by the Charter, Statutes, Ordinances and Regulations.
- The Senate, subject to the powers of the Council, has responsibility for the ordering of the academic affairs of the Issuer, both in teaching and in research, and for the regulation and superintendence of the education of the students of the Issuer as prescribed in the Statutes and Ordinances.
- The court of the Issuer (the “**Court**”) is a body which meets annually to receive the Issuer’s annual report and financial statements. The membership of Court is drawn from the various constituencies or stakeholders with an interest in the Issuer and provides a formal route for receiving information and raising issues. Examples of members are: representatives from education at secondary, Further Education and Higher Education level; representatives from health (local Health Boards and NHS Trusts in Wales); alumni; representatives from Learned Societies and Professional Bodies.
- The President and Vice-Chancellor is the chief academic and executive officer of the Issuer and is Chair of the Senate.
- Cardiff University Students’ Union is the students' union representing the interests of the students.
- As part of its arrangements for effective governance, management and financial control, the Council has appointed and constituted a number of committees. The key committees of the Council are:
 - Audit Committee;
 - Governance Committee;
 - Remuneration Committee; and
 - Policy and Resources Committee.

The Academic Standards and Quality Committee is the key committee of the Senate.

In addition to the above there is the University Executive Board which is not a formal committee of the Council but acts as an advisory and operational management group.

The Council

The Council is the Issuer's governing body. It meets formally at least five times in each academic year. The Council has 26 members. The Council consists of the following members:

- two ex officio members - the President and Vice Chancellor and the Deputy Vice-Chancellor;
- fifteen lay members (including the Chair of Council and the Vice-Chair of Council) appointed by the Council in accordance with the Ordinances, lay members being persons who are not employees or students of the Issuer;
- two of the Pro-Vice Chancellors – appointed on the nomination of the Vice-Chancellor and following consultation with the Senate;
- three members of the Senate – being members of the academic staff not otherwise members of Council, at least one of whom being a Head of School and at least one of whom being an elected member of Senate, elected by the Senate in the manner prescribed by Ordinance;
- two student members selected in the manner prescribed by Ordinance; and
- two employees of the Issuer who are not members of the academic staff, selected in the manner prescribed by Ordinance.

The quorum for meetings of the Council is at least nine members.

The Council is responsible for the efficient management and conduct of all aspects of the affairs of the Issuer, including its finances and property. It is also responsible for the terms and method of appointment of all employees of the Issuer.

The Council has the power to make proposals to add to, amend or revoke provisions of the Charter (except Article I of the Charter in so far as it constitutes and founds the Issuer) and to amend, revoke or add to the Statutes, subject to the provisions of the Charter, with the consent of the Privy Council. The Council may make, vary or repeal Ordinances or Regulations relating to any matter connected with the government and administration of the Issuer. No Ordinance shall be made by the Council in respect of any matters having academic implications, as prescribed by Ordinance, until the Senate has been consulted and the views of the Senate have been fully considered by the Council. The Senate may make, vary or repeal Regulations relating to any matter within its responsibilities as set out in the Charter, Statutes and Ordinances.

The Senate

Subject to the powers of the Council, the Senate is the principal academic authority of the Issuer and is responsible for the ordering of the academic affairs of the Issuer, both in teaching and research, and the regulation and superintendence of the education of students of the Issuer, as prescribed in the Statutes and Ordinances. It is the primary decision making body of the Issuer on purely academic matters. The Senate has 84 members and is chaired by the President and Vice-Chancellor. Of its membership, 33 are designated ex-officio; 15 are professors elected by and from the professors of the Issuer; 25 members are elected by and from the academic staff of the Schools and Colleges; and 5 members of the academic staff of the Professional Services. The remaining 6 members are student representatives. In addition no more than 10 co-opted members can be appointed.

The Court

The functions of the Court are:

1. to appoint such members of the Court in such manner as may be prescribed by the Ordinances;
2. to receive an Annual Report on the work of the Issuer from the President and Vice-Chancellor and to receive the audited Statement of Accounts and to comment thereon;
3. to discuss any matters relating to the Issuer and to advise the Council as it sees fit; and
4. to appoint three members of the Court to serve on a Nominations Committee to appoint a Chancellor

Cardiff University Students' Union

Cardiff University Students' Union (the “**Students' Union**”) is the student union of the Issuer. The functions and privileges of the Students' Union and other matters relating to it are prescribed by Ordinances. Subject to

the provisions of such Ordinances, the Students' Union has the power to manage its own affairs and funds. The constitution of the Students' Union is subject to approval by the Council as prescribed in the Ordinances. The Students' Union is a registered charity (charity number: 1137163) linked to the Issuer and a company limited by guarantee (company number: 07328777).

Audit Committee

The Audit Committee is a sub-committee of the Council. It monitors and reviews the Issuer's financial and other internal control systems, including the work of the internal audit unit, to advise Council on the level of compliance with the mandatory requirements of the HEFCW Audit Code of Practice.

It is chaired by a lay member of Council (Guy Clarke) and has a lay majority of members.

It considers the Issuer's draft annual financial statements after review by the Policy and Resources Committee.

The Audit Committee advises the Council on whether the Issuer's systems and procedures promote economy, efficiency and effectiveness, and safeguard the Issuer's assets and prevent and detect fraud or other irregularities.

It produces an annual report in accordance with the HEFCW Audit Code of Practice which is submitted to the Council, accompanied by the internal auditor's annual report.

The Audit Committee considers relevant reports of the Welsh Funding Council Audit Service, National Audit Office and other organisations and monitoring the implementation of relevant recommendations.

The President and Vice-Chancellor is not a member of the Audit Committee but may attend meetings by invitation.

Academic Standards and Quality Committee

The Academic Standards and Quality Committee is a committee of the Senate and is responsible for advising the Issuer on all matters relating to the promotion of academic quality and standards across the full range of its provision for students.

Governance Committee

The Governance Committee advises the Council on matters relating to governance and on the level of compliance by the Issuer with the mandatory requirements of legislation and other regulations. The Governance Committee also 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.

The Remuneration Committee

The Remuneration Committee determines the remuneration of the President and Vice-Chancellor and such other members of staff as are deemed appropriate by the Council. The Remuneration Committee reviews and recommends the Issuer's pay policy for senior staff to the Council and maintains oversight of its application.

Policy and Resources Committee

The Policy and Resources Committee, *inter alia*, considers and reviews the Issuer's financial regulations covering all aspects of the work of the Issuer and makes recommendations to the Audit Committee and the Council. It considers any other matters relating to the financial well-being of the Issuer as directed by the Council.

The Policy and Resources Committee receives advice from the Governance Committee in respect of compliance with legislation affecting the development of the Issuer's strategy and the allocation of its resources.

The Chancellor

The Chancellor is the ceremonial head of the Issuer, presiding at and chairing the annual meeting of the Court. The Chancellor also has a ceremonial role at graduation and other ceremonies and acts as an ambassador for the Issuer. The Chancellor has no executive authority and is not a member of the Council. The current Chancellor is Professor Sir Martin Evans FRS.

The President and Vice-Chancellor

The President and Vice-Chancellor is the chief academic and executive officer of the Issuer and Chair of the Senate. In fulfilling these functions, the President and Vice-Chancellor has overall responsibility for the executive management of the Issuer and for its day-to-day direction, being accountable to the Council for the exercise of these responsibilities. The President and Vice-Chancellor is the designated Accountable Officer under the terms of the Financial Memorandum between HEFCW and the Issuer. As the chief executive officer of the Issuer, the President and Vice-Chancellor exercises primary influence on the development of institutional policy and strategy, the identification and planning of new developments and in shaping its institutional ethos. The current President and Vice-Chancellor is Professor Colin Riordan.

Deputy Vice-Chancellor

The Deputy Vice-Chancellor is appointed by the Council on the nomination of the President and Vice-Chancellor, after consultation with the Senate. The Deputy Vice-Chancellor works closely with the President and Vice-Chancellor and the Pro Vice-Chancellors to provide leadership to the Issuer and help deliver the Issuer's strategic goals. The Deputy Vice-Chancellor deputizes for the President and Vice-Chancellor in his absence. The current Deputy Vice-Chancellor is Professor Elizabeth Treasure.

The Executive Board of the Issuer

The President and Vice-Chancellor is supported in his role by a Deputy Vice-Chancellor, three thematic Pro Vice-Chancellors, three Pro Vice-Chancellors who are Heads of College, a Chief Operating Officer, a Director of Finance, a Director of Communications and Marketing and a Director of Development and Alumni Relations. The current incumbents of these roles are:

- Professor Colin Riordan, President and Vice-Chancellor;
- Professor Elizabeth Treasure, Deputy Vice-Chancellor;
- Professor Hywel Thomas, Pro Vice-Chancellor, Research, Innovation and Engagement;
- Professor Patricia Price, Pro Vice-Chancellor, Student Experience & Academic Standards;
- Professor Nora de Leeuw, Pro Vice-Chancellor, International and Europe;
- Professor George Boyne, Pro Vice-Chancellor, College of Arts, Humanities & Social Sciences;
- Professor Dylan Jones, Pro Vice-Chancellor, College of Biomedical & Life Sciences;
- Professor Karen Holford, Pro Vice-Chancellor, College of Physical Sciences & Engineering;
- Jayne Dowden, Chief Operating Officer and Secretary to the Council;
- Mike Davies, Director of Finance;
- Claire Sanders, Director of Communications and Marketing; and
- TJ Rawlinson, Director of Development and Alumni Relations.

Membership of the Council

The following individuals are the current members of the Council:

Internal Members

Ex officio members:

Name	Principal Activities	Date of Appointment
Professor Colin Riordan	Vice-Chancellor Director, Russell Group of Universities Director, High performance Computing Wales Vice-President and Chair, UUK International Unit, Universities UK Board Member, Leadership Foundation for Higher Education Board Member, Edge Foundation Trustee, UCAS Board Board Member, Equality Challenge Unit Member, International Education Council Vice-Chair, Cardiff Capital Region Board Board Member Co-Chair of the Wales Council, National Centre for Universities & Business Member, Higher Education Funding & Student Finance Arrangements in Wales Review Panel Commissioner, Fulbright Commission Board Member, Cardiff Business Council Member, HEFCE SIVS Advisory Board Member, Newton Fund Advisory Board	September 2012
Professor Elizabeth Treasure	Deputy Vice-Chancellor School Governor/Trustee, Cathedral School, Llandaff Member, British Dental Association Member and President, British Society for the Study of Community Dentistry Member, British Fluoridation Society Member, Royal College of Surgeons, England Member, Faculty of Public Health	August 2010

Member, Royal Australasian College of Dental Surgeons

Member, International Association of Dental Research

Member Royal College of Physicians and Surgeons Glasgow

Member of Finance Committee, UCAS

Independent Member, Cardiff and Vale University LHB

Pro-Vice-Chancellors

Professor George Boyne	Pro Vice Chancellor, Head of College	August 2015
Professor Nora De Leeuw	Pro Vice-Chancellor, International and Europe	August 2015
	Part time professorship, Utrecht University	
	Holder of William Penney Fellowship, AWE Limited	
	Partner, Greenacres Stables LLP	

Senate representatives

Professor Patricia Price	Pro Vice-Chancellor, Student Experience and Academic Standards	August 2012
	Associate Fellow, British Psychological Society	
	Registered Practitioner, Health Professions Council	
	Fellow, Higher Education Academy	
	Trustee, Interburns	
Professor Amanda Coffey	Head of School, School of Social Sciences	August 2015
	Trustee, Adoption UK (National Charity)	
	Member, UCU	
	Chair of Governors, Pontprennau Primary School	
Mr Ron Leach	School of Engineering	August 2015

Non-academic members of staff

Mr Ricardo Calil	Library Services	August 2010
Ms Ruth M Williams	School of Medicine (Cardiff Institute of Infection & Immunity)	February 2014

Member-elected Trustee, Cardiff
University Pension Fund
Governor, Mount Stuart Primary School
Lifetime Member, Women's Equality
Party
Employed as Risk Executive, Deloitte

Student representative

Ms Claire Blakeway	President of the Students' Union	July 2015
Ms Sophie Timbers	Elected Officer and Trustee, Cardiff University Students' Union Vice President Education, Students' Union Elected Officer and Trustee, Cardiff University Students' Union	July 2015

Lay Members

Mr Raj Aggarwal OBE	Director, R K Aggarwal Group Deputy Lieutenant for South Glamorgan Board Member/Director, National Pharmacy Association Board Member/Director, Community Pharmacy Wales Board Member/Director, Wales Millennium Centre Board Member/Director, WIBC Director/Board Member, Cardiff Business Club Special Adviser, India Centre (Wales) Hon. Consul of India for Wales, Ministry of External Affairs – Government of India	May 2012
Mrs Maria Battle	Chair, Cardiff and Vale University Health Board	November 2012
Dr Carol Bell	Non-executive Director, Millennium Stadium Non-executive Director of Ophir Energy plc Non-executive Director of BlackRock Commodities Income Investment Trust plc Non-executive Director of two Fred Olsen Group Norwegian-listed holding companies (Bonheur ASA and Ganger Rolf ASA) Non-executive Director of Petroleum Geo- Services, a Norwegian-listed oilfield services	August 2014

	company specialising in seismic surveys	
	Authority Member, S4C	
	Honorary Fellow/Development Advisor, Swansea University	
	Honorary Fellow, University of Wales Trinity St David	
	Trustee, National Museum of Wales	
	Director, Finance Wales	
	Director/Trustee, Wales Millennium Centre	
	Development Board Member, Girton College, Cambridge	
	Panel Member, Energy and Environment Sector Panel – Welsh Government	
	Honorary research associate at UCL	
Mr Guy Clarke OBE	Retired. Former managing partner at Morgan Bruce (now Blake Morgan). Member, Reserve Forces & Cadets Association	August 2010
	Trustee, Rhondda Trust	
	Directory and Secretary, Cardiff Business Club	
	Secretary, Cowbridge Comprehensive School Trust	
	Secretary, Sir Thomas Mansel Franklen Trust	
	Advisor, Duke of Edinburgh Award Scheme	
Mr Alastair Gibbons	Hon. Colonel, 104 th Regiment, Royal Artillery Advisory Partner of Bridgepoint	August 2014
Mrs Susan Gwyer-Roberts	Head teacher, Caldicot School, Caldicot	August 2010
	Governor, Christ College, Brecon	
	Trustee, Students' Union, Cardiff University	
	Lay panel member for Misconduct Panels, South Wales Police	
	Member of Union, NAHT	
	Additional Inspector of Schools, Estyn	
	Welsh Head teacher representative on School Development Group, Church in England National Society	
Mr Mark Leighfield	Ambassador, Skillforce Principal, St David's Catholic 6 th Form College, Cardiff	August 2015
Dr Steven Luke MBE	Director, Ove Arup & Partners	August 2015
	Fellow, Institution of Civil Engineers	
	Fellow, Institution of Structural Engineers	

Professor Stuart Palmer	<p>Emeritus Professor and Chair of Pension Fund Trustees, University of Warwick</p> <p>Warwick University representative on Advisory Board, Mercia Fund</p> <p>Honorary Secretary, Institute of Physics</p> <p>Chair of Board, Institute of Physics Publishing</p> <p>Trustee, Science Council</p> <p>Chair of TRAC Development Group and Member of FSSG, HEFCE</p> <p>Adjunct Professor, Queensland University of Technology</p> <p>Secretary General, International Union of Pure and Applied Physics</p>	December 2013
Ms Linda Phillips	<p>Employee, Shell International Petroleum Company Contract and Procurement</p> <p>Trustee, Parliamentary Advisory Council on Transport Safety</p> <p>Board Member, Innovation Systems Oversight Board</p> <p>Fellow (Chartered), Chartered Institute of Logistics and Transport</p> <p>Member, Institute of Directors</p> <p>Member, Cardiff Business School International Advisory Board</p>	February 2014
The Reverend Gareth Powell	<p>Minister in full Connexion and Chief Executive Officer of Governing Body, Methodist Church (Charity Registration No. 1136358)</p> <p>Trustee, Trustees for Methodist Church Purposes (Charity Registration No.1132208)</p>	August 2010
Mr Robert Preece	<p>Director and shareholder, Broomfield & Alexander Ltd</p> <p>Partner, B&A Associates</p> <p>Director, Broomfield and Alexander Wealth Management Ltd</p> <p>Non-executive Director, Cyngor Rheolaeth Cymru/Wales Management Council Ltd</p>	November 2012
Mr David Simpson	<p>Member (Fellow), The Institute of Chartered Accountants in England & Wales</p> <p>Member of Remuneration Committee,</p> <p>Magdalene College, Cambridge</p> <p>Chairman of the Coroners' Courts Support Service</p>	December 2013

	Non-executive director of Ecofin Water & Power Opportunities plc	
	Director of Annuity Infrastructure Company Limited	
Dr Gabe Treharne	Vice-Chair of Council	August 2007
	Retired March 2008, now retained as a Consultant, Ove Arup & Partners Ltd	
	Pro bono adviser re potential construction of walkway/cycleway between Penarth Promenade and Cardiff Bay Barrage, Penarth Headland Group	

Mr John Jeans, a lay member of the Council, retired from the Council on 31 December 2015. The Issuer is currently undertaking a recruitment process to find a replacement lay member.

The business address for each of the members of the Council is Cardiff University, Main Building, Cathays Park, Cardiff CF10 3AT.

The Secretary to Council maintains an up-to-date register of interests of all Council and Audit Committee members which is made available publicly on the Issuer's website. The Standing Orders governing the Council, the Court, the Senate and other Committees of the Issuer (Ordinance 11) provide that if any member of a committee has any pecuniary or other interest, direct or indirect, in any contract or proposed contract or other matter involving a financial transaction, that interest shall be disclosed to the committee as soon as practicable and the member shall take no further part in the consideration or discussion of, or vote on, any position with respect thereto. On this basis, the Issuer is not aware of any potential conflicts of interest between the duties to the Issuer by the members of the Council listed above and their private interests and/or other duties.

Regulation

HEFCW is responsible for ensuring that the Issuer manages itself and the funding it receives appropriately. HEFCW regulates the Issuer's fee levels charged to UK and EU students eligible for student support (by regulations made under section 22 of the Teaching and Higher Education Act 1998 - first degree courses and courses for the Diploma of Higher Education, the Higher National Diploma, the Higher National Certificate and the Certificate of Higher Education) ensures a framework is in place for assessing the quality of higher education and scrutinises the performance of the Issuer.

The Issuer must comply with certain requirements which are specified in HEFCW's Financial Memorandum between HEFCW and Institutions and HEFCW's Audit Code of Practice. The Issuer is required to submit audited financial statements to HEFCW each year. The Issuer's Accountable Officer, alongside the Chief Executive of HEFCW, may be required to appear before the Public Accounts Committee of the National Assembly of Wales on matters relating to grants to the Issuer.

The Issuer must provide HEFCW with certain information about the way it operates and its financial position, in order to demonstrate the effectiveness of its management systems and ability to make appropriate use of the funding it receives. The Issuer must provide HEFCW with certain information (and HEFCW's annual accounts direction states HEFCW's financial reporting requirements) such as copies of the annual audited financial statements, financial forecasts and independent audit reports, the Audit Committee's annual report, the internal auditors' annual report, the external auditors' report on accounting issues and control deficiencies following external audit, the management response and any other information HEFCW may reasonably require to understand the Issuer's risk status. The Issuer must also provide annual assurance returns to HEFCW and HEFCW, through reviewing these returns, is able to provide the Issuer with a confidential risk assessment. The Issuer's Accountable Officer must report any event (whether already arisen or forecast) that has, or is likely to have, a material adverse impact on the financial position of the Issuer, as soon as this becomes apparent, to: the chair of the Audit Committee; the chair of the Council; the head of internal audit; the external auditor; and the HEFCW Chief Executive.

The Accountable Officer must notify HEFCW of any serious weakness, such as a significant and immediate threat to the Issuer's financial position, significant fraud or major accounting breakdown. Should the Accountable Officer be implicated in wrongdoing, the responsibility for reporting this information lies with the Council. The Accountable Officer must inform HEFCW, without delay, about major changes in strategy, risk profile, plans for major restructuring or merger with another institution or organisation. The Council must also inform HEFCW without delay of the removal or resignation of the external or internal auditors before the end of the term of their appointment.

The Issuer is required to compile and submit a fee plan to HEFCW for approval. An institutional fee plan must set out measures, such as outreach work and financial support, to be delivered by the Issuer to promote higher education and equality of opportunity in higher education.

From 1 September 2017, a new regulatory framework for higher education providers in Wales will apply, and there is currently a transitional period as the sector moves towards the new framework. Under the new framework, the Issuer will continue to be entitled to set its own fees. Undergraduate full time and part time fees for UK & EU domiciled students will be capped up to an amount specified in regulations and HEFCW will be required to monitor compliance with those fees.

In addition, the Issuer is required to submit returns to other higher education bodies – notably annual data requested by the Higher Education Statistics Agency, and returns to the Quality Assurance Agency, UK Research Councils and the NHS Workforce, Education and Development Services in Wales.

The Issuer must obtain prior written consent from HEFCW before it agrees to any new financial commitment meeting either of the following criteria:

- where the total financial commitments (long term and short term) exceed five times its average earnings before interest tax depreciation and amortisation; and/or
- where it is assessed by HEFCW at being at higher risk.

On these criteria, the issue of the Bonds does require specific HEFCW consent which was granted on 19 January 2016.

The Issuer is a registered charity and as such is subject to the regulation of the Charity Commission. As a registered charity, the Issuer is confined by the remit of charity legislation in respect of its activities and in particular, the Council members are the trustees of the charity in accordance with section 177 Charities Act 2011.

In particular, the Council members will need to show they are protecting the solvency of the Issuer when making decisions and that all activities are in furtherance of the Issuer's objects.

The Charity Commission has a number of powers under the Charities Act 2011 which it may exercise in the regulation of charities and to safeguard charity assets.

Part of the Charity Commission's remit is to identify and investigate apparent misconduct or mismanagement in the administration of charities and to take remedial or protective action in connection with such misconduct or mismanagement. It has the power to institute an inquiry, in serious cases and in connection with such inquiry, the Charity Commission has a range of temporary protective powers including:

- ordering anyone holding property for the Issuer not to dispose of that property;
- appointing interim managers in respect of the relevant charity;
- directing particular individuals (including members of the Council) to take particular actions in respect of the charity;

- suspending an officer, member of the Council, agent or employee of the Issuer; and
- appointing replacement members of the Council.

Whether or not an inquiry has been opened the Charity Commission also has a number of powers exercisable in specific circumstances. Key examples are:

- power to appoint and remove members of the Council in certain specific circumstances;
- power to direct the Council to deal with the Issuer's assets in a way or ways that the Charity Commission determines; and
- power to remove a body from the register of charities.

Legal decisions taken by the Charity Commission are subject to review of the Charity Tribunal.

TAXATION

The following is a summary of the United Kingdom withholding tax treatment at the date hereof in relation to payments of principal and interest in respect of the Bonds. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Bonds. The comments relate only to the position of persons who are absolute beneficial owners of the Bonds. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Bondholders who are in any doubt as to their tax position should consult their professional advisers. Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Taxation

UK Withholding Tax on UK Source Interest

Bonds listed on a recognised stock exchange

Under section 987 of the Income Tax Act 2007 ("**ITA**") securities issued by a company which carry a right to interest, such as the Bonds, will constitute "*quoted Eurobonds*" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the ITA. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax. The Issuer is a "**company**" for the purposes of section 987 of the ITA.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom Official List (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Bonds issued by the Issuer will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom Official List and admitted to trading on the London Stock Exchange.

All Bonds

In all cases falling outside the "**quoted Eurobond**" exemption described above, interest on the Bonds that have a United Kingdom source may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Non-UK Taxation

*The proposed financial transactions tax ("**FTT**")*

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States and the scope and timing of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

HSBC Bank plc, Lloyds Bank plc and Morgan Stanley & Co. International plc (the "**Joint Lead Managers**") have, in a subscription agreement dated 4 February 2016 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Bonds at their issue price of 97.791 per cent. of their principal amount plus any accrued interest in respect thereof and less total commissions and certain expenses incurred by the Joint Lead Managers in connection with the management of the issue of the Bonds. The Issuer has also agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Bonds. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or its affiliates in the ordinary course of business.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses, distributes or publishes this Prospectus or any other offering material relating to the Bonds. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Prospectus or any other offering material relating to the Bonds, in all cases at their own expense.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

United States of America

The Bonds have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds within the United States or to, or for the account or benefit of, U.S. Persons. In addition, until 40 days after commencement of the offering, an offer or sale of Bonds within the United States by a dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Bonds has been authorised by a resolution of the Council dated 14 December 2015.

Listing and Admission to Trading

2. Application has been made to the FCA for the Bonds to be admitted to the Official List of the FCA, and to the London Stock Exchange for such Bonds to be admitted to trading on the Regulated Market of the London Stock Exchange. It is expected that such admission will become effective, and that dealings in the Bonds on the London Stock Exchange will commence, on or about 8 February 2016.

The Issuer estimates that the total expenses related to the admission to trading will be approximately £8,200.

Governmental, Legal and Arbitration Proceedings

3. There are no, and have not been any, governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

Significant/Material Change

4. Since 31 July 2015 there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Group.

Auditors

5. The consolidated financial statements of the Issuer for the two years ended 31 July 2014 and 31 July 2015 have been audited without qualification by PricewaterhouseCoopers LLP of One Kingsway, Cardiff, CF10 3PW, United Kingdom. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales.

Documents on Display

6. Copies of the following documents may be inspected during normal business hours at the offices of the Issuer for 12 months from the date of this Prospectus:
 - (a) the Charter, Statutes and Ordinances of the Issuer;
 - (b) the Paying Agency Agreement and the Trust Deed, and
 - (c) the audited consolidated financial statements of the Issuer for the years ended 31 July 2015 and 31 July 2014 and historic financial information of the Issuer for the year ended 31 July 2015 restated in accordance with FRS102.

Yield

7. On the basis of the issue price of the Bonds of 97.791 per cent. of their principal amount, the gross yield of the Bonds is 3.097 per cent. per annum.

Legend Concerning U.S. Persons

8. The Bonds and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United

States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

ISIN and Common Code

9. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1351950149 and the common code is 135195014.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

The Auditors' report and audited consolidated financial statements of the Issuer as at and for the year ended 31 July 2014 and as at and for the year ended 31 July 2015 are set out below.

The Historical Financial Information of the Issuer for the year ended 31 July 2015 set out below has been prepared for the purposes of the prospectus to reflect the application of financial reporting standard 102 which the Issuer will adopt in its next published financial statements for the year ended 31 July 2016. The restated financial information, and the report thereon (together the “**Restated July 2015 Historical Financial Information**”) are also set out below.

Following the publication of FRS 100, ‘Application of financial reporting requirements’, by the Financial Reporting Council, the Issuer is required to change its accounting framework for its financial statements, which is currently UK GAAP, for its financial year commencing 1 August 2015.

The Issuer’s next published financial statements for the year ended 31 July 2016 will therefore be in accordance with:

- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (“**FRS 102**”);
- Accounting for further and higher education: Statement of Recommended Practice 2015 applicable to higher education institutions preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the “**2015 SORP**”); and
- The Charities Act 2011.

The adoption of FRS 102 and the 2015 SORP has resulted in the Issuer’s reserves as at 31 July 2015 increasing by £345.3 million. The material changes driving the net movement are a result of:

- the Issuer opting to initially recognise its land and buildings at fair value as allowed on adoption of FRS 102, leading to an upward revaluation of £275.7 million;
- the movement of deferred capital grants with no outstanding performance conditions into reserves as required by FRS 102, leading to an increase of £115.3 million; and
- as the Issuer accounts for its obligations under the USS scheme (which is a defined benefit multi-employer plan) as though it were a defined contribution plan, FRS 102 requires it to recognise a liability to make payments to fund any deficit where it has entered into an agreement to do so. This has resulted in a liability of £45.4 million for the Issuer.

The adoption of FRS 102 and the 2015 SORP also resulted in a reduction in the reported Surplus for the year to 31 July 2015 of £26.7 million. This was mainly due to the recognition in the year of £21.9 million of the liability for committed deficit payments referred to above.

A description of the adjustments made as a result of the application of FRS 102 is set out in the notes to the relevant financial information. There are no other material changes as a result of the move from Accounting for further and higher education: Statement of Recommended Practice 2007 to FRS 102 and the 2015 SORP.

PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report on the Restated July 2015 Historical Financial Information set out in this section and the references thereto in the form and context in which they appear and has authorised the contents of its report for the purposes of Prospectus Rule 5.54R(2)(f).

CARDIFF UNIVERSITY

Annual Report and Financial Statements

Year Ended 31 July 2014

REPORT AND FINANCIAL STATEMENTS 2014

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REFERENCE AND ADMINISTRATIVE INFORMATION

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

Vice Chair: Dr G Treharne

Vice-Chancellor: Professor C Riordan

Deputy Vice-Chancellor: Professor E Treasure

Mr R Aggarwal

Mrs M Battle

Mr O Wannell [resigned 31 July 2014, replaced by Mr R Jenkins]

Mr G Clarke

Mr R Calil

Professor R Evans

Mrs P Herbert [resigned 240214]

Mr D Hodgson [resigned 081014, replaced by Ms R Williams wef 190514]

Professor K Holford

Mr S Gibson [resigned 31 July 2014, replaced by Dr C Bell wef 010814]

Dr G Guilford [resigned 31 July 2014, replaced by Mr A Gibbons wef 010814]

Mrs S Gwyer-Roberts

Professor W Gear [resigned 310714]

Ms C Davies [resigned 31 July 2014, replaced by Mr E Howells]

Professor S Palmer [wef 021213]

Ms L Phillips [wef 240214]

The Reverend G Powell

Mr R Preece

Professor P Price

Mr D Simpson [wef 021213]

Professor HR Thomas

Mrs G Williams

Professor AJ Whitley

Professor E Wilding [wef 190514]

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.

CARDIFF UNIVERSITY

TRUSTEES REPORT - OPERATING AND FINANCIAL REVIEW

Scope of the Financial Statements

The financial statements for the year ended 31 July 2014 consolidate the results of the University and its subsidiary company University College Cardiff Consultants Limited.

Results for the Year

The University's consolidated income and expenditure results for the year to 31 July 2014, together with comparative figures for 2012/13, are summarised as follows:

	<u>2013/14</u> £000	<u>2012/13</u> £000
Income	455,731	436,685
Expenditure	<u>(430,404)</u>	<u>(426,817)</u>
Surplus for the Year after Depreciation of Assets and before exceptional item	25,327	9,868
Exceptional item – Voluntary Severance payments	=	<u>(7,885)</u>
Surplus for the Year after Depreciation of Assets and after exceptional item	25,327	1,983
Transfer from Accumulated Income within Endowments	<u>1,055</u>	<u>517</u>
Surplus retained within General Reserves	<u>26,382</u>	<u>2,500</u>
Historical Cost Surplus	28,708	<u>5,332</u>

The 2013/14 surplus was substantially greater than the budgeted figure of M£15 and reflects sizeable underspending on both staff and non-staff budgets.

Income increased by M£19.0 (4.4%) compared to the previous year due to an increase in income from tuition fees (M£34.0) and research grants (M£5.3) partly offset by a reduction in income from HEFCW (M£13.3) and from other income (M£7.3).

Expenditure before the 2013 exceptional item increased by only M£3.6 (0.8%) compared to the previous year mainly reflecting an increase in academic expenditure of M£3.3.

Key Financial Performance Indicators

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 below:-

Financial Ratios	Cardiff			Russell Group Universities 12/13
	11/12	12/13	13/14	Median
Total Income - M£	426	437	456	471
Operating Surplus – M£	8	10	25	15
Staff Costs – M£	250	249	253	249
% of Income	59	57	56	53
Research Income – M£	88	88	94	113
% of Income	21	20	21	23

CARDIFF UNIVERSITY

TRUSTEES REPORT - OPERATING AND FINANCIAL REVIEW

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

Investment Performance & Cash Flow

The University's investments have been managed within a framework that limits exposure to an individual counterparty and spreads risk amongst highly rated assets while, at the same time, ensuring the objectives of the University can be met through sufficient liquidity. The University policy is to protect the capital value of its short term deposits through its prudent investment management policy.

The University held M£172 with investment managers as at 31 July 2014. The annual return on these assets was 0.35% for Invesco and 0.36% for Fidelity against benchmarks of 0.44% and 0.35% respectively.

The University's endowment assets - totalling M£27.5 as at 31 July 2014 – achieved an annual return of 6.3% which exceeded the agreed benchmark of 4.6%.

IP Group plc

Shares held in Fusion IP plc were disposed of during the year in return for shares in IP Group plc. The company was given the same rights previously given to Fusion IP to commercially develop current and future research-generated intellectual property at Cardiff University. The value of shares in IP Group plc as at 31 July 2014 was M£8.9 (Fusion IP M£6.5 as at 31 July 2013).

Pension Schemes

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

Non-academic and non-clinical staff participate in the Cardiff University Pension Fund (CUPF) and the Local Government Scheme (LGS). The combined liability as calculated for the purposes of FRS 17 on both of these schemes was M£35.5 as at 31 July 2014 (M£45.9 at 31 July 2013). The reason for this reduction comes from both CUPF and LGS where the net liability has decreased by M£5.8 and M£4.6 respectively due to the actuarial gains on the assets outweighing the increase in liabilities.

Future Developments

During 2013/14, the University continued to invest in the construction of new buildings, major refurbishments and support infrastructure. A review of the future estate infrastructure requirements is nearing completion which will produce a masterplan.

During the year, building work on a new Graduate Building for the Business School and a new student residence building at Talybont progressed and was completed in September 2014. In addition, the introduction of a new HR and Payroll system completed its second stage of implementation.

Outlook

The University created a significant surplus in 2013/14. In order to meet its ambitious investment programme, it will need to continue to generate substantial surpluses at a time when the pressure on income stream is increasing. The next few years will be challenging in this regard but is achievable through the efforts of its staff and stakeholders.

G Treharne – Vice-Chair of Council
Date 15th December 2014

CARDIFF UNIVERSITY

CORPORATE GOVERNANCE STATEMENT

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the UK Corporate Governance Code (2010) issued by the Financial Reporting Council. 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 University has developed a new framework for risk management, and a new risk management policy was adopted by the Governance Committee and the Policy and Resources Committee in May 2013. The new policy incorporates recommended best practice and accords with the internal control guidance for directors on the UK Corporate Governance Code (2010) as deemed appropriate for higher education. 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. Further development is planned. 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 2013-14, 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 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.

PUBLIC BENEFIT STATEMENT

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

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, including the European Cancer Stem Cell Institute, 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 a "Languages for All" programme 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 2013/14 we invested £3.3million 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.

www.cardiff.ac.uk

Cardiff University is registered charity number 1136855.

RESPONSIBILITIES OF THE COUNCIL OF CARDIFF UNIVERSITY

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

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

In preparing these Financial Statements, the Council has ensured that:

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

The Council has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative 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;
- Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Council.

CARDIFF UNIVERSITY

RESPONSIBILITIES OF THE COUNCIL OF CARDIFF UNIVERSITY

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

Date 15th December 2014

INDEPENDENT AUDITORS REPORT TO THE GOVERNING BODY OF CARDIFF UNIVERSITY (THE ‘INSTITUTION’)

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements, defined below:

- give a true and fair view of the state of the group’s and the parent institution’s affairs as at 31 July 2014, and of the group’s income and expenditure, recognised gains and losses 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 properly prepared in accordance with the Accounts Direction issued by the Welsh Government.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent institution financial statements (the “financial statements”), which are prepared by Cardiff University comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2014;
- the consolidated Income and Expenditure Account for the year then ended;
- the consolidated Statement of Total Recognised Gains and Losses 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 other explanatory information.

The financial reporting framework that has been applied in its preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK & 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 Governing Body; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees Report 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.

INDEPENDENT AUDITORS REPORT TO THE GOVERNING BODY OF CARDIFF UNIVERSITY (THE ‘INSTITUTION’)

OPINIONS ON OTHER MATTERS PRESCRIBED IN THE FURTHER EDUCATION AUDIT CODE OF PRACTICE ISSUED BY THE WELSH GOVERNMENT

In our opinion, in all material respects:

- monies expended out of Welsh Government grants and other funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation; and
- income has been applied in accordance with the financial memorandum with the Welsh Government.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Respective responsibilities of the Governing Body and auditors

As explained more fully in the Statement of Responsibilities of the Council of Cardiff University set out on page 8, the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they 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 and 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 Governing Body as a body in accordance with Article 18 of the University’s articles of government 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
Date: 15th December 2014

- (a) The maintenance and integrity of the Cardiff University’s website is the responsibility of the Governing Body; 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.

CARDIFF UNIVERSITY

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT Year ended 31 July 2014

	Note	2014 £'000	2013 £'000
INCOME			
Funding Body Grants	2	82,318	95,639
Tuition fees and support grants	3	192,784	158,828
Research grants and contracts	4	93,550	88,211
Other income	5	83,617	90,963
Endowment and investment income	6	3,462	3,044
		<hr/>	<hr/>
Total Income		455,731	436,685
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	7	253,376	249,121
Other operating expenses	9	157,728	160,179
Depreciation	11	18,060	16,212
Interest and other finance costs	8	1,240	1,305
		<hr/>	<hr/>
Total Expenditure	9	430,404	426,817
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation and before exceptional item		25,327	9,868
Exceptional item – Voluntary Severance payments	18	(-)	(7,885)
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation and after exceptional item		25,327	1,983
Transfer from accumulated income in endowment funds		1,055	517
		<hr/>	<hr/>
Surplus for the year retained within General Reserves	23	26,382	2,500
		<hr/> <hr/>	<hr/> <hr/>

All of the above results arise from continuing operations.

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES
Year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and after exceptional item		25,327	1,983
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	3,381	3,349
Historical cost surplus retained for the year		<u>28,708</u>	<u>5,332</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and after exceptional item		25,327	1,983
New endowments	21	451	172
Appreciation of endowment asset investments	21	670	2,734
Actuarial gain on pension scheme	27	8,700	4,100
Appreciation of fixed asset investment	12	3,739	1,320
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>38,887</u>	<u>10,309</u>
Reconciliation			
Opening Reserves and Endowments		296,850	286,541
Total recognised gains for the year		<u>38,887</u>	<u>10,309</u>
Closing Reserves and Endowments		335,737	296,850
Opening Deferred Capital Grants		120,444	116,326
Net (decrease)/increase in the year		<u>(1,770)</u>	<u>4,118</u>
Closing Deferred Capital Grants		118,674	120,444
Net Assets as at 31 July		<u>454,411</u>	<u>417,294</u>

CARDIFF UNIVERSITY

BALANCE SHEETS

As at 31 July 2014

		<u>Consolidated</u>		<u>University</u>	
	Note	2014 £'000	2013 £'000	2014 £'000	2013 £'000
FIXED ASSETS					
Tangible assets	11	353,925	332,089	353,925	332,089
Investments	12	8,975	6,461	8,969	6,455
		<u>362,900</u>	<u>338,550</u>	<u>362,894</u>	<u>338,544</u>
ENDOWMENT ASSETS	13	27,536	27,470	27,536	27,470
CURRENT ASSETS					
Stocks	14	188	222	188	222
Debtors	15	40,333	42,005	40,753	42,454
Short-term deposits		172,323	173,792	172,262	173,436
Cash at bank and in hand		1,280	4,333	1,280	4,333
		<u>214,124</u>	<u>220,352</u>	<u>214,483</u>	<u>220,445</u>
CREDITORS: amounts falling due within one year	16	(84,601)	(80,482)	(84,278)	(79,893)
NET CURRENT ASSETS		<u>129,523</u>	<u>139,870</u>	<u>130,205</u>	<u>140,552</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		519,959	505,890	520,635	506,566
CREDITORS: amounts falling due after more than one year	17	(19,464)	(20,941)	(19,464)	(20,941)
PROVISIONS	18	-	(6,593)	-	(6,593)
OTHER DEFERRED INCOME	19	(10,584)	(15,162)	(10,584)	(15,162)
NET ASSETS: excluding net pension liability		489,911	463,194	490,587	463,870
NET PENSION LIABILITY	27	(35,500)	(45,900)	(35,500)	(45,900)
NET ASSETS: including net pension liability		<u>454,411</u>	<u>417,294</u>	<u>455,087</u>	<u>417,970</u>

CARDIFF UNIVERSITY

BALANCE SHEETS

As at 31 July 2014 (Continued)

		<u>Consolidated</u>		<u>University</u>	
	Note	2014 £'000	2013 £'000	2014 £'000	2013 £'000
DEFERRED CAPITAL GRANTS	20	118,674	120,444	118,674	120,444
ENDOWMENTS					
Permanent	21	25,401	25,240	25,401	25,240
Expendable	21	2,135	2,230	2,135	2,230
		<u>27,536</u>	<u>27,470</u>	<u>27,536</u>	<u>27,470</u>
RESERVES					
Revaluation reserve	22	80,190	87,145	80,190	87,145
General reserve	23	263,511	228,135	264,187	228,811
Pension reserve	24	(35,500)	(45,900)	(35,500)	(45,900)
		<u>308,201</u>	<u>269,380</u>	<u>308,877</u>	<u>270,056</u>
TOTAL FUNDS		<u>454,411</u>	<u>417,294</u>	<u>455,087</u>	<u>417,970</u>

These financial statements on pages 12 to 40 were approved by the Council on 15th December 2014.

Signed on behalf of the Council

Professor Colin Riordan - Vice Chancellor

G Treharne - Vice-Chair of Council

D M Davies - Director of Finance

CARDIFF UNIVERSITY

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Net Cash inflow from operating activities	25	32,772	18,510
Returns on investments and servicing of finance			
Income from endowments	21	729	710
Interest received		1,333	1,974
Interest paid		(1,240)	(1,305)
		<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance		822	1,379
		<hr/>	<hr/>
Capital expenditure and financial investment			
Payments to acquire tangible assets	11	(39,896)	(20,880)
Payments to acquire endowment asset investments	13	(797)	(455)
Receipts from sales of tangible assets		-	281
Receipts from sales of endowment asset investments	13	1,401	800
Deferred capital grants received	20	2,504	983
New endowments	21	451	172
		<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment		(36,337)	(19,099)
		<hr/>	<hr/>
Cash (outflow)/ inflow before management of liquid resources		(2,743)	790
Management of liquid resources			
Cash transferred from/(to) short term deposits		1,469	(1,615)
Financing			
Loan repayments in the year		(1,385)	(1,291)
		<hr/>	<hr/>
Decrease in cash in the year	26	(2,659)	(2,116)
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

The Financial Statements have been prepared on a going concern basis, consistently applied and 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 (2007) ("SORP") and Charities Act 2011. 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, the investment in IP Group plc 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 31 July but do not include those of the University Union 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.

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 income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; payments received in advance of such performance are recognised in the Balance Sheet as liabilities.

The gain recognised on the receipt of the Fusion IP plc shares is released from deferred income on a straight line basis over the 10 year life of the agreement. The shares held in Fusion IP plc were, however, disposed of during the year in return for shares in IP Group plc.

Provision for Doubtful Debts

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

Pension Schemes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONT.)

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

Foreign Currencies

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

Leases

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

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

Land and Buildings

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

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

Buildings are depreciated over their expected useful lives of 50 years and leasehold land over the life of the lease up to a maximum of 50 years. Major refurbishments that enhance the value of buildings are capitalised and depreciated over 15 years. Assets under construction are not depreciated until commissioned.

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 funded from Treasury Sources.

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. The related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONT.)

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 as are Fixed Asset Investments including IP Group plc shares. The University has adopted FRS26 'Financial instruments: Recognition and measurement' and, as a result, the movement in the value of the IP Group plc shares is carried out as a credit to the revaluation reserve via the statement of recognised gains and losses. A diminution in value would be charged to the income and expenditure account as a debit to the extent it is not covered by a previous revaluation surplus. Investments in subsidiary undertakings are shown at the lower of cost or net realisable 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 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

2. FUNDING BODY GRANTS

	Note	2014 £'000	2013 £'000
Recurrent grant		68,937	76,183
Specific grants:			
- Academic Infrastructure		400	1,932
- Learning & Teaching Support		216	516
- Science Research Investment Fund		-	129
- Innovation & Engagement		625	1,935
- Supplementary Funds		2,264	3,694
- Clinical Pay Award		800	1,400
- Widening Access		198	895
- Graduate Entry Scheme		2,100	2,051
- Welsh for Adults		1,653	1,661
Release of deferred capital grants:			
Buildings	20	3,764	3,776
Equipment	20	1,361	1,467
		<hr/> 82,318	<hr/> 95,639
		<hr/> <hr/>	<hr/> <hr/>

3. TUITION FEES AND SUPPORT GRANTS

	2014 £'000	2013 £'000
UK and European Union Undergraduate	92,177	68,656
UK and European Union Postgraduate	10,385	9,622
Overseas (inc. part-time)	56,691	48,060
Part Time (UK and European Union)	5,045	4,740
	<hr/> 164,298	<hr/> 131,078
Education contracts	14,036	12,917
Research training support grants	6,442	6,899
Non-Credit bearing fees	8,008	7,934
	<hr/> 192,784	<hr/> 158,828
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2014

4. RESEARCH GRANTS AND CONTRACTS

	2014 £'000	2013 £'000
Research Councils	22,301	22,866
UK-based charities	19,517	18,382
UK Government bodies	29,123	26,810
UK Industry	5,370	4,955
European Commission	12,007	9,809
Overseas	4,782	5,163
Other grants and contracts	450	226
	<u>93,550</u>	<u>88,211</u>

5. OTHER INCOME

	Note	2014 £'000	2013 £'000
Residences, catering and conferences		22,513	20,571
Other services rendered:			
UK Central Government		31,548	36,551
UK Health Authorities		9,195	11,157
UK Industry		1,471	1,291
European Union		989	2,582
Overseas		950	681
UK Universities		389	390
Other Sources		9,525	7,260
Profit on disposal of fixed assets		0	241
Rents Receivable		127	101
Exempt VAT recoverable		519	843
Donations and Subventions		252	1,081
Other income		4,110	6,184
Fusion IP plc Investment Release		1,594	1,594
Released from Deferred Capital Grants	20	435	436
		<u>83,617</u>	<u>90,963</u>

6. ENDOWMENT AND INVESTMENT INCOME

	Note	2014 £'000	2013 £'000
Income from permanent endowments	21	680	654
Income from expendable endowments	21	49	56
Interest receivable		1,333	1,534
Interest element of pension cost		1,400	800
		<u>3,462</u>	<u>3,044</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2014

7. STAFF COSTS

	Note	2014 £'000	2013 £'000
Staff costs			
Wages and salaries		203,535	200,661
Social security costs		16,263	16,362
Other pension costs	27	33,578	32,098
		<u>253,376</u>	<u>249,121</u>

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

Emoluments of the Vice Chancellor – Salary (i)	238	216
Pension	31	34
Benefits in kind	2	2
	<u>271</u>	<u>252</u>

(i) The figure for 2012/13 is for 11 months following the commencement of the new Vice Chancellor.

Remuneration paid to Trustees in total for expenses	7	5
---	---	---

No Trustee receives payments for serving.

Average staff numbers by major category	2014 Number (FTE's)	2013 Number (FTE's)
Clinical and non-clinical academic and academic related	3,607	3,676
Technical services	213	222
Administrative support	939	939
Operational services	363	325
	<u>5,122</u>	<u>5,162</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

7. STAFF COSTS (continued)

Remuneration of higher paid staff 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. This treatment is in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales.

The list is drawn up on a different basis from previously where employer's pension contributions were included. Prior-year figures have been restated on the new basis.

	2014	2013
	Number	Number
£100,000 - £109,999	56	48
£110,000 - £119,999	30	19
£120,000 - £129,999	16	26
£130,000 - £139,999	11	6
£140,000 - £149,999	7	7
£150,000 - £159,999	3	1
£160,000 - £169,999	2	3
£170,000 - £179,999	1	2
£180,000 - £189,999	2	1
£210,000 - £219,999	-	1
£250,000 - £259,999	1	-
	<hr/>	<hr/>
	129	114
	<hr/>	<hr/>

	2014	2013
	£'000	£'000
Compensation for loss of office payable to higher paid employees		
Compensation payable – 5 employees (2013 - 4 employees)	385	415
The compensation pay was approved by the University's Remuneration Committee.		

8. INTEREST AND OTHER FINANCE COSTS

	2014	2013
	£'000	£'000
Bank Loans	1,240	1,305
	<hr/>	<hr/>
	1,240	1,305
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2014

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating expenses £'000	Interest Payable £'000	Total 2014 £'000	Total 2013 £'000
Academic departments	146,574	47,892	-	194,466	191,197
Academic services	14,282	7,557	-	21,839	22,741
Research grants and contracts	35,593	33,753	-	69,346	66,242
Other services rendered	20,954	25,513	-	46,467	51,038
Residences, catering and conferences	5,300	6,916	1,240	13,456	15,535
Premises	6,781	19,504	-	26,285	25,857
Administration and central services	18,126	5,093	-	23,219	21,726
Other expenses	6,066	11,500	-	17,566	17,569
FRS 17 pension fund adjustments	(300)	-	-	(300)	(1,300)
Total per income and expenditure account	253,376	157,728	1,240	412,344	410,605
Depreciation (note 11)				18,060	16,212
Total per Income and Expenditure Account				430,404	426,817
				2014	2013
Other expenses include:					
Auditors' remuneration – external audit				54	52
– audit-related services				28	38
– other tax services				-	1

10. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The surplus on continuing operations after depreciation of assets at valuation and after exceptional item is made up as follows:

	2014 £'000	2013 £'000
University surplus for the year	25,327	1,983
Surplus incurred by subsidiary undertakings	-	-
	25,327	1,983

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2014

11. TANGIBLE FIXED ASSETS

	<u>Consolidated and University</u>				
	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 2013	230,230	214,688	5,680	71,746	522,344
Additions at cost	605	993	27,479	10,819	39,896
Disposals (i)	-	-	-	(2,361)	(2,361)
Projects Completed	5,068	1,378	(6,446)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2014	235,903	217,059	26,713	80,204	559,879
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Valuation	122,211	115,700	-	-	237,911
Cost	113,692	101,359	26,713	80,204	321,968
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	235,903	217,059	26,713	80,204	559,879
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated Depreciation					
At 1 August 2013	59,282	66,710	-	64,263	190,255
Charge for year	5,451	6,528	-	6,081	18,060
Eliminated on Disposal	-	-	-	(2,361)	(2,361)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2014	64,733	73,238	-	67,983	205,954
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 July 2014	171,170	143,821	26,713	12,221	353,925
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2013	170,948	147,978	5,680	7,483	332,089
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Financed By:					
Funding Council	59,877	35,187	-	1,615	96,679
Endowments/Donations	736	1,657	-	-	2,393
Loans	17,194	17,220	-	-	34,414
Revaluation	21,907	51,192	-	-	73,099
Other Capital	71,456	38,565	26,713	10,606	147,340
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2014	171,170	143,821	26,713	12,221	353,925
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

- (i) Disposal of equipment is assumed after 10 years.
- (ii) Certain buildings have been funded from Treasury sources at a cost of K£136,201 (2013 K£128,859). Should these particular buildings be sold, the University would use the proceeds in accordance with the Financial Memorandum with HEFCW.
- (iii) Note 1 outlines details of the land and buildings valuations.
- (iv) Freehold land and buildings includes non-depreciated land of K£20,881 (2013 K£20,881).

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

12. FIXED ASSET INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	Other Invest- ments	Total	Other Invest- ments	Total
	£000's	£000's	£000's	£000's
Balance at 1 August 2013	6,461	6,461	6,455	6,455
Appreciation recognised in year	3,739	3,739	3,739	3,739
Disposals	(10,118)	(10,118)	(10,118)	(10,118)
Additions	10,350	10,350	10,350	10,350
Impairment recognised in year	(1,457)	(1,457)	(1,457)	(1,457)
Balance at 31 July 2014	<u>8,975</u>	<u>8,975</u>	<u>8,969</u>	<u>8,969</u>

The Council members believe that the carrying value of the investments is supported by their underlying net assets.

The University has an interest in the following companies:

University College Cardiff Consultants Limited (UC3)

UC3, a company limited by guarantee, has been included in the consolidated Financial Statements. 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 £20,277 at 31 July 2014 (£20,125 at July 2013).

IP Group plc

In 2006/07, a ten-year deal was signed with Fusion IP plc giving the company the right to commercially develop current and future research-generated intellectual property (IP) at Cardiff University. In return, the University received AIM-listed shares which were held at market value within Investments. The University had 10.05% of the share-holding.

Subsequently, in March 2014, the shares held by the University in Fusion IP plc were disposed of in return for shares in IP Group plc who were given the same rights previously given to Fusion IP. The value of shares in IP Group plc as at 31 July 2014 was M£8.9 (Fusion IP M£6.5 as at 31 July 2013).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2014

13. ENDOWMENT ASSETS

	<u>Consolidated and University</u>	
	2014	2013
	£'000	£'000
Balance at 1 August	27,470	25,081
Additions	797	455
Disposals	(970)	(302)
Decrease in cash held as short-term deposits	(431)	(498)
Appreciation on revaluation/disposal	670	2,734
	<hr/>	<hr/>
Balance at 31 July	27,536	27,470
	<hr/>	<hr/>
Fixed interest stock	3,844	3,986
Equities	17,274	16,935
Bank balances and short-term deposits	3,297	3,728
Other assets	3,121	2,821
	<hr/>	<hr/>
Total endowment asset investments	27,536	27,470
	<hr/>	<hr/>
Fixed interest and equities at cost	19,507	19,238
	<hr/>	<hr/>

14. STOCKS

	<u>Consolidated and University</u>	
	2014	2013
	£'000	£'000
Residences and Catering	104	112
Maintenance	84	110
	<hr/>	<hr/>
	188	222
	<hr/>	<hr/>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2014

15. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Debtors:				
Fees	2,635	1,991	2,635	1,991
Research	25,693	26,416	25,693	26,416
NHS Distinction Awards	407	311	407	311
Accommodation	518	130	518	130
Miscellaneous	11,417	14,931	11,237	14,780
Less; provision for impairment	(650)	(1,956)	(650)	(1,956)
	<hr/>	<hr/>	<hr/>	<hr/>
	40,020	41,823	39,840	41,672
Prepayments	313	182	313	182
Amounts owed by subsidiary undertakings	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	40,333	42,005	40,153	41,854
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings (i)	-	-	600	600
	<hr/>	<hr/>	<hr/>	<hr/>
Total Debtors	<hr/>	<hr/>	<hr/>	<hr/>
	40,333	42,005	40,753	42,454
	<hr/>	<hr/>	<hr/>	<hr/>

(i) The amounts owed by subsidiary undertakings falling due after more than one year are unsecured and interest-free. There is no fixed date of repayment but are repayable on demand.

As at 31 July 2014, the provision for impairment of debtors was aged as follows:

	2014	2013
	£'000	£'000
Less than 3 months past due	-	71
3 to 6 months past due	104	213
Over 6 months past due	546	1,672
	<hr/>	<hr/>
	650	1,956
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

15. DEBTORS (continued)

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

	2014	2013
	£'000	£'000
At 1 August	1,956	2,557
Debtors written off during the year	(39)	(260)
Provision adjustments (i)	(1,267)	(341)
	<hr/>	<hr/>
At 31 July	650	1,956
	<hr/> <hr/>	<hr/> <hr/>

As at 31 July 2014, debtors past their due date but not impaired were aged as follows:

	2014	2013
	£'000	£'000
Less than 3 months past due	4,505	3,528
Over 3 months past due	1,038	791
	<hr/>	<hr/>
	5,543	4,319
	<hr/> <hr/>	<hr/> <hr/>

- (i) The Provision adjustment in 2014 reflects the fundamental review of outstanding debtors as at 31 July 2014 and a change in the methodology that calculates the provision required.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Bank overdraft (i)	-	394	-	394
Trade creditors	6,887	6,450	6,487	5,979
Sundry creditors	5,558	6,141	5,558	6,141
Social security and other taxation	5,802	5,882	5,783	5,771
Accruals and deferred income	18,539	9,306	18,503	9,299
Research grants and contracts in advance	36,094	40,707	36,094	40,707
Other services rendered	10,244	10,217	10,244	10,217
Lloyds Bank loan (Note 17(i))	777	685	777	685
Royal Bank Scotland loan (Note 17(ii))	700	700	700	700
Amounts due to subsidiary undertakings	-	-	132	-
	<hr/>	<hr/>	<hr/>	<hr/>
	84,601	80,482	84,278	79,893
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- (i) The bank overdraft is secured on the University's current accounts by Letter of Set Off over credit balances.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

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

	<u>Consolidated</u>		<u>University</u>	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Lloyds Bank Loan (i)	12,289	13,066	12,289	13,066
Royal Bank of Scotland Loan (ii)	7,175	7,875	7,175	7,875
	<u>19,464</u>	<u>20,941</u>	<u>19,464</u>	<u>20,941</u>

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

Within one year	K£777
Between two and five years	K£4,191
Over five years	K£8,098

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

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

Within one year	K£700
Between two and five years	K£2,800
Over five years	K£4,375

Interest is payable on the loan at 0.225% above Base Rate and is charged to Interest Payable (Note 8).

18. PROVISIONS

	<u>Consolidated and University</u>	
	2014	2013
	£'000	£'000
Voluntary Severance Scheme	-	6,593

As part of the University's cost reduction programme, a voluntary severance and early retirement programme was implemented in 2012/13. The provision of K£6,593 was in respect of 2013/14 commitments. Nothing further has been charged in the current year.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

19. OTHER DEFERRED INCOME

	<u>Consolidated and University</u>	
	2014	2013
	£'000	£'000
Academic Infrastructure Grants	727	1,119
Learning and Teaching Support Grants	313	406
Supplementary Funds	5,128	7,572
Other Deferred Grants	197	197
Fusion IP plc Deferred Income	3,194	4,788
Student Fees received in advance	1,025	1,080
	<u>10,584</u>	<u>15,162</u>

20. DEFERRED CAPITAL GRANTS

	<u>Consolidated and University</u>		
	Funding Council	Other grants/ beneficiaries	Total
	£'000	£'000	£'000
As at 1 August 2013			
Buildings	93,086	24,039	117,125
Equipment	2,138	1,181	3,319
Total	<u>95,224</u>	<u>25,220</u>	<u>120,444</u>
Transferred from deferred income			
Buildings	1,566	-	1,566
Equipment	1,120	-	1,120
Total	<u>2,686</u>	<u>-</u>	<u>2,686</u>
Cash received			
Buildings	-	-	-
Equipment	494	2,010	2,504
Total	<u>494</u>	<u>2,010</u>	<u>2,504</u>
Released to income and expenditure			
Buildings (Note 2/Note 5)	(3,764)	(435)	(4,199)
Equipment (Note 2)	(1,361)	(1,400)	(2,761)
Total	<u>(5,125)</u>	<u>(1,835)</u>	<u>(6,960)</u>
At 31 July 2014			
Buildings	90,888	23,604	114,492
Equipment	2,391	1,791	4,182
Total	<u>93,279</u>	<u>25,395</u>	<u>118,674</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2014

21. ENDOWMENTS

	Consolidated and University					
	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendable £'000	2014 Total £'000	2013 Total £'000
Opening Balance						
Capital	1,712	14,209	15,921	2,265	18,186	16,192
Accumulated Income	1,164	8,155	9,319	(35)	9,284	8,889
	<u>2,876</u>	<u>22,364</u>	<u>25,240</u>	<u>2,230</u>	<u>27,470</u>	<u>25,081</u>
New endowments	-	300	300	151	451	172
Income for year	81	599	680	49	729	710
Expenditure	(80)	(1,377)	(1,457)	(327)	(1,784)	(1,227)
	<u>1</u>	<u>(778)</u>	<u>(777)</u>	<u>(278)</u>	<u>(1,055)</u>	<u>(517)</u>
Increase in market value	62	576	638	32	670	2,734
	<u>62</u>	<u>576</u>	<u>638</u>	<u>32</u>	<u>670</u>	<u>2,734</u>
Closing Balance (Note 13)	<u>2,939</u>	<u>22,462</u>	<u>25,401</u>	<u>2,135</u>	<u>27,536</u>	<u>27,470</u>
Represented by:						
Capital	1,778	15,050	16,828	1,077	17,905	18,186
Accumulated Income	1,161	7,412	8,573	1,058	9,631	9,284
	<u>2,939</u>	<u>22,462</u>	<u>25,401</u>	<u>2,135</u>	<u>27,536</u>	<u>27,470</u>

22. REVALUATION RESERVE

	Consolidated and University	
	2014 £'000	2013 £'000
Revaluations		
At 1 August	144,154	142,834
Gains on valuation of shares	3,739	1,320
Disposal of Fixed Asset Investment (Note 23)	(7,313)	-
	<u>140,580</u>	<u>144,154</u>
At 31 July	<u>140,580</u>	<u>144,154</u>
Contributions to depreciation		
At 1 August	(57,009)	(53,660)
Released in year (Note 23)	(3,381)	(3,349)
	<u>(60,390)</u>	<u>(57,009)</u>
At 31 July	<u>(60,390)</u>	<u>(57,009)</u>
Net revaluation amount		
At 31 July	<u>80,190</u>	<u>87,145</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

23. GENERAL RESERVE

	<u>Consolidated</u>	<u>University</u>	<u>Consolidated</u>
	2014	2014	2013
	£'000	£'000	£'000
At 1 August	228,135	228,811	224,386
Surplus for the year	26,382	26,382	2,500
Transfers from revaluation reserve (Note 22)	10,694	10,694	3,349
Pension contributions in excess of FRS 17 charge	(1,700)	(1,700)	(2,100)
	<hr/>	<hr/>	<hr/>
At 31 July	<u>263,511</u>	<u>264,187</u>	<u>228,135</u>

24. PENSION RESERVE

	<u>Consolidated</u>	<u>University</u>	<u>Consolidated</u>
	2014	2014	2013
	£'000	£'000	£'000
At 1 August	(45,900)	(45,900)	(52,100)
Actuarial gain on pension scheme	8,700	8,700	4,100
Pension contributions in excess of FRS 17 charge	1,700	1,700	2,100
	<hr/>	<hr/>	<hr/>
At 31 July	<u>(35,500)</u>	<u>(35,500)</u>	<u>(45,900)</u>

25. RECONCILIATION OF SURPLUS ON CONTINUING OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014	2013
	£'000	£'000
Surplus on continuing operations after depreciation of assets at valuation and after exceptional item	25,327	1,983
Depreciation	18,060	16,212
Profit on disposal of fixed assets	-	(241)
Endowment income and interest receivable	(3,462)	(3,044)
Deferred capital grants released to income	(6,960)	(6,637)
Interest payable	1,240	1,305
Decrease/(Increase) in stocks	34	(81)
Decrease in debtors	1,672	1,949
Increase in creditors	4,421	3,860
(Decrease)/Increase in provisions	(6,593)	6,593
Decrease in Other Deferred Income	(1,892)	(2,089)
Pension contributions in excess of charge	(300)	(1,300)
Profit on disposal of shares	(232)	-
Loss on valuation of shares	1,457	-
	<hr/>	<hr/>
Net cash inflow from continuing operating activities	<u>32,772</u>	<u>18,510</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2014

26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	2014 £'000	2013 £'000
Decrease in cash in the year	(2,659)	(2,116)
Cash (inflow)/outflow to liquid resources	(1,469)	1,615
Loan repayments in the year	1,385	1,291
	<hr/>	<hr/>
Change in net (debt)/funds	(2,743)	790
	<hr/> <hr/>	<hr/> <hr/>

	At 1 August 2013 £'000	Cash Flows £,000	At 31 July 2014 £'000
ANALYSIS OF CHANGES IN NET FUNDS			
Cash at bank and in hand	4,333	(3,053)	1,280
Bank overdraft	(394)	394	-
	<hr/>	<hr/>	<hr/>
Total cash at bank and in hand	3,939	(2,659)	1,280
Liquid resources:			
Short-term deposits	173,792	(1,469)	172,323
Debt:			
Debts falling due within one year	(1,385)	(92)	(1,477)
Debts falling due after one year	(20,941)	1,477	(19,464)
	<hr/>	<hr/>	<hr/>
	(22,326)	1,385	(20,941)
	<hr/>	<hr/>	<hr/>
Total	155,405	(2,743)	152,662
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

27. PENSION SCHEMES

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

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

	<u>USS</u>	<u>CUPF</u>	<u>LGS</u>
Latest actuarial valuations	31 March 2011	1 August 2013	31 March 2013
Investment returns per annum	6.1%	6.2%	5.6%
Salary scale increases per annum	4.4%	3.1%	3.4%
Pension increases per annum	3.4%	3.1%	2.4%
Market value of assets at date of last valuation	M£28,843	M£144.4	M£1,369.0
Proportion of members' accrued benefits covered by the actuarial value of the assets	68%	89%	82%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2014

27. PENSION SCHEMES (continued)

Notes:

- (i) Employer contribution rates during the year were as follows:
- (a) USS 16%
 - (b) CUPF 20%
 - (c) The employer contribution rate to the LGS was 25.7% in the year to 31 March 2014 and 27.3% thereafter plus a cash contribution of M£1.391 in the year to 31 March 2014 and M£1.3 to be paid in the year to 31 March 2015.
- (ii) At 31 July 2014, the outstanding pension contributions included in creditors was M£3.476 (M£3.617 31 July 2013).

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

	2014	2013
	£'000	£'000
USS	22,653	22,206
NHS	2,195	2,200
CUPF	7,308	7,244
LGS	1,422	448
	<hr/>	<hr/>
Total pension cost (Note 7)	33,578	32,098
	<hr/>	<hr/>

An updated estimated valuation of each of the two defined benefit schemes (CUPF and LGS) was performed at 31 July 2014 by a qualified actuary. The FRS 17 disclosures set out below are based on this updated valuation.

The major assumptions used by the scheme actuaries were:

	31 July	31 July	31 July	31 July	31 July	31 July
	2014	2014	2013	2013	2012	2012
	CUPF	LGS	CUPF	LGS	CUPF	LGS
Rate of increase in salaries	3.2%	3.2%	4.6%	4.5%	4.1%	3.9%
Rate of increase in pensions in payment	2.2%	2.2%	2.7%	2.6%	2.1%	1.9%
Discount rate	4.0%	4.0%	4.5%	4.4%	4.1%	4.0%
Inflation assumption - RPI	3.2%	3.2%	3.6%	3.5%	3.1%	2.9%
- CPI	2.2%	2.2%	2.7%	2.6%	2.1%	1.9%

Commutation of pensions to lump sums:

CUPF

No allowance is made for commutation.

LGS

31 July 2014

Each member was assumed to surrender pension on retirement such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.

31 July 2013

Each member assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2014

27. PENSION SCHEMES (continued)

The assumed life expectations on retirement at age 65 are:

	31 July 2014	31 July 2013
<u>CUPE</u>		
Retiring Today:		
Males	21.9	21.4
Females	24.9	24.3
Retiring in 20 years:		
Males	23.7	22.8
Females	26.5	25.8
	31 July 2014	31 July 2013
<u>LGS</u>		
Retiring Today:		
Males	23.7	24.0
Females	26.6	26.8
Retiring in 20 years:		
Males	25.7	25.7
Females	28.9	28.8

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

<u>CUPE</u>	31 July 2014 M£	31 July 2014 %	31 July 2013 M£	31 July 2013 %	31 July 2012 M£	31 July 2012 %
Equities	106.6	7.5	100.0	7.8	86.8	7.5
Bonds	46.4	3.4	43.6	3.6	42.6	2.9
Other Assets	0.6	1.1	0.9	0.9	0.4	1.4
	<u>153.6</u>		<u>144.5</u>		<u>129.8</u>	
<u>LGS</u>	31 July 2014 M£	31 July 2014 %	31 July 2013 M£	31 July 2013 %	31 July 2012 M£	31 July 2012 %
Equities	16.3	7.5	14.7	7.8	11.0	7.5
Bonds	3.1	3.4	3.0	3.6	2.6	2.8
Property	1.2	6.8	1.1	7.3	1.0	7.0
Other Assets	0.3	4.3	0.1	4.3	0.6	4.4
	<u>20.9</u>		<u>18.9</u>		<u>15.2</u>	

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2014

27. PENSION SCHEMES (continued)

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

<u>CUPE</u>	31 July 2014 M£	31 July 2013 M£	31 July 2012 M£	31 July 2011 M£	31 July 2010 M£
The assets of the scheme	153.6	144.5	129.8	123.3	109.5
Present value of scheme liabilities	(177.0)	(173.7)	(163.4)	(141.9)	(158.3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net pension liability	(23.4)	(29.2)	(33.6)	(18.6)	(48.8)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>LGS</u>	31 July 2014 M£	31 July 2013 M£	31 July 2012 M£	31 July 2011 M£	31 July 2010 M£
The share of the assets of the scheme	20.9	18.9	15.2	14.7	13.2
Present value of scheme liabilities	(33.0)	(35.6)	(33.7)	(30.7)	(27.1)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net pension liability	(12.1)	(16.7)	(18.5)	(16.0)	(13.9)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

<u>CUPE</u>	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets: Amount (M£)	(0.4)	5.5	(2.8)	4.1	8.9
Experience gains and losses on scheme liabilities: Amount (M£)	(0.6)	2.7	2.0	21.9	4.9
Total amount recognised in the STRGL: Amount (M£)	5.3	3.3	(16.5)	31.6	0.4
<u>LGS</u>	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets: Amount (M£)	(0.2)	2.2	(1.0)	0.6	1.1
Experience gains and losses on scheme liabilities: Amount (M£)	2.4	(0.1)	(0.2)	(1.1)	0.3
Total amount recognised in the STRGL: Amount (M£)	3.4	0.8	(3.3)	(2.3)	1.7

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014**27. PENSION SCHEMES (continued)**

The following components of the pension charge have been recognised in the income and expenditure account and statement of recognised gains and losses for the years ended 31 July 2014 and 31 July 2013:

	Year ended 31 July 2014		Year ended 31 July 2013	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
	M£	M£	M£	M£
Analysis of amounts charged to income and expenditure account:				
Current service cost	8.4	0.4	7.3	0.4
Past service cost	-	-	0.1	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating charge	8.4	0.4	7.4	0.4
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Financing:				
Expected return on assets	(9.4)	(1.4)	(7.8)	(1.0)
Interest on scheme liabilities	7.8	1.6	6.7	1.3
	<hr/>	<hr/>	<hr/>	<hr/>
Net (income)/expense	(1.6)	0.2	(1.1)	0.3
	<hr/>	<hr/>	<hr/>	<hr/>

	Year ended 31 July 2014		Year ended 31 July 2013	
	<u>CUPE</u>	<u>LGS</u>	<u>CUPE</u>	<u>LGS</u>
	M£	M£	M£	M£
Analysis of amounts recognised in statement of total recognised gains and losses:				
Actual return lower than expected on scheme assets	(0.4)	(0.2)	5.5	2.2
Change in assumptions underlying the present value of scheme liabilities	5.7	3.6	(2.2)	(1.4)
	<hr/>	<hr/>	<hr/>	<hr/>
Total actuarial gains recognised	5.3	3.4	3.3	0.8

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2014

27. PENSION SCHEMES (continued)

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

	Year ended 31 July 2014		Year ended 31 July 2013	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
	M£	M£	M£	M£
Opening fair value of assets	144.5	18.9	129.8	15.2
Movement in year:				
Expected return on assets	9.4	1.4	7.8	1.0
Actuarial (losses)/gains on assets	(0.4)	(0.2)	5.5	2.2
Contributions by the employer	7.3	1.8	7.4	1.7
Contributions by participants	0.2	0.1	0.2	0.1
Net benefits paid out	(7.4)	(1.1)	(6.2)	(1.3)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing fair value of assets	<u>153.6</u>	<u>20.9</u>	<u>144.5</u>	<u>18.9</u>

	Year ended 31 July 2014		Year ended 31 July 2013	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
	M£	M£	M£	M£
Opening present value of liabilities	173.7	35.6	163.4	33.7
Movement in year:				
Current service cost	8.4	0.4	7.3	0.4
Interest cost on liabilities	7.8	1.6	6.7	1.3
Actuarial (gains)/losses on liabilities	(5.7)	(3.6)	2.2	1.4
Contributions by participants	0.2	0.1	0.2	0.1
Past service cost	-	-	0.1	-
Net benefits paid out	(7.4)	(1.1)	(6.2)	(1.3)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing present value of liabilities	<u>177.0</u>	<u>33.0</u>	<u>173.7</u>	<u>35.6</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2014

28. CAPITAL COMMITMENTS

	<u>Consolidated and University</u>	
	2014	2013
	£'000	£'000
Commitments contracted at 31 July	24,382	21,986
	<u>24,382</u>	<u>21,986</u>

29. CONTINGENT LIABILITY

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

30. RELATED PARTY TRANSACTIONS

During the year, Cardiff University made a block grant payment of M£2.503 (2012/13: M£2.389) 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.

31. ACCESS FUNDS

	2014	2013
	£'000	£'000
Funding Council grants	408	417
Interest earned	-	1
	<u>408</u>	<u>418</u>
Disbursed to students	(407)	(406)
Administration expenses	-	(11)
	<u>(407)</u>	<u>(417)</u>
Balance unspent as at 31 July	<u>1</u>	<u>1</u>

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.

CARDIFF UNIVERSITY

Annual Report and Financial Statements
Year Ended 31 July 2015

CARDIFF UNIVERSITY

REPORT AND FINANCIAL STATEMENTS 2015

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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

Vice Chair: Dr G Treharne

Vice-Chancellor: Professor C Riordan

Deputy Vice-Chancellor: Professor E Treasure

Mr R Aggarwal
Mrs M Battle
Mr R Jenkins [resigned 30 June 2015, replaced by Ms S Timbers]
Mr G Clarke
Mr R Calil
Professor R Evans [resigned 31 July 2015, replaced by Mr M Leighfield]
Ms R Williams
Professor K Holford [resigned 31 July 2015, replaced by Professor G Boyne]
Dr C Bell
Mr A Gibbons
Mrs S Gwyer-Roberts
Mr E Howells [resigned 30 June 2015, replaced by Ms C Blakeway]
Professor S Palmer
Ms L Phillips
The Reverend G Powell
Mr R Preece
Professor P Price
Mr D Simpson
Professor HR Thomas [resigned 31 July 2015, replaced by Professor N De Leeuw]
Mrs G Williams [resigned 31 July 2015, replaced by Dr S Luke]
Professor AJ Whitley [resigned 31 July 2015, replaced by Mr R Leach]
Professor E Wilding [resigned 31 July 2015, replaced by Professor A Coffey]

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.

CARDIFF UNIVERSITY

TRUSTEES REPORT - OPERATING AND FINANCIAL REVIEW

Introduction

The past year has seen plans to transform the University starting to bear fruit.

The new £44m Cardiff University Brain Imaging Centre (CUBRIC) on the £300m Innovation Campus on Maindy Road is taking shape ahead of its grand opening in 2016 and will offer a range of equipment not found anywhere else in Europe. Proposals are being formulated for other landmark buildings on the Innovation Campus and elsewhere in the University, such as the Centre for Student Life and a new library on the Cathays Park campus. A £38m five-year refurbishment of learning and teaching spaces has also started in earnest this year.

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 should support the University's goals of providing excellent research and teaching in facilities that are comparable to the best in the country.

The plans can also be seen as good news for the city of Cardiff, Wales and beyond, a fact reinforced by a recent independent report that estimated that the University generated £6 for every £1 that it spent.

While the University is enacting its plans before an external backdrop of public spending cuts and a looming 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.

Much hard work lies ahead but these are exciting times for students, staff and the city of Cardiff itself.

Scope of the Financial Statements

The financial statements for the year ended 31 July 2015 consolidate the results of the University and its subsidiary company University College Cardiff Consultants Limited.

Results for the Year

The University has made a surplus of £22 million in line with budget expectations. The results are shown in the table below.

	2014/15	% of	2013/14	% of
	£m	Income	£m	Income
Income	483		456	
Expenditure	(459)		(431)	
Operating Surplus	24		25	
Transfers (to)/ from Endowments	0		1	
Taxation	(2)		0	
Surplus Retained Within General Reserves	22		26	
Historical Cost Surplus After Tax	25		29	
Cash Surplus (Cash Inflow from Operating Activities)	29	6.0%	33	7.2%

TRUSTEES REPORT - OPERATING AND FINANCIAL REVIEW

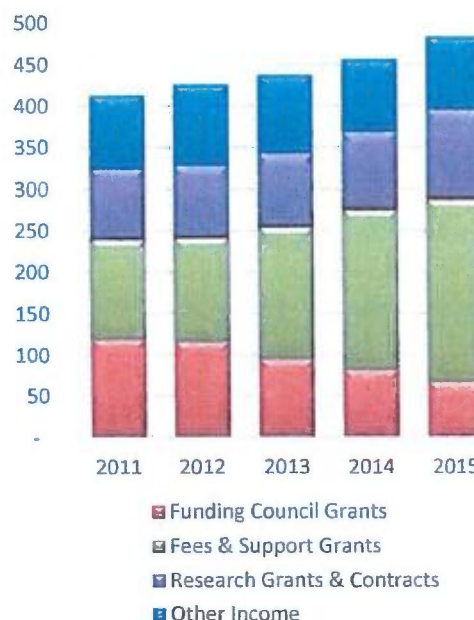
Income Growth 6%

Income has continued to grow with increases of £27m in tuition fees and £14m in research income more than offsetting the decrease of £15m in grants received from the Higher Education Funding Council for Wales.

The increased student fee income is mainly due to Home undergraduate fees. This has resulted from a combination of a small increase in total student numbers and the final transitional year for student fees to the new rate.

The research income includes £9.8m of Research and Development Expenditure Credits (RDEC) from HM Revenue and Customs in relation to the three financial years ending 31 July 2015. The taxation figure relates entirely to tax paid on these credits giving a net one-off source of income of £7.6m for the year. The other significant movement is in income from Research Councils which has grown from £22m to £26m in line with the University's strategy 'The Way Forward 2012-2017'.

Income By Category 2011 to 2015



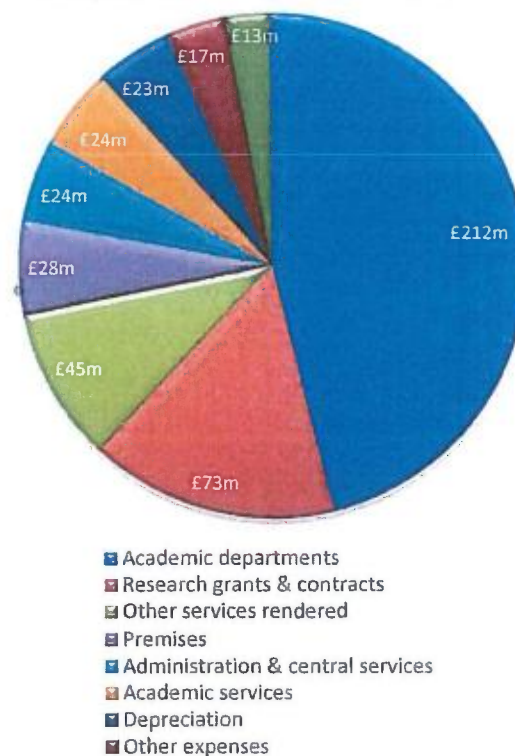
Expenditure Growth 6%

The focus of spend on resources remains in the areas of Teaching and Research which together have increased by £22m and represent 62% of total expenditure.

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

The FRS17 pension fund adjustments in the Income and Expenditure account were favourable this year due to improvements in assumptions. There was a gain of £1.8m included within staff costs and a £2.7m gain on interest within other costs. These gains were offset by an £8m actuarial loss in the Consolidated Statement of Realised Gains and Losses, giving an overall increase of £3.5m to the pension liability in the Balance Sheet. These costs relate to the Cardiff University Pension Fund and Local Government Scheme. There is no FRS17 adjustment for the Universities Superannuation Scheme, further information is provided on this in the accounting policies note on page 17.

Analysis of 2014/15 Spend by Category



CARDIFF UNIVERSITY

TRUSTEES REPORT - OPERATING AND FINANCIAL REVIEW

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 Universities Median
	2014/15 £m	2013/14 £m	2012/13 £m	2013/14 £m
Total Income	483	456	437	498
Operating Surplus	24	25	10	19
Staff Costs	263	253	249	267
% of Income	54%	55%	57%	53%
Research Income	108	94	88	111
% of Income	22%	21%	20%	23%

Cashflow Surplus 6%

In addition to the KPIs above, the *Way Forward* strategy aims for the cashflow surplus to exceed 5% each year to fund its' ambitious investment programme. This 6% represents £29m in 2014/15.

Capital Investment

During the year £57m was spent on investment in infrastructure and equipment. This was funded from the cash surplus generated in the year, £6m of capital grants plus the use of existing reserves within the University

£40m of this was invested in capital building projects. The Cardiff Business School Post Graduate Centre and the Talybont Gate residences were completed in the year and many existing buildings were refurbished in line with the Estates Masterplan, which aims to provide new state-of-the-art research, teaching and student facilities. Work also commenced on the exciting CUBRIC 2 building on the Maindy Road campus with completion due in 2016. Cardiff University is one of the UK's top three for Neuroimaging, Psychology and Psychiatry.

Compound Semiconductor Centre Limited

A further £5.6 million was invested in this new joint venture with IQE Plc which is integral to the establishment of the Institute for Compound Semiconductors to 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.

Future Developments

Capital developments that are due to start in 2015/16 include two new buildings, TRF and Innovation Central, sited on the Innovation Campus. TRF will house the Institute for Compound Semiconductors and the Cardiff Catalysis Institute (CCI). CCI is already established as one of the world's top five catalysis research centres, and the leading UK facility in this area, but moving to a new home will enable growth across many scientific disciplines. Innovation Central will be home to the world's first 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.

The Centre for Student Life building will provide new state-of-the art teaching and student facilities on Park Place opposite the University's Main Building. The design contract was awarded in October 2015 and further tenders are taking place to enable commencement of this building during the 2016/17 academic year.

Outlook

The University has been working hard to secure its financial position and has again created a significant surplus in 2014/15. In order to meet its ambitious investment programme, it will need to continue to generate substantial surpluses at a time when the pressure on income streams is increasing. The outstanding results in the 2014 Research Excellence Framework (REF), in which Cardiff was ranked fifth in the UK for the quality of its research should help the University to increase its' research income streams and continue to attract increasing numbers of students.



G Treharne
Vice-Chair of Council
21 January 2016

CARDIFF UNIVERSITY

CORPORATE GOVERNANCE STATEMENT

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the UK Corporate Governance Code (2010) issued by the Financial Reporting Council. 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 University has a framework for risk management and a risk management policy which incorporates recommended best practice and accords with the internal control guidance for directors on the UK Corporate Governance Code (2010) as deemed appropriate for higher education. 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 2014-15, 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 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.

CARDIFF UNIVERSITY

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 2014/15 we invested £6 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.

CARDIFF UNIVERSITY

RESPONSIBILITIES OF THE COUNCIL OF CARDIFF UNIVERSITY

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

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

In preparing these Financial Statements, the Council has ensured that:

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

The Council has taken reasonable steps to:

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

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

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

21 January 2016

CARDIFF UNIVERSITY

INDEPENDENT AUDITORS REPORT TO THE GOVERNING BODY 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 2015, and of the group's income and expenditure, recognised gains and losses 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 financial statements (the "financial statements"), which are prepared by Cardiff University comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2015;
- the consolidated Income and Expenditure Account for the year then ended;
- the consolidated Statement of Total Recognised Gains and Losses 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 is the Statement of Recommended Practice for Further and Higher Education, incorporating 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 FURTHER EDUCATION AUDIT CODE OF PRACTICE ISSUED BY THE WELSH GOVERNMENT

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 statutes; 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 information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

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.

INDEPENDENT AUDITORS REPORT TO THE GOVERNING BODY OF CARDIFF UNIVERSITY (THE 'INSTITUTION')

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 9 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 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 International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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 Annual Report and 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

21st January 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.

CARDIFF UNIVERSITY

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

Year ended 31 July 2015

	Note	2015 £'000	2014 £'000
INCOME			
Funding Body Grants	2	67,497	82,318
Tuition fees and support grants	3	219,780	192,784
Research grants and contracts	4	98,009	93,550
Research grants and contracts - RDEC	4	9,773	-
Other income	5	83,662	83,617
Endowment and investment income	6	3,871	3,462
Total Income		482,592	455,731
EXPENDITURE			
Staff costs	7	262,830	253,376
Other operating expenses	9	171,917	157,728
Depreciation	12	22,741	18,060
Interest and other finance costs	8	1,169	1,240
Total Expenditure	9	458,657	430,404
Surplus on continuing operations after depreciation of assets at valuation		23,935	25,327
Transfer (to)/from accumulated income in endowment funds	21	(72)	1,055
Surplus for the year before taxation		23,863	26,382
Corporation Tax	10	(2,143)	-
Surplus for the year after taxation retained within General Reserves	23	21,720	26,382
All of the above results arise from continuing operations.			

CARDIFF UNIVERSITY

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES
Year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets at valuation		23,935	25,327
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	3,405	3,381
Historical cost surplus for the year before taxation		<u>27,340</u>	<u>28,708</u>
Historical cost surplus for the year after taxation		<u>25,197</u>	<u>28,708</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 July 2015

	Note	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets at valuation		23,935	25,327
Corporation Tax		(2,143)	-
New endowments	21	816	461
Appreciation of endowment asset investments	21	244	670
Actuarial (loss)/gain on pension scheme	27	(7,990)	8,700
Appreciation of fixed asset investment	13	941	3,739
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>15,803</u>	<u>38,887</u>
Reconciliation			
Opening Reserves and Endowments		335,737	296,850
Total recognised gains for the year		<u>15,803</u>	<u>38,887</u>
Closing Reserves and Endowments		351,540	335,737
Opening Deferred Capital Grants		118,674	120,444
Net decrease in the year		<u>(1,413)</u>	<u>(1,770)</u>
Closing Deferred Capital Grants		117,261	118,674
Net Assets as at 31 July		<u>468,801</u>	<u>454,411</u>

CARDIFF UNIVERSITY

BALANCE SHEETS

As at 31 July 2015

		<u>Consolidated</u>		<u>University</u>	
	Note	2015 £'000	2014 £'000	2015 £'000	2014 £'000
FIXED ASSETS					
Tangible assets	12	387,789	353,925	387,789	353,925
Investments	13	15,569	8,975	15,563	8,969
		<u>403,358</u>	<u>362,900</u>	<u>403,352</u>	<u>362,894</u>
ENDOWMENT ASSETS	14	28,668	27,536	28,668	27,536
CURRENT ASSETS					
Stocks	15	231	188	231	188
Debtors	16	63,673	43,431	64,059	43,851
Short-term deposits		144,134	172,323	144,113	172,262
Cash at bank and in hand		1,413	1,280	1,413	1,280
		<u>209,451</u>	<u>217,222</u>	<u>209,816</u>	<u>217,581</u>
CREDITORS: amounts falling due within one year	17	(106,711)	(87,699)	(106,394)	(87,376)
NET CURRENT ASSETS		<u>102,740</u>	<u>129,523</u>	<u>103,422</u>	<u>130,205</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>534,766</u>	<u>519,959</u>	<u>535,442</u>	<u>520,635</u>
CREDITORS: amounts falling due after more than one year	18	(17,893)	(19,464)	(17,893)	(19,464)
OTHER DEFERRED INCOME	19	(9,102)	(10,584)	(9,102)	(10,584)
NET ASSETS: excluding net pension liability		<u>507,771</u>	<u>489,911</u>	<u>508,447</u>	<u>490,587</u>
NET PENSION LIABILITY	27	(38,970)	(35,500)	(38,970)	(35,500)
NET ASSETS: including net pension liability		<u><u>468,801</u></u>	<u><u>454,411</u></u>	<u><u>469,477</u></u>	<u><u>455,087</u></u>

CARDIFF UNIVERSITY

BALANCE SHEETS

As at 31 July 2015 (Continued)


		<u>Consolidated</u>		<u>University</u>	
	Note	2015 £'000	2014 £'000	2015 £'000	2014 £'000
DEFERRED CAPITAL GRANTS	20	117,261	118,674	117,261	118,674
ENDOWMENTS					
Permanent	21	26,020	25,401	26,020	25,401
Expendable	21	2,648	2,135	2,648	2,135
		<u>28,668</u>	<u>27,536</u>	<u>28,668</u>	<u>27,536</u>
RESERVES					
Revaluation reserve	22	77,655	80,190	77,655	80,190
General reserve	23	284,187	263,511	284,863	264,187
Pension reserve	24	(38,970)	(35,500)	(38,970)	(35,500)
		<u>322,872</u>	<u>308,201</u>	<u>323,548</u>	<u>308,877</u>
TOTAL FUNDS		<u>468,801</u>	<u>454,411</u>	<u>469,477</u>	<u>455,087</u>

These financial statements on pages 12 to 41 were approved by the Council on 21 January 2016.

Signed on behalf of the Council



Professor Colin Riordan
Vice Chancellor



G Treharne
Vice-Chair of Council



D M Davies
Director of Finance

CARDIFF UNIVERSITY

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Net Cash inflow from operating activities	25	29,265	32,772
Returns on investments and servicing of finance			
Income from endowments	21	690	729
Interest received		399	1,333
Interest paid		(1,169)	(1,240)
		<u> </u>	<u> </u>
Net cash (outflow)/inflow from returns on investments and servicing of finance		<u> (80) </u>	<u> 822 </u>
Capital expenditure and financial investment			
Payments to acquire tangible assets	12	(56,605)	(39,896)
Payments to acquire fixed assets investments	13	(5,653)	-
Payments to acquire endowment asset investments	14	(2,364)	(797)
Receipts from sales of endowment asset investments	14	1,476	1,401
Deferred capital grants received	20	6,566	2,504
New endowments	21	816	451
		<u> </u>	<u> </u>
Net cash outflow from capital expenditure and financial investment		<u> (55,764) </u>	<u> (36,337) </u>
Cash outflow before management of liquid resources		(26,579)	(2,743)
Management of liquid resources			
Cash transferred from short term deposits		28,189	1,469
Financing			
Loan repayments in the year		(1,477)	(1,385)
		<u> </u>	<u> </u>
Increase/(Decrease) in cash in the year	26	<u> 133 </u>	<u> (2,659) </u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

The Financial Statements have been prepared on a going concern basis, consistently applied and 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 (2007) ("SORP") and Charities Act 2011. 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, the investment in IP Group plc 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 31 July but do not include those of the University Union, WWJ 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.

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 income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; payments received in advance of such performance are recognised in the Balance Sheet as liabilities.

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.

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 Scheme (LGS). The schemes are funded defined benefit schemes and are contracted out of the State Earnings-Related Pension Scheme. The funds are actuarially valued every three years by a professionally qualified actuary using either the aggregate method or the attained age method with the rates of contribution payable being determined by the scheme's trustees on the advice of the actuary.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

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

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

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 income and expenditure account over the period of the lease.

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

Land and Buildings

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

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.

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 funded from Treasury Sources.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

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. The related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment.

Capital grants and contributions

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

Investments

Endowment Asset Investments are included in the Balance Sheet at market value as are Fixed Asset Investments including IP Group plc shares. The University has adopted FRS26 'Financial instruments: Recognition and measurement' and, as a result, the movement in the value of the IP Group plc shares is carried out as a credit to the revaluation reserve via the statement of recognised gains and losses. A diminution in value would be charged to the income and expenditure account as a debit to the extent it is not covered by a previous revaluation surplus. Investments in subsidiary undertakings are shown at the lower of cost or net realisable 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 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.

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.

Short-Term Deposits

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

Provisions

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

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

2. FUNDING BODY GRANTS

	Note	2015 £000	2014 £000
Recurrent grant		56,773	68,937
Specific grants:			
Academic Infrastructure		85	400
Learning & Teaching Support		51	216
Innovation & Engagement		-	625
Supplementary Funds		1,138	2,264
Clinical Pay Award		500	800
Widening Access		-	198
Graduate Entry Scheme		2,300	2,100
Welsh for Adults		1,373	1,653
Release of deferred capital grants:			
Buildings	20	3,750	3,764
Equipment	20	1,527	1,361
		<u>67,497</u>	<u>82,318</u>

3. TUITION FEES AND SUPPORT GRANTS

	2015 £000	2014 £000
UK and European Union Undergraduate	112,644	92,177
UK and European Union Postgraduate	10,945	10,385
Overseas (including part-time)	58,783	56,691
Part Time (UK and European Union)	5,161	5,045
	<u>187,533</u>	<u>164,298</u>
Education contracts	15,649	14,036
Research training support grants	6,178	6,442
Non-Credit bearing fees	10,420	8,008
	<u>219,780</u>	<u>192,784</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2015

4. RESEARCH GRANTS AND CONTRACTS

	2015 £000	2014 £000
Research Councils	25,524	22,301
UK-based charities	19,429	19,517
UK Government bodies	31,524	29,123
UK Industry	4,323	5,370
European Commission	10,964	12,007
Overseas	4,154	4,782
Other grants and contracts	11,864	450
	<u>107,782</u>	<u>93,550</u>

Included within other grants and contracts is £9.8m (2014 £nil) in relation to Research and Development Expenditure Credits (RDEC) receivable for the three financial years ending 31 July 2015. This is a one-off source of income and will not occur in future years.

	TOTAL £000	2015 £000	2014 £000	2013 £000
Income receivable under RDEC	9,773	3,676	4,536	1,561
Tax payable	(2,143)	(760)	(1,013)	(370)
Net receipt due included in debtors	<u>7,630</u>	<u>2,916</u>	<u>3,523</u>	<u>1,191</u>

5. OTHER INCOME

	Note	2015 £000	2014 £000
Residences, catering and conferences		25,189	22,513
Other services rendered:			
UK Central Government		33,497	31,548
UK Health Authorities		9,325	9,195
UK Industry		1,835	1,471
European Union		1,865	989
Overseas		188	950
UK Universities		761	389
Other Sources		4,613	9,525
		<u>52,084</u>	<u>54,067</u>
Rents Receivable		136	127
Exempt VAT recoverable		623	519
Donations and Subventions		161	252
Other income		3,440	4,110
IP Group plc Investment Release		1,594	1,594
Released from Deferred Capital Grants	20	435	435
		<u>83,662</u>	<u>83,617</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

6. ENDOWMENT AND INVESTMENT INCOME

	Note	2015 £000	2014 £000
Income from permanent endowments	21	644	680
Income from expendable endowments	21	46	49
Interest receivable		451	1,333
Interest element of pension cost		2,730	1,400
		<u>3,871</u>	<u>3,462</u>

7. STAFF COSTS

	Note	2015 £000	2014 £000
Staff costs			
Wages and salaries		211,859	203,535
Social security costs		16,979	16,263
Other pension costs	27	33,992	33,578
		<u>262,830</u>	<u>253,376</u>

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

Emoluments of the Vice Chancellor – Salary	248	238
Pension	39	31
Benefits in kind	1	2
	<u>288</u>	<u>271</u>

Remuneration paid to Trustees in total for expenses	6	7
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No Trustee receives payments for serving.

Average staff numbers by major category	2015 Number FTE	2014 Number FTE
Clinical and non-clinical academic and academic related	3,799	3,685
Technical services	216	213
Administrative support	971	939
Operational services	282	285
	<u>5,268</u>	<u>5,122</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

7. STAFF COSTS (continued)

Remuneration of higher paid staff 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. This treatment is in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales.

	2015 Number	2014 Number
£100,000 - £109,999	57	56
£110,000 - £119,999	36	30
£120,000 - £129,999	14	16
£130,000 - £139,999	8	11
£140,000 - £149,999	6	7
£150,000 - £159,999	3	3
£160,000 - £169,999	5	2
£170,000 - £179,999	2	1
£180,000 - £189,999	3	2
£190,000 - £199,999	1	-
£230,000 - £239,999	-	1
£240,000 - £249,999	1	-
	<u>136</u>	<u>129</u>

	2015 £'000	2014 £'000
Compensation for loss of office payable to higher paid employees		
Compensation payable – 1 employee (2014 - 5 employees)	58	385
The compensation pay was approved by the University's Remuneration Committee.		

8. INTEREST AND OTHER FINANCE COSTS

	2015 £000	2014 £000
Bank Loans	1,169	1,240
	<u>1,169</u>	<u>1,240</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2015

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £000	Other operating expenses £000	Interest Payable £000	Total 2015 £000	Total 2014 £000
Academic departments	155,332	56,732	-	212,064	194,466
Academic services	15,039	8,453	-	23,492	21,839
Research grants and contracts	36,073	36,688	-	72,761	69,346
Other services rendered	21,570	23,582	-	45,152	46,467
Residences, catering and conferences	5,727	6,375	1,169	13,271	13,456
Premises	6,574	21,051	-	27,625	26,285
Administration and central services	18,837	5,410	-	24,247	23,219
Other expenses	5,468	13,626	-	19,094	17,566
FRS 17 pension fund adjustments	(1,790)	-	-	(1,790)	(300)
Total per income and expenditure account	262,830	171,917	1,169	435,916	412,344
Depreciation (note 12)				22,741	18,060
Total per Income and Expenditure Account				458,657	430,404

	2015 £000	2014 £000
Other expenses include:		
Auditors' remuneration – external audit	56	54
– audit-related services	28	28
– other tax services	-	-

10. TAXATION

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

	<u>Consolidated</u>	
	2015 £000	2014 £000
Current Tax		
UK Corporation tax of 20.67% (2014: 22.33%) on surplus/(deficit) for the year	760	-
Adjustments in respect of previous periods	1,383	-
Total tax charge	2,143	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2015

10. TAXATION (continued)

Factors Affecting the tax charge:

The tax assessed for the year is lower than (2014: lower than) the standard rate of corporation tax in the UK.
The difference is explained below:

	2015	Consolidated
	£000	2014
		£000
Surplus before taxation	<u>23,863</u>	<u>26,382</u>
Surplus multiplied by the standard rate of corporation tax in the UK of 20.67% (2014: 22.33%)	4,932	5,891
Surplus falling within charitable exemption	(4,172)	(5,891)
Adjustments in respect of previous periods	<u>1,383</u>	<u>-</u>
Current tax charge	<u>2,143</u>	<u>-</u>

11. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The surplus on continuing operations after depreciation of assets at Valuation and taxation is made up as follows:

	2015	2014
	£000	£000
University surplus for the year	21,792	25,327
Surplus incurred by subsidiary undertakings	<u>-</u>	<u>-</u>
	<u>21,792</u>	<u>25,327</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2015

12. TANGIBLE FIXED ASSETS

	Consolidated and University				
	Land and Buildings		Equipment		Total £000
	Freehold £000	Long leasehold £000	Assets in the Course of Construction £000	£000	
Cost or valuation					
At 1 August 2014	235,903	217,059	26,713	80,204	559,879
Additions at cost	9,777	5,311	25,232	16,285	56,605
Disposals (i)	-	-	-	(2,394)	(2,394)
Projects Completed	23,487	1,503	(24,990)	-	-
At 31 July 2015	269,167	223,873	26,955	94,095	614,090
Valuation	122,211	115,700	-	-	237,911
Cost	146,956	108,173	26,955	94,095	376,179
	269,167	223,873	26,955	94,095	614,090
Accumulated Depreciation					
At 1 August 2014	64,733	73,238	-	67,983	205,954
Charge for year	6,530	7,004	-	9,207	22,741
Eliminated on Disposal	-	-	-	(2,394)	(2,394)
At 31 July 2015	71,263	80,242	-	74,796	226,301
Net book value					
At 31 July 2015	197,904	143,631	26,955	19,299	387,789
At 31 July 2014	171,170	143,281	26,713	12,221	353,925
Financed By:					
Funding Council	53,890	33,128	-	766	87,784
Endowments/Donations	707	1,605	1,000	-	3,312
Loans and Grants	16,635	16,731	6,000	-	39,366
Revaluation	21,035	49,194	-	-	70,229
Other Capital	105,637	42,973	19,955	18,533	187,098
Net book value at 31 July 2015	197,904	143,631	26,955	19,299	387,789

- (i) Disposal of equipment is assumed after 10 years.
- (ii) Certain buildings have been funded from Treasury sources at a cost of £132,157k (2014 £132,157k). Should these particular buildings be sold, the University would use the proceeds in accordance with the Financial Memorandum with HEFCW.
- (iii) Note 1 outlines details of the land and buildings valuations.
- (iv) Freehold land and buildings includes non-depreciated land of £20,881k (2014 £20,881k).

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

13. FIXED ASSET INVESTMENTS

	<u>Consolidated</u>		<u>University</u>	
	Other Investments	Total	Other Investments	Total
	£000	£000	£000	£000
Balance at 1 August 2014	8,975	8,975	8,969	8,969
Appreciation recognised in year	941	941	941	941
Additions	5,653	5,653	5,653	5,653
Balance at 31 July 2015	<u>15,569</u>	<u>15,569</u>	<u>15,563</u>	<u>15,563</u>

The Council members believe that the carrying value of the investments is supported by their underlying net assets.

The University has an interest in the following companies:

University College Cardiff Consultants Limited (UC3)

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

IP Group Plc

In March 2014, the University acquired shares in IP Group plc giving the company the right to commercially develop current and future research-generated intellectual property (IP) at the University. The value of shares in IP Group plc as at 31 July 2015 was £9.8 million (£8.9 million as at 31 July 2014). Further information is given in note 30.

Compound Semiconductor Centre Limited

The University made a prepayment of £5.7 million towards a 50% share in Compound Semiconductors Centre Limited prior to the year end. This became a joint venture with IQE Plc on 1 August 2015 when the share capital was issued. The arrangement has been treated as an investment in the 2014/15 Financial Statements but will be treated as a joint venture in the 2015/16 Financial Statements. Further information is given in note 30.

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 UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

14. ENDOWMENT ASSETS

	<u>Consolidated and University</u>	
	2015	2014
	£000	£000
Balance at 1 August	27,536	27,470
Additions	2,364	797
Disposals	(2,547)	(970)
Increase/(Decrease) in cash held as short-term deposits	1,071	(431)
Appreciation on revaluation/disposal	244	670
Balance at 31 July	<u>28,668</u>	<u>27,536</u>
Fixed interest stock	3,311	3,844
Equities	18,044	17,274
Bank balances and short-term deposits	4,367	3,297
Other assets	2,946	3,121
Total endowment asset investments	<u>28,668</u>	<u>27,536</u>
Fixed interest and equities at cost	<u>19,846</u>	<u>19,507</u>

15. STOCKS

	<u>Consolidated and University</u>	
	2015	2014
	£000	£000
Residences and Catering	110	104
Maintenance	82	75
Schools	39	9
	<u>231</u>	<u>188</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2015

16. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2015	2014	2015	2014
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors:				
Fees	2,784	2,635	2,784	2,635
Research	28,519	25,693	28,519	25,693
NHS Distinction Awards	344	407	344	407
Accommodation	96	518	96	518
Miscellaneous	31,232	14,515	31,018	14,335
Less: provision for impairment	(621)	(650)	(621)	(650)
	<u>62,354</u>	<u>43,118</u>	<u>62,140</u>	<u>42,938</u>
Prepayments	319	313	319	313
	<u>62,673</u>	<u>43,431</u>	<u>62,459</u>	<u>43,251</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings (i)	-	-	600	600
Compound Semiconductor Centre Limited (ii)	1,000	-	1,000	-
	<u>1,000</u>	<u>-</u>	<u>1,600</u>	<u>600</u>
Total Debtors	<u>63,673</u>	<u>43,431</u>	<u>64,059</u>	<u>43,851</u>

- (i) The amounts owed by subsidiary undertakings falling due after more than one year are unsecured and interest-free. There is no fixed date of repayment but are repayable on demand with a minimum of one year and one month's notice given. No notice for repayment had been made at 31 July 2015.
- (ii) The amount due from the Compound Semiconductor Centre Limited relates to an interest bearing loan agreement for a £1.6 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 based upon future profitability targets.

As at 31 July 2015, the provision for impairment of debtors was aged as follows:

	2015	2014
	£000	£000
Less than 3 months past due	-	-
3 to 6 months past due	96	104
Over 6 months past due	525	546
	<u>621</u>	<u>650</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2015

16. DEBTORS (continued)

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

	2015 £000	2014 £000
At 1 August	650	1,956
Debtors written off during the year	(74)	(39)
Provision adjustments (i)	45	(1,267)
At 31 July	621	650

As at 31 July 2015, debtors past their due date but not impaired were aged as follows:

	2015 £000	2014 £000
Less than 3 months past due	3,943	4,505
Over 3 months past due	3,387	1,038
	7,330	5,543

- (i) The Provision adjustment in 2014 reflects the fundamental review of outstanding debtors as at 31 July 2014 and a change in the methodology that calculates the provision required.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade creditors	6,781	6,887	6,413	6,487
Sundry creditors	6,653	5,558	6,653	5,558
Social security and other taxation	5,202	5,802	5,208	5,783
Accruals and deferred income	30,331	18,539	30,327	18,503
Research grants and contracts in advance	38,453	36,094	38,453	36,094
Other services rendered	17,720	13,342	17,720	13,342
Lloyds Bank loan (Note 18(i))	871	777	871	777
Royal Bank Scotland loan (Note 18(ii))	700	700	700	700
Amounts due to subsidiary undertakings	-	-	49	132
	106,711	87,699	106,394	87,376

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

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

	<u>Consolidated</u>		<u>University</u>	
	2015 £000	2014 £000	2015 £000	2014 £000
Lloyds Bank Loan (i)	11,418	12,289	11,418	12,289
Royal Bank of Scotland Loan (ii)	6,475	7,175	6,475	7,175
	<u>17,893</u>	<u>19,464</u>	<u>17,893</u>	<u>19,464</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	£871k
Between two and five years	£4,703k
Over five years	£6,715k

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

- (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	£3,675k

Interest is payable on the loan at 0.225% above Base Rate and is charged to Interest Payable (Note 8).

19. OTHER DEFERRED INCOME

	<u>Consolidated and University</u>	
	2015 £000	2014 £000
Academic Infrastructure Grants	640	727
Learning and Teaching Support Grants	278	313
Supplementary Funds	4,958	5,128
Other Deferred Grants	197	197
IP Group plc Deferred Income	1,600	3,194
Student Fees received in advance	1,429	1,025
	<u>9,102</u>	<u>10,584</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2015

20. DEFERRED CAPITAL GRANTS

	<u>Consolidated and University</u>				
	<u>Funding Council</u>		<u>Other</u>		<u>Total</u>
	<u>Buildings £000</u>	<u>Equipment £000</u>	<u>Buildings £000</u>	<u>Equipment £000</u>	<u>£000</u>
As at 1 August 2014	90,888	2,391	23,604	1,791	118,674
Cash received	1,956	664	1,000	2,946	6,566
Released to income and expenditure (Note 2/Note 5)	(3,750)	(1,527)	(435)	(2,267)	(7,979)
At 31 July 2015	<u>89,094</u>	<u>1,528</u>	<u>24,169</u>	<u>2,470</u>	<u>117,261</u>

21. ENDOWMENTS

	<u>Consolidated and University</u>					
	<u>Unrestricted Permanent £000</u>	<u>Restricted Permanent £000</u>	<u>Total Permanent £000</u>	<u>Restricted Expendable £000</u>	<u>2015 Total £000</u>	<u>2014 Total £000</u>
Opening Balance						
Capital	1,778	15,050	16,828	1,077	17,905	18,186
Accumulated Income	1,161	7,412	8,573	1,058	9,631	9,284
	<u>2,939</u>	<u>22,462</u>	<u>25,401</u>	<u>2,135</u>	<u>27,536</u>	<u>27,470</u>
New endowments	-	293	293	523	816	451
Income for year	73	571	644	46	690	729
Expenditure	(70)	(482)	(552)	(66)	(618)	(1,784)
	3	89	92	(20)	72	(1,055)
Increase in market value	16	218	234	10	244	670
	<u>2,958</u>	<u>23,062</u>	<u>26,020</u>	<u>2,648</u>	<u>28,668</u>	<u>27,536</u>
Closing Balance (Note 14)						
Represented by:						
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>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

22. REVALUATION RESERVE

	<u>Consolidated and University</u>	
	2015	2014
	£000	£000
Revaluations		
At 1 August	140,580	144,154
Released on Disposals (Transfer to Income and Expenditure Account) (Note 23)	(194)	-
Gains on valuation of shares (Note 13)	941	3,739
Disposal of Fixed Asset Investment	-	(7,313)
At 31 July	<u>141,327</u>	<u>140,580</u>
Contributions to depreciation		
At 1 August	(60,390)	(57,009)
Released on Disposals (Transfer to Income and Expenditure Account) (Note 23)	123	-
Released in year (Note 23)	(3,405)	(3,381)
At 31 July	<u>(63,672)</u>	<u>(60,390)</u>
Net revaluation amount		
At 31 July	<u>77,655</u>	<u>80,190</u>

23. GENERAL RESERVE

	<u>Consolidated</u>	<u>University</u>	<u>Consolidated</u>
	2015	2015	2014
	£000	£000	£000
At 1 August	263,511	264,187	228,135
Surplus for the year	21,720	21,720	26,382
Transfers from revaluation reserve (Note 22)	3,476	3,476	10,694
Pension contributions in excess of FRS 17 charge	(4,520)	(4,520)	(1,700)
At 31 July	<u>284,187</u>	<u>284,863</u>	<u>263,511</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2015

24. PENSION RESERVE

	<u>Consolidated</u>	<u>University</u>	<u>Consolidated</u>
	2015	2015	2014
	£000	£000	£000
At 1 August	(35,500)	(35,500)	(45,900)
Actuarial (loss)/gain on pension scheme	(7,990)	(7,990)	8,700
Pension contributions in excess of FRS 17 charge	4,520	4,520	1,700
	<hr/>	<hr/>	<hr/>
At 31 July	(38,970)	(38,970)	(35,500)
	<hr/>	<hr/>	<hr/>

25. RECONCILIATION OF SURPLUS ON CONTINUING OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015	2014
	£000	£000
Surplus on continuing operations after depreciation of assets at valuation and before taxation	23,935	25,327
Depreciation	22,741	18,060
Endowment income and interest receivable	(3,871)	(3,462)
Deferred capital grants released to income	(7,979)	(6,960)
Interest payable	1,169	1,240
(Increase)/Decrease in stocks	(43)	34
(Increase) in debtors	(22,333)	(1,426)
Increase in creditors	18,918	7,519
Decrease in provisions	-	(6,593)
Decrease in Other Deferred Income	(1,482)	(1,892)
Pension contributions in excess of charge	(1,790)	(300)
Profit on disposal of shares	-	(232)
Loss on valuation of shares	-	1,457
	<hr/>	<hr/>
Net cash inflow from continuing operating activities	29,265	32,772
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2015 £000	2014 £000
Increase/(Decrease) in cash in the year	133	(2,659)
Cash inflow to liquid resources	(28,189)	(1,469)
Loan repayments in the year	1,477	1,385
Change in net funds	<u>(26,579)</u>	<u>(2,743)</u>

	At 1 August 2014 £000	Cash Flows £000	At 31 July 2015 £000
ANALYSIS OF CHANGES IN NET FUNDS			
Cash at bank and in hand	1,280	133	1,413
Bank overdraft	-	-	-
Total cash at bank and in hand	<u>1,280</u>	<u>133</u>	<u>1,413</u>
Liquid resources:			
Short-term deposits	172,323	(28,189)	144,134
Debt:			
Debts falling due within one year	(1,477)	(94)	(1,571)
Debts falling due after one year	(19,464)	1,571	(17,893)
	<u>(20,941)</u>	<u>1,477</u>	<u>(19,464)</u>
Total	<u>152,662</u>	<u>(26,579)</u>	<u>126,083</u>

27. PENSION SCHEMES

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

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

	USS	CUPF	LGS
Latest actuarial valuations	31 March 2014 (unaudited)	31 July 2013	31 March 2013
Investment returns per annum	5.2% in year 1 decreasing to 4.7% over 20 years	6.2%	5.6%
Salary scale increases per annum	CPI in year 1, CPI + 1% in year 2, then RPI + 1%	3.1%	3.4%
Pension increases per annum	3.25%	3.1%	2.4%
Market value of assets at date of last	£41,604 million	£144.4 million	£1,369 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	89%	89%	82%

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2015

27. PENSION SCHEMES (continued)

Notes:

- (i) Employer contribution rates during the year were as follows:
- (a) USS 16%
 - (b) CUPF 20%
 - (c) The employer contribution rate to the LGS was 27.3% plus a cash contribution of £1.3 million
 - (d) NHS 14% to 31 March 2015, then 14.3%
 - (e) NEST 1%
- (ii) At 31 July 2015, the outstanding pension contributions included in creditors was £3.735 million (£3.476 million 31 July 2014).

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

	2015 £000	2014 £000
USS	23,922	22,653
NHS	2,202	2,195
CUPF	7,492	8,408
LGS	376	322
Total pension cost (Note 7)	33,992	33,578

An updated estimated valuation of each of the two defined benefit schemes (CUPF and LGS) was performed at 31 July 2014 by a qualified actuary. The FRS 17 disclosures set out below are based on this updated valuation.

The major assumptions used by the scheme actuaries were:

	31 July 2015 CUPF	31 July 2015 LGS	31 July 2014 CUPF	31 July 2014 LGS	31 July 2013 CUPF	31 July 2013 LGS
Rate of increase in salaries	3.1%	3.1%	3.2%	3.2%	4.6%	4.5%
• Rate of increase in pensions in payment	2.1%	2.1%	2.2%	2.2%	2.7%	2.6%
Discount rate	3.6%	3.6%	4.0%	4.0%	4.5%	4.4%
Inflation assumption - RPI	3.2%	3.2%	3.2%	3.2%	3.6%	3.5%
- CPI	2.1%	2.1%	2.2%	2.2%	2.7%	2.6%
Life expectancy aged 65:						
Males retiring today	22.0	23.8	21.9	23.7	21.4	24.0
Females retiring today	25.0	26.7	24.9	26.6	24.3	26.8
Males retiring in 20 years	23.9	25.8	23.7	25.7	22.8	25.7
Females retiring in 20 years	26.6	29.0	26.5	28.9	25.8	28.8

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

27. PENSION SCHEMES (continued)

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

<u>CUPF</u>	31 July 2015 £m	31 July 2015 %	31 July 2014 £m	31 July 2014 %	31 July 2013 £m	31 July 2013 %
Equities	115.2	7.5	106.6	7.5	100.0	7.8
Bonds	52.7	3.4	46.4	3.4	43.6	3.6
Other Assets	0.4	1.1	0.6	1.1	0.9	0.9
	<u>168.3</u>		<u>153.6</u>		<u>144.5</u>	
<u>LGS</u>	31 July 2015 £m	31 July 2015 %	31 July 2014 £m	31 July 2014 %	31 July 2013 £m	31 July 2013 %
Equities	18.3	N/A	16.3	7.5	14.7	7.8
Bonds	3.4	N/A	3.1	3.4	3.0	3.6
Property	1.4	N/A	1.2	6.8	1.1	7.3
Other Assets	0.6	N/A	0.3	4.3	0.1	4.3
	<u>23.7</u>		<u>20.9</u>		<u>18.9</u>	

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

<u>CUPF</u>	31 July 2015 £m	31 July 2014 £m	31 July 2013 £m	31 July 2012 £m	31 July 2011 £m
The assets of the scheme	168.3	153.6	144.5	129.8	123.3
Present value of scheme liabilities	<u>(196.0)</u>	<u>(177.0)</u>	<u>(173.7)</u>	<u>(163.4)</u>	<u>(141.9)</u>
Net pension liability	<u>(27.7)</u>	<u>(23.4)</u>	<u>(29.2)</u>	<u>(33.6)</u>	<u>(18.6)</u>
<u>LGS</u>	31 July 2015 £m	31 July 2014 £m	31 July 2013 £m	31 July 2012 £m	31 July 2011 £m
The share of the assets of the scheme	23.6	20.9	18.9	15.2	14.7
Present value of scheme liabilities	<u>(34.9)</u>	<u>(33.0)</u>	<u>(35.6)</u>	<u>(33.7)</u>	<u>(30.7)</u>
Net pension liability	<u>(11.3)</u>	<u>(12.1)</u>	<u>(16.7)</u>	<u>(18.5)</u>	<u>(16.0)</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

27. PENSION SCHEMES (continued)

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

CUPF

	2015	2014	2013	2012	2011
	£m	£m	£m	£m	£m
Difference between the expected and actual return on assets	3.3	(0.4)	5.5	(2.8)	4.1
Experience gains and losses on scheme liabilities	0.5	(0.6)	2.7	2.0	21.9
Total amount recognised in the STRGL	(7.4)	5.3	3.3	(16.5)	31.6

LGS

	2015	2014	2013	2012	2011
	£m	£m	£m	£m	£m
Difference between the expected and actual return on assets	0.9	(0.2)	2.2	(1.0)	0.6
Experience gains and losses on scheme liabilities	0.2	2.4	(0.1)	(0.2)	(1.1)
Total amount recognised in the STRGL	(0.6)	3.4	0.8	(3.3)	(2.3)

The following components of the pension charge have been recognised in the income and expenditure account and statement of recognised gains and losses for the years ended 31 July 2015 and 31 July 2014:

	Year ended 31 July 2015		Year ended 31 July 2014	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
	£m	£m	£m	£m
Analysis of amounts charged to income and expenditure account:				
Current service cost	7.5	0.4	8.4	0.4
Total operating charge	<u>7.5</u>	<u>0.4</u>	<u>8.4</u>	<u>0.4</u>
Financing:				
Expected return on assets	(9.7)	(1.4)	(9.4)	(1.4)
Interest on scheme liabilities	7.1	1.3	7.8	1.6
Net (income)/expense	<u>(2.6)</u>	<u>0.1</u>	<u>(1.6)</u>	<u>0.2</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2015

27. PENSION SCHEMES (continued)

	Year ended 31 July 2015		Year ended 31 July 2014	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
	£m	£m	£m	£m
Analysis of amounts recognised in statement of total recognised gains and losses:				
Actual return higher/(lower) than expected on scheme assets	3.3	0.9	(0.4)	(0.2)
Change in assumptions underlying the present value of scheme liabilities	(10.7)	(1.5)	5.7	3.6
Total actuarial (losses)/gains recognised	<u>(7.4)</u>	<u>(0.6)</u>	<u>5.3</u>	<u>3.4</u>

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

	Year ended 31 July 2015		Year ended 31 July 2014	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
	£m	£m	£m	£m
Opening fair value of assets	153.6	20.9	144.5	18.9
Movement in year:				
Expected return on assets	9.7	1.4	9.4	1.4
Actuarial gains/(losses) on assets	3.3	0.9	(0.4)	(0.2)
Contributions by the employer	8.0	1.7	7.3	1.8
Contributions by participants	0.2	0.1	0.2	0.1
Net benefits paid out	(6.5)	(1.4)	(7.4)	(1.1)
Closing fair value of assets	<u>168.3</u>	<u>23.6</u>	<u>153.6</u>	<u>20.9</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2015

27. PENSION SCHEMES (CONTINUED)

	Year ended 31 July 2015		Year ended 31 July 2014	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
	£m	£m	£m	£m
Opening present value of liabilities	177.0	33.0	173.7	35.6
Movement in year:				
Current service cost	7.5	0.4	8.4	0.4
Interest cost on liabilities	7.1	1.3	7.8	1.6
Actuarial losses/(gains) on liabilities	10.7	1.4	(5.7)	(3.6)
Contributions by participants	0.2	0.1	0.2	0.1
Past service cost	-	-	-	-
Net benefits paid out	(6.5)	(1.3)	(7.4)	(1.1)
Closing present value of liabilities	<u>196.0</u>	<u>34.9</u>	<u>177.0</u>	<u>33.0</u>

28. CAPITAL COMMITMENTS

	<u>Consolidated and University</u>	
	2015	2014
	£000	£000
Commitments contracted at 31 July	<u>38,009</u>	<u>24,382</u>

29. RELATED PARTY TRANSACTIONS

During the year, Cardiff University made a block grant payment of £2.600 million (2013/14: £2.503 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.

30. POST BALANCE SHEET EVENTS

IP Group Plc

The shares held in IP Group Plc were sold on 26 October 2015 for £11.6 million.

Compound Semiconductor Centre Limited

Since the year end, a further £15.2 million has been invested in Compound Semiconductor Centre Limited, up to 25 January 2016, out of a total committed investment of £21 million. This new 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2015

31. ACCESS FUNDS

	2015	2014
	£000	£000
Funding Council grants	385	408
Interest earned	-	-
	<hr/>	<hr/>
Disbursed to students	385	408
Administration expenses	(354)	(407)
	(12)	-
	<hr/>	<hr/>
Balance unspent as at 31 July	19	1
	<hr/>	<hr/>

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



The Members of the Council
Cardiff University
Main Building
Cathays Park
Cardiff
CF10 3AT

4 February 2016

Dear Sirs

Cardiff University

We report on the financial information set out in the Financial Statements and Auditors' Reports below (the "**Restated July 2015 Historical Financial Information**"). The Restated July 2015 Historical Financial Information has been prepared for inclusion in the prospectus dated 4 February 2015 (the "**Prospectus**") of Cardiff University (the "**University**") on the basis of the accounting policies set out in note 1 to the Restated July 2015 Historical Financial Information. This report is required by item 11.1 of Annex IX of the PD regulation and is given for the purpose of complying with these items and for no other purpose.

Responsibilities

The Council of the University is responsible for preparing the Restated July 2015 Historical Financial Information in accordance with the basis of preparation set out in note 1 to the Restated July 2015 Historical Financial Information.

It is our responsibility to form an opinion as to whether the Restated July 2015 Historical Financial Information gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.4R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.1 of Annex IX to the PD Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial

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information and whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Restated July 2015 Historical Financial Information gives, for the purposes of the Prospectus dated 4 February 2015 a true and fair view of the state of affairs of the University as at the dates stated and of its deficit, cash flows and changes in reserves for the period then ended in accordance with the basis of preparation set out in note 1 to the Restated July 2015 Historical Financial Information.

Declaration

For the purposes of Prospectus Rule 5.5.4R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex IX to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

CARDIFF UNIVERSITY

Re-stated Consolidated July 2015 Financial Information

CARDIFF UNIVERSITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE Year ended 31 July 2015

	Note	2015 £'000
INCOME		
Funding Body Grants	2	61,059
Tuition fees and support grants	3	219,896
Research grants and contracts	4	97,590
Research grants and contracts - RDEC	4	9,773
Other income	5	89,771
Investment income	6	1,141
Donations and Endowments	7	3,728
Total Income		<u>482,958</u>
EXPENDITURE		
Staff costs	8	259,391
Staff costs – Increase in USS pension scheme provision	10	24,819
Other operating expenses	10	171,917
Depreciation	12	21,515
Interest and other finance costs	9	3,387
Total Expenditure	10	<u>481,029</u>
Surplus before other gains and losses		1,929
Loss on investments		(868)
Surplus before tax		1,061
Corporation Tax	11	(2,143)
Deficit for the year		(1,082)
Actuarial loss in respect of pension schemes	21	(3,900)
Total comprehensive income for the year		<u><u>(4,982)</u></u>
Represented by:		
Endowment comprehensive income for the year		1,132
Restricted comprehensive income for the year		722
Unrestricted comprehensive income for the year		(6,836)
		<u><u>(4,982)</u></u>

All items of income and expenditure relate to continuing activities

CARDIFF UNIVERSITY

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES Year ended 31 July 2015


Consolidated	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 31 July 2015	28,668	722	309,318	358,179	696,887

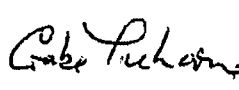
CARDIFF UNIVERSITY

BALANCE SHEET As at 31 July 2015

	Note	2015 £'000
NON-CURRENT ASSETS		
Tangible fixed assets	12	663,536
Investments	13	15,569
		<u>679,105</u>
CURRENT ASSETS		
Stocks	14	231
Debtors	15	60,941
Investments	16	129,082
Cash and cash equivalents		42,370
		<u>232,624</u>
CREDITORS: amounts falling due within one year	17	<u>(112,558)</u>
NET CURRENT ASSETS		<u>120,066</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>799,171</u>
CREDITORS: amounts falling due after more than one year	18	(17,893)
PENSION PROVISIONS	19	(84,391)
TOTAL NET ASSETS		<u><u>696,887</u></u>
RESTRICTED RESERVES		
Income and expenditure reserve – endowment reserve	20	28,668
Income and expenditure reserve – restricted reserve		722
UNRESTRICTED RESERVES		
Income and expenditure reserve - unrestricted		309,318
Revaluation reserve		358,179
TOTAL RESERVES		<u><u>696,887</u></u>

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


Professor Colin Riordan
Vice Chancellor


G Treharne
Vice-Chair of Council


D M Davies
Director of Finance

CARDIFF UNIVERSITY

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 July 2015

	Notes	Year ended 31 July 2015 £'000
Cash flow from operating activities		
Deficit for the year		(1,082)
Adjustment for non-cash items		
Depreciation		21,515
Loss on investments		871
Increase in stock		(43)
Increase in debtors		(19,437)
Increase in creditors		13,224
Increase in pension provision		21,519
Adjustment for investing or financing activities		
Investment income		(1,141)
Interest payable		1,169
Endowment income		(816)
Net cash inflow from operating activities		<u>35,779</u>
Cash flows from investing activities		
New deposits		(27,108)
Investment income		1,141
Payments made to acquire fixed assets		(56,605)
New non-current asset investments		(5,653)
		<u>(88,225)</u>
Cash flows from financing activities		
Interest paid		(1,169)
Endowment cash received		816
Repayments of amounts borrowed		(1,477)
		<u>(1,830)</u>
Decrease in cash and cash equivalents in the year		<u><u>(54,276)</u></u>
Cash and cash equivalents at beginning of the year		96,646
Cash and cash equivalents at end of the year		42,370

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

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 financial information departs from FRS102 and the SORP in so far as comparative information is not presented. 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.

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.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION **Year ended 31 July 2015**

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.

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 are contracted out of the State Earnings-Related Pension Scheme. The funds are actuarially valued every three years by a professionally qualified actuary using either the aggregate method or the attained age method with the rates of contribution payable being determined by the scheme's trustees on the advice of the actuary.

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 company 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.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

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. The related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment.

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.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

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

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.

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 for deemed cost for properties.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

Significant estimates and judgements

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

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.

Carrying value of Compound Semiconductor Centre Limited

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

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.

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 21.

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 current year is 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.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

2. FUNDING BODY GRANTS

	2015 £000
Recurrent grant	56,773
Specific grants	3,622
Capital grants	664
	<u>61,059</u>

3. TUITION FEES AND SUPPORT GRANTS

	2015 £000
UK and European Union Undergraduate	112,644
UK and European Union Postgraduate	10,945
Overseas (including part-time)	58,783
Part Time (UK and European Union)	5,161
	<u>187,533</u>
Education contracts	15,649
Research training support grants	6,178
Non-Credit bearing fees	10,536
	<u>219,896</u>

4. RESEARCH GRANTS AND CONTRACTS

	2015 £000
Research Councils	26,192
UK-based charities	19,029
UK Government bodies	31,457
UK Industry	4,006
European Commission	10,663
Overseas	4,174
Other grants and contracts	11,842
	<u>107,363</u>

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

	TOTAL £000	2015 £000	2014 £000	2013 £000
Income receivable under RDEC	9,773	3,676	4,536	1,561
Tax payable	<u>(2,143)</u>	<u>(760)</u>	<u>(1,013)</u>	<u>(370)</u>
Net receipt due included in debtors	<u>7,630</u>	<u>2,916</u>	<u>3,523</u>	<u>1,191</u>

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

5. OTHER INCOME

	2015 £000
Residences, catering and conferences	25,230
Other services rendered:	
UK Central Government	33,497
UK Health Authorities	9,716
UK Industry	1,841
European Union	1,865
Overseas	188
UK Universities	761
Other Sources	4,880
	52,748
Rents Receivable	136
Exempt VAT recoverable	623
Other income	3,440
IP Group plc Investment Release	1,594
Capital Grants	6,000
	<u>89,771</u>

6. INVESTMENT INCOME

	2015 £000
Income from investments	451
Income from endowment investments	690
	<u>1,141</u>

7. DONATIONS AND ENDOWMENTS

	Note	2015 £000
New endowments	20	816
Donations with restrictions		722
Unrestricted donations		2,190
		<u>3,728</u>

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

8. STAFF COSTS

	Note	2015 £000
Staff costs		
Wages and salaries		212,148
Social security costs		16,979
Other pension costs	21	30,264
		<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	248
Pension	39
Benefits in kind	1
	<u>288</u>

Remuneration paid to Trustees in total for expenses	6
---	---

No Trustee receives payments for serving.

Average staff numbers by major category	2015 Number FTE
Clinical and non-clinical academic and academic related	3,799
Technical services	216
Administrative support	971
Operational services	282
	<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 2015 £
Key management personnel compensation	<u>1,825,376</u>

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

8. STAFF COSTS (Continued)

Remuneration of higher paid staff 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	2015 Number
£100,000 - £109,999	57
£110,000 - £119,999	36
£120,000 - £129,999	14
£130,000 - £139,999	8
£140,000 - £149,999	6
£150,000 - £159,999	3
£160,000 - £169,999	5
£170,000 - £179,999	2
£180,000 - £189,999	3
£190,000 - £199,999	1
£230,000 - £239,999	-
£240,000 - £249,999	1
	<hr/>
	136
	<hr/>

	2015 £'000
Compensation for loss of office payable to higher paid employees	
Compensation payable – 1 employee	58
	<hr/>

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

9. INTEREST AND OTHER FINANCE COSTS

	2015 £000
Bank loan interest	1,169
Net charge on pension schemes	1,350
Unwind of discount on USS pension provision	868
	<hr/>
	3,387
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CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

10. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £000	Other operating expenses £000	Interest Payable £000	Total 2015 £000
Academic departments	155,587	56,732	-	212,319
Academic services	15,052	8,453	-	23,505
Research grants and contracts	36,073	36,688	-	72,761
Other services rendered	21,570	23,582	-	45,152
Residences, catering and conferences	5,727	6,375	1,169	13,271
Premises	6,584	21,051	-	27,635
Administration and central services	18,848	5,410	-	24,258
Other expenses	5,468	13,626	-	19,094
Pension fund adjustments	(5,518)	-	2,218	(3,300)
Total per income and expenditure account	<u>259,391</u>	<u>171,917</u>	<u>3,387</u>	<u>434,695</u>

Depreciation (note 12)	21,515
Staff costs - Increase in USS pension scheme provision (note 19)	<u>24,819</u>
Total per Income and Expenditure Account	<u>481,029</u>

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

	2015 £000
Other expenses include:	
Auditors' remuneration – external audit	66
– audit-related services	28
– other tax services	-
	<u>-</u>

11. TAXATION

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

	2015 £000
Current Tax	
UK Corporation tax of 20.67% on surplus for the year (note 4)	<u>2,143</u>

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

12. TANGIBLE FIXED ASSETS

	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 2014	360,994	229,472	25,759	80,204	696,429
Additions at cost	9,778	5,311	25,232	16,285	56,606
Disposals (i)	-	-	-	(2,394)	(2,394)
Projects Completed	22,533	1,503	(24,036)	-	-
At 31 July 2015	393,305	236,286	26,955	94,095	750,641
Valuation (ii)	379,584	229,472	-	-	609,056
Cost	13,721	6,813	26,955	94,095	141,584
	393,305	236,285	26,955	94,095	750,640
Accumulated Depreciation					
At 1 August 2014	-	-	-	67,983	67,983
Charge for year	7,249	5,059	-	9,207	21,515
Eliminated on Disposal	-	-	-	(2,394)	(2,394)
At 31 July 2015	7,249	5,059	-	74,796	87,104
Net book value					
At 31 July 2015	386,056	231,226	26,955	19,299	663,536
At 31 July 2014	360,994	229,472	25,759	12,221	628,446

- (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 £175m Freehold and £84m Long Leasehold

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

13. NON CURRENT INVESTMENTS

	Other Investments	Total
	£000	£000
Balance at 1 August 2014	8,975	8,975
Movement in fair value recognised in year	941	941
Additions	5,653	5,653
	<hr/>	<hr/>
Balance at 31 July 2015	15,569	15,569
	<hr/>	<hr/>

The University has an interest in the following companies:

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. The fair value at which listed shares in IP Group plc as at 31 July 2015 are carried is £9.8 million (£8.9 million as at 31 July 2014). Further information is given in note 24.

Compound Semiconductor Centre Limited

The University made a prepayment of £5.7 million towards a 50% share in Compound Semiconductors Centre Limited immediately prior to the year end. This became a joint venture with IQE Plc on 1 August 2015 when the share capital was issued. The arrangement has been treated as an investment in the 2014/15 Financial Statements but will be treated as a joint venture in the 2015/16 Financial Statements. Further information is given in note 25.

University College Cardiff Consultants Limited (UC3)

The results of UC3, a company limited by guarantee, 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 UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

14. STOCKS

	2015 £000
Residences and Catering	110
Maintenance	82
Schools	39
	<u>231</u>

15. DEBTORS

	2015 £000
Amounts falling due within one year:	
Debtors:	
Fees	2,784
Research	26,944
NHS Distinction Awards	344
Accommodation	96
Trade Debtors	11,051
RDEC	7,630
Other	11,394
Less: provision for impairment	(621)
	<u>59,622</u>
Prepayments	319
	<u>59,941</u>
Amounts falling due after more than one year:	
Compound Semiconductor Centre Limited (i)	<u>1,000</u>
Total Debtors	<u>60,941</u>

- (i) The amount due from the Compound Semiconductor Centre Limited (the CSC) relates to an interest bearing loan agreement for a £1.6 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.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

15. DEBTORS (continued)

As at 31 July 2015, the provision for impairment of debtors was aged as follows:

	2015 £000
Less than 3 months past due	-
3 to 6 months past due	96
Over 6 months past due	525
	<u>621</u>

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

	2015 £000
At 1 August	650
Debtors written off during the year	(74)
Provision adjustments (i)	45
At 31 July	<u>621</u>

As at 31 July 2015, debtors past their due date but not impaired were aged as follows:

	2015 £000
Less than 3 months past due	3,943
Over 3 months past due	3,387
	<u>7,330</u>

16. CURRENT INVESTMENTS

	2015 £000
Short term investment in shares	80,295
Short term bonds	18,128
Other short term investments	15,607
Short term deposits	15,052
	<u>129,082</u>

The reduction in fair value of short term investments in the year was £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 2015 the weighted average interest rate of these fixed rate deposits was 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.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000
Trade creditors	6,781
Sundry creditors	6,653
Employee leave accrual	7,680
Social security and other taxation	5,202
Accruals and deferred income (i)	26,465
Deferred capital grants (i)	1,956
Other deferred income (ii)	6,431
Research grants and contracts in advance	36,272
Other services rendered	13,547
Lloyds Bank loan (Note 18(i))	871
Royal Bank Scotland loan (Note 18(ii))	700
	<hr/>
	112,558
	<hr/>

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

(ii) Other deferred income includes £1,600k in respect of the final year of the IP Group plc arrangement.

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

	2015 £000
Lloyds Bank Loan (i)	11,418
Royal Bank of Scotland Loan (ii)	6,475
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	17,893
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(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	£871k
Between two and five years	£4,703k
Over five years	£6,715k

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

(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	£3,675k

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

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

19. PENSION PROVISION

	Obligation to fund deficit on USS Pension £'000	Defined benefit obligations (Note 21) £'000	Total Pension Provision £'000
At 1 August 2014	23,472	35,500	58,972
Utilised in year	(3,738)	-	(3,738)
Additions in 2014/15	24,819	3,470	28,289
Unwind of discount	868	-	868
At 31 July 2015	45,421	38,970	84,391

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 current year relates to the extension of the period of committed payments from 2021 to 2031.

20. ENDOWMENT RESERVES

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2015 Total £000
Opening Balance					
Capital	1,778	15,050	16,828	1,077	17,905
Accumulated Income	1,161	7,412	8,573	1,058	9,631
	<u>2,939</u>	<u>22,462</u>	<u>25,401</u>	<u>2,135</u>	<u>27,536</u>
New endowments	-	293	293	523	816
Income for year	73	571	644	46	690
Expenditure	(70)	(482)	(552)	(66)	(618)
	<u>3</u>	<u>89</u>	<u>92</u>	<u>(20)</u>	<u>72</u>
Increase in market value	16	218	234	10	244
	<u>16</u>	<u>218</u>	<u>234</u>	<u>10</u>	<u>244</u>
Closing Balance	<u>2,958</u>	<u>23,062</u>	<u>26,020</u>	<u>2,648</u>	<u>28,668</u>
Represented by:					
Capital	1,807	15,663	17,470	1,098	18,568
Accumulated Income	1,151	7,399	8,550	1,550	10,100
	<u>2,958</u>	<u>23,062</u>	<u>26,020</u>	<u>2,648</u>	<u>28,668</u>

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

20. ENDOWMENT RESERVES (CONTINUED)

Analysis by type of purpose:	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2015 Total £000
Appeal Fund	-	58	58	-	58
Chairs	-	9,078	9,078	-	9,078
Lectures	-	624	624	-	624
Hardship Funds	8	908	916	5	921
Scholarships	-	6,206	6,206	102	6,308
Prizes	-	2,030	2,030	21	2,051
Research	-	944	944	1,726	2,670
General	2,950	3,214	6,164	794	6,958
	<u>2,958</u>	<u>23,062</u>	<u>26,020</u>	<u>2,648</u>	<u>28,668</u>
Analysis by asset					
Current asset investments – shares					18,044
- bonds					3,311
- other					2,946
Cash & cash equivalents					<u>4,367</u>
					<u>28,668</u>

21. 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 2015 £'000
USS	20,192
NHS	2,202
CUPF	7,492
LGPS	376
NEST	<u>2</u>
	<u>30,264</u>
USS minimum funding	<u>24,819</u>
	<u>55,083</u>

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

21. 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.

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 but details of his estimate of the funding level at 31 March 2015 are not yet available.

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

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

21. PENSION SCHEMES (CONTINUED)

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.

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.

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.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

21. 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 2014, USS had over 167,000 active members and the University had 3,465 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.

The USS pension cost for the University was £20.2m with an additional £24.8m in respect of the minimum funding guarantee (note 19). The contribution rate payable by the University was 16% of pensionable salaries.

(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.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

21. PENSION SCHEMES (CONTINUED)

Assumptions

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

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

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 2015	LGPS At 31 July 2015
Pensioner – male	22	23.8
Pensioner - female	25	26.7
Non-pensioner (currently aged 45) - male	23.9	25.8
Non-pensioner (currently aged 45) - female	26.6	29

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	
	2015	2015
	CUPF	LGPS
	£m	£m
Equities	115.2	18.3
Bonds	52.7	3.4
Other	0.4	2.0
Total	168.3	23.7

	2015	2015
	CUPF	LGPS
	%	%
The weighted average expected long-term rates of return were:	6.2	N/A

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

21. PENSION SCHEMES (CONTINUED)

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

	CUPF At 31 July 2015 £m	LGPS At 31 July 2015 £m
Analysis of movement in deficit		
Deficit at beginning of year	23.4	12.1
Contributions or benefits paid by the University	(8.0)	(1.7)
Current service cost	7.5	0.4
Other finance charge	0.9	0.5
Loss recognised in other comprehensive income	3.9	-
Deficit at end of year	27.7	11.3

	CUPF Year to 31 July 2015 £m	LGPS Year to 31 July 2015 £m
Analysis of movement in the present value of liabilities		
Present value of liabilities at the start of the year	177.0	33.0
Current service cost (net of member contributions)	7.5	0.4
Actual member contributions (including notional contributions)	0.2	0.1
Interest Cost	7.1	1.3
Actuarial loss/(gain)	10.7	1.5
Actual benefit payments	(6.5)	(1.3)
Present value of liabilities at the end of the year	196.0	35.0

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

21. PENSION SCHEMES (CONTINUED)

	CUPF Year to 31 July 2015 £m	LGPS Year to 31 July 2015 £m
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	153.6	20.9
Interest income on assets	6.2	0.8
Actuarial gain on assets	6.8	1.5
Actual contributions paid by University	8.0	1.7
Actual member contributions (including notional contributions)	0.2	0.1
Actual benefit payments	(6.5)	(1.3)
Fair value of scheme assets at the end of the year	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 Year to 31 July 2015 £m	LGPS Year to 31 July 2015 £m
Actual return on scheme assets		
Interest income on scheme assets	6.2	0.8
Asset gain	6.8	1.5
	13.0	2.3

22. CAPITAL COMMITMENTS

	2015 £000
Commitments contracted at 31 July	38,009

23. RELATED PARTY TRANSACTIONS

During the year, Cardiff University made a block grant payment of £2.600 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.

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 July 2015

24. POST BALANCE SHEET EVENTS

IP Group Plc

The shares held in IP Group Plc were sold on 26 October 2015 for £11.6 million. The agreement to grant IP Group plc the rights to commercially develop current and future research generated intellectual property at the University remains in place and expires in 2016 at the end of its ten year term.

Compound Semiconductor Centre Limited

Since the year end, a further £15.2 million has been invested in Compound Semiconductor Centre Limited out of a total committed investment of £21 million. This new 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.

25. 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.

	1 August 2014 £'000	31 July 2015 £'000
Financial position		
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

CARDIFF UNIVERSITY

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION Year ended 31 July 2015

25. 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.

26. ACCESS FUNDS

	2015 £000
Funding Council grants	385
Interest earned	-
	<hr/>
	385
Disbursed to students	(354)
Administration expenses	(12)
	<hr/>
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.

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