

**CARDIFF UNIVERSITY**

**Report and Financial Statements**

**31 July 2007**

# CARDIFF UNIVERSITY

## REPORT AND FINANCIAL STATEMENTS 2007

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

# CARDIFF UNIVERSITY

## REPORT OF THE TREASURER

### Scope of the financial statements

The financial statements for the year ended 31st July, 2007 consolidate the results of the University and its two subsidiary companies, Cardiff University Properties Ltd and University College Cardiff Consultants Ltd.

### Results for the Year

The University's consolidated income and expenditure results for the year to 31st July, 2007 are summarised as follows:

	<u>2006/07</u> £000	<u>2005/06</u> £000
Income	367,257	344,437
Expenditure	<u>357,349</u>	<u>(336,588)</u>
Surplus for the Year after Depreciation of Assets at Valuation and Taxation	9,908	7,849
Transfer from/(to) Accumulated Income within Specific Endowments	<u>49</u>	<u>(293)</u>
Surplus for the Year Retained in General Reserves	<u>9,957</u>	<u>7,556</u>
Surplus for the Year on an Historical Cost Basis	<u>13,279</u>	<u>11,220</u>

Income increased by M£23 (6.6%) compared to the previous year. This increase is partly attributable to an increase in grant from the Higher Education Funding Council for Wales (HEFCW) of M£12 and a M£6 increase in tuition fee income.

Expenditure also increased by M£21 (6.2%) mainly reflecting an increase in staff costs of M£15 associated with increased numbers, inflation and incremental drift.

### Investment Performance & Cash Flow

Cash balances are administered in accordance with the University's Treasury Management Policy. In 2006/07, the University's cash investments slightly under performed the agreed market comparators.

### Biofusion Plc

A ten-year deal signed with Biofusion Plc gives 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 to the value of M£15.95 and releases income of M£1.595 per annum to the I&E over the 10 year period.

### Pension Schemes

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

Non academic and non clinical staff participate in the Cardiff University Pension Fund and the Local Government Scheme. The combined deficit as calculated for the purposes of FRS 17 on both of these schemes was M£34 as at 31st July 2007 (M£41.4 at 31st July 2006).

**REPORT OF THE TREASURER**

**Future Developments**

During 2006/07, the University invested M£23.6 in the construction of assets , academic buildings and support infrastructure. Further developments are planned for the future including major refurbishment of academic buildings on both the Heath and Cathays Park campuses and a significant investment in the information technology system within the University.

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

**Conclusion**

The financial statements continue to confirm a satisfactory state of affairs, reflecting as they do a substantial financial strength of the University.

Hywel Jones  
Treasurer

Date 17 December, 2007

## CORPORATE GOVERNANCE STATEMENT

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

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

The Council has an ongoing process for identifying, evaluating and managing the University's significant risks that has been in operation for the whole of the year ended 31st July 2007. The Council receives a regular report which includes sections on risk management, control and compliance that accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

In line with the Committee of University Chairmen's Guide, the Council receives a report which updates progress towards the University's key strategic outcomes and objectives and also undertakes an annual review of the effectiveness of the Council.

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

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

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

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

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

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

## RESPONSIBILITIES OF THE COUNCIL OF CARDIFF UNIVERSITY

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

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

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

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

The Council has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative directorates;
- planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets, the overall budget being approved by the Council;
- regular reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Council;

# CARDIFF UNIVERSITY

## RESPONSIBILITIES OF THE COUNCIL OF CARDIFF UNIVERSITY

- Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Council.

Any system of internal financial control can, however, provide only reasonable, but not absolute, assurance against material misstatement or loss.

By Order of the Council

Dr David Grant  
Accounting Officer

Date 17 December, 2007

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

We have audited the financial statements ('the financial statements') of Cardiff University for the year ended 31 July 2007 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the Statement of Accounting Policies.

**Respective responsibilities of the University Council and auditors**

The University Council's responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) is set out in the Statement of the responsibilities of the Council of Cardiff University.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the University Council in accordance with the Charters and Statutes of the University and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education. We also report to you whether in our opinion, in all material respects, monies expended out of Higher Education Funding Council for Wales grants and other funds from whatever sources administered by the Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation and whether in our opinion, in all material respects, income has been applied in accordance with the financial memorandum with the Higher Education Funding Council for Wales. We also report to you if, in our opinion, the Institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

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

We also review the statement of internal control included as part of the statement on Corporate Governance and comment if the statement is inconsistent with our knowledge of the Institution and Group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the Institution's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for Wales. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.



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

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

**Opinion**

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the Institution and the Group at 31 July 2007, and of the surplus of income over expenditure and cashflows for the year then ended, and have been properly prepared in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales and the Statement of Recommended Practice - Accounting for Further and Higher Education, and with United Kingdom Generally Accepted Accounting Practice;
- ii. in all material respects, monies expended out of Higher Education Funding Council for Wales grants and other funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and, if appropriate, managed in compliance with all relevant legislation;
- iii. in all material respects, income has been applied in accordance with the Institution's Statutes and where appropriate in accordance with the financial memorandum dated with the Higher Education Funding Council for Wales.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cardiff

17 December 2007

**CARDIFF UNIVERSITY**

**INCOME AND EXPENDITURE ACCOUNT**

**Year ended 31 July 2007**

	Note	2007 £'000	2006 £'000
<b>INCOME</b>			
Grants from HEFCW	2	127,475	115,518
Academic fees and support grants	3	77,925	71,568
Research grants and contracts	4	80,159	76,787
Other operating income	5	76,774	75,709
Endowment income and interest receivable	6	4,924	4,855
		<hr/>	<hr/>
Total Income		367,257	344,437
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Staff costs	7	206,412	191,629
Other operating expenses	8	131,500	129,668
Depreciation	12	16,525	12,403
Interest payable and similar charges	9	2,912	2,888
		<hr/>	<hr/>
Total Expenditure	10	357,349	336,588
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		9,908	7,849
Transfer from/ (to) accumulated income within specific endowments		49	(293)
		<hr/>	<hr/>
Surplus for the year retained in general reserves	23	9,957	7,556
		<hr/> <hr/>	<hr/> <hr/>

**STATEMENT OF HISTORICAL COST SURPLUSES**

**Year ended 31 July 2007**

	Note	2007 £'000	2006 £'000
Surplus on continuing operations		9,908	7,849
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22	3,371	3,371
		<hr/>	<hr/>
Historical cost surplus retained for the year		13,279	11,220
		<hr/> <hr/>	<hr/> <hr/>

**CARDIFF UNIVERSITY**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year Ended 31 July 2007**

	Note	2007 £'000	2006 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		9,908	7,849
Appreciation of endowment asset investments	21	1,044	1,683
Excess of general endowment expenditure over income	21	(19)	(66)
New endowments	21	421	335
Actuarial gain/(loss) on pension scheme	30	5,100	(2,400)
		<hr/>	<hr/>
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<b>16,454</b>	<b>7,401</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation</b>			
Opening reserves and endowments		235,923	228,522
Total recognised gains for the year		16,454	7,401
		<hr/>	<hr/>
Closing reserves and endowments		252,377	235,923
		<hr/> <hr/>	<hr/> <hr/>

# CARDIFF UNIVERSITY

## BALANCE SHEETS As at 31 July 2007

	Note	<u>Consolidated</u>		<u>University</u>	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>FIXED ASSETS</b>					
Tangible assets	12	326,700	319,652	326,700	319,652
Investments	13	16,027	80	16,083	136
		<u>342,727</u>	<u>319,732</u>	<u>342,783</u>	<u>319,788</u>
<b>ENDOWMENT ASSET INVESTMENTS</b>	14	27,467	26,070	27,467	26,070
<b>CURRENT ASSETS</b>					
Stocks	15	128	135	128	135
Debtors	16	48,537	39,325	49,043	39,923
Short-term deposits		75,221	87,469	74,626	86,672
Cash at bank and in hand		5,217	2,527	5,217	2,527
		<u>129,103</u>	<u>129,456</u>	<u>129,014</u>	<u>129,257</u>
<b>CREDITORS: amounts falling due within one year</b>	17	<u>(54,781)</u>	<u>(53,838)</u>	<u>(54,460)</u>	<u>(53,437)</u>
<b>NET CURRENT ASSETS</b>		<u>74,322</u>	<u>75,618</u>	<u>74,554</u>	<u>75,820</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		444,516	421,420	444,804	421,678
<b>CREDITORS: amounts falling due after more than one year</b>	18	(31,116)	(33,588)	(31,116)	(33,588)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	30	(34,000)	(41,400)	(34,000)	(41,400)
<b>OTHER DEFERRED INCOME</b>	19	<u>(33,070)</u>	<u>(20,168)</u>	<u>(33,070)</u>	<u>(20,168)</u>
<b>NET ASSETS</b>		<u><u>346,330</u></u>	<u><u>326,264</u></u>	<u><u>346,618</u></u>	<u><u>326,522</u></u>

# CARDIFF UNIVERSITY

## BALANCE SHEETS As at 31 July 2007 (Continued)

	Note	<u>Consolidated</u>		<u>University</u>	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>DEFERRED CAPITAL GRANTS</b>	20	93,953	90,341	93,953	90,341
<b>ENDOWMENTS</b>					
Specific	21	24,451	23,181	24,451	23,181
Appeal	21	54	52	54	52
General	21	2,962	2,837	2,962	2,837
		<u>27,467</u>	<u>26,070</u>	<u>27,467</u>	<u>26,070</u>
<b>RESERVES</b>					
Revaluation reserve	22	103,770	107,141	103,770	107,141
General reserves	23	121,140	102,712	121,428	102,970
		<u>224,910</u>	<u>209,853</u>	<u>225,198</u>	<u>210,111</u>
<b>TOTAL</b>		<u>346,330</u>	<u>326,264</u>	<u>346,618</u>	<u>326,522</u>

These financial statements were approved by the Council on, 17 December 2007.  
Signed on behalf of the Council

Dr David Grant - Vice Chancellor

Mr Hywel Jones - Honorary Treasurer

Mr D M Davies - Director of Finance

**CARDIFF UNIVERSITY**

**CONSOLIDATED CASH FLOW STATEMENT**

**Year ended 31 July 2007**

	Note	2007 £'000	2006 £'000
<b>Cash flow from operating activities</b>	24	2,371	18,498
Returns on investments and servicing of finance	25	1,773	2,590
Capital expenditure and financial investment	26	(10,753)	(10,953)
Management of liquid resources	27	12,248	(26,745)
Financing	28	(2,433)	15,786
<b>Increase/(Decrease) in cash in the period</b>		<u>3,206</u>	<u>(824)</u>
 <b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(Decrease) in cash in the period	29	3,206	(824)
Cash (outflow)/inflow from liquid resources	29	(12,248)	26,745
Cash outflow from decrease/(increase) in debt	29	<u>2,433</u>	<u>(15,786)</u>
Movement in net funds in the period		(6,609)	10,135
Net funds at 1 August		<u>52,782</u>	<u>42,647</u>
Net funds at 31 July		<u><u>46,173</u></u>	<u><u>52,782</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 1. ACCOUNTING CONVENTION

#### **Basis of Preparation**

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

#### **Basis of Accounting**

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

#### **Basis of Consolidation**

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

#### **Recognition of Income**

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

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

#### **Provision for Doubtful Debts**

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

#### **Pension Schemes**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### Foreign Currencies

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

### Leases

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

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

### Land and Buildings

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

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

Buildings are depreciated over their expected useful lives of 50 years and leasehold land over the life of the lease up to a maximum of 50 years. Major refurbishments with a capital cost of over K£250 that enhance the value of buildings are capitalised and depreciated over 15 years.

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

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

### Equipment

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

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

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

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated as above except in the case of project related equipment costing over £50,000 funded from Research Grants which 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 2007

### Capital grants and contributions

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

### Investments

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

### Stocks

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

### Maintenance of Premises

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

### Taxation Status

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

### Deferred Taxation

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

### Cash and Liquid Resources

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

### Provisions

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

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 2. FUNDING COUNCIL GRANTS

	Note	2007 £'000	2006 £'000
Recurrent grant		103,577	100,688
Specific grants:			
- Merger Fund		1,586	1,719
- Academic Infrastructure		672	1,610
- Learning & Teaching Support		2,836	1,842
- Students with Disabilities		1,369	1,305
- Science Research Investment Fund		243	94
- Higher Education Economic Development		1,732	1,342
- Supplementary Funds		6,542	544
- RAE Academic Support		1,437	553
- Research Investment Fund		50	50
- Medic Pay Award		1,300	1,146
- North Wales Clinical Schools		497	296
- Widening Access		320	-
- Other		763	752
Release of deferred capital grants:			
Buildings	20	2,770	1,854
Equipment	20	1,781	1,723
		127,475	115,518
		127,475	115,518

### 3. ACADEMIC FEES AND SUPPORT GRANTS

	2007 £'000	2006 £'000
UK Higher Education students	22,162	20,781
European Union (EU excl UK) students	1,905	1,980
Non-EU students	24,531	22,670
Part Time fees	5,321	4,624
	53,919	50,055
Education contracts	14,132	13,583
Research training support grants	4,396	2,741
Non-Credit bearing fees	5,478	5,189
	77,925	71,568
	77,925	71,568

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 4. RESEARCH GRANTS AND CONTRACTS

	Note	2007 £'000	2006 £'000
Research Councils		22,120	21,762
UK-based charities		13,927	13,272
UK Government bodies		19,543	17,480
UK Industry		10,160	8,362
European Commission		5,138	4,571
Overseas		2,330	2,035
Joint and Science Research Investment Fund		1,832	6,895
Other grants and contracts		1,896	2,410
Released from Deferred Capital Grants	20	3,213	-
		<u>80,159</u>	<u>76,787</u>

### 5. OTHER INCOME

	Note	2007 £'000	2006 £'000
Residences, catering and conferences		15,856	16,136
Other services rendered:			
Teaching Companies		589	577
UK Central Government		31,795	30,318
UK Health Authorities		10,821	10,588
UK Industry		2,613	2,013
European Commission		143	62
Overseas		535	448
UK Universities		585	549
Other Sources		5,951	8,562
Profit on disposal of fixed assets		464	580
Rents Receivable		228	163
Exempt VAT recoverable		628	658
Donations and Subventions		348	54
Other income		3,711	3,925
Biofusion Investment Release		1,595	-
Released from Deferred Capital Grants	20	912	1,076
		<u>76,774</u>	<u>75,709</u>

### 6. ENDOWMENT AND INVESTMENT INCOME

	Note	2007 £'000	2006 £'000
Income from specific endowments	21	1,006	1,106
Transferred from appeal endowments	21	3	-
Transferred from general endowments	21	119	165
Interest receivable		3,796	3,584
		<u>4,924</u>	<u>4,855</u>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 7. STAFF COSTS

	Note	2007 £'000	2006 £'000
<b>Staff costs</b>			
Wages and salaries		171,469	157,800
Social security costs		14,075	13,633
Other pension costs	30	20,868	20,196
		206,412	191,629
		206,412	191,629

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

Emoluments of the Vice Chancellor - Salary		209	200
Pension		29	19
		238	219
		238	219

No benefits in kind were provided to the Vice Chancellor.

		No.	No.
<b>Average staff numbers by major category</b>			
Clinical and non-clinical academic and academic related		3,394	3,246
Technical services		242	296
Administrative support		932	953
Operational services		291	300
		4,859	4,795
		4,859	4,795

Remuneration of higher paid staff includes employer's pension contributions but excludes payments made on behalf of the National Health Service in respect of its contractual obligations to University staff under separate National Health Service contracts of employment (for example distinction awards) which are also excluded from the University's income and expenditure account. This treatment is in accordance with the Accounts Direction issued by the Higher Education Funding Council for Wales.

		No.	No.
£70,000 - £79,999		136	107
£80,000 - £89,999		77	66
£90,000 - £99,999		46	57
£100,000 - £109,999		73	30
£110,000 - £119,999		22	32
£120,000 - £129,999		32	21
£130,000 - £139,999		16	13
£140,000 - £149,999		5	5
£150,000 - £159,999		2	-
£160,000 - £189,999		2	2
£190,000 - £239,999		4	3
		415	336
		415	336

**CARDIFF UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2007**

**8. OTHER OPERATING EXPENSES**

	Note	2007 £'000	2006 £'000
Consumables and laboratory expenditure		24,378	16,952
Research Grants and Contracts		32,533	35,606
Residences, catering and conferences		6,204	7,091
Books and periodicals		2,901	3,061
Heat, light, water and power		6,335	5,499
Repairs and general maintenance		3,588	4,544
Long term maintenance		2,379	1,884
Grants to Student Union		2,110	2,060
Other services rendered		25,784	28,314
Cost of early retirements		-	834
Equipment (under £10,000)		2,446	1,690
Academic support services other expenses		5,395	4,442
General education other expenses		2,751	2,011
Premises other expenses		5,681	5,618
Administrative support other expenses		5,197	5,327
Other expenses		3,818	4,735
		<u>131,500</u>	<u>129,668</u>
Other operating expenses include:			
Auditors' remuneration – external audit		42	40
– other services		29	22
		<u>71</u>	<u>62</u>

**9. INTEREST PAYABLE AND SIMILAR CHARGES**

		2007 £'000	2006 £'000
Bank Loans		2,412	2,288
Interest element of pension cost	30	500	600
		<u>2,912</u>	<u>2,888</u>

**CARDIFF UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2007**

**10. ANALYSIS OF EXPENDITURE BY ACTIVITY**

	<b>Staff costs £'000</b>	<b>Other operating expenses £'000</b>	<b>Interest Payable £'000</b>	<b>Total 2007 £'000</b>
Academic departments	124,778	24,378	-	149,156
Academic services	13,667	8,296	-	21,963
Research grants and contracts	31,770	32,533	-	64,303
Other services rendered	11,184	25,784	-	36,968
Residences, catering and conferences	4,097	6,204	2,412	12,713
Premises	3,906	17,984	-	21,890
Administration and central services	16,186	5,197	-	21,383
Other expenses	3,347	11,124	-	14,471
FRS 17 pension fund adjustments	(2,523)	-	500	(2,023)
	<hr/>	<hr/>	<hr/>	<hr/>
Total per income and expenditure account	206,412	131,500	2,912	340,824
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Depreciation (note 12)	<hr/>	16,525
------------------------	-------	--------

Total per Income and Expenditure Account	<hr/> <hr/>	357,349
--	-------------	---------

	<b>£'000</b>
The depreciation charge has been funded by:	
Deferred capital grants released (Note 20)	8,676
Revaluation reserve (Note 22)	3,371
General income	4,478
	<hr/>
	16,525
	<hr/> <hr/>

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

The surplus on continuing operations is made up as follows:

	<b>2007 £'000</b>	<b>2006 £'000</b>
University surplus for the period	9,987	7,451
(Deficit)/Surplus generated by subsidiary undertakings	(30)	105
	<hr/>	<hr/>
	9,957	7,556
	<hr/> <hr/>	<hr/> <hr/>

**CARDIFF UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2007**

**12. TANGIBLE FIXED ASSETS**

	<u>Consolidated and University</u>				
	<b>Land and Buildings</b>				
	<b>Freehold £'000</b>	<b>Long leasehold £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>					
At 1 August 2006	184,010	165,895	17,122	48,207	415,234
Additions at cost	458	1,060	14,609	7,446	23,573
Disposals (i)	-	-	-	(3,908)	(3,908)
Projects Completed	20,377	10,721	(31,098)	-	-
	<u>204,845</u>	<u>177,676</u>	<u>633</u>	<u>51,745</u>	<u>434,899</u>
At 31 July 2007	204,845	177,676	633	51,745	434,899
Valuation	122,181	115,730	-	-	238,000
Cost	82,664	61,946	633	51,745	196,899
	<u>204,845</u>	<u>177,676</u>	<u>633</u>	<u>51,745</u>	<u>434,899</u>
<b>Depreciation</b>					
At 1 August 2006	26,599	26,637	-	42,346	95,582
Charge for year	4,514	5,003	-	7,008	16,525
Eliminated on Disposal	-	-	-	(3,908)	(3,908)
	<u>31,113</u>	<u>31,640</u>	<u>-</u>	<u>45,446</u>	<u>108,199</u>
At 31 July 2007	31,113	31,640	-	45,446	108,199
<b>Net book value</b>					
At 31 July 2007	<u>173,732</u>	<u>146,036</u>	<u>633</u>	<u>6,299</u>	<u>326,700</u>
At 31 July 2006	<u>157,411</u>	<u>139,258</u>	<u>17,122</u>	<u>5,861</u>	<u>319,652</u>
<b>Financed By:</b>					
Funding Council	49,997	33,876	482	3,228	87,583
Endowments/Donations	944	1,144	-	-	2,088
Loans	19,185	14,795	-	-	33,980
Revaluation	28,074	64,919	-	-	92,993
Other Capital	75,532	31,302	151	3,071	110,056
	<u>173,732</u>	<u>146,036</u>	<u>633</u>	<u>6,299</u>	<u>326,700</u>
Net book value at 31 July 2007	<u>173,732</u>	<u>146,036</u>	<u>633</u>	<u>6,299</u>	<u>326,700</u>

- (i) Disposal of equipment is assumed after 10 years
- (ii) Certain buildings have been funded from Treasury sources at a cost of K£100,071 (2006 K£93,729). 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 (2006 K£20,881).

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 13. INVESTMENTS

	<u>Consolidated</u>			<u>University</u>	
	<u>Other</u>	<u>Total</u>	<u>Investments In</u>	<u>Other</u>	<u>Total</u>
	<u>Invest-</u>		<u>Subsidiary</u>	<u>Invest-</u>	
	<u>ments</u>		<u>Undertakings</u>	<u>ments</u>	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<u>Investments at cost</u>					
Balance at 1 August 2006	80	80	60	76	136
Additions in year	15,947	15,947	-	15,947	15,947
	<u>16,027</u>	<u>16,027</u>	<u>60</u>	<u>16,023</u>	<u>16,083</u>

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

Name of Undertaking

Cardiff University Properties Ltd

Principal Business Activities

Lease and leaseback of property and property development

University College Cardiff Consultants Ltd (UC3)

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

Welsh Networking Ltd

The University owns a 11% interest in Welsh Networking Ltd, a company that commenced activity in 2001 to provide high bandwidth networking facilities to educational institutions in South and West Wales. This interest is not consolidated.

Cardiff Partnership Fund Ltd

The University owns a 100% interest in the Cardiff Partnership Fund Ltd, the holding company of the unincorporated Cardiff Partnership Fund Ltd Partnership. This company is not consolidated on the basis that the University does not exercise control over the activities that rest with an independent board. This investment has been fully provided for.

Biofusion Plc

A ten-year deal signed with Biofusion Plc gives 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 to the value of M£15.95 and releases income of M£1.595 per annum to the I&E over the 10 year period.



# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 14. ENDOWMENT INVESTMENTS

	<u>Consolidated and University</u>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	26,070	23,825
Additions	1,478	597
Disposals	(1,428)	(726)
Movement in cash held as short-term deposits	303	691
Appreciation on disposal/revaluation	1,044	1,683
	<u>27,467</u>	<u>26,070</u>
Balance at 31 July	<u>27,467</u>	<u>26,070</u>
Fixed interest stock	4,799	4,842
Equities	16,227	15,678
Bank balances and short-term deposits	5,047	4,744
Other assets	1,394	806
	<u>27,467</u>	<u>26,070</u>
Total endowment asset investments	<u>27,467</u>	<u>26,070</u>
Fixed interest and equities at cost	16,234	16,719
Land and Property at Cost	1,150	-
	<u>17,384</u>	<u>16,719</u>

### 15. STOCKS

	<u>Consolidated and University</u>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Residences and Catering	95	90
Maintenance	33	45
	<u>128</u>	<u>135</u>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 16. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Amounts owed by subsidiary undertakings	-	-	610	702
Debtors:				
Fees	1,513	1,064	1,513	1,064
Accommodation	34	24	34	24
Research	26,084	20,460	26,084	20,460
NHS Distinction Awards	312	780	312	780
Miscellaneous	20,422	16,875	20,318	16,771
Prepayments	172	122	172	122
	<u>48,537</u>	<u>39,325</u>	<u>49,043</u>	<u>39,923</u>
Included in the above are amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	200	200
	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>

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

	<u>Consolidated</u>		<u>University</u>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank overdraft	677	1,193	677	1,193
Trade creditors	8,558	12,033	8,198	11,533
Sundry creditors	3,020	3,241	3,020	3,241
Social security and other taxation	5,114	4,708	4,999	4,570
Accruals and deferred income (i)	3,551	6,322	3,549	6,320
Research grants and contracts in advance	25,053	21,518	25,053	21,518
Other services rendered	6,336	2,390	6,336	2,390
Royal Bank Scotland loan (Note 18(i))	500	500	500	500
Lloyds Bank loan (Note 18(ii))	272	233	272	233
Royal Bank Scotland loan (Note 18(iii))	700	700	700	700
Barclays Bank loan (Note 18(iv))	1,000	1,000	1,000	1,000
Amounts owed to subsidiary undertakings	-	-	156	239
	<u>54,781</u>	<u>53,838</u>	<u>54,460</u>	<u>53,437</u>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

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

	£'000
Fund balance at 1 August 2006	133
Interest	4
	137
Total expenditure	62
	75
Fund balance at 31 July 2007	

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

	<u>Consolidated</u>		<u>University</u>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Royal Bank of Scotland Loan (i)	2,000	2,500	2,000	2,500
Lloyds Bank Loan (ii)	16,041	16,313	16,041	16,313
Royal Bank of Scotland Loan (iii)	12,075	12,775	12,075	12,775
Barclays Bank Loan (iv)	1,000	2,000	1,000	2,000
	31,116	33,588	31,116	33,588

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

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

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

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

Within one year	K£272
Between two and five years	K£1,241
Over five years	K£14,800

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

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

Within one year	K£700
Between two and five years	K£2,800
Over five years	K£9,275

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2007**

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

(iv) Barclays Bank originally advanced M£4.0 to the University to partially finance the cost of certain academic and student residences. The loan is unsecured and repayable by 1 April 2009 in equal instalments of M£1.0 as follows:

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

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

**19. OTHER DEFERRED INCOME**

	<u>Consolidated and University</u>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Deferred VAT credit	26	28
Academic Infrastructure Grants	836	762
Science Research Investment Fund	7,820	4,670
Learning and Teaching Support Grants	2,952	3,472
Students with Disabilities	1,212	1,433
Merger Fund	3,196	4,782
Other Deferred Grants	1,575	3,899
Biofusion Investment	14,352	-
Student Fees received in advance	1,101	1,122
	<u>33,070</u>	<u>20,168</u>

**CARDIFF UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2007**

**20. DEFERRED CAPITAL GRANTS**

	<u>Consolidated and University</u>		
	<b>Funding Council £'000</b>	<b>Other grants/ beneficiaries £'000</b>	<b>Total £'000</b>
As at 1 August 2006			
Buildings	73,880	12,296	86,176
Equipment	3,132	1,033	4,165
	<hr/>	<hr/>	<hr/>
Total	77,012	13,329	90,341
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cash received			
Buildings	6,342	242	6,584
Equipment	460	5,244	5,704
	<hr/>	<hr/>	<hr/>
Total	6,802	5,486	12,288
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Released to income and expenditure			
Buildings (Note 2/Note 5)	(2,770)	(324)	(3,094)
Equipment (Note 2)	(1,781)	(3,801)	(5,582)
	<hr/>	<hr/>	<hr/>
Total	(4,551)	(4,125)	(8,676)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2007			
Buildings	77,452	12,214	89,666
Equipment	1,811	2,476	4,287
	<hr/>	<hr/>	<hr/>
Total	79,263	14,690	93,953
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 21. ENDOWMENTS

	<u>Consolidated and University</u>			
	Specific £'000	Appeal £'000	General £'000	Total £'000
At 1 August 2006	23,181	52	2,838	26,071
New endowments	421	-	-	421
Appreciation of investments	898	3	143	1,044
Income for year	1,006	2	100	1,108
Transferred to income and expenditure	(1,055)	(3)	(119)	(1,177)
	<u>24,451</u>	<u>54</u>	<u>2,962</u>	<u>27,467</u>
At 31 July 2007 (Note 14)	<u>24,451</u>	<u>54</u>	<u>2,962</u>	<u>27,467</u>
Representing:				
Chairs and lectureship funds	7,256			
Museum research and Lectures	255			
Prizes and Medals	1,505			
Tithe Fund	894			
Student Amenities	88			
Fellowship and scholarship funds	5,341			
John Bird Fund	733			
Miscellaneous funds	11,395			
	<u>27,467</u>			
At 31 July 2007	<u>27,467</u>			

### 22. REVALUATION RESERVE

	<u>Consolidated and University</u>	
	2007 £'000	2006 £'000
<b>Revaluations</b>		
At 1 August and 31 July	<u>140,579</u>	<u>140,579</u>
<b>Contributions to depreciation</b>		
At 1 August	(33,438)	(30,067)
Released in year (Note 10/Note 23)	(3,371)	(3,371)
At 31 July	<u>(36,809)</u>	<u>(33,438)</u>
<b>Net revaluation amount</b>		
At 31 July	<u>103,770</u>	<u>107,141</u>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 23. GENERAL RESERVES

	<u>Consolidated</u>	<u>University</u>
	<b>2007</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Income and Expenditure Account Reserve		
At 1 August	102,712	102,970
Surplus for the year	9,957	9,987
Transfer from revaluation reserve (Note 22)	3,371	3,371
Actuarial gain on pension scheme	5,100	5,100
	<u>121,140</u>	<u>121,428</u>
At 31 July	<u>121,140</u>	<u>121,428</u>

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

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Operating surplus	9,908	7,849
Depreciation	16,525	12,403
Profit on disposal of fixed assets	(464)	(580)
Endowment income and interest receivable	(4,924)	(4,855)
Deferred capital grants released to income	(8,676)	(4,653)
Interest payable	2,912	2,888
Decrease in stocks	7	33
(Increase)/Decrease in debtors	(8,472)	5,135
Increase in creditors	1,400	302
(Decrease)/Increase in other deferred income	(3,045)	2,545
Pension contributions in excess of charge	(2,800)	(2,569)
	<u>2,371</u>	<u>18,498</u>
Net cash inflow from continuing operating activities	<u>2,371</u>	<u>18,498</u>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

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

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Income from endowments	1,128	1,271
Interest received	3,056	3,323
Interest paid	(2,411)	(2,004)
	<u>1,773</u>	<u>2,590</u>
Net cash inflow from returns on investments and servicing of finance	<u>1,773</u>	<u>2,590</u>

### 26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Payments to acquire tangible assets	(23,573)	(17,815)
Payments to acquire endowment asset investments	(1,478)	(597)
Receipts from sales of tangible assets	464	580
Receipts from sales of endowment asset investments	1,125	35
Deferred capital grants received	12,288	6,509
New endowments	421	335
	<u>(10,753)</u>	<u>(10,953)</u>
Net cash outflow from capital expenditure and financial investment	<u>(10,753)</u>	<u>(10,953)</u>

### 27. MANAGEMENT OF LIQUID RESOURCES

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Net cash returned/(placed on) from short term deposits	12,248	(26,745)
	<u>12,248</u>	<u>(26,745)</u>
Net cash inflow/(outflow) from management of liquid resources	<u>12,248</u>	<u>(26,745)</u>

### 28. FINANCING

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Net loans (repaid)/entered into	(2,433)	15,786
	<u>(2,433)</u>	<u>15,786</u>
Net cash (outflow)/inflow from financing	<u>(2,433)</u>	<u>15,786</u>



# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 29. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2006 £'000	Cash flows £'000	At 31 July 2007 £'000
Cash at bank and in hand	2,527	2,690	5,217
Bank overdraft	(1,193)	516	(677)
	<hr/>	<hr/>	<hr/>
Total cash at bank and in hand	1,334	3,206	4,540
Liquid resources:			
Short-term deposits	87,469	(12,248)	75,221
Debt:			
Debts falling due within one year	(2,433)	(39)	(2,472)
Debts falling due after one year	(33,588)	2,472	(31,116)
	<hr/>	<hr/>	<hr/>
	(36,021)	2,433	(33,588)
	<hr/>	<hr/>	<hr/>
Total	<u>52,782</u>	<u>(6,609)</u>	<u>46,173</u>

### 30. PENSION SCHEMES

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

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

	<u>USS(i)</u>	<u>CUPF(ii)</u>	<u>LGS(iii)</u>	<u>CU(WCM)SS(iv)</u>
Latest actuarial valuations	31 March 2005	31 July 2004	31 March 2004	1 August 2004
Investment returns per annum	4.5%	7.0%	6.2%	7.0%
Salary scale increases per annum	3.9%	4.5%	4.4%	4.4%
Pension increases per annum	2.9%	3.0%	2.9%	3.0%
Market value of assets at date of last Valuation	M£21,739	M£43.08	M£548.0	M£22.8
Proportion of members' accrued benefits Covered by the actuarial value of the assets	77%	76%	63%	77%

#### Notes:

- (i) The level of contributions paid by employers into USS is 14%. In relation to future service liabilities it was assumed that the investment return per annum would be 6.2%.
- (ii) University contributions into CUPF were 30.6% until 31 October 2006, then 24.3% thereafter.
- (iii) The employer contribution rate to the LGS was 26.64% from the 1 April 2006 and increased to 29.58% from 1 April 2007 on the recommendation of the actuary.
- (iv) Although CU(WCM)SS merged with CUPF on 1 August 2006, the contribution rates for the relevant staff will remain as agreed pre-merger until the next actuarial valuation of the merged fund takes place on 1 August 2007. The rate from 1 August 2006 was 28% and will rise to 35% from 1 August 2007.

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 30. PENSION SCHEMES (continued)

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

	2007 £'000	2006 £'000
USS	15,384	14,153
NHS	1,884	2,143
CUPF	3,100	2,567
LGS	500	467
CU(WCM)SS	-	866
	20,868	20,196
	20,868	20,196

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

An updated estimated valuation of each of the three defined benefit schemes (CUPF, LGS and CU(WCM)SS) was performed at 31 July 2006 by a qualified actuary. The FRS 17 disclosures set out below are based on this updated valuation.

The major assumptions used by the actuary for all three schemes were:

	31 July 2007	31 July 2006	31 July 2005
Rate of increase in salaries	4.8%	4.6%	4.2%
Rate of increase in pensions in payment	3.3%	3.1%	2.7%
Discount rate	5.7%	5.1%	5.0%
Inflation assumption	3.3%	3.1%	2.7%

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

<u>CUPF</u>	31 July 2007 M£	31 July 2007 %	31 July 2006 M£	31 July 2006 %	31 July 2005 M£	31 July 2005 %
UK Equities	35.0	7.9	30.1	7.4	26.9	7.3
Overseas Equities	29.3	7.9	25.2	7.4	21.4	7.3
Fixed interest Bonds	-	4.9	24.8	5.1	17.5	5.0
Index linked Bonds	27.3	4.9	2.7	4.4	5.3	4.3
Property	0.6	6.9	8.0	6.4	6.6	7.0
Cash	8.5	6.0	1.0	4.7	2.3	4.3
	100.7		91.8		80.0	
	100.7		91.8		80.0	
<u>LGS</u>	31 July 2007 M£	31 July 2007 %	31 July 2006 M£	31 July 2006 %	31 July 2005 M£	31 July 2005 %
Equities	11.12	7.9	10.04	7.4	9.43	7.4
Bonds	2.05	5.3	2.17	4.8	1.89	4.7
Property	0.95	6.9	0.82	6.4	0.56	6.4
Other Assets	0.40	6.0	0.22	4.7	0.17	4.7
	14.52		13.25		12.05	
	14.52		13.25		12.05	

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 30. PENSION SCHEMES (continued)

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

<u>CUPE</u>	At 31 July 2007 M£	At 31 July 2006 M£
The assets of the scheme	100.7	91.8
Present value of scheme liabilities	(125.8)	(122.8)
	<hr/>	<hr/>
Net pension liability	(25.1)	(31.0)
	<hr/> <hr/>	<hr/> <hr/>
<u>LGS</u>	At 31 July 2007 M£	At 31 July 2006 M£
The share of the assets of the scheme	14.52	13.25
Present value of scheme liabilities	(23.39)	(23.62)
	<hr/>	<hr/>
Net pension liability	(8.87)	(10.37)
	<hr/> <hr/>	<hr/> <hr/>

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 2007 and 31 July 2006:

	Year ended 31 July 2007		Year ended 31 July 2006	
	<u>CUPE</u>	<u>LGS</u>	<u>CUPE</u>	<u>LGS</u>
	M£	M£	M£	M£
Analysis of amounts charged to income and expenditure account:				
Current service cost	3.1	0.5	3.5	0.9
	<hr/>	<hr/>	<hr/>	<hr/>
Financing:				
Expected return on assets	6.1	0.9	5.3	0.8
Interest on scheme liabilities	(6.3)	(1.2)	(5.6)	(1.1)
	<hr/>	<hr/>	<hr/>	<hr/>
Net expense	(0.2)	(0.3)	(0.3)	(0.3)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CARDIFF UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2007**

**30. PENSION SCHEMES (continued)**

	<b>Year ended 31 July 2007</b>		<b>Year ended 31 July 2006</b>	
	<b><u>CUPE</u></b>	<b><u>LGS</u></b>	<b><u>CUPE</u></b>	<b><u>LGS</u></b>
	<b>M€</b>	<b>M€</b>	<b>M€</b>	<b>M€</b>
Analysis of amounts recognised in statement of total recognised gains and losses:				
Actual return lower than expected on scheme assets	0.2	0.8	3.4	0.8
Experience losses arising on scheme liabilities	(1.3)	-	1.0	-
Change in assumptions underlying the present value of scheme liabilities	4.5	0.9	(6.9)	(0.7)
	<u>3.4</u>	<u>0.9</u>	<u>(6.9)</u>	<u>(0.7)</u>
Total actuarial gain/(loss) recognised	<u>3.4</u>	<u>1.7</u>	<u>(2.5)</u>	<u>0.1</u>

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

	<b>Year ended 31 July 2007</b>		
	<b><u>CUPE</u></b>	<b><u>LGS</u></b>	<b><u>TOTAL</u></b>
	<b>M€</b>	<b>M€</b>	<b>M€</b>
Deficit on scheme at 1 August	(31.0)	(10.4)	(41.4)
Movement in year:			
Total operating charge	(3.1)	(0.5)	(3.6)
Net return	(0.2)	(0.3)	(0.5)
Contributions	5.8	0.6	6.4
Actuarial gain	3.4	1.7	5.1
	<u>(25.1)</u>	<u>(8.9)</u>	<u>(34.0)</u>
Deficit on scheme at 31 July	<u>(25.1)</u>	<u>(8.9)</u>	<u>(34.0)</u>

	<b>Year ended 31 July 2006</b>		
	<b><u>CUPE</u></b>	<b><u>LGS</u></b>	<b><u>TOTAL</u></b>
	<b>M€</b>	<b>M€</b>	<b>M€</b>
Deficit on scheme at 1 August	(30.7)	(10.2)	(40.9)
Movement in year:			
Total operating charge	(3.5)	(0.5)	(4.0)
Net return	(0.3)	(0.3)	(0.6)
Contributions	6.0	0.5	6.5
Actuarial (loss)/gain	(2.5)	0.1	(2.4)
	<u>(31.0)</u>	<u>(10.4)</u>	<u>(41.4)</u>
Deficit on scheme at 31 July	<u>(31.0)</u>	<u>(10.4)</u>	<u>(41.4)</u>

# CARDIFF UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2007

### 30. PENSION SCHEMES (continued)

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

	Year ended 31 July 2007		Year ended 31 July 2006	
	<u>CUPF</u>	<u>LGS</u>	<u>CUPF</u>	<u>LGS</u>
Difference between the expected and actual return on scheme assets:				
Amount (M£)	0.2	0.8	3.4	0.8
Percentage of scheme assets	0.2%	5.7%	3.7%	6.0%
Experience gains and losses on scheme liabilities:				
Amount (M£)	(1.3)	(0.1)	1.0	(0.1)
Percentage of the present value of scheme liabilities	(1.0%)	(0.2%)	0.8%	(0.1%)
Total amount recognised in the STRGL:				
Amount (M£)	3.4	1.7	(2.5)	0.1
Percentage of the present value of scheme liabilities	2.7%	7.3%	(2.0%)	0.2%

### 31. LEASE OBLIGATIONS

	<u>Consolidated and University</u>	
	2007 £'000	2006 £'000
Operating lease commitments for the next financial year, on leases expiring:		
Under two years	10	10

### 32. CAPITAL COMMITMENTS

	<u>Consolidated and University</u>	
	2007 £'000	2006 £'000
Commitments contracted at 31 July	8,983	13,173

### 33. CONTINGENT LIABILITY

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

The European Commission auditors have raised issues regarding the eligibility of some expenditure on four European grants awarded to the University which were completed in 2001. The University has provided evidence to the Commission through the Welsh European Funding Office supporting that eligibility of the claims. No liability has yet arisen.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 July 2007**

**34. THIRD PARTY RELATED TRANSACTIONS**

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

**35. ACCESS FUNDS**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Funding Council grants	1,195	1,125
Interest earned	15	10
	<u>1,210</u>	<u>1,135</u>
Disbursed to students	(1,033)	(1,008)
Administration expenses	(36)	(28)
	<u>141</u>	<u>99</u>
Balance unspent as at 31 July	<u><u>141</u></u>	<u><u>99</u></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.