

CARDIFF UNIVERSITY

Report and Financial Statements

31 July 2005

REPORT AND FINANCIAL STATEMENTS 2005

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CARDIFF UNIVERSITY

REPORT OF THE TREASURER

Scope of the financial statements

The financial statements for the year ended 31st July, 2005 consolidate the results of the University and its four subsidiary companies, Cardiff University Equipment Services Ltd, Cardiff University Properties Ltd, Cardiff University Residential Property Services Ltd and University College Cardiff Consultants Ltd. Cardiff University and the University of Wales College of Medicine worked in association from 1 August 2004, enabling legislation taking effect as of 1 December 2004. The financial statements reflect the full year impact of the merger in 2004/05 and show the comparatives for 2003/04.

Results for the Year

The University's consolidated income and expenditure results for the year to 31st July, 2005 are summarised as follows:

	<u>2004/05</u> £000	<u>2003/04</u> £000
Income	314,735	295,916
Expenditure	(306,344)	(292,472)
Surplus for the Year after Depreciation of Assets at Valuation and Taxation	8,391	3,444
Transfer from Accumulated Income within Specific Endowments	<u>3</u>	<u>516</u>
Surplus for the Year Retained in General Reserves	<u>8,394</u>	<u>3,960</u>
Surplus for the Year on an Historical Cost Basis	<u>11,869</u>	<u>6,800</u>

Income increased by M£19 (6%) compared to the previous year. This increase is attributable to an increase in grant from the Higher Education Funding Council for Wales (HEFCW) of M£5 and a M£6 increase in tuition fee income. Income from research grants and contracts increased by over M£5 and reached over M£66 in the financial year.

Expenditure increased by M£14 (5%) mainly reflecting an increase in staff costs associated with increased numbers, inflation, incremental drift and a backdated clinical pay award. Other operating expenses decreased by about M£3 partly attributable to timing delays together with some efficiency gains following merger.

Investment Performance & Cash Flow

Cash balances are administered in accordance with the University's Treasury Management Policy. In 2004/05, the University's cash investments performed well by reference to the agreed market comparators.

The consolidated cash flow statement shows a net cash inflow from operating activities of M£11.8. There was a net increase in cash of M£2.7 after taking account of capital expenditure, financial investment, and financing. During 2004/05, the University invested over M£46 in the acquisition of assets including the building of new student residences, the purchase of land to facilitate future developments and further expenditure on new academic buildings.

Pension Schemes

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

Non academic and clinical staff participate in the Cardiff University Pension Fund, Cardiff University (Wales College of Medicine) Superannuation Scheme and the Local Government Scheme. The combined deficit as calculated for the purposes of FRS 17 on all these schemes was M£40.9 as at 31st July 2005 (M£29.5 at 31st July 2004).

Revised actuarial assumptions have had a significant influence in the calculation of the size of these deficits. However, they should be seen in the context of the University's general reserves of M£132.9. Under present accounting standards, deficits as calculated for the purpose of FRS 17, are not required to be incorporated into the financial results and are disclosed only as a note. Full recognition of the actuarial deficit in the balance sheet will be required under FRS 17 in the financial statements for the year ending 31 July 2006.

REPORT OF THE TREASURER

Future Developments

As noted previously, 2004/05 saw substantial investment in the University's academic and support infrastructure and further developments are planned for the future including the completion of a new building for the Cardiff School of Optometry and Vision Sciences, major refurbishment of academic buildings on both the Heath and Cathays Park campuses and a significant investment in the information technology system within the University.

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

Conclusion

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

R D Gagg
Treasurer

Date 16th December, 2005

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 2005. The Council agenda includes a regular report which includes sections on risk management, control and compliance that accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The University's Council meets 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, established by Minute of Council which is chaired by the Treasurer and includes the Chairman of Council, a lay member of Council as well as the Vice-Chancellor, Provosts, Director of Finance and Financial Controller. The Finance Group meets five times a year to discuss detailed financial and internal control matters in order to advise Strategy and Resources Committee as necessary.

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

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

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

The major issue facing the University during 2004/05 was the merger with UWCM and which is noted in the Treasurer's Report.

**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 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 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;

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 16th December, 2005

CARDIFF UNIVERSITY

INDEPENDENT AUDITORS REPORT TO THE COUNCIL OF CARDIFF UNIVERSITY

We have audited the Financial Statements for the year ended 31st July, 2005 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the Statement of Accounting Policies.

Respective Responsibilities of the University Council and the Auditors

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

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

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- i. the Financial Statements give a true and fair view of the state of affairs of the University as at 31st July, 2005 and of its surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended, and have been properly prepared in accordance with the Accounts Direction issued by HEFCW and the Statement of Recommended Practice – Accounting for Further and Higher Education;

**INDEPENDENT AUDITORS REPORT TO THE COUNCIL
OF CARDIFF UNIVERSITY (continued)**

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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

Date 16th December, 2005

Notes

- (a) The maintenance and integrity of the Cardiff University website is the responsibility of the University Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

CARDIFF UNIVERSITY

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 July 2005

	Note	2005 £'000	2004 £'000
INCOME			
Grants from HEFCW	3	106,397	101,385
Academic fees and support grants	4	68,346	62,386
Research grants and contracts	5	66,039	60,886
Other operating income	6	68,450	66,996
Endowment income and interest receivable	7	5,503	4,263
Total Income		<u>314,735</u>	<u>295,916</u>
EXPENDITURE			
Staff costs	8	179,645	163,217
Other operating expenses	9	112,798	115,496
Depreciation	13	12,079	11,905
Interest payable and similar charges	10	1,822	1,854
Total Expenditure	11	<u>306,344</u>	<u>292,472</u>
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		8,391	3,444
Transfer from accumulated income within specific endowments		<u>3</u>	<u>516</u>
Surplus for the year retained in general reserves	25	<u>8,394</u>	<u>3,960</u>

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
Year ended 31 July 2005

	Note	2005 £'000	2004 £'000
Surplus on continuing operations		8,391	3,444
Revaluation reserve release on disposal of fixed assets	24	149	-
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	24	<u>3,329</u>	<u>3,356</u>
Historical cost surplus retained for the year		<u>11,869</u>	<u>6,800</u>

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STATEMENT OF RECOGNISED GAINS AND LOSSES
Year Ended 31 July 2005

	Note	2005 £'000	2004 £'000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and taxation		8,391	3,444
Appreciation of endowment asset investments	23	2,731	578
Endowment income retained	23	(78)	(397)
New endowments	23	363	402
		11,407	4,027
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		11,407	4,027
 Reconciliation			
Opening reserves and endowments		255,839	251,812
Total recognised gains relating to the year		11,407	4,027
Closing reserves and endowments		267,246	255,839

CARDIFF UNIVERSITY

BALANCE SHEET As at 31 July 2005

	Note	<u>Consolidated</u>		<u>University</u>	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
FIXED ASSETS					
Tangible assets	13	314,240	280,113	314,240	280,113
Investments	14	76	77	247	247
		<u>314,316</u>	<u>280,190</u>	<u>314,487</u>	<u>280,360</u>
ENDOWMENT ASSET INVESTMENTS					
	15	23,825	20,812	23,825	20,812
CURRENT ASSETS					
Stocks	16	168	188	168	188
Debtors	17	44,199	27,946	44,785	28,536
Short-term deposits		60,724	87,297	60,258	87,167
Cash at bank and in hand		2,861	1,222	2,861	1,222
		<u>107,952</u>	<u>116,653</u>	<u>108,072</u>	<u>117,113</u>
CREDITORS: amounts falling due within one year	18	(51,018)	(37,870)	(50,946)	(38,136)
NET CURRENT ASSETS		<u>56,934</u>	<u>78,783</u>	<u>57,126</u>	<u>78,977</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		395,075	379,785	395,438	380,149
CREDITORS: amounts falling due after more than one year	19	(19,546)	(22,298)	(19,546)	(22,298)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(2,176)	(2,587)	(2,176)	(2,587)
OTHER DEFERRED INCOME	21	(17,623)	(11,084)	(17,623)	(11,084)
NET ASSETS		<u><u>355,730</u></u>	<u><u>343,816</u></u>	<u><u>356,093</u></u>	<u><u>344,180</u></u>

CARDIFF UNIVERSITY

BALANCE SHEET As at 31 July 2005 (Continued)

	Note	<u>Consolidated</u>		<u>University</u>	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
DEFERRED CAPITAL GRANTS	22	88,484	87,977	88,484	87,977
ENDOWMENTS					
Specific	23	21,000	18,332	21,000	18,332
Appeal	23	47	37	47	37
General	23	2,778	2,443	2,778	2,443
		23,825	20,812	23,825	20,812
RESERVES					
Revaluation reserve	24	110,512	113,990	110,512	113,990
Other reserves	25	132,909	121,037	133,272	121,401
		243,421	235,027	243,784	235,391
TOTAL		355,730	343,816	356,093	344,180

These financial statements were approved by the Council on 16th December , 2005.
Signed on behalf of the Council

Dr David Grant - Vice Chancellor

Mr R D Gagg - Honorary Treasurer

Mr D M Davies - Director of Finance

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 July 2005

	Note	2005 £'000	2004 £'000
Cash flow from operating activities	26	11,882	8,224
Returns on investments and servicing of finance	27	4,399	1,454
Capital expenditure and financial investment	28	(36,691)	1,057
Management of liquid resources	29	26,573	(11,397)
Financing	30	(3,463)	(1,365)
Increase/(Decrease) in cash in the period		2,700	(2,027)
 Reconciliation of net cash flow to movement in net funds			
Increase/(Decrease) in cash in the period	31	2,700	(2,027)
Cash inflow/(outflow) from liquid resources	31	(26,573)	11,397
Cash outflow from decrease in debt	31	3,463	1,365
Movement in net funds in the period		(20,410)	10,735
Net funds at 1 August		63,057	52,322
Net funds at 31 July		42,647	63,057

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

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. On 1 August 2004, Cardiff University merged with the University of Wales College of Medicine. These accounts, including the comparatives, reflect the results of the merged Institution.

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

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

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

Variations from regular cost are spread over the expected average remaining working lifetime of Members of the Schemes after making allowances for future withdrawals.

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.

The transitional measures of FRS17 (Retirement Benefits) have continued to be applied for the year ended 31st July 2005.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

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.

2. MERGER WITH UWCM

Cardiff University and the University of Wales College of Medicine (UWCM) worked in association from 1 August 2004, enabling legislation taking effect as of 1 December 2004, formally dissolving the former UWCM.

This merger has been accounted for using merger accounting under the provisions of FRS 6 (Acquisitions and Mergers). The current year and comparative figures presented in these financial statements are for the new merged University and have not been reported previously.

The net assets and results of Cardiff University and UWCM prior to the merger together with the adjustments required to align accounting policies to those of the new merged University are set out below.

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2005

2. MERGER WITH UWCM (continued)

	Net Assets at 31 July 2004 £000's	Surplus/(Deficit) for year ended 31 July 2004 £000's
Cardiff University	284,204	5,896
UWCM	56,326	(1,936)
Transfer of deferred income to reserves	3,286	-
	<u>343,816</u>	<u>3,960</u>

3. FUNDING COUNCIL GRANTS

	Note	2005 £'000	2004 £'000
Recurrent grant		94,880	90,970
Specific grants:			
- Merger Fund		1,480	1,455
- Academic Infrastructure		1,510	1,119
- Learning & Teaching Support		1,335	1,260
- Science Research Investment Fund		125	269
- Higher Education Economic Development		1,047	739
- Supplementary Funds		734	298
- Research Investment Fund		50	-
- Welsh Medium Provision		13	-
- Medic Pay Award		1,065	-
- Other		742	1,674
Release of deferred capital grants:			
Buildings	22	1,693	1,771
Equipment	22	1,723	1,830
		<u>106,397</u>	<u>101,385</u>

4. ACADEMIC FEES AND SUPPORT GRANTS

	2005 £'000	2004 £'000
UK Higher Education students	22,243	19,627
European Union (EU excl UK) students	1,814	1,549
Non-EU students	21,091	19,270
Part Time fees	2,692	3,183
	<u>47,840</u>	<u>43,629</u>
Education contracts	13,294	12,630
Research training support grants	2,130	1,102
Non-Credit bearing fees	5,082	5,025
	<u>68,346</u>	<u>62,386</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

5. RESEARCH GRANTS AND CONTRACTS

	2005	2004
	£'000	£'000
Research Councils	18,203	17,081
UK-based charities	12,005	14,103
UK Government bodies	11,666	12,836
UK Industry	6,103	6,647
European Commission	5,634	3,584
Overseas	1,945	953
Joint and Science Research Investment Fund	8,237	1,389
Other grants and contracts	2,246	4,344
Released from deferred capital grants	-	(51)
	66,039	60,886
	66,039	60,886

6. OTHER INCOME

	Note	2005	2004
		£'000	£'000
Residences, catering and conferences		15,167	14,633
Other services rendered:			
Teaching Companies		342	351
UK Central Government		23,548	27,160
UK Health Authorities		12,428	7,054
UK Industry		2,066	2,135
European Commission		16	151
Overseas		604	139
UK Universities		1,030	884
Other Sources		6,228	5,216
Released from Deferred Capital Grants	22	1,134	1,064
Profit on disposal of fixed assets		981	-
Rents Receivable		170	78
Exempt VAT recoverable		509	378
Postgraduate awards		-	13
Donations and Subventions		(12)	166
Other income		4,239	7,574
		68,450	66,996
		68,450	66,996

7. ENDOWMENT AND INVESTMENT INCOME

	Note	2005	2004
		£'000	£'000
Transferred from specific endowments	23	1,003	719
Transferred from appeal endowments	23	1	-
Transferred from general endowment asset investments	23	159	472
Interest receivable		4,340	3,072
		5,503	4,263
		5,503	4,263

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

8. STAFF COSTS

	Note	2005 £'000	2004 £'000
Staff costs			
Wages and salaries		148,799	135,217
Social security costs		12,361	11,265
Other pension costs	32	18,485	16,735
		179,645	163,217
		179,645	163,217

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

Emoluments of the Vice Chancellor - Salary		205	146
Pension		14	14
		219	160
		219	160

No benefits in kind were provided to the Vice Chancellor.

	No.	No.
Average staff numbers by major category		
Clinical and non-clinical academic and academic related	2,943	2,808
Technical	405	399
Clerical	1,018	1,005
Other, including clerical and ancillary	302	297
	4,668	4,509
	4,668	4,509

Remuneration of higher paid staff includes employer's pension contributions but excludes payments made on behalf of the National Health Service in respect of its contractual obligations to University staff under separate National Health Service contracts of employment (for example distinction awards) which are also excluded from the University's income and expenditure account. This treatment is in accordance with the Accounts Direction applicable for the year ending 31 July 2005 issued by the Higher Education Funding Council for Wales.

	No.	No.
£70,000 - £79,999	99	76
£80,000 - £89,999	37	101
£90,000 - £99,999	60	28
£100,000 - £109,999	13	9
£110,000 - £119,999	15	2
£120,000 - £129,999	25	-
£130,000 - £139,999	15	-
£140,000 - £149,999	12	-
£150,000 - £159,999	5	1
£160,000 - £189,999	2	-
£190,000 - £219,999	4	1
	287	218
	287	218

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

9. OTHER OPERATING EXPENSES

	2005	2004
	£'000	£'000
Consumables and laboratory expenditure	15,027	16,341
Research Grants and Contracts	30,277	27,841
Residences, catering and conferences	7,298	7,365
Books and periodicals	2,754	3,166
Heat, light, water and power	3,974	3,451
Repairs and general maintenance	3,081	2,975
Long term maintenance	2,897	3,787
Grants to Student Union	2,000	1,950
Other services rendered	22,298	19,812
Cost of early retirements	251	1,448
Equipment (under £10,000)	1,240	3,897
Academic support services other expenses	3,751	5,062
General education other expenses	2,122	2,649
Premises other expenses	5,437	5,205
Administrative support other expenses	5,944	5,407
Other expenses	4,447	5,140
	112,798	115,496
	112,798	115,496
Other operating expenses include:		
Auditors' remuneration – external audit	39	55
– other services	23	31
	62	86

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£'000	£'000
Bank Loans	1,822	1,854
	1,822	1,854

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

11. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £'000	Other operating expenses £'000	Interest Payable £'000	Total 2004 £'000
Academic departments	105,006	15,027	-	120,033
Academic services	10,392	6,505	-	16,897
Research grants and contracts	27,176	30,277	-	57,453
Other services rendered	13,306	22,298	-	35,604
Residences, catering and conferences	3,607	7,298	1,822	12,727
Premises	3,512	15,389	-	18,901
Administration and central services	13,509	5,944	-	19,453
Other expenses	3,137	10,060	-	13,197
	<hr/>	<hr/>	<hr/>	<hr/>
Total per income and expenditure account	179,645	112,798	1,822	294,265
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation (note 13)				12,079
				<hr/>
Total per Income and Expenditure Account				306,344
				<hr/> <hr/>
		£'000		
The depreciation charge has been funded by:				
Deferred capital grants released (Note 22)		4,550		
Revaluation reserve (Note 24)		3,329		
General income		4,200		
		<hr/>		
		12,079		
		<hr/> <hr/>		

12. SURPLUS ON CONTINUING OPERATIONS FOR THE PERIOD

The surplus on Continuing Operations is made up as follows:

	2005 £'000	2004 £'000
University Surplus for the Period	8,394	3,960
Surplus Generated by Subsidiary Undertakings and Transferred to the University under Gift Aid	-	-
	<hr/>	<hr/>
	8,394	3,960
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

13. TANGIBLE FIXED ASSETS

	<u>Consolidated and University</u>				
	Land and Buildings				
	Freehold	Long	Assets in the	Equipment	Total
	£'000	leasehold	course of	£'000	£'000
		£'000	construction		
			£'000		
Cost or valuation					
At 1 August 2004	145,569	139,042	27,412	47,751	359,774
Additions at cost	19,070	782	24,390	2,394	46,636
Disposals (i)	(535)	-	-	(3,990)	(4,525)
Projects Completed	2,761	21,093	(28,974)	5,120	-
	<u>166,865</u>	<u>160,917</u>	<u>22,828</u>	<u>51,275</u>	<u>401,885</u>
At 31 July 2005					
Valuation	122,181	115,730	-	89	238,000
Cost	44,684	45,187	22,828	51,186	163,885
	<u>166,865</u>	<u>160,917</u>	<u>22,828</u>	<u>51,275</u>	<u>401,885</u>
Depreciation					
At 1 August 2004	19,019	18,259	-	42,383	79,661
Charge for year	3,607	4,117	-	4,355	12,079
Eliminated on Disposal	(105)	-	-	(3,990)	(4,095)
	<u>22,521</u>	<u>22,376</u>	<u>-</u>	<u>42,748</u>	<u>87,645</u>
At 31 July 2005					
Net book value					
At 31 July 2005	<u>144,344</u>	<u>138,541</u>	<u>22,828</u>	<u>8,527</u>	<u>314,240</u>
At 31 July 2004	<u>126,550</u>	<u>120,783</u>	<u>27,412</u>	<u>5,368</u>	<u>280,113</u>
Financed By:					
Funding Council	38,917	20,383	10,005	6,559	75,864
Endowments/Donations	845	1,062	-	-	1,907
Loan	20,233	15,654	-	-	35,887
Revaluation	35,728	71,015	-	-	106,743
Other	48,621	30,427	12,823	1,968	93,839
	<u>144,344</u>	<u>138,541</u>	<u>19,122</u>	<u>8,527</u>	<u>314,240</u>
Net book value at 31 July 2005					

- (i) Disposal of equipment is assumed after 10 years
- (ii) Certain buildings have been funded from Treasury sources at a cost of K£83,594 (2004 K£79,043). 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 valuation.
- (iv) Freehold land and buildings includes non-depreciated land of K£20,880 (2004 K£77).

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2005

14. INVESTMENTS

	<u>Consolidated</u>			<u>University</u>	
	Other Invest- ments	Total	Investments In Subsidiary Undertakings	Other Invest- ments	Total
	£000's	£000's	£000's	£000's	£000's
<u>Investments at cost</u>					
Balance at 1 August 2004	77	77	171	76	247
Disposals in year	(1)	(1)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July 2005	76	76	171	76	247
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

<u>Name of Undertaking</u>	<u>Principal Business Activities</u>
Cardiff University Equipment Services Ltd	Dormant
Cardiff University Properties Ltd	Lease and leaseback of property and property development
Cardiff University Residential Property Services Ltd	Dormant

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

15. ENDOWMENT INVESTMENTS

	<u>Consolidated and University</u>	
	2005	2004
	£'000	£'000
Balance at 1 August	20,812	20,745
Additions	958	942
Disposals	(1,075)	(1,375)
Movement in cash held as short-term deposits	800	331
Appreciation on disposal/revaluation	2,330	169
	<u>23,825</u>	<u>20,812</u>
Balance at 31 July	<u>23,825</u>	<u>20,812</u>
Fixed interest stock	4,552	3,964
Equities	15,220	12,694
Bank balances and short-term deposits	4,053	4,154
	<u>23,825</u>	<u>20,812</u>
Total endowment asset investments	<u>23,825</u>	<u>20,812</u>
Fixed interest and equities at cost	<u>15,212</u>	<u>14,755</u>

16. STOCKS

	<u>Consolidated and University</u>	
	2005	2004
	£'000	£'000
Residences and Catering	96	100
Maintenance	72	88
	<u>168</u>	<u>188</u>

17. DEBTORS

	<u>Consolidated</u>		<u>University</u>	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Amounts owed by subsidiary undertakings	-	-	664	882
Debtors:				
Fees	1,023	1,041	1,023	1,041
Accommodation	33	24	33	24
Research	19,096	13,992	19,096	13,992
NHS Distinction Awards	302	206	302	206
Miscellaneous	23,635	12,550	23,557	12,258
Prepayments	110	133	110	133
	<u>44,199</u>	<u>27,946</u>	<u>44,785</u>	<u>28,536</u>
Included in the above are amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	200	200

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Consolidated</u>		<u>University</u>	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank overdraft	703	1,764	703	1,764
Trade creditors	14,495	4,738	14,134	4,468
Sundry creditors	2,824	3,369	2,824	3,369
Social security and other taxation	4,807	4,040	4,774	3,964
Accruals and deferred income (i)	2,528	7,010	2,526	7,010
Research grants and contracts in advance	20,485	12,511	20,485	12,509
Other services rendered	4,487	3,038	4,487	3,037
Royal Bank Scotland loan (Note 19(i))	500	500	500	500
Midland Bank loan Note 19(ii))	-	750	-	750
Lloyds Bank loan (Note 19(iii))	189	150	189	150
Amounts owed to subsidiary undertakings	-	-	324	615
	<u>51,018</u>	<u>37,870</u>	<u>50,946</u>	<u>38,136</u>

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

	£'000
Fund balance at 1 st August 2004	312
Funds received	14
Interest	13
	<u>339</u>
Total expenditure	(99)
	<u>240</u>
Fund balance at 31 July 2005	<u>240</u>

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

	<u>Consolidated</u>		<u>University</u>	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Royal Bank of Scotland Loan (i)	3,000	3,500	3,000	3,500
Midland Bank Loan (ii)	-	2,063	-	2,063
Lloyds Bank Loan (iii)	16,546	16,735	16,546	16,735
	<u>19,546</u>	<u>22,298</u>	<u>19,546</u>	<u>22,298</u>

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

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

Interest is payable on the loan at LIBOR plus 0.225% and is charged to Interest Payable (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

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

- (ii) Midland Bank originally advanced M£7.5 to the University to partially finance the cost of certain student residences. The loan was fully repaid during 2004/05.
- (iii) Lloyds TSB originally advanced M£17 to the University to finance the cost of student residences. The loan is secured on Talybont South and is repayable by 28th February 2024 on a reducing balance method as follows:

Within one year	K£190
Between two and five years	K£1,267
Over five years	K£15,278

Interest is payable on the loan at 8.868% and is charged to Interest Payable (Note 10)

20. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Consolidated and University</u>		
	Pension provision £'000	Other provision £'000	Total £'000
At 1 August 2004	2,539	48	2,587
Released to income and expenditure	(363)	(48)	(411)
	2,176	-	2,176
At 31 July 2005	2,176	-	2,176

The pension fund provision for the LGS Scheme (K£454, 2004 K£530) was set aside to meet the anticipated actuarial deficiency estimated on the members' accrued benefits at the March 1998 actuarial valuation.

The pension fund provision for the CUPF Scheme (K£1,722, 2004 K£2,009) was set aside to meet the anticipated actuarial deficiency estimated on the members' accrued benefits at the July 1996 actuarial valuation.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

21. OTHER DEFERRED INCOME

	<u>Consolidated and University</u>	
	2005	2004
	£'000	£'000
Deferred VAT credit	30	31
Academic Infrastructure Grants	1,072	400
Science Research Investment Fund	7,116	7,007
Learning and Teaching Support Grants	1,030	993
Merger Fund	7,426	2,144
Student Fees received in advance	949	509
	<u>17,623</u>	<u>11,084</u>

22. DEFERRED CAPITAL GRANTS

	<u>Consolidated and University</u>		
	Funding Council	Other grants/ beneficiaries	Total
	£'000	£'000	£'000
As at 1 August 2004			
Buildings	62,740	12,801	75,541
Equipment	9,843	2,593	12,436
	<u>72,583</u>	<u>15,394</u>	<u>87,977</u>
Transferred to Deferred Income			
Buildings	-	(137)	(137)
Equipment	(3,660)	-	(3,660)
Total	<u>(3,660)</u>	<u>(137)</u>	<u>(3,797)</u>
Cash received			
Buildings	8,258	281	8,539
Equipment	315	-	315
Total	<u>8,572</u>	<u>282</u>	<u>8,854</u>
Released to income and expenditure			
Buildings (Note 2/Note 6)	(1,693)	(324)	(2,017)
Equipment (Note 2)	(1,723)	(810)	(2,533)
Total	<u>(3,416)</u>	<u>(1,134)</u>	<u>(4,550)</u>
At 31 July 2005			
Buildings	69,305	12,621	81,926
Equipment	4,775	1,783	6,558
Total	<u>74,080</u>	<u>14,404</u>	<u>88,484</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

23. ENDOWMENTS

	<u>Consolidated and University</u>			
	Specific £'000	Appeal £'000	General £'000	Total £'000
At 1 August 2004	18,332	37	2,443	20,812
New endowments	363	-	-	363
Appreciation of investments	2,305	9	16	2,330
Surplus realised on withdrawals from pools	3	-	398	401
Income for year	1,000	2	80	1,082
Transferred to income and expenditure	(1,003)	(1)	(159)	(1,163)
	<u>21,000</u>	<u>47</u>	<u>2,778</u>	<u>23,825</u>
At 31 July 2005 (Note 15)	<u>21,000</u>	<u>47</u>	<u>2,778</u>	<u>23,825</u>
Representing:				
Chairs and lectureship funds	6,317			
Museum research and Lectures	325			
Prizes and Medals	1,196			
Tithe Fund	816			
Student Amenities	73			
Fellowship and scholarship funds	4,480			
John Bird Fund	529			
Miscellaneous funds	7,264			
	<u>21,000</u>			
At 31 July 2005	<u>21,000</u>			

24. REVALUATION RESERVE

	<u>Consolidated and University</u>	
	2005 £'000	2004 £'000
Revaluations		
At 1 August	140,728	140,728
Released on Disposals (Transfer to Income And Expenditure Account – Note 25)	(149)	-
At 31 July	<u>140,579</u>	<u>140,728</u>
Contributions to depreciation		
At 1 August	(26,738)	(23,382)
Released in year (Note 11/Note 25)	(3,329)	(3,356)
At 31 July	<u>(30,067)</u>	<u>(26,738)</u>
Net revaluation amount		
At 31 July	<u>110,512</u>	<u>113,990</u>

CARDIFF UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

25. OTHER RESERVES

	<u>Consolidated</u>		
	Income and expenditure account £'000	Unexpended Balances £'000	Total £'000
At 1 August 2004	48,916	72,121	121,037
Surplus for the year	8,394	-	8,394
Movement on reserves	11,744	(11,744)	-
Transfer from revaluation reserve (Note 24)	3,478	-	3,478
	<hr/>	<hr/>	<hr/>
At 31 July 2005	72,532	60,377	132,909
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<u>University</u>		
	Income and expenditure account £'000	Unexpended Balances £'000	Total £'000
At 1 August 2004	49,269	72,131	121,400
Surplus for the year	8,394	-	8,394
Movement on reserves	11,744	(11,744)	-
Transfer from revaluation reserve (Note 24)	3,478	-	3,478
	<hr/>	<hr/>	<hr/>
At 31 July 2005	72,885	60,387	133,272
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

26. RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM CONTINUING OPERATING ACTIVITIES

	2005 £'000	2004 £'000
Operating surplus	8,391	3,444
Depreciation	12,079	11,905
Profit on disposal of fixed assets	(981)	-
Endowment income and interest receivable	(5,503)	(4,263)
Deferred capital grants released to income	(4,550)	(4,614)
Interest Payable	1,822	1,854
Decrease/(Increase) in stocks	20	(24)
Increase in debtors	(16,986)	(2,263)
Increase/(Decrease) in creditors	11,462	(848)
Write-off of investment	-	300
Decrease in provisions	(411)	(706)
Increase in other deferred income	6,539	3,439
	<hr/>	<hr/>
Net cash inflow from continuing operating activities	11,882	8,224
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2005

27. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2005	2004
	£'000	£'000
Income from endowments	1,483	1,202
Interest received	5,076	2,123
Interest paid	(2,160)	(1,871)
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	4,399	1,454
	<hr/> <hr/>	<hr/> <hr/>

28. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2005	2004
	£'000	£'000
Payments to acquire tangible assets	(46,636)	(13,993)
Payments to acquire endowment asset investments	(958)	(943)
Receipts from sales of tangible assets	1,411	-
Receipts from sales of endowment asset investments	275	1,380
Deferred capital grants received	8,854	14,212
New endowments	363	401
	<hr/>	<hr/>
Net cash (outflow)/inflow from capital expenditure and financial investment	(36,691)	1,057
	<hr/> <hr/>	<hr/> <hr/>

29. MANAGEMENT OF LIQUID RESOURCES

	2005	2004
	£'000	£'000
Net cash returned from/(placed on) short term deposits	26,573	(11,397)
	<hr/>	<hr/>
Net cash inflow/(outflow) from management of liquid resources	26,573	(11,397)
	<hr/> <hr/>	<hr/> <hr/>

30. FINANCING

	2005	2004
	£'000	£'000
Net loans repaid	(3,463)	(1,365)
	<hr/>	<hr/>
Net cash outflow from financing	(3,463)	(1,365)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

31. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2004 £'000	Cash flows £'000	Other Changes £'000	At 31 July 2005 £'000
Cash at bank and in hand	1,222	1,639	-	2,861
Bank loans and overdrafts	(1,764)	1,061	-	(703)
Total cash at bank and in hand	(542)	2,700	-	2,158
Liquid resources:				
Short-term deposits	87,297	(26,573)	-	60,724
Debt:				
Debts falling due within one year	(1,400)	3,463	(2,752)	(689)
Debts falling due after one year	(22,298)	-	2,752	(19,546)
	(23,698)	3,463	-	(20,235)
Total	63,057	(20,410)	-	42,647

32. PENSION SCHEMES

Particulars of the pension schemes in operation are shown in Note 1. Contributions payable to the NHS Scheme in the year are K£1,849 (2004 K£1,070).

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 st March 2002	31 st July 2004	31 st March 2004	1 st August 2004
Investment returns per annum	5.0%	7.0%	6.2%	7.0%
Salary scale increases per annum	3.7%	4.5%	4.4%	4.4%
Pension increases per annum	2.7%	3.0%	2.9%	3.0%
Market value of assets at date of last Valuation	M£19,938	M£43.08	M£548.0	M£22.8
Proportion of members' accrued benefits Covered by the actuarial value of the assets	101%	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 6.0%.
- (ii) University contributions into CUPF were 18% from the 1st August 2002.
- (iii) The employer contribution rate to the LGS was 19% from the 1st April 2003 and increased to 20.76% from 1st April 2004 on the recommendation of the actuary.
- (iv) University contributions to CU(WCM)SS were at 5% until the 31st July 2003, when new a new rate of 8% was implemented.

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

	2005 £'000	2004 £'000
Total pension cost (Note 8)	18,485	16,735

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

32. PENSION SCHEMES (continued)

Implementation of FRS17 – Retirement Benefits

The effect of FRS17 implementation on the four defined benefit pension schemes for the University's staff are as follows:

- a) The USS is a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each Institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the income and expenditure account is equal to the contributions payable to the scheme for the year.

The University paid K£12,935 (2004 K£12,040) as contributions in the year to 31st July 2005.

- b) CUPF, LGS and CU(WCM)SS are all defined benefit schemes based on final pensionable salary.

The University paid the following contributions in the year to 31st July 2005:-

CUPF – K£2,742 (2004 K£2,680)

LGS – K£481 (2004 K£466)

CU(WCM)SS – K£478 (2004 K£479)

An updated estimated valuation of each of these three schemes was performed at 31 July 2005 by a qualified actuary. The FRS 17 disclosures set out below are based on this updated valuation.

The major assumptions used by the actuary were:

<u>CUPF</u>	31 July 2005	31 July 2004	31 July 2003
Rate of increase in salaries	4.2%	4.4%	4.0%
Rate of increase in pensions in payment	2.7%	2.9%	2.5%
Discount rate	5.0%	5.7%	5.5%
Inflation assumption	2.7%	2.9%	2.5%
<u>LGS</u>	31 July 2005	31 July 2004	31 July 2003
Rate of increase in salaries	4.2%	4.4%	4.2%
Rate of increase in pensions in payment	2.7%	2.9%	2.7%
Discount rate	5.0%	5.7%	5.5%
Inflation assumption	2.7%	2.9%	2.7%
<u>CU(WCM)SS</u>	31 July 2005	31 July 2004	31 July 2003
Rate of increase in salaries	4.2%	4.0%	4.0%
Rate of increase in pensions in payment	2.7%	2.9%	2.7%
Discount rate	5.0%	5.8%	5.6%
Inflation assumption	2.7%	2.9%	2.7%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

32. PENSION SCHEMES (continued)

Implementation of FRS17 – Retirement Benefits (continued)

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

<u>CUPF</u>	31 July 2005 M£	31 July 2005 %	31 July 2004 M£	31 July 2004 %	31 July 2003 M£	31 July 2003 %
UK Equities	15.8	7.3	15.2	8.0	18.0	7.25
Overseas Equities	10.1	7.3	8.8	8.0	8.2	7.25
Fixed interest Bonds	15.3	5.0	9.0	5.7	6.3	5.50
Index linked Bonds	3.1	4.3	3.8	5.0	3.2	4.75
Property	5.8	7.0	5.1	7.0	2.3	7.25
Cash	2.1	4.3	1.2	4.8	0.5	3.5
	<hr/>		<hr/>		<hr/>	
	52.2		43.1		38.5	
	<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>	
<u>LGS</u>	31 July 2005 M£	31 July 2005 %	31 July 2004 M£	31 July 2004 %	31 July 2003 M£	31 July 2003 %
Equities	9.43	7.4	8.96	8.0	7.94	7.8
Bonds	1.89	4.7	1.88	5.3	1.58	4.8
Property	0.56	6.4	0.59	7.0	0.35	6.8
Other Assets	0.17	4.7	0.35	4.8	0.67	3.3
	<hr/>		<hr/>		<hr/>	
	12.05		11.78		10.54	
	<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>	
<u>CU(WCMSS)</u>	31 July 2005 M£	31 July 2005 %	31 July 2004 M£	31 July 2004 %	31 July 2003 M£	31 July 2003 %
Equities	22.4	7.3	17.9	7.5	17.3	7.5
Bonds	4.4	4.7	3.8	4.5	3.3	5.0
Property	0.8	7.0	0.8	6.5	0.7	6.0
Cash	0.2	0.2	-	4.0	0.1	4.0
	<hr/>		<hr/>		<hr/>	
	27.8		11.78		10.54	
	<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>	

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

32. PENSION SCHEMES (continued)

Implementation of FRS17 – Retirement Benefits (continued)

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

<u>CUPE</u>	At 31 July 2005 M£	At 31 July 2004 M£
The assets of the scheme	52.2	43.1
Present value of scheme liabilities	(73.2)	(59.1)
	<hr/>	<hr/>
Net pension liability	(21.0)	(16.0)
	<hr/> <hr/>	<hr/> <hr/>
<u>LGS</u>	At 31 July 2005 M£	At 31 July 2004 M£
The share of the assets of the scheme	12.05	11.78
Present value of scheme liabilities	(22.25)	(20.92)
	<hr/>	<hr/>
Net pension liability	(10.20)	(9.14)
	<hr/> <hr/>	<hr/> <hr/>
<u>CU(WCM)SS</u>	At 31 July 2005 M£	At 31 July 2004 M£
Total market value of assets	27.8	22.5
Present value of scheme liabilities	(37.5)	(26.9)
	<hr/>	<hr/>
Net pension liability	(9.7)	(4.4)
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If the above amounts had been recognised in the financial statements, the University's net assets and income and expenditure reserve would be as follows:

	At 31 July 2005 M£	At 31 July 2004 M£
Net assets excluding pension liability	355.73	343.82
Pension liability	(40.90)	(29.54)
Elimination of SSAP 24 pension provision	2.18	2.54
	<hr/>	<hr/>
Net assets including pension liability	317.01	316.82
	<hr/> <hr/>	<hr/> <hr/>
Income & expenditure reserve excluding pension liability	132.91	121.01
Pension reserve	(40.90)	(29.54)
Elimination of SSAP 24 pension provision	2.18	2.54
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Income & expenditure reserve including pension liability	94.19	94.01
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

32. PENSION SCHEMES (continued)

Implementation of FRS17 – Retirement Benefits (continued)

Additionally, if the pension costs had been recognised in accordance with FRS17, the following components of the pension charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2005 and 31 July 2004:

	Year ended 31 July 2005			Year ended 31 July 2004		
	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>
	M£	M£	M£	M£	M£	M£
Analysis of amounts charged to income and expenditure account:						
Current service cost	<u>2.6</u>	<u>0.4</u>	<u>0.9</u>	<u>2.4</u>	<u>0.5</u>	<u>0.9</u>
Financing:						
Expected return on assets	3.1	0.9	1.6	2.6	0.8	1.5
Interest on scheme liabilities	<u>(3.5)</u>	<u>(1.2)</u>	<u>(1.6)</u>	<u>(3.0)</u>	<u>(1.1)</u>	<u>(1.5)</u>
Net Expense	<u>(0.4)</u>	<u>(0.3)</u>	<u>-</u>	<u>(0.4)</u>	<u>(0.3)</u>	<u>-</u>
	Year ended 31 July 2005			Year ended 31 July 2004		
	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>
	M£	M£	M£	M£	M£	M£
Analysis of amounts recognised in statement of total recognised gains and losses:						
Actual return lower than expected on scheme assets	4.9	1.1	3.9	0.7	0.2	0.3
Experience losses arising on scheme liabilities	<u>(0.1)</u>	<u>0.6</u>	<u>(1.9)</u>	<u>(0.1)</u>	<u>-</u>	<u>(0.3)</u>
Change in assumptions underlying the present value of scheme liabilities	<u>(9.5)</u>	<u>(2.5)</u>	<u>(7.3)</u>	<u>(2.1)</u>	<u>-</u>	<u>0.3</u>
Total actuarial (loss)/gain recognised	<u>(4.7)</u>	<u>(0.8)</u>	<u>(5.3)</u>	<u>(1.5)</u>	<u>0.2</u>	<u>0.3</u>

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NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2005

32. PENSION SCHEMES (continued)

Implementation of FRS17 – Retirement Benefits (continued)

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

	Year ended 31 July 2005			Year ended 31 July 2004		
	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>
	M£	M£	M£	M£	M£	M£
Deficit on scheme at 1 August	(16.0)	(9.2)	(4.4)	(14.4)	(9.1)	(4.3)
Movement in year:						
Total operating charge	(2.6)	(0.4)	(0.9)	(2.4)	(0.5)	(0.9)
Net return	(0.4)	(0.3)	-	(0.4)	(0.3)	-
Contributions	2.7	0.5	0.9	2.7	0.5	0.5
Actuarial (loss)/gain	(4.7)	(0.8)	(5.3)	(1.5)	0.2	0.3
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Deficit on scheme at 31 July	<u>(21.0)</u>	<u>(10.2)</u>	<u>(9.7)</u>	<u>(16.0)</u>	<u>(9.2)</u>	<u>(4.4)</u>

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

	Year ended 31 July 2005			Year ended 31 July 2004		
	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>	<u>CUPE</u>	<u>LGS</u>	<u>CU(WCM)SS</u>
Difference between the expected and actual return on scheme assets:						
Amount (M£)	4.9	1.1	3.9	0.7	0.2	0.3
Percentage of scheme assets	9.4%	9.1%	14.0%	1.6%	1.7%	1.3%
Experience gains and losses on scheme liabilities:						
Amount (M£)	(0.1)	0.6	(1.9)	(0.1)	-	(0.3)
Percentage of the present value of scheme liabilities	(0.1%)	2.7%	(5.1%)	(0.2%)	-	(1.1%)
Total amount recognised in the STRGL:						
Amount (M£)	(4.7)	(0.8)	(5.3)	(1.5)	0.2	(0.3)
Percentage of the present value of scheme liabilities	(6.4%)	(3.6%)	(14.1%)	(2.5%)	0.1%	(1.1%)

33. LEASE OBLIGATIONS

	<u>Consolidated and University</u>	
	2005	2004
	£'000	£'000
Operating lease commitments for the next financial year, on leases expiring:		
Over five years	10	10
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2005

34. CAPITAL COMMITMENTS

	<u>Consolidated and University</u>	
	2005	2004
	£'000	£'000
Commitments contracted at 31 st July	24,571	29,730
	24,571	29,730

35. 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.

36. 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.

37. ACCESS FUNDS

	2005	2004
	£'000	£'000
Funding Council grants	1,155	1,097
Interest earned	15	9
	1,170	1,106
Disbursed to students	(1,066)	(988)
Administration Funding Due	26	-
Audit fees	-	(1)
	130	117
Balance unspent as at 31 July		

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.