

University of Ulster

*FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2002*

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UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report

SCOPE OF THE FINANCIAL STATEMENTS

Where the Financial Statements refer to the Group this definition includes the activities of the University and its eight subsidiary companies, viz:-

- INCORE Limited
- UUTECH Limited
- UUSR Limited
- UU Bibliotech Limited
- UUONLINE.com Limited
- Synergy Centres Limited
- UU Services Limited
- UU Foundation Limited

In addition, the University has a joint venture company, SEV Limited with Belfast Institute of Further and Higher Education (BIFHE) which is involved in the development of the Springvale campus.

In the remainder of this report, references to "the University" are deemed to include the activities of the subsidiary companies and the joint venture with BIFHE.

RESULTS FOR THE YEAR

The University recorded a surplus for the year of £0.8M on a historical cost basis. On a revaluation of assets basis the deficit for the year was £5.8M.

The University's total income was £121M, an increase of 8% on the previous year.

Funding Council block grants for teaching received from the Department for Employment and Learning (DEL) were increased by 2.5%. Block grants for research were increased by 4.2% to £11.1M showing an increase of 4.2% and the growth in student numbers generated an additional £1.7M of Funding Council income. A further £4.2M was received for special projects, in particular to develop online distance learning and to improve disability access. The combined effect of these factors was to increase Funding Council income by 11%.

Income from Academic fees and support grants increased by 6% due, in the main, to an inflationary increase in fee rates (2.5%), a further increase in FTE (full time equivalents) student numbers (1.4%) and an increase in fees from online distance learning courses and overseas programmes.

While the level of research income in the accounts shows a reduction compared to the previous year of £0.6M, this figure excludes the significant income received in the year relating to capitalised research projects of £4.3M. This comprises of £1.5M relating to the Molecular Biosciences building at Coleraine and £2.8M relating to the Fire Research Centre at Jordanstown. This income has been transferred to deferred capital grants.

Staff costs increased by £1.4M or 1.8% when compared with the previous year. Given the impact of growth in staff costs due to pay awards of 3% and incremental drift of 1%, an increase in staff costs of 1.8% represents a real reduction of 2.2% compared with the previous year.

OTHER OPERATING COSTS

These have increased in line with the increase in income.

LIQUIDITY AND CASH FLOW

The Cash Flow Statement for the year shows a cash outflow of £2.3M, the main component of which was net capital expenditure of £11.8M less £9.6M relating to a surplus on operating activity. This compares to a cash outflow of £8.9M in 2000/2001.

The cash outflow of £2.3M for the year reduced the University's liquidity position from a net £5.2M of borrowings to £7.5M of borrowings.

INVESTMENT PERFORMANCE

The University's Endowment Asset Investments were valued at £2.5M at 31 July 2002, a decrease of £0.4M in the year, mainly attributable to a decrease in the market value of Endowment Assets rather than disposal of investments.

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Treasurer's Report contd.

Income from Short Term Deposits decreased by £0.2M as a result of a reduction in the average level of deposits held and lower average interest rates during the year.

CAPITAL AND MAJOR MAINTENANCE PROJECTS

Gross capital expenditure in the year totalled £19.0M and this was offset by receipt of capital grants of £7.2M. Twenty per cent of the gross expenditure was invested in equipment, mostly IT related, for use in both Faculties and Departments. Ten per cent of the gross expenditure relates to the purchase of library assets during the year, mainly books and periodicals. The remaining 70% was invested in the Estate. The largest projects were the Learning Resource Centre and Commercial Block at Jordanstown, the Learning Resource Centre at Magee, the Fire Research Centre at Jordanstown and the commencement of the Biomedical Sciences Buildings at Coleraine.

NET ASSETS

The Group Net Assets were £173M at 31 July 2002.

INTERNAL AUDITORS

Deloitte and Touche continued to carry out this function and were re-appointed to this role in September 2002.

FINANCIAL MANAGEMENT

The University introduced a new financial reporting structure in January 2002. The new structure means that the University now consists of six activity centres - the faculties. On a quarterly basis, faculty income and expenditure accounts are produced showing all faculty income and direct costs plus an appropriate share of central overheads. These reports are presented to the Financial Planning Group (FPG), a committee involving the senior management team chaired by the Vice Chancellor.

The FPG is responsible for reviewing on an on-going basis the financial performance of the University against the Corporate Plan targets and for establishing the budget allocation methodologies. In addition, there is also a Budget Allocation Working Group involving the same managers. This group is charged with reviewing and approving all salary costs and staff appointments to the University.

FUTURE DEVELOPMENTS

The University, in collaboration with the UK E University Worldwide Ltd, is to provide four Master Programmes initially using the University's WEBCT platform. Furthermore, the University is involved in E-Ned (E Nursing Education Partnership) a collaborative agreement which is developing electronic learning modules for the nursing profession. In addition, the University has just submitted bids to the value of £46M to the SPUR II Programme (Support Programme for University Research). In the SPUR I programme, the University successfully attracted £17.4M funding from this source.

The University of Ulster Science and Research Park is about to commence the development of a multi-occupancy building at Magee at a cost of £3.5M. This building will specialise in the provision of accommodation for information and communication technology companies. In line with the University's policy on technology and knowledge transfer the University has been involved in the establishment of a fund to facilitate technological transfer and start-up companies called the Alpha Fund. This fund, which will be established as a limited partnership, is being created with the advice of the Investment Bank of Ireland.

CONCLUSION

The annual results represent a significant improvement compared with the previous year. In addition, the Group has had a net cash inflow of £9.6M arising from operating activities. The Group's retained profit is £21M with net assets of £173M and long-term borrowings of £6M. Despite this improvement, the University continues to operate in a difficult financial environment with a real value reduction in Government funding and the increased costs associated with student fees. In the current year, there is considerable concern over the failure of Government to provide additional research funding in recognition of the achievements of the University in the most recent RAE (Research Assessment Exercise).

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance

The University of Ulster 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 accounts understand how the principles have been applied.

The University endeavours to conduct its business in accordance with seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen in its *Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland*.

The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1984. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, the latest version of which was approved by the Privy Council in 2000.

The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **The Council** is the executive governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution.

It has a majority of appointed members from outside the University (described as lay members), from whom its Chairman and its Deputy Chairman must be drawn. Also included in its members are elected representatives of the staff of the University and the student body. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work which they do for the University.

- **The Senate** is the academic authority of the University. It is composed mainly of academic staff but provision is also made for membership of non-academic staff and students. Its role is to direct and regulate the teaching and research work of the University.
- **The Court** is a large, mainly formal body (somewhat akin to the shareholders of a large public company). It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court normally meets once a year to receive the annual report and accounts of the University. The Court is also responsible, on the nomination of the Council, for the appointment of the Chancellor, the Pro-Chancellors and the Honorary Treasurer. In addition, major changes to the constitution of the University may require the approval of the Court before they can be submitted to the Privy Council.

The majority of the members of the Court are from outside the University, representing the local community and other designated bodies with an interest in the work of the University, but the membership also includes representatives of the staff of the University (both academic and non-academic) and the student body.

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England as advised by the Department for Employment and Learning, the Vice-Chancellor is the designated officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

Although the Council meets at least six times each year, certain functions are delegated to its committees, the General Purposes and Finance Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee. The decisions and recommendations of these committees are formally reported to the Council.

These committees are formally constituted as committees of the Council with written terms of reference and specified membership. All Committees of the Council have a lay majority and are chaired by a lay person.

The General Purposes and Finance Committee, inter alia, recommends to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budget.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance contd.

The Nominations Committee has delegated responsibility for the appointment and re-appointment of lay persons to the Council. Appointed members hold office for a period of four years and are eligible for re-appointment for one further period of four years.

The Remuneration Committee reviews annually the salaries of the senior staff of the University including the Professoriate body and the Vice-Chancellor. The review takes account of any external earnings, including consultancy, by senior staff as well as the salary norms within the HE sector for a wide variety of senior posts.

The Audit Committee meets four times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation. It also receives and considers reports and advice from the Funding Council as they effect the University's business and monitors adherence to the regulatory requirements. Whilst Senior Management attend meetings of Audit Committee as necessary, they are not members of the Committee, and the Committee may meet both the External Auditors and the Internal Auditors on their own for independent discussions.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors, Deans of Faculties and Directors of Administrative Departments all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor. The University has also a Strategic Planning Working Group reporting to the University's Planning Committee, which is a committee of the Senate. Both the Strategic Planning Working Group and the Planning Committee are chaired by the Vice-Chancellor.

The University maintains a Register of Interests of Members of the Council and Senior Officers which may be consulted by arrangement with the Head of Governance Services. The Register is available at all meetings of the Council.

The Head of Governance Services, under delegated authority of the Director of Planning and Governance Services, acts as Secretary to the Council. Any enquiries about the constitution and governance of the University are addressed to the Head of Governance Services.

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Statement of Internal Control

STATEMENT OF INTERNAL CONTROL

As the governing body of the University of Ulster, we have responsibility for maintaining a sound system of internal control that supports the achievements of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. We expect to have those procedures in place by February 2003 that are necessary to provide a full statement on internal control for the remaining part of the financial year 2002/2003. This takes account of the time needed to fully embed the processes which the Council and management have agreed should be established and to improve their robustness.

We have undertaken the following actions to initiate our risk management strategy:-

- Drafted and adopted a risk management policy which has been approved by Council (June 2002);
- Agreed where the principal management responsibility rests for risk management;
- Authorised the Strategic Planning Working Group to oversee risk assessment and management;
- A risk management workshop will be held during which we will identify the institution's corporate objectives and risks, and agree the control strategy for each of the significant risks which will be refined over time;
- The corporate risk register will be extended to each faculty and support department;
- Requested the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management;
- The Internal Audit plan as approved by the Audit Committee conforms to the latest professional standards reflecting the adoption of risk management;
- All senior officers and the Audit Committee have been provided with risk management training.

We will ensure that our meeting calendar and agenda enable risk management and internal control to be considered on a regular basis during the year so that there will be a full risk and control assessment before reporting on the year ending 31 July 2003. Risk management will be incorporated more fully into the corporate planning and decision-making processes of the institution.

We will receive the annual report from the Chairman of the Audit Committee concerning internal control.

In addition to the actions mentioned above, the institution plans to:-

- Arrange a programme of regular reporting to the Strategic Planning Working Group about the risks facing the organisation;
- Introduce a programme of risk awareness training for faculties and support departments;
- Establish a system of key performance and risk indicators;
- Arrange for reports on internal control activities.

The institution has appointed an independent internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice and which will be reviewed for effectiveness by the HEFCE Audit Service in December 2002. The internal auditors submit regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Responsibilities of the University's Council

RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL

In accordance with the Statutes, the Council is responsible for the administration and management of the affairs of the University and is required to present audited Financial Statements for each financial year.

The Council is responsible for ensuring the maintenance of proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that Financial Statements are prepared in accordance with the Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Department for Employment and Learning (DEL) 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 of the surplus or deficit 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 unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that the University 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 DEL are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Department and any other conditions which the Department 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 prevent and detect fraud;
- ◆ secure the economical, efficient and effective management of the University's resources and expenditure.

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:

- ◆ a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, and cash flow budgets;
- ◆ regular reviews of financial results involving variance reporting and updates of forecast outturns;
- ◆ clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review by the General Purposes and Finance Committee on behalf of the Council;
- ◆ a Financial Procedures Manual, detailing financial controls and procedures;
- ◆ a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the University's system of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Independent Auditor's Report to the Council of the University of Ulster

We have audited the Financial Statements on pages 8 to 34, which 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 on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL AND THE INDEPENDENT AUDITORS

The University's Council is responsible for preparing the Financial Statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Code of Audit Practice issued by the Higher Education Funding Council for England and our profession's ethical guidance.

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 Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Department for Employment and Learning (DEL).

We also report to you if, in our opinion, the Treasurer's Report is not consistent with the financial statements, if 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 Treasurer's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. 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's Council in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that 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:

- the Financial Statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2002 and of the excess of expenditure over income and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- in all material respects, income from the Department for Employment and Learning, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- in all material respects, income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Department for Employment and Learning.

KPMG
Chartered Accountants
Registered Auditors
Belfast

13 December 2002

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies

1. Accounting convention

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice “Accounting in Further and Higher Education Institutions” and in accordance with applicable Accounting Standards and under the historical cost convention, as modified by the revaluation of certain land and buildings, library books and endowment asset investments.

2. Consolidation

The consolidated Financial Statements include the University and its subsidiary undertakings. The results of the subsidiary companies are included in the consolidated Income and Expenditure Account from the date of acquisition or up to the date of disposal. Joint Ventures are consolidated under the gross equity method of consolidation. Intra-Group sales and profits are eliminated fully on consolidation.

The University of Ulster’s Students’ Union is constituted as an independent body and therefore in accordance with FRS2, its financial statements are not consolidated with the Financial Statements of the University.

3. Recognition of Income

Income from specific endowments and donations, research grants, contracts and other services rendered is included to the extent of the 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.

4. Pension Schemes

The two principal pension schemes for the University’s staff are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund (NILGOSC). The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by actuaries using the aggregate method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In line with the transition arrangements for FRS 17, it is not possible to identify the University’s share of the underlying assets and liabilities of these schemes, and hence contributions to the schemes are accounted for as if they were a defined contribution scheme. The cost recognised within the deficit for the year in the income and expenditure account being equal to the contribution payable to the scheme for the year. A small number of staff remain in other pension schemes.

5. 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. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

7. Land and Buildings

Land and Buildings are stated at valuation except for those buildings purchased since the last valuation date which are stated at cost. The basis of valuation is depreciated replacement cost. The valuation on 30 June 1999 was performed by the Valuation and Lands Agency. The University adopted the transitional arrangements under FRS15; Tangible Fixed Assets and decided to retain the carrying value of land and buildings at the 30 June 1999 valuation figure (as amended to reflect any impairment in value). The valuation of land and buildings by the Valuation and Land Agency will continue to be undertaken every five years with any impairment in value recognised in the year. 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 as determined by the Valuation and Lands Agency.

8. Equipment

Equipment, including software, costing less than £5,000 per individual item or group of related items, is written

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies

off in the year of acquisition. All other equipment is capitalised. Capitalised equipment (other than research grant equipment) is stated at cost and depreciated over its expected useful life, assumed to be four years.

Where equipment is acquired with the aid of a specific research grant it is capitalised over the shorter of its estimated useful life or the remaining life of the research grant, with the related grant being credited to a deferred capital grant account and released to the Income and Expenditure account over the remaining life of the related grant.

Research equipment depreciation is charged in the year of acquisition. Depreciation is not charged in the year of acquisition on non-research equipment.

9. **Library assets**

Library assets are stated at valuation except those assets purchased since the last valuation date which are stated at cost. The basis of valuation is depreciated replacement cost. The valuation on 31 July 2001 was performed by the University's Head Librarian and certified as appropriate by the Director of Information Services at Queen's University, Belfast. The valuation of library assets will be undertaken every 3 years with any impairment in value recognised in the year. Depreciation is charged straight line over the useful life of the assets, which is assumed to be two years. Depreciation is charged in the year of acquisition.

10. **Deferred capital grants**

Where fixed assets are acquired with the aid of specific grants, these grants are treated as deferred capital grants and released to income over the expected useful life of the assets. In the case of research grants the deferred capital grant is released to income over the remaining life of the grant.

11. **Goodwill**

Purchased goodwill (representing the difference between the fair value of the net assets acquired and the consideration given) arising on consolidation in respect of acquisitions is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life.

12. **Investments**

Endowment asset investments are included in the Balance Sheet at market value.

13. **Stocks**

Stocks are valued at the lower of cost and net realisable value.

14. **Provision for bad debts**

Bad debts are written off when recognised as irrecoverable. Debts which are considered doubtful are provided for in the accounts.

15. **Maintenance of Premises**

The University has a 5 year planned maintenance programme which is reviewed on an annual basis. Actual expenditure on maintenance is charged to the Income and Expenditure account in the period it is incurred.

16. **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 receives no similar exemption in respect of Value Added Tax.

17. **Cash flows and liquid resources**

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

Liquid resources comprise assets readily disposable but not within 24 hours without penalty. They include term deposits and other instruments held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Income and Expenditure Account
for the Year ended 31 July 2002

		Group 2002	Group 2001
		£000	£000
Income - continuing operations	Note		
Funding Council Grants	1	71,979	64,683
Academic Fees and Support Grants	2	23,527	22,112
Research Grants and Contracts	3	11,131	11,745
Other Operating Income	4	13,647	12,705
Endowment Income and Interest Receivable	5	474	523
Total Income		<u>120,758</u>	<u>111,768</u>
Expenditure - continuing operations			
Staff Costs	6	78,149	76,778
Depreciation	11	10,038	6,305
Other Operating Expenses	7	37,852	35,037
Interest Payable	8	511	589
Total Expenditure		<u>126,550</u>	<u>118,709</u>
Deficit after depreciation of assets at valuation before and after tax		<u>(5,792)</u>	<u>(6,941)</u>

Note of Historical Cost Surpluses and Deficits

Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		6,608	3,614
Historical cost surplus/(deficit) before and after tax		<u>816</u>	<u>(3,327)</u>

The income and expenditure of the Group relates wholly to continuing operations.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Balance Sheet as at 31 July 2002

	Notes	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
Fixed Assets					
Goodwill	10	178	—	—	—
Tangible Assets	11	185,113	168,370	176,056	163,948
Investments	12	262	6,970	255	6,970
		185,553	175,340	176,311	170,918
Endowment Asset Investments	13	2,456	2,456	2,919	2,919
Current Assets					
Stocks		346	346	349	349
Debtors	14	13,719	16,135	11,815	14,415
Short Term Deposits		2,086	2,086	7,085	5,219
		16,151	18,567	19,249	19,983
Creditors: Amounts Falling Due Within One Year	15	(25,051)	(22,109)	(24,722)	(23,032)
Net Current Liabilities		(8,900)	(3,542)	(5,473)	(3,049)
Total Assets Less Current Liabilities ...		179,109	174,254	173,757	170,788
Creditors: Amounts Falling Due After More Than One Year	16	(6,004)	(6,691)	(1,008)	(1,008)
Provisions for Liabilities and Charges	17	(495)	(495)	(521)	(521)
Net Assets		172,610	167,068	172,228	169,259

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Balance Sheet as at 31 July 2002 - Continued

		Group 2002	University 2002	Group 2001	University 2001
	Notes	£000	£000	£000	£000
Deferred Capital Grants	18	21,868	13,970	15,231	11,802
Endowments					
Specific	19	1,756	1,756	2,047	2,047
General	19	700	700	872	872
		2,456	2,456	2,919	2,919
Reserves					
Revaluation Reserve	20	127,114	124,119	133,722	127,732
Income and Expenditure Account	21	21,172	26,523	20,356	26,806
Total Reserves		148,286	150,642	154,078	154,538
Total		172,610	167,068	172,228	169,259

The Financial Statements on pages 8 to 34 were approved by the Council on 13 December 2002 and signed on its behalf by:

G D B Harkness MA FCA

Honorary Treasurer

P W Hope

Acting Director of Finance

Professor P G McKenna

Vice Chancellor and Chief Accounting Officer

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Cash Flow Statement for the Year Ended 31 July 2002

		Group 2002	Group 2001
		£000	£000
	Note		
Net Cash Inflow from Operating Activities	24	9,629	469
Returns on Investments and Servicing of Finance	25	(140)	12
Capital Expenditure and Financial Investment	26	(11,820)	(9,381)
Acquisitions	27	(25)	—
Cash Outflow before Use of Liquid Resources and Financing		(2,356)	(8,900)
Management of Liquid Resources	28	4,992	7,918
Financing	29	4,996	(21)
Increase/(Decrease) in Cash	30	7,632	(1,003)

Reconciliation of Net Cash Flow to Movement in Net Debt

		Group 2002	Group 2001
		£000	£000
	Note		
Increase/(Decrease) in Cash in the Period		7,632	(1,003)
Decrease in Short Term Deposits	28	(4,999)	(7,918)
Repayment of capital element of finance lease	29	4	21
Increase in bank loans after one year	29	(5,000)	—
Change in Net Debt		(2,363)	(8,900)
Net Debt/Funds at 1 August		(5,191)	3,709
Net Debt at 31 July	30	(7,554)	(5,191)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Consolidated Statement of Total Recognised Gains and Losses

		Group 2002	Group 2001
		£000	£000
	Note		
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(5,792)	(6,941)
Unrealised surplus on revaluation of fixed assets		—	5,990
Depreciation of endowment asset investments	19	(360)	(484)
Endowment income retained for year	19	(103)	78
Total recognised losses relating to the period		<u>(6,255)</u>	<u>(1,357)</u>
 Reconciliation of movement in reserves and endowments			
Opening reserves and endowments		156,997	158,354
Total recognised gains and losses for the year		<u>(6,255)</u>	<u>(1,357)</u>
Closing reserves and endowments		<u>150,742</u>	<u>156,997</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts

		Group 2002	Group 2001
		£000	£000
Note			
1	Funding Council Grants		
	Recurrent Grant*	65,795	62,133
	Specific Grants		
	Special Initiatives	1,676	2,097
	Other	4,272	—
	Deferred Capital Grants Released in Year (Note 18)		
	Buildings	236	244
	Equipment	—	209
		71,979	64,683
	* Includes a developmental element of Research Grant which is part funded through the EU's European Regional Development Fund.		
2	Academic Fees and Support Grants		
	Full-time students	16,056	15,470
	Full-time students charged overseas fees	1,792	1,495
	Part-time fees	3,793	3,245
	Research Training Support Grants	104	68
	Short Course Fees	1,782	1,834
		23,527	22,112
3	Research Grants and Contracts		
	Research Councils	1,338	1,207
	UK Charities	1,088	905
	EU Government	1,735	2,190
	Others	6,970	7,443
		11,131	11,745

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group 2002	Group 2001
		£000	£000
Note			
4	Other Operating Income		
	Residences, Catering and Conferences	3,910	3,669
	Other Services Rendered	3,934	3,325
	Other Income	5,803	5,711
		13,647	12,705
5	Endowment Income and Interest Receivable		
	Transferred from Specific Endowments (Note 19)	86	31
	Income from General Endowment Asset Investments (Note 19)	98	43
	Income from Short Term Investments	290	449
		474	523
6	Staff Costs		
	Wages and Salaries	66,016	64,502
	Social Security Costs	4,882	4,789
	Other Pension Costs (Note 31)	7,251	7,487
		78,149	76,778
	Emoluments of the Vice-Chancellor	161	133

The University's pension contributions to USS in respect of the Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £20,157 (2000/1 - £17,416)

	Group 2002 Number	Group 2001 Number
Excluding the Vice-Chancellor, remuneration of other Higher Paid Staff, including employer's pension contributions.		
£70,000 - £79,999	11	11
£80,000 - £89,999	6	6
£90,000 - £99,999	2	0
£100,000 - £109,999	1	0

The average weekly number of persons (including senior post-holders) employed by the University during the period, expressed as full-time equivalents, was:-

Academic	1,117	1,138
Technical	221	214
Administrative	368	362
Other including Clerical and Manual	1,052	1,058
	2,758	2,772

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group 2002	Group 2001			
		£000	£000			
Note						
7	Other Operating Expenses					
	Residences, Catering and Conferences operating expenses	2,195	1,940			
	Consumables and laboratory expenditure	3,312	3,024			
	Equipment not capitalised	3,996	2,147			
	Books and periodicals	85	2,007			
	Fellowships, scholarships and prizes	181	96			
	Rates	2,660	2,260			
	Heat, light, water and power	2,192	1,806			
	Long term maintenance	2,977	2,301			
	Grants to University of Ulster Students' Union	915	893			
	External Auditors' remuneration	62	43			
	External Auditors' remuneration in respect of non-audit services ..	135	80			
	Internal Auditors' remuneration	81	60			
	Printing and stationery	1,549	1,576			
	Travel, subsistence and hospitality	4,246	4,191			
	Miscellaneous academic support	1,986	2,726			
	Telephone and postage	1,586	1,406			
	Legal and professional fees	4,172	3,769			
	Advertising and publicity	925	1,088			
	Student Support	2,536	2,352			
	Other expenses	2,061	1,272			
		37,852	35,037			
8	Interest Payable					
	Repayable within 5 years not by instalments	461	515			
	Loans not wholly repayable within five years	50	74			
		511	589			
9	Analysis of 2002 Expenditure by Activity					
		Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest £000	Total £000
	Academic Departments	46,322	489	8,867	—	55,678
	Academic Services	8,325	4,012	6,470	—	18,807
	Research Grants & Contracts	5,161	512	4,118	—	9,791
	Residences, Catering & Conferences	1,739	13	2,581	—	4,333
	Premises	5,586	4,568	8,050	—	18,204
	Administration	7,787	418	3,609	—	11,814
	Other Expenses	3,229	26	4,157	511	7,923
		78,149	10,038	37,852	511	126,550
			£000			
	The depreciation charged has been funded by:-					
	Release from Deferred Capital Grants (Note 18)		582			
	Release from Research Grants and Contracts		336			
	Release from Revaluation Reserve (Note 20)		6,608			
	General income		2,512			
			10,038			

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

10 Goodwill

Goodwill arose on the acquisition of Synergy Centres Limited during the year and will be written off within 5 years, commencing in the year ended 31 July 2003.

	Group 2002 £000	Group 2001 £000
Cost (or valuation)		
At beginning of year	—	—
Additions	178	—
	178	—
At end of year	178	—
	178	—
Amortisation		
At beginning of year	—	—
Charged in year	—	—
	—	—
	—	—
Net Book Value		
At 2002	178	—
At 2001	—	—
	178	—
	178	—
Net book value equalled fair value at the date of acquisition		Fair Value £000
Tangible fixed assets		192
Debtors		425
Creditors		(770)
Bank Overdraft		(25)
		(178)
Net liabilities		(178)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

11 Tangible Assets (Group)

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Library Assets £000	Total £000
Valuation or cost					
At 1 August 2001					
Valuation	134,303	—	—	5,990	140,293
Cost	22,916	17,524	17,291	—	57,731
Additions at Cost	—	13,366	3,536	2,193	19,095
Transfer CIP	5,768	(5,768)	—	—	—
	162,987	25,122	20,827	8,183	217,119
At 31 July 2002					
Valuation	134,303	—	—	5,990	140,293
Cost	28,684	25,122	20,827	2,193	76,826
	162,987	25,122	20,827	8,183	217,119
Depreciation					
At 1 August 2001	9,144	—	12,824	—	21,968
Charge for Year	4,420	—	2,126	3,492	10,038
	13,564	—	14,950	3,492	32,006
Net Book Value					
At 31 July 2002	149,423	25,122	5,877	4,691	185,113
At 31 July 2001	148,075	17,524	4,467	5,990	176,056

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

11 Tangible Assets (University)

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Total £000
Valuation or cost				
At 1 August 2001				
Valuation	134,303	—	—	134,303
Cost	22,629	11,722	17,182	51,533
Additions at Cost	—	7,684	3,218	10,902
Transfer CIP	5,768	(5,768)	—	—
	162,700	13,638	20,400	196,738
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2002				
Valuation	134,303	—	—	134,303
Cost	28,397	13,638	20,400	62,435
	162,700	13,638	20,400	196,738
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2001	9,087	—	12,801	21,888
Charge for Year	4,408	—	2,072	6,480
	13,495	—	14,873	28,368
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 July 2002	149,205	13,638	5,527	168,370
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2001	147,845	11,722	4,381	163,948
	<hr/>	<hr/>	<hr/>	<hr/>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Note	Group 2002 £000	Univ 2002 £000	Group 2001 £000	Univ 2001 £000
12 Investments				
Investment in University Challenge Fund ..	250	250	250	250
Investment in UUTECH Limited	20	—	5	—
Investment in UUSR Limited	—	730	—	730
Investment in UU Bibliotech Limited	—	5,990	—	5,990
	<u>270</u>	<u>6,970</u>	<u>255</u>	<u>6,970</u>
 Investment in joint venture				
Share of Gross Assets	3,084	—	1,378	—
Share of Gross Liabilities	(3,092)	—	(1,378)	—
	<u>(8)</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Total	<u>262</u>	<u>6,970</u>	<u>255</u>	<u>6,970</u>

The University Challenge Fund is a joint venture with Queen's University, Belfast, to enable the Universities to access seed venture capital funding in order to assist the successful transformation of good research into good business.

INCORE Limited is a wholly owned company incorporated in Northern Ireland which promotes educational initiative and research.

UUTECH Limited is a wholly owned company incorporated in Northern Ireland which manages the commercial use of the University's intellectual property.

UUSR Limited (University of Ulster Science Research Park) a wholly owned subsidiary incorporated in Northern Ireland which is a property management and development company for technology transfer.

UU Bibliotech Limited is a wholly owned company incorporated in Northern Ireland providing library services to the University.

SEV Limited is a joint venture with the Belfast Institute of Further and Higher Education, which is involved in the development of property on the Springvale Campus.

Synergy Centres Limited (see Note 10) is a wholly owned company incorporated in Northern Ireland which develops internet software. This investment was made at £Nil.

UU-Online.com Limited and UU Services Limited are wholly owned companies incorporated in Northern Ireland which were dormant at the year end.

UU Foundation Limited is a wholly owned company incorporated in Northern Ireland which receives funds from donors to the University.

UUTECH Limited, INCORE Limited, UU Online.com Limited and UU Services Limited are held at £Nil cost.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

	Group and University	2001
	2002	2001
	£000	£000
13 Endowment Asset Investments		
Balance at 1 August: at cost	2,868	2,952
at valuation	2,919	3,325
Additions	1,924	1,504
Disposals	(1,788)	(1,656)
Net depreciation on disposal and/or revaluation.....	(599)	(254)
Balance at 31 July at valuation	2,456	2,919
Investments held at the end of the year are detailed as follows:		
Fixed Interest Stocks	568	558
UK Equities	1,002	1,111
Bank Balances	55	128
Balanced Portfolio	831	1,122
Total Endowment Asset Investments at valuation	2,456	2,919
Total Endowment Asset Investments at cost	2,905	2,868

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

14	Debtors	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
	Amounts falling due within one year				
	Debtors	9,643	8,985	10,902	10,148
	Amounts owed by group undertakings ...				
	Subsidiary undertakings	—	4,767	—	3,407
	Prepayments and accrued income	4,076	2,383	913	860
		13,719	16,135	11,815	14,415
15	Creditors: Amounts Falling Due within One Year	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
	Bank loans and overdrafts	3,687	1,596	11,392	9,383
	Obligations under finance leases	4	4	4	4
	Trade creditors	16,164	15,520	7,506	7,153
	Other taxation and social security	—	—	1,498	1,498
	Accruals	4,412	4,205	4,322	4,994
	Recurrent grant clawback	784	784	—	—
		25,051	22,109	24,722	23,032
16	Creditors: Amounts Falling Due after more than One Year	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
	Bank loans	6,000	6,000	1,000	1,000
	Amounts owed by group undertakings				
	Subsidiary undertakings	—	687	—	—
	Obligations under finance leases				
	Between one and five years	4	4	8	8
		6,004	6,691	1,008	1,008
17	Provision for future pension liabilities			Group and University 2002 £000	2001 £000
	At 1 August			521	484
	Utilised in Year			(39)	(29)
	Transfer to Income & Expenditure Account			13	66
	At 31 July			495	521

The provision relates to the future provision of retirement benefits to certain employees. The calculation of the provision incorporates an assessment of the life expectancy of the individuals concerned. It is anticipated that £28K of this provision will be paid within the next financial year.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

18 Deferred Capital Grants - Group

	Department for Employment and Learning £000	Other Grants £000	2002 Total £000	2001 Total £000
At 1 August				
Buildings	5,122	9,902	15,024	8,493
Equipment	—	207	207	601
Total	5,122	10,109	15,231	9,094
Cash Received				
Buildings	—	6,322	6,322	6,775
Equipment	—	897	897	507
Total	—	7,219	7,219	7,282
Released to Income & Expenditure				
Buildings	183	64	247	244
Equipment	—	335	335	901
Total	183	399	582	1,145
At 31 July				
Buildings	4,939	16,160	21,099	15,024
Equipment	—	769	769	207
Total at 31 July	4,939	16,929	21,868	15,231

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

18 Deferred Capital Grants - University

	Department for Employment and Learning £000	Other Grants £000	2002 Total £000	2001 Total £000
At 1 August				
Buildings	5,122	6,473	11,595	8,259
Equipment	—	207	207	596
Total	5,122	6,680	11,802	8,855
Cash Received				
Buildings	—	1,941	1,941	3,956
Equipment	—	799	799	121
Total	—	2,740	2,740	4,077
Released to Income & Expenditure				
Buildings	183	54	237	620
Equipment	—	335	335	510
Total	183	389	572	1,130
At 31 July				
Buildings	4,939	8,360	13,299	11,595
Equipment	—	671	671	207
Total at 31 July	4,939	9,031	13,970	11,802

19 Endowments

	Group and University			
	Specific £000	General £000	2002 Total £000	2001 Total £000
At 1 August	2,047	872	2,919	3,325
Additions	—	—	—	—
(Depreciation) of Endowment				
- Asset Investments	(276)	(84)	(360)	(484)
Income for Year	71	10	81	152
Transferred to Income and Expenditure Account (Note 5)	(86)	(98)	(184)	(74)
At 31 July	1,756	700	2,456	2,919

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

20 Revaluation Reserve

	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
Gross Revaluation surplus				
At 1 August	140,293	134,303	134,303	134,303
Revalued in Year	—	—	5,990	5,990
Release on Disposal	—	—	—	(5,990)
	<u>140,293</u>	<u>134,303</u>	<u>140,293</u>	<u>134,303</u>
Contribution to Depreciation				
At 1 August	6,571	6,571	2,957	2,957
Released in year	6,608	3,613	3,614	3,614
	<u>13,179</u>	<u>10,184</u>	<u>6,571</u>	<u>6,571</u>
Net Revaluation Surplus				
At 1 August	<u>133,722</u>	<u>127,732</u>	<u>131,346</u>	<u>131,346</u>
At 31 July	<u>127,114</u>	<u>124,119</u>	<u>133,722</u>	<u>127,732</u>

21 Income and Expenditure Account Reserve

	Group 2002 £000	University 2002 £000	Group 2001 £000	University 2001 £000
Balance at 1 August	20,356	26,806	23,683	23,668
Deficit after depreciation of assets at valuation, before and after tax	(5,792)	(3,897)	(6,941)	(6,466)
Release from Revaluation Reserve	6,608	3,614	3,614	3,614
Release on Disposal of Assets	—	—	—	5,990
Balance at 31 July	<u>21,172</u>	<u>26,523</u>	<u>20,356</u>	<u>26,806</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group and University	
		2002	2001
		£000	£000
22	Capital Commitments		
	Commitments contracted at 31 July	8,921	14,079
	Authorised but not contracted at 31 July	—	140
		8,921	14,219

23 **Contingent Liabilities**

The University council consider that as a result of legal proceedings outstanding at the year end, there is a potential contingent liability in the amount of £200,000. No valuable security has been provided by the University in respect of this contingent liability.

24 **Reconciliation of Consolidated Operating Deficit to Net Cash Inflows/(Outflows) from Operating Activities**

	Group	Group
	2002	2001
	£000	£000
Deficit after depreciation of assets at valuation before tax	(5,792)	(6,941)
Depreciation (Note 11)	10,038	6,305
Deferred Capital Grants Released to Income (Note 18)	(582)	(1,145)
Investment Income (Note 5)	(474)	(523)
Loss/(Profit) on Sale of Endowment Assets	166	(162)
Interest Payable	511	589
Decrease/(Increase) in Stocks	3	(28)
(Increase)/Decrease in Debtors	(1,479)	1,608
Increase in Creditors	7,264	729
(Decrease)/Increase in Provisions	(26)	37
Net Cash Inflow from Operating Activities	9,629	469

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

25 Returns on Investments and Servicing of Finance

	Group 2002 £000	Group 2001 £000
Income from Endowments (Note 19)	81	152
Income from Short Term Investments (Note 5)	290	449
Interest Paid (Note 8)	(511)	(589)
	(140)	12

26 Capital Expenditure and Financial Investment

	Group 2002 £000	Group 2001 £000
Tangible Assets Acquired	(18,903)	(16,815)
Endowment Asset Investments Acquired (Note 13)	(1,924)	(1,504)
	(20,827)	(18,319)
Total Fixed and Endowment Asset Investments Acquired	(20,827)	(18,319)
Receipts from Sales of Endowment Assets (Note 13)	1,788	1,656
Deferred Capital Grants Received (Note 18)	7,219	7,282
	(11,820)	(9,381)

27 Acquisitions

	Group 2002 £000	Group 2001 £000
Acquisition of subsidiary	—	—
Net overdraft acquired with subsidiary	(25)	—
	(25)	—

28 Management of Liquid Resources

	Group 2002 £000	Group 2001 £000
Withdrawals from deposits	4,999	7,918
Purchase of investments	(7)	—
	4,992	7,918

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

29 Analysis of Changes in Financing During the Year

	Mortgages & Loans £000	Finance Leases £000	Group Total £000
Balance at 1 August 2001	1,000	12	1,012
Medium Term bank loans/Capital Repayments	5,000	(4)	4,996
	6,000	8	6,008

30 Analysis of Changes in Net Funds/(Debt)

	At 1 August 2001 £000	Cash Flows £000	At 31 July 2002 £000
Cash at Bank and in Hand			
Endowment Assets	128	(73)	55
Bank Overdraft	(11,392)	7,705	(3,687)
	(11,264)	7,632	(3,632)
Short Term Deposits	7,085	(4,999)	2,086
Finance leases	(12)	4	(8)
Bank Loans due after one year	(1,000)	(5,000)	(6,000)
	6,073	(9,995)	(3,922)
Total	(5,191)	(2,363)	(7,554)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

31 Pension Schemes

The University participates in four pension schemes. The two principal schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Government Officers Superannuation Committee Pension Fund (NILGOSC). A small number of employees belong to two other schemes, the Teachers Superannuation Scheme (TSS) and Health and Personal Social Services Superannuation Scheme (HPSS). All of these schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of each scheme are held in a separate trustee-administered fund. It is not possible to identify each institutions share of the underlying assets and liabilities of the scheme and hence contributions to the schemes are accounted for as if they were a defined contribution scheme. The cost recognised within the deficit for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The last actuarial valuations of the USS scheme was at 31 March 1999 and the NILGOSC Fund at 31 March 2001. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions.

USS Scheme

It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.6% per annum and pensions would increase by 2.6% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 5.5% per annum including an additional investment return assumption of 1% per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £18,870 million (including an estimated £55 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £17,427 million leaving a surplus of assets of £1,443 million. The assets therefore were sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The University contribution rate required for future service benefits alone at the date of the valuation was 16.3% of salaries but it was agreed that the University contribution rate will be maintained at 14% of salaries. To fund this reduction of 2.3% for the period of 11 years from the date of valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £561 million of the surplus. It was also agreed, following the valuation, that £201 million of the surplus would be used to fund certain benefit improvements. This left a past service surplus of £681 million to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2002 when the above rates will be reviewed.

NILGOSC Fund

A valuation of the fund was carried out at 31 March 2001. The principal actuarial assumptions adopted for the valuation were as follows:-

Inflation rate	2.3%
Rate of increase in pensionable salaries	3.8%
Rate of pension increases	2.3%
Rate of investment return pre retirement	6.3%
Rate of investment of investment post retirement	5.3%

At the valuation date, the market value of the assets of the scheme was £2,294 million and the value of the past service liabilities was £1,881 million leaving a surplus of assets of £413 million. The assets therefore were sufficient to cover 121% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The University contribution rate required for future service benefits alone at the date of the valuation was 4.6% of salaries.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2004 when the above rates will be reviewed.

The total pension cost for the University was:-

	Group 2002 £000	Group 2001 £000
The total pension cost for the University was:		
Contributions to USS	6,589	6,839
Contributions to NILGOSC	639	617
Contributions to TSS	22	29
Contributions to HPSS	1	2
	<hr/>	<hr/>
Total Pension Cost (Note 6)	7,251	7,487
	<hr/>	<hr/>

32 Support Funds (previously Access Funds)

	Group and University	
	2002 £000	2001 £000
Balance Carried Forward	8	12
Funding Council Grants	1,046	897
Disbursed to Students	(1,042)	(901)
	<hr/>	<hr/>
Balance Underspent at 31 July	12	8
	<hr/>	<hr/>

DEL Support Funds 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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

33 Subsidiary Company Information

There are eight companies which are subsidiary companies of the University:

- INCORE Limited
- UUTECH Limited
- UUSR Limited
- UU Bibliotech Limited
- Synergy Centres Limited
- UU ONLINE.com Limited
- UU Services Limited
- UU Foundation Limited

The companies are controlled by the University and INCORE Limited, Synergy Centres Limited and UU Foundation Limited are limited by guarantee.

The companies are all registered and operate in Northern Ireland. INCORE Limited (Initiative on Conflict Resolution and Ethnicity) is a major international research and training centre set up in partnership with the United Nations University. UUTECH Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities. UUSR Limited (University of Ulster Science Research Park) is a property management and development company for technology transfer. Synergy Centres Limited became a 100% subsidiary of the University during the year. It develops e-learning software packages and rents incubator units. It was acquired on 30 April 2002 and has been accounted for by the acquisition method of accounting. UU Bibliotech Limited is a company established to provide library services to the University. UU ONLINE.com Limited is a dormant company. UU Services Limited has started to trade as a food retail outlet but was dormant at the year end. UUF Limited (formerly NIEF Limited) became a subsidiary during the year. Its purpose is to receive funds from donors and to distribute them to the University. UUF Limited has been excluded from consolidation on grounds of immateriality.

All companies are 100% owned by the University and all except UUF Limited are consolidated in the Group financial statements.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

34 Joint Venture Information

The University has a joint venture with IRTU, Queens University of Belfast and Loughry College in Manufacturing Technology Partnership (MTP) Limited, a company limited by guarantee. Its principal place of business is located at Springvale Business Park, Belfast.

The University has a joint venture with the Belfast Institute of Further and Higher Education in SEV Limited, a company limited by guarantee. Its principal place of business is located at the University of Ulster, Belfast Campus.

	MTP Ltd Year Ended 31 December 2001 £000	SEV Ltd Year Ended 31 July 2002 £000
(Loss) for the year	(17)	(15)
Services supplied by the University	30	—
Services received by the University	5	—
Amount owed to the University at the Balance Sheet date	25	—
Amount owed by the University at the Balance Sheet date	—	—
Capital and Reserves as at year end	70	(15)

The nature of the services supplied by the University to MTP Limited relates to secondment of University staff.

The nature of the service received by the University from MTP Limited relates to its share of partner contributions.

Of these joint venture companies only SEV Limited has been included in the consolidated financial statements. MTP Limited has been excluded on the grounds of immateriality.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

35 Other Investments

The University holds 33% of the issued ordinary share capital of the University Challenge Fund. In addition, through UUTECH Limited, its wholly owned subsidiary, the University holds 25% of the issued share capital in Xentox Limited and CDC Limited. The University does not hold a participating interest in these entities and therefore accounts for them as investments.

The University has through its investment in subsidiary and associated companies holdings in the following companies:-

Gendel	9%
Lumio (formerly Mineit)	7%
8over8	0.8%
Sensory Technologies & Devices Ltd	10%
Binary Meetings Ltd	10%
Propertyfriend.com	10%
Pathcom Biotech Ltd	10%
Diabetica Ltd	15%
Eyesyfx Ltd	15%
EZ-DSP Ltd	8%
Gazer Technology Research Ltd	20%
Maxemus	15%

These investments are carried at £Nil cost and are not consolidated since no control is exercised over them.

36 Related Party Transactions

Due to the nature of the University's operations and the composition of the University's Council (being drawn from local public and private sector organisations), it is inevitable that transactions will 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 arms length and in accordance with the University's financial regulations and normal procurement procedures. Apart from the disclosures in Notes 33 to 35 above, no transactions were identified which require to be disclosed under Financial Reporting Standard 8: 'Related Party Disclosures'.