



ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year to 31 July 2011

Professional Education for Professional Life

www.ulster.ac.uk

UNIVERSITY OF ULSTER GROUP ACCOUNTS



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UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review

The University is an independent educational charity whose legal status derives from a Royal Charter granted in 1984.

The financial statements have been prepared on a consolidated basis and include the results of the University and its subsidiary companies as set out within Note 32.

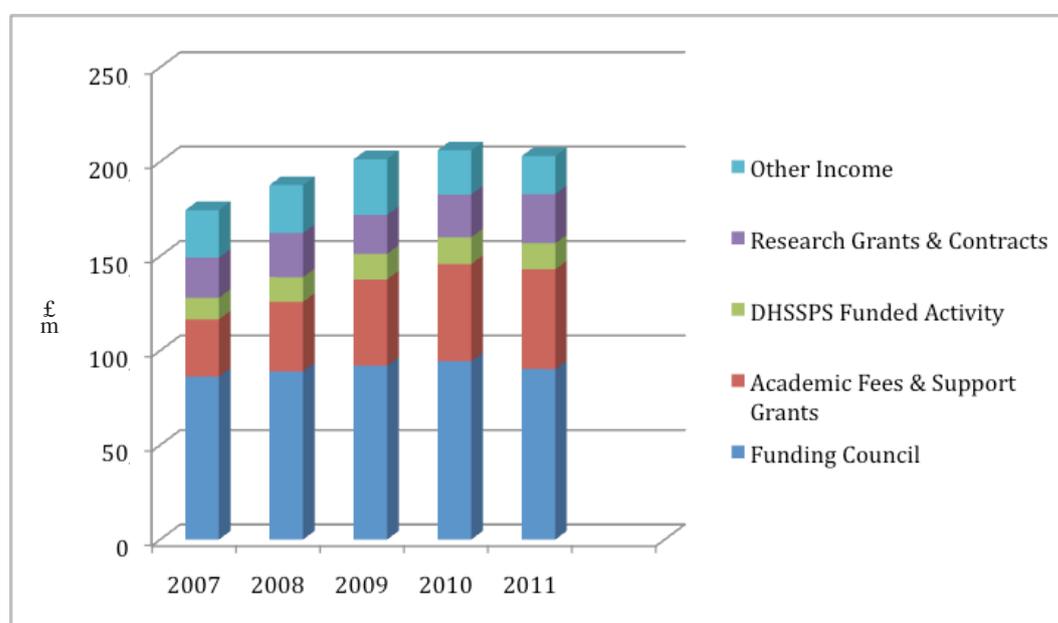
INCOME AND EXPENDITURE ACCOUNTS

Total income fell by 1% to £203m while total expenditure increased by 0.6% to £200m.

The Consolidated Income and Expenditure account shows:-

| | 2011 | 2010 |
|--|-------------|-------------|
| | £000 | £000 |
| Income | 202,944 | 205,064 |
| Expenditure | (200,078) | (198,915) |
| Surplus Transferred to Endowment Funds | (7) | (92) |
| Operating Surplus | 2,859 | 6,241 |
| Revaluation Reserve Return | 3,189 | 3,040 |
| Historical Cost Surplus | 6,048 | 9,281 |

The University's income comes from a number of sources as shown below:-



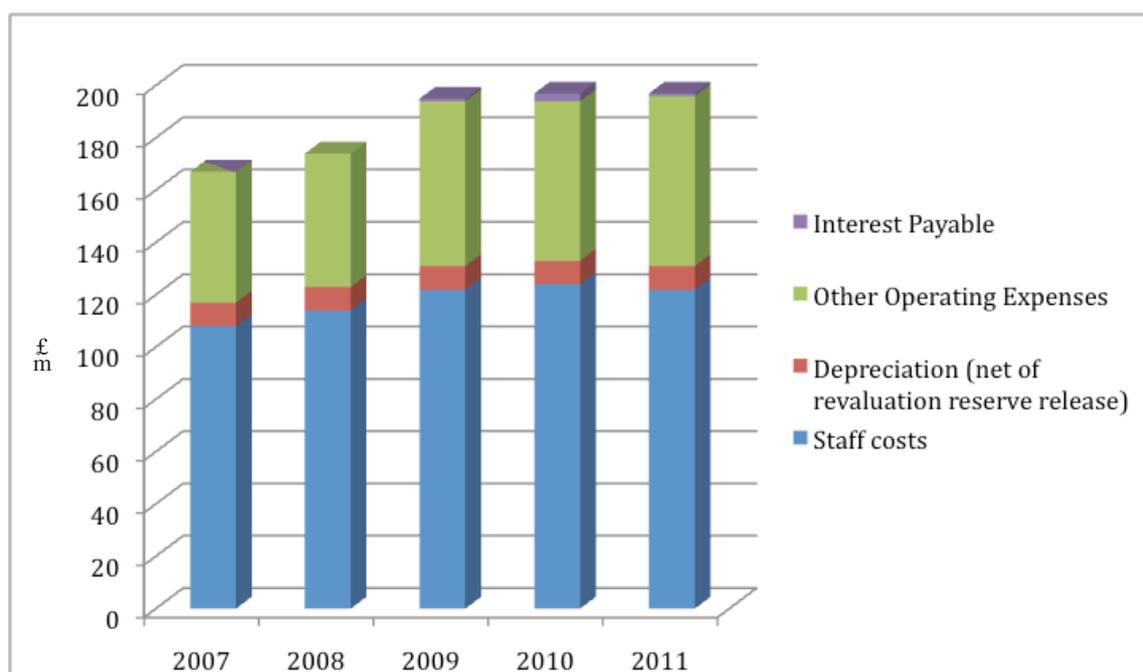
Funding Council Grants fell by 3.4% or £3m as a result of the ending of specific initiatives and the withdrawal of £1.85m as the first part of the Department for Employment and Learning's (DEL) 14% cash funding reduction over the next two years. In addition, Other Income fell by 11% or £3.9m due to reduced overall activity within the University's subsidiary companies (although they retained their rate of return) and delays in the commencement of the Higher Education Innovation Fund. Against this externally funded Research Grant activity increased by 16% or £3.5m, the main element being a £1.2m improvement in Research Council funded activity and £1.8m improvement in University Government Grants primarily relates to the development of the Northern Ireland Advanced Composites and Engineering Centre.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

The preceding analysis highlights the degree to which the University is facing funding pressure from both the reduction in central Department for Employment and Learning funding, the reduction in other government funding to support specific initiatives and from other commercial bodies as a result of the overall slow growth of the economy.

The University's expenditure is split into four categories:-



Overall expenditure is only 0.6% above the level reported in 2010. The reduction in staff costs is as a result of tight control over this expenditure category in 2010 and staff costs excluding the FRS17 adjustment and restructuring cost represents 60% of total income.

BALANCE SHEET AS AT 31 JULY 2011

The main feature of the Balance Sheet is the increase in net assets by £17.1m to reach £247m.

Cash and short term investments totalled £35.9m as at 31 July 2011. This is an increase of £18.3m compared to the previous year end. The increase in cash and short term investments is in line with the University's approved financial strategy to increase cash reserves by 1% of income per annum together with the build up in cash reserves to meet the University's contribution for the £254m Greater Belfast Development and reduce the level of bank debt finance which will be required to fund the building.

Fixed assets additions totalled £11.7m of which £4.7m related to the purchase of equipment and £7m of land and building additions mainly due to the completion of the Diamond refurbishment at Coleraine, high voltage infrastructure work and the ongoing development of the Greater Belfast project.

Net current assets increased by £9.3m to a year end position of £7m.

CASH FLOW FOR THE YEAR TO 31 JULY 2011

The University's Finance Strategy aims to generate a cash surplus of £10m from Operating Activity to support investment in capital works, improve the University's overall liquidity and create a cash reserve fund to support the Greater Belfast Development plans through increasing the self financing of this development and reducing the need for bank borrowings. For the year ended 31 July 2011 net cash of £31m was generated. The University invested £11.7m in capital asset additions with £9m received from government sources in support of these investments. As a consequence, the University's short term cash deposits increased from £17.7m to £35.9m. The University's liquidity ratio (current assets to annual expenditure excluding depreciation) at 26% reflects the planned accumulation of cash reserves.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

PENSION SCHEMES

The University participates in two multi-employer pension schemes, the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Pension Fund (NILGOSC). A small number of employees belong to two other schemes, the Teachers' Superannuation Scheme (TSS) and the Health and Personal Social Services Superannuation Scheme (HPSS). All these schemes are defined benefit schemes.

The USS scheme is unable to identify our share of the underlying assets and is therefore exempt from detailed reporting in the accounts in accordance with the relevant standard Financial Reporting Standard 17 (FRS17). The next triennial valuation is due from 31 March 2011 and the results of this are to-date outstanding. In the current year the Trustees of the scheme have approved a number of significant changes. These include the introduction of career average revalued earnings as the basis for benefits for all new entrants. The changes also include a standard retirement age based on the government's normal pension age, a higher rate contribution for existing members, a flexible retirement scheme and new cost sharing arrangements.

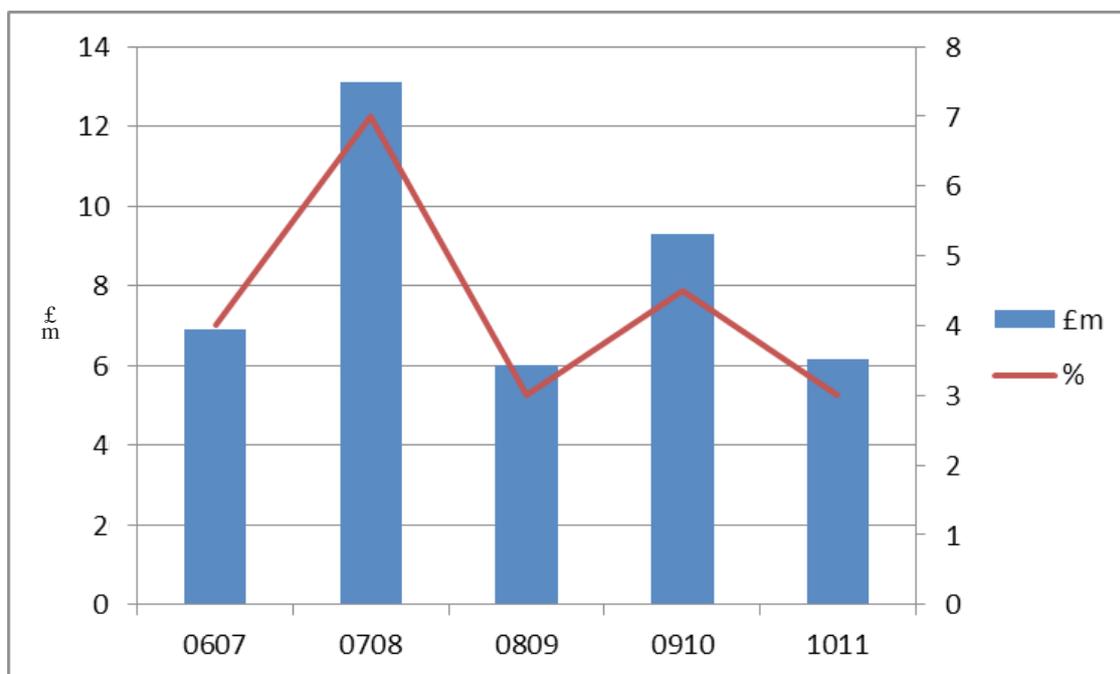
The NILGOSC scheme, against which the University is able to show its share of the underlying assets/liability, shows a FRS17 liability of £30.4m for the University of Ulster, down from £38m at the previous year end. This results in a £4.1m charge to the Income and Expenditure account of £3.3m against staff costs and £0.8m against interest payable.

FINANCIAL STRATEGY

Through the financial strategy the University aims to achieve sustainable overall finances, while providing continued funding for the ongoing capital development programme which aims to address historical under investment and under funding in the University's estate. Central to this is the redevelopment of Greater Belfast, the Magee Development plan and the consolidation of the physical estate on the Coleraine campus.

The finance strategy sets two key performance indicators. To achieve an annual operating surplus of between 1-3% of income and to achieve a cash surplus of 1% of total income.

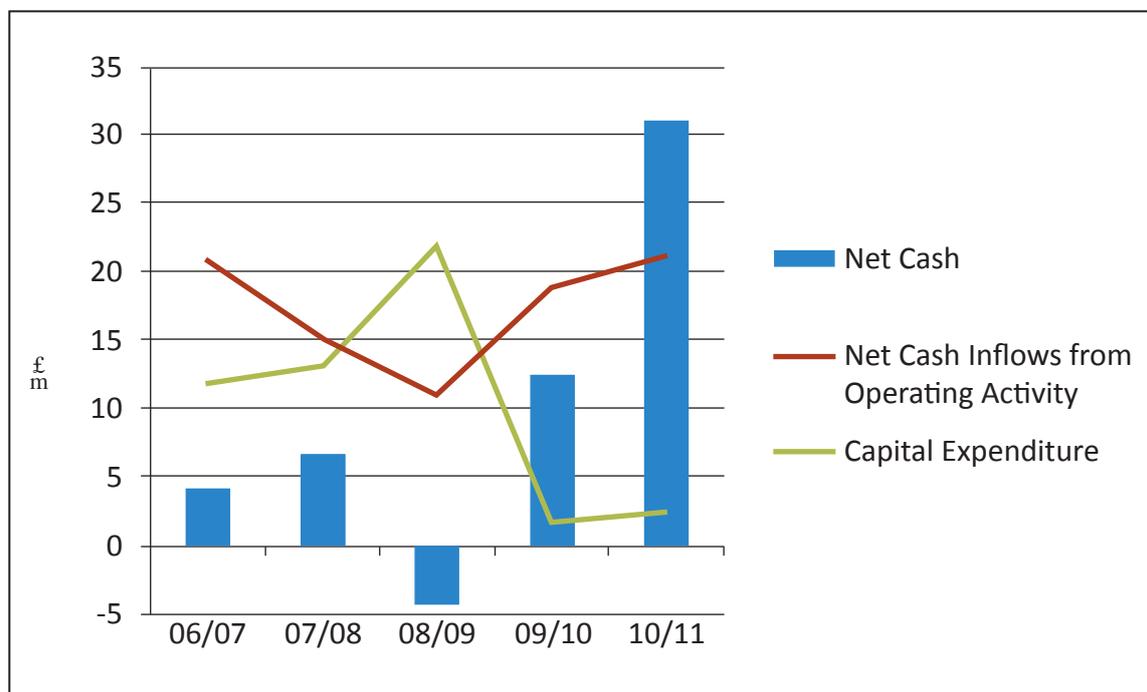
Rate of return update to 2011 from 2007:-



UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

The level of short term investments and cash is shown below:-



The reduction in cash balances in year ended 31 July 2009 reflects the purchase of land and buildings in that year to support the Greater Belfast Development.

FUTURE STRATEGY

The University has a revised Corporate Plan 2011/12 to 2015/16 which sets out two corporate goals under the following headings:

- Excellent, accessible teaching and learning
- Focused research, excellence and innovation

These are facilitated by one enabling goal:-

- A well led, healthy working and learning environment,

which aims to support the delivery of the University's vision of leading in the provision of professional education for professional life - <http://www.ulster.ac.uk/corporateplan/>.

This Corporate Plan is to be delivered during a period of diminishing government funding with the DEL block grant being reduced by a further £8.5m over the next two financial years on top of the £1.85m grant reduction imposed in the current financial year.

With regard to the Greater Belfast project, design consultants are engaged in the development and planning approval of this project. With regard to the North West development plans, the University continues to argue for the expansion in student numbers at Magee. However, no funding has been provided to support these expansion plans within the current DEL budget settlement.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

RISKS FOR THE COMING PERIOD

The University continues to actively manage risk as part of its embedded management control processes. The main financial risk for the future period principally relates to the ongoing challenging economic environment.

- Continued pressure on general government funding with a reduction in not only block grant funding but also the availability of other competitively bid sources of funding.
- Constraints in the growth of home and EU student numbers as a result of the MaSN cap which will increase pressure on places given the differential fee structure between Northern Ireland and the rest of Great Britain.
- Increased competition for overseas students as universities attempt to address cuts in domestic funding through increased overseas activity.
- Increased competition to attract part time students particularly as the economy continues to slow down.
- Implications for Ulster arising from the Research Excellence Framework.
- Pressure on the cost base with the need to address the diminishing funding levels while at the same time facing above inflation pressure on utilities.

These sector issues will continue to be addressed as the University delivers its vision as set out in the revised corporate plan.

PUBLIC BENEFIT

The University, as an independent educational charity whose legal status derives from a Royal Charter, is dedicated to the advancement of knowledge, learning and understanding in the service of society and seeks to make a positive impact on both its human and its physical environment at a local, regional and international level. Provosts on each campus have a remit which encompasses community relations and where possible they encourage and facilitate mutually beneficial relationships between students, staff and the local community.

Here at Ulster, we are keen to ensure that it is the ability to learn rather than the ability to pay which remains the basis on which students choose to come to this university. With this regard the University continues to demonstrate its commitment to widening access to higher education and an excellent track record in attracting students with both traditional educational backgrounds and those with non-traditional qualifications. The University continues to be ranked in the top 10 widening access institutions in the Sunday Times University guide.

University staff and students engage in a broad range of outreach activities, examples of which have been detailed below:-

Creative Change -Fostering Personal Development and Mutual Understanding through Creativity which is funded by the International Fund for Ireland is an innovative project looking at the benefits for schools, children, parents and carers from 10 primary schools in the Coleraine area, involving primary 1 and 2 teachers. In sharing creative educational experiences based on themes from the Foundation Stage Personal Development and Mutual Understanding curriculum. This programme also involves Ulster students on the PGCE programme.

A key theme of research within the **Computer Science Research Institute** is the development assisted living technologies. To support this work a number of laboratories have been created to ensure user groups with long term conditions of chronic pain, stroke and chronic heart failure can assess the suitability of products in helping them to lead more normal lives.

Within the **Business and Management Research Institute** work is ongoing to support the retail sector in rural areas to ensure that local owner/managers can improve service quality and meet the needs of the local consumers.

Across the Boundaries is a programme involving five primary and post primary schools in Northern Ireland and ten schools in the Republic of Ireland to enable pupils to participate in cross cultural educational programmes.

Within the School of Sports Studies, funded by the Coca Cola Foundation, "Sport for Life" was a programme aimed at encouraging primary school pupils to engage in physical activity. The success of this programme was recognised with the award of an Inspire Mark by the London organising committee for the Olympic Games, one of only three in Northern Ireland.

This is but a small list of the activities the University is engaged in as part of its ongoing public benefit work.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

The University through its Physical Resources Department also continues to manage the University's estate in an environmentally sustainable manner. In the current year this has resulted in the University achieving a 'first class' award and the most improved University in this year's People and Planet Green League, as well as being shortlisted in two award categories in the Green Gown Awards 2011.

CONCLUSION

Despite the in-year reduction in government funding it is pleasing that the Corporate Plan targets have been achieved and that the University continues to generate sufficient cash reserves to support its significant capital investment plans. Despite the very uncertain funding climate now ahead, the University is determined to continue to meet its financial targets which will allow it to continue to invest in its activities and facilities to meet the needs of both our staff and students. While the University faces considerable challenges in maintaining its level of income over future years, the University achieved its targets in 2010/11 and has developed robust Corporate Plan targets over the next 4 years to continue to operate in a financially sustainable manner.

Ms R PETERS-GALLAGHER, OBE
Honorary Treasurer

25 November 2011

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance Statement

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 structure its governance arrangements and 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 is provided by the Committee of University Chairs (CUC) from time to time. In line with the CUC's Governance Code of Practice, Council has adopted a Statement of Primary Responsibilities which is included on pages 12 to 13.

The University is an independent educational charity, 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 2007.

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 governing body and its members are charity trustees. It is responsible for setting the general strategic direction of the institution and for ensuring effective management and control of: finance, property, investments, structure, staffing and the general business of the University.

The Council has a membership of seventeen, the majority of whom are appointed from outside the University and from whom its Chairman and its Deputy Chairman must be drawn. The Chairman and Deputy Chairman hold positions as Pro-Chancellors of the University. An Honorary Treasurer is also appointed from amongst the external members of the Council. This office is currently held by Mrs R Peters-Gallagher. The Vice-Chancellor and the Students' Union President are ex-officio members and also included are four members of the staff of the University appointed by the Council on the recommendation of the Nominations Committee. None of the members receive any payment, apart from the reimbursement of expenses, for the work that they do for the University.

During 2010/11 the Members of the Council and up to the date of signing were:

Ex Officio members:

| | |
|-----------------------|------------------------------------|
| Mr G Mallon | Pro-Chancellor and Chairman |
| Dr J Harbison | Pro-Chancellor and Deputy Chairman |
| Ms R Peters-Gallagher | Honorary Treasurer |
| Professor RR Barnett | Vice-Chancellor |
| Mr A Kelly | President of the Students' Union |

Lay Members:

| | |
|----------------|--------------------------|
| Mrs M Clark | |
| Mr M Graham | (until 11 November 2010) |
| Mr J Hunter | |
| Ms R Kelly | |
| Mrs R Laird | |
| Mr J McDaid | (Deceased 7 July 2011) |
| Dr A M Telford | |
| Mr L Nellis | |

Staff members:

| |
|-----------------------|
| Mrs L Coulter |
| Mr L Fawcett |
| Professor J Gillespie |
| Mr P Quinn |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance Statement - Continued

- **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 and it is chaired by the Vice-Chancellor.
- **The Court** is a larger, mainly formal body representing the University's stakeholders. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a consultative forum where members of Court can raise any matters about the University. The majority of members are drawn from external organisations representative of the wider corporate, academic and societal interests of the University. Twenty-five of these bodies are nominated by the Council with the same number being nominated by the Senate. Membership also includes representatives of the staff of the University (both academic and non-academic) and the student body. The Court normally meets once a year to receive the annual report and financial statements of the University. It 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 require the approval of the Court before they can be submitted to the Privy Council.

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 DEL, as advised by the Higher Education Funding Council for England (HEFCE), the Vice-Chancellor is the designated Chief Accounting Officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the Northern Ireland Assembly.

The Council met seven times during 2010/11, including a joint meeting with the University's Senate. Certain functions of the Council are delegated to its committees. During 2010/11 the Committees comprised: Resources Committee; Strategy and Governance Committee; Audit Committee; Remuneration Committee; and Communications and External Affairs Committee (the latter includes members of Senate). The Nominations Committee is as a sub-committee of Strategy and Governance Committee.

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 decisions and recommendations of these committees are formally reported to the Council.

The **Resources Committee**, *inter alia*, recommends to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budget. The Committee also has oversight of matters pertaining to human resources including health and safety, estate strategy, the information technology strategy and the Students' Union.

The **Strategy and Governance Committee** reviews and makes recommendations to the Council on all matters pertaining to the instruments, articles, structures and effectiveness of institutional and subsidiary company governance; and on policy and legislative matters including risk management policy and strategy. The **Nominations Sub-Committee** is responsible to the Strategy and Governance Committee for reviewing the processes for and recommending 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 **Audit Committee** met six times during the year, with the University's internal auditors in attendance. The University's external auditors also attend all meetings of the Committee. The Committee considered detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation timescales. It also received and considered reports and advice from the Funding Council as they affect the University's business and monitor 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 meets both the external auditors and the internal auditors on their own for independent discussions at least once a year.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance Statement - Continued

In 2010/11 the Members of the Audit Committee were:

| | |
|---------------------|-------------------------|
| Mrs M Clark | (from 11 October 2010) |
| Mr J Hunter (Chair) | |
| Mrs R Laird | (until 11 October 2010) |
| Mr J McDauid | (Deceased 7 July 2011) |
| Mr L Nellis | |
| Dr A M Telford | |

The **Remuneration Committee** reviews annually the performance-related 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 higher education sector for a wide variety of senior posts.

The **Communications and External Affairs Committee** has oversight of the development fund-raising strategy; internal and external communication strategies and public relations; and the marketing strategy for the range of the University's activities.

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, Provosts, 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 executive structure of the University is represented by the Senior Management Group (SMG) which comprises the Vice-Chancellor, Pro-Vice-Chancellors, Provosts, Deans of Faculty and Administrative Directors which meets monthly. The SMG refers matters for decision to Council or Senate (or the relevant committees thereof). There is also a Vice-Chancellor's Advisory Group (VCAG) which reports to the SMG and which meets regularly to progress operational matters. Both the SMG and the VCAG 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 and Legal Services. The Register is available at all meetings of the Council.

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Internal Control

As the governing body of the University of Ulster, we, the Council, have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst 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 DEL.

The Council is of the view that there is an ongoing process for identifying 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. Those procedures have been in place for the year ended 31 July 2011.

Council reviews the systems of internal control on an ongoing basis and the following actions have been taken in relation to the risk management policy and for reviewing the effectiveness of the systems of internal control:

- The Council met seven times in the year to consider the strategic direction and plans of the University and to monitor performance against those plans;
- There is clear definition of the responsibilities of and authority delegated to committees of the Council and the executive;
- A Corporate Risk Register, which incorporates the key risks at institutional level, is maintained;
- The Senior Management Group, the University's designated Risk Management Committee, formally reviews and assesses corporate risks bi-annually;
- All faculties and departments, as part of their planning, maintain and review bi-annually their risk registers and provide, annually, signed stewardship statements confirming their adherence to the risk management policy and process;
- The Council reviews bi-annually progress on the implementation of the Integrated Corporate Programme which combines the University's key annual activities and key performance indicators with corporate risk management and assessment;
- A report on risk management is submitted to the Council annually in November;
- The Audit Committee receives reports from the independent Internal Auditors on the adequacy and effectiveness of the University's systems of internal control with recommendations, as appropriate, for improvements; and
- The University's Corporate Plan 2006/07 – 2010/11, adopted by the Council in June 2006 sets the framework of strategic aims and objectives against which risks are assessed and performance is monitored and reported.

In addition to these, other actions were taken in-year to enhance internal control:

- The Council and The Senate met in Spring 2011 to jointly consider the University's strategy and development plans and associated risks and opportunities;
- The Council and the Audit Committee continue to monitor closely the effectiveness and timeliness of actions to address weaknesses in the Information Technology control environment identified by the internal audit service in late 2008/09. Significant progress was made during 2009/10 to address these deficiencies and this progress continued throughout the 2010/11 year. The executive introduced further structural changes during 2010/11 to address the residual issues. Council approved an IT Strategy in April 2011 and detailed work plans, linking staff resources to financial resources, have been developed to deliver the strategy. The Council and Audit Committee are satisfied that the executive are working through robust action plans to ensure effective control of the Information Technology control environment.

The work of the internal audit service has been informed by an analysis of the operational, business and financial risks to which the University is exposed and upon which internal audit activity for 2010/11 was based. The internal audit service operates to standards defined in the HEFCE Accountability and Audit Code of Practice and submits regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal controls, together with recommendations for improvement.

Our reviews 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 year-end management letter and other reports. The Audit Committee monitors the effectiveness of the systems of internal control on Council's behalf. Any system of internal control can, however, only provide reasonable, but not absolute assurance against material loss or misstatement.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of the Council's Responsibilities

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 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;
- judgments 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; and
- 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; and
- 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; and
- 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

University of Ulster Council Statement of Primary Responsibilities

| STRATEGY | STEWARDSHIP | GOVERNANCE |
|---|---|--|
| <p>The determination of the character and values of the University through providing initial strategic direction and approving the strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of the University community and stakeholders.</p> | <p>To ensure the establishment, Resourcing and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.</p> | <p>To ensure that the University's Charter and Statutes are followed at all times and that appropriate advice is available to enable this to happen.</p> |
| <p>To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the Corporate Plan and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions; and in this regard to cooperate with the Senate in respect of teaching and learning, research and technology and knowledge transfer activities.</p> | <p>To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the university's assets, property and estate.</p> | <p>To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.</p> |
| <p>In conjunction with the Senate to promote student engagement and a positive student experience at Ulster.</p> | <p>To make such provision as it thinks fit for the general welfare of students, in consultation with the Senate.</p> | <p>To ensure that the procedures in place for managing students, including disciplinary procedures are fair and equitable.</p> |
| <p>To establish processes to monitor and evaluate the performance and effectiveness of the Council.</p> | <p>To regularly review the effectiveness of the Council and its committees.</p> | <p>To appoint a secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.</p> |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

University of Ulster Council

Statement of Primary Responsibilities - Continued

| STRATEGY | STEWARDSHIP | GOVERNANCE |
|--|---|--|
| <p>To be the employing authority for all staff in the University and to be responsible for the establishment of a human resources strategy, ensuring the University has non discriminatory systems in place to provide diversity and equality of opportunity for staff, students and applicants as well as setting clear direction for leadership and staff development.</p> | <p>To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.</p> | <p>To safeguard the good name and values of the University.</p> |
| <p>To establish such other strategies, including financial, estates and ICT, as are necessary to the achievement of the University's strategic aims.</p> | <p>To ensure the University's long-term sustainability.</p> | <p>To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal and regulatory obligations, including those arising from contracts and other legal commitments made in the University's name.</p> |
| <p>To appoint the head of the University as Vice-Chancellor and accounting officer, and to put in place suitable arrangements for monitoring his/her performance.</p> | | <p>To delegate authority to the head of the University, as Vice-Chancellor and accounting officer, for the academic, corporate, financial, estate and human resource management of the University and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the University.</p> |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE UNIVERSITY OF ULSTER

We have audited the group and parent financial statements (the "financial statements") of the University of Ulster for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of the Council's Responsibilities set out on pages 11-13 the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with the Charters and Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the University of Ulster's website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and University's affairs as at 31 July 2011 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the University's statutes; and
- funds provided by the Department for Employment and Learning have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Independent Auditors' Report - Continued

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Belfast
25 November 2011

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 for Further and Higher Education” 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. 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 because the University does not control those activities.

3. Recognition of income

Income from specific endowments and donations, research grants and 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 University’s Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund. (NILGOSC). 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.

It is not possible to identify the University’s share of underlying assets and liabilities in the USS scheme. As such, contributions made to the scheme are treated as if it were a defined contribution scheme and charged to the Income and Expenditure Account.

The NILGOSC scheme is a multi employer scheme and the underlying assets and liabilities are disclosed in the Balance Sheet. The difference between the market value of the scheme’s assets and the actuarially assessed present value of the scheme’s liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet.

The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements granted to members during the year.

A small number of University employees are members of two other schemes, the Teachers’ Superannuation Scheme (TSS) and the Health and Personal Social Services Superannuation Scheme (HPSS). Both of these are defined contribution schemes and contributions are charged in the Income and Expenditure Account in the year in which they become payable.

The expected return on the pension scheme’s assets during the year and the increase in the scheme’s liabilities due to the unwinding of the discount during the year are shown as financing costs in the income and expenditure account.

Any difference between the expected return on assets and that actually achieved and any changes in the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

6. Freehold land and buildings

The University has adopted the transitional arrangements under FRS15; Tangible Fixed Assets and is retaining the carrying value of land and buildings at the 30 June 1999 valuation figure (as amended to reflect any impairment in value). For the purposes of identifying any impairment a desktop valuation is performed annually, supported by a periodic formal valuation. Any impairment in value is recognized in the year. The basis of the formal valuation used is depreciated replacement cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. 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 University's valuers, on average 40 years.

Pending the transfer of the Jordanstown campus to Belfast, the value of the land and buildings at Jordanstown is reviewed against the market value annually and any impairment is written off in the year.

7. Assets Under Construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

8. Equipment

Equipment, including software and related software development costs, costing less than £10,000 per individual item or group of related items, is written off in the year of acquisition.

All other equipment including software and related development costs are capitalised. Capitalised equipment (other than research grant equipment) is stated at cost and depreciated over its expected useful life, assumed to be four years. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

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 of non-research equipment.

9. Deferred capital grants

Where tangible 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.

10. Fixed Asset Investments

The University's Endowment Fund is included in the Balance Sheet at market value and is administered by an external fund manager. Investments in subsidiary companies are shown at the lower of cost and net realizable value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

11. Stocks

Stocks, which are generally consumable in nature, are expensed to the Income and Expenditure account in the year of purchase.

12. Provision for bad debts

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

13. 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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

14. 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. The subsidiaries of the University have no charitable status and are therefore liable to Corporation Tax.

15. 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 short 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.

16. Endowment Funds

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:-

Restricted permanent endowments – the capital fund is maintained (and is therefore restricted) but the income thereon can be applied to the general purposes of the institution and is therefore unrestricted.

Unrestricted permanent endowments – these are expendable at the discretion of the University with no requirements that capital be maintained.

Expendable endowments – where trustees have the power of discretion to convert endowed capital into income.

17. Subsidiary Accounting Policies

The subsidiaries of the University follow the accounting policies of the University.

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Income and Expenditure Account
for the Year ended 31 July 2011

| | Note | Group 2011 £000 | Group 2010 £000 |
|---|------|-----------------------|-----------------------|
| Income - continuing operations | | | |
| Funding Body Grants | 1 | 90,290 | 93,441 |
| Tuition Fees and Education Contracts | 2 | 52,796 | 51,487 |
| Research Grants and Contracts | 3 | 26,051 | 22,564 |
| Other Income | 4 | 33,301 | 37,299 |
| Endowment and Investment Income | 5 | 506 | 273 |
| Total Income | | 202,944 | 205,064 |
| Expenditure - continuing operations | | | |
| Staff Costs | 6 | 122,906 | 123,959 |
| Depreciation | 10 | 12,332 | 11,656 |
| Other Operating Expenses | 7 | 63,751 | 60,657 |
| Interest and Other Finance Costs | 8 | 1,089 | 2,643 |
| Total Expenditure | | 200,078 | 198,915 |
| Surplus after depreciation of assets at valuation before and after tax | | 2,866 | 6,149 |
| (Surplus)/Deficit transferred to accumulated income in endowment funds | | (7) | 92 |
| Surplus retained within Income and Expenditure Reserve | | 2,859 | 6,241 |

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 | 3,189 | 3,040 |
| Historical cost surplus before and after tax | 6,048 | 9,281 |

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2011

| | Group 2011 | University 2011 | Group 2010 | University 2010 |
|--|---------------|--------------------|-----------------|--------------------|
| Note | £000 | £000 | £000 | £000 |
| Fixed Assets | | | | |
| Tangible Assets | 10 | 268,044 | 274,572 | 268,640 |
| Investments | 11 | 2,838 | 1,030 | 2,858 |
| | | <u>270,882</u> | <u>275,602</u> | <u>271,498</u> |
| Total Assets | | | <u>271,498</u> | <u>276,750</u> |
| | | | | |
| Endowment Assets..... | 12 | 4,367 | 4,367 | 3,839 |
| | | <u>4,367</u> | <u>4,367</u> | <u>3,839</u> |
| Current Assets | | | | |
| Debtors | 13 | 12,780 | 16,786 | 11,733 |
| Short Term Deposits | | 35,913 | 31,626 | 17,663 |
| | | <u>48,693</u> | <u>48,412</u> | <u>29,396</u> |
| Total current assets | | | <u>29,396</u> | <u>29,701</u> |
| | | | | |
| Creditors: Amounts Falling Due Within One Year | 14 | (41,136) | (40,234) | (31,719) |
| Provision for Liabilities | 15 | (570) | (570) | — |
| | | <u>(41,706)</u> | <u>(40,804)</u> | <u>(31,719)</u> |
| | | | <u>(31,719)</u> | <u>(31,174)</u> |
| | | | | |
| Net Current Assets/(Liabilities) | | <u>6,987</u> | <u>7,608</u> | <u>(2,323)</u> |
| | | | <u>(2,323)</u> | <u>(1,473)</u> |
| | | | | |
| Total Assets Less Current Liabilities | | 282,236 | 287,577 | 273,014 |
| | | | 273,014 | 279,116 |
| | | | | |
| Creditors: Amounts Falling Due After More Than One Year | 16 | (4,830) | (4,830) | (5,002) |
| | | <u>(4,830)</u> | <u>(4,830)</u> | <u>(5,002)</u> |
| | | | | |
| Net Assets excluding Pension Liability | | 277,406 | 282,747 | 268,012 |
| | | | 268,012 | 274,114 |
| | | | | |
| Net Pension Liability | 30 | (30,377) | (30,377) | (38,123) |
| | | <u>(30,377)</u> | <u>(30,377)</u> | <u>(38,123)</u> |
| | | | | |
| Net Assets including Pension Liability | | 247,029 | 252,370 | 229,889 |
| | | | 229,889 | 235,991 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2011 - Continued

| | Group 2011 | University 2011 | Group 2010 | University 2010 | |
|---------------------------------|---------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Note | £000 | £000 | £000 | £000 | |
| Deferred Capital Grants | 17 | <u>94,529</u> | <u>94,166</u> | <u>89,823</u> | <u>89,760</u> |
| Endowment Fund | | | | | |
| Permanent | 18 | <u>3,627</u> | <u>3,627</u> | <u>3,088</u> | <u>3,088</u> |
| Expendable | 18 | <u>740</u> | <u>740</u> | <u>751</u> | <u>751</u> |
| Total Endowments | | <u>4,367</u> | <u>4,367</u> | <u>3,839</u> | <u>3,839</u> |
| Reserves | | | | | |
| Income and Expenditure Account | | | | | |
| Excluding Pension Reserve | 21 | <u>89,078</u> | <u>95,920</u> | <u>81,936</u> | <u>89,032</u> |
| Pension Reserve | 20 | <u>(30,377)</u> | <u>(30,377)</u> | <u>(38,123)</u> | <u>(38,123)</u> |
| Income and Expenditure Reserve | | | | | |
| Including Pension Reserve | | <u>58,701</u> | <u>65,543</u> | <u>43,813</u> | <u>50,909</u> |
| Revaluation Reserve | 19 | <u>89,432</u> | <u>88,294</u> | <u>92,414</u> | <u>91,483</u> |
| Total Reserves..... | | <u>148,133</u> | <u>153,837</u> | <u>136,227</u> | <u>142,392</u> |
| Total Funds | | <u>247,029</u> | <u>252,370</u> | <u>229,889</u> | <u>235,991</u> |

The Financial Statements on pages 16 to 48 were approved by the Council on 25 November 2011 and signed on its behalf by:

Ms Rosemary Peters-Gallagher, OBE Honorary Treasurer

Mr P W Hope

Chief Finance and Information Officer

Professor R R Barnett

Vice Chancellor and Chief Accounting Officer

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Cash Flow Statement for the Year Ended 31 July 2011

| | Note | Group 2011 £000 | Group 2010 £000 |
|--|------|-----------------------|-----------------------|
| Net Cash Inflow from Operating Activities | 24 | 21,145 | 18,820 |
| Returns on Investments and Servicing of Finance | 25 | 243 | (18) |
| Capital Expenditure | 26 | (2,513) | (1,695) |
| Cash Inflow before Management of Liquid Resources | | <u>18,875</u> | <u>17,107</u> |
| Management of Liquid Resources | 27 | (18,539) | (16,886) |
| Financing..... | 28 | (163) | (180) |
| Increase in Cash in the year | 29 | <u>173</u> | <u>41</u> |

Reconciliation of Net Cash Flow to Movement in Net Funds

| | Note | Group 2011 £000 | Group 2010 £000 |
|---------------------------------------|------|-----------------------|-----------------------|
| Increase in Cash in the year | | 173 | 41 |
| Increase in Short Term Deposits | 27 | 18,250 | 16,551 |
| Decrease in bank loans | 28 | 163 | 180 |
| Change in Net Funds..... | | <u>18,586</u> | <u>16,772</u> |
| Net Funds at 1 August..... | | <u>12,486</u> | <u>(4,286)</u> |
| Net Funds at 31 July | 29 | <u>31,072</u> | <u>12,486</u> |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Consolidated Statement of Total Recognised Gains and Losses

| | Note | Group 2011 £000 | Group 2010 £000 |
|---|------|-----------------------|-----------------------|
| Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax..... | | 2,859 | 6,241 |
| Unrealised gains on investments..... | 19 | 207 | 108 |
| Endowment income retained/released for year..... | 18 | 7 | (92) |
| Appreciation of endowment asset investments | 18 | 303 | 518 |
| Actuarial gain in respect of pension schemes..... | 20 | 8,840 | 14,340 |
| Net additions from endowment asset investments..... | 18 | 218 | 108 |
| Total recognised gains relating to the year | | 12,434 | 21,252 |
| Reconciliation of movement in reserves and endowments | | | |
| Opening reserves and endowments | | 140,066 | 118,814 |
| Total recognised gains for the year | | 12,434 | 21,252 |
| Closing reserves and endowments | | 152,500 | 140,066 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts

| | | Group 2011 | Group 2010 |
|-------------|--|-----------------------|-----------------------|
| | | £000 | £000 |
| Note | | | |
| 1 | Funding Body Grants | | |
| | Recurrent Grant | 88,559 | 91,379 |
| | Specific Grants | | |
| | Special Initiatives | 51 | 149 |
| | Deferred Capital Grants Released in Year (Note 17) | | |
| | Buildings | 1,408 | 1,381 |
| | Equipment | 272 | 532 |
| | | 90,290 | 93,441 |
| | | | |
| | | Group 2011 | Group 2010 |
| | | £000 | £000 |
| 2 | Tuition Fees and Education Grants | | |
| | Full-time students..... | 43,818 | 42,624 |
| | Full-time students charged overseas fees..... | 3,235 | 3,112 |
| | Part-time fees | 4,682 | 4,806 |
| | Short Course Fees | 1,061 | 945 |
| | | 52,796 | 51,487 |
| | | | |
| | | Group 2011 | Group 2010 |
| | | £000 | £000 |
| 3 | Research Grants and Contracts | | |
| | Research Councils..... | 8,415 | 7,268 |
| | UK Charities | 998 | 1,412 |
| | EU Government | 2,463 | 1,988 |
| | UK Central Government | 10,315 | 8,467 |
| | Overseas (Non-EU) | 321 | 454 |
| | Health and Hospital Authorities | 423 | 346 |
| | Other Sources | 3,116 | 2,629 |
| | | 26,051 | 22,564 |
| | | | |
| | | Group 2011 | Group 2010 |
| | | £000 | £000 |
| 4 | Other Income | | |
| | Residences, Catering and Conferences | 3,509 | 4,067 |
| | Other Services Rendered..... | 3,386 | 6,194 |
| | Other Income | 12,599 | 12,820 |
| | Allied Health Professions Training | 13,807 | 14,218 |
| | | 33,301 | 37,299 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| Note | Group 2011 £000 | Group 2010 £000 |
|--|-------------------------|-------------------------|
| 5 Endowment and Investment Income | | |
| Income from Expendable Endowments | 23 | 32 |
| Income from Permanent Endowments | 101 | 100 |
| Income from Short Term Investments | 382 | 141 |
| | 506 | 273 |
| | | |
| | Group 2011 £000 | Group 2010 £000 |
| 6 Staff Costs | | |
| Wages and Salaries..... | 100,678 | 101,316 |
| Social Security Costs | 7,561 | 7,633 |
| Other Pension Costs (Note 30) | 14,667 | 15,010 |
| | 122,906 | 123,959 |
| | | |
| | Group 2011 £000 | Group 2010 £000 |
| Emoluments of the Vice-Chancellor | | |
| Salary | 183 | 193 |
| Benefits | 26 | 25 |
| Pension contributions to USS | 32 | 33 |
| | 141 | 151 |
| | | |
| Excluding the Vice-Chancellor, remuneration of other Higher Paid Staff, including employer's pension contributions was in the following bands:- | Group 2011 Number | Group 2010 Number |
| £100,000 - £109,999 | 2 | 4 |
| £110,000 - £119,999..... | 1 | 2 |
| £120,000 - £129,999 | 4 | 6 |
| £130,000 - £139,999 | 2 | 1 |
| | | |
| The average weekly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:- | | |
| Academic | 1,207 | 1,202 |
| Technical | 192 | 200 |
| Administrative..... | 485 | 495 |
| Other including Clerical and Manual..... | 895 | 940 |
| | 2,779 | 2,837 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| 7 Other Operating Expenses | Group 2011 | Group 2010 |
|--|---------------|---------------|
| | £000 | £000 |
| Residences, Catering and Conferences | 1,733 | 2,115 |
| Consumables and laboratory expenditure | 3,848 | 3,608 |
| Equipment not capitalised | 1,561 | 2,506 |
| Books and periodicals | 3,036 | 3,072 |
| Fellowships, scholarships and prizes | 181 | 358 |
| Rates | 4,221 | 2,803 |
| Heat, light, water and power | 3,942 | 4,428 |
| Long term maintenance | 7,567 | 8,449 |
| Grants to University of Ulster Students' Union | 1,096 | 1,057 |
| External Auditors' remuneration | 55 | 52 |
| External Auditors' remuneration in respect of non-audit services | 10 | 9 |
| Internal Auditors' remuneration | 136 | 87 |
| Printing and stationery | 1,171 | 1,306 |
| Travel, subsistence and hospitality | 5,099 | 5,189 |
| Miscellaneous academic support | 1,514 | 1,723 |
| Telephone and postage | 1,032 | 1,152 |
| Research sub-contracting | 2,361 | 820 |
| Legal and professional fees | 6,659 | 7,290 |
| Advertising and publicity | 598 | 941 |
| Student Support | 16,268 | 11,987 |
| Other expenses | 1,663 | 1,705 |
| | 63,751 | 60,657 |
| | | |
| 8 Interest and Other Finance Costs | Group 2011 | Group 2010 |
| | £000 | £000 |
| Net payable on pension assets | 826 | 2,352 |
| Loans not wholly repayable within five years | 263 | 291 |
| | 1,089 | 2,643 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

9 Analysis of 2011 Expenditure by Activity

| | Staff Costs | Depreciation | Other Operating Expenses | Interest and other Finance Costs | Total |
|--|----------------|---------------|--------------------------------|--|-----------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Academic Departments | 74,243 | 706 | 7,991 | — | 82,940 |
| Academic Services | 12,367 | 1,486 | 5,628 | — | 19,481 |
| Research Grants & Contracts | 8,279 | 1,078 | 11,604 | — | 20,961 |
| Residences, Catering & Conferences | 2,302 | 74 | 2,288 | — | 4,664 |
| Premises | 6,572 | 7,879 | 12,046 | 263 | 26,760 |
| Administration | 14,532 | 1,109 | 19,707 | — | 35,348 |
| Other Expenses | 4,611 | — | 4,487 | 826 | 9,924 |
| | <u>122,906</u> | <u>12,332</u> | <u>63,751</u> | <u>1,089</u> | <u>200,078</u> |

£000

The depreciation charged has been funded by:-

| | |
|--|---------------|
| Release from Deferred Capital Grants | 2,257 |
| Release from Research Grants and Contracts | 2,014 |
| Release from Revaluation Reserve (Note 19) | 3,189 |
| General income | 4,872 |
| | <u>12,332</u> |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

10 Tangible Assets (Group)

| | Freehold Land & Buildings | Construction In Progress | Equipment | Total |
|--------------------------|---------------------------------|-----------------------------|---------------|----------------|
| | £000 | £000 | £000 | £000 |
| Valuation or cost | | | | |
| At 1 August 2010 | | | | |
| Valuation | 127,808 | — | — | 127,808 |
| Cost | 198,307 | 1,345 | 42,433 | 242,085 |
| Additions at Cost..... | 13 | 7,004 | 4,719 | 11,736 |
| Transfer CIP | 4,158 | (4,158) | — | — |
| Disposals | | | | |
| At 31 July 2011 | | | | |
| Valuation | 127,808 | — | — | 127,808 |
| Cost | 202,478 | 4,191 | 47,152 | 253,821 |
| Total | 330,286 | 4,191 | 47,152 | 381,629 |
| Depreciation | | | | |
| At 1 August 2010 | | | | |
| At 1 August 2010 | 69,031 | — | 32,222 | 101,253 |
| Charge for Year | 7,857 | — | 4,475 | 12,332 |
| Disposals | | | | |
| At 31 July 2011 | 76,888 | — | 36,697 | 113,585 |
| Net Book Value | | | | |
| At 31 July 2011 | 253,398 | 4,191 | 10,455 | 268,044 |
| At 31 July 2010 | 257,084 | 1,345 | 10,211 | 268,640 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Accounts - Continued

10 Tangible Assets (University)

| | Freehold Land & Buildings | Construction In Progress | Equipment | Total |
|---------------------------------|--|-------------------------------------|------------------|-----------------------|
| | £000 | £000 | £000 | £000 |
| Valuation or cost | | | | |
| At 1 August 2010 | | | | |
| Valuation | 127,808 | — | — | 127,808 |
| Cost | 205,442 | 1,345 | 43,139 | 249,926 |
| Additions at Cost..... | 13 | 7,004 | 4,388 | 11,405 |
| Transfer CIP | 4,158 | (4,158) | — | — |
| Disposals | | | | |
| At 31 July 2011 | | | | |
| Valuation | 127,808 | — | — | 127,808 |
| Cost | 209,613 | 4,191 | 47,527 | 261,331 |
| | <u>337,421</u> | <u>4,191</u> | <u>47,527</u> | <u>389,139</u> |
| Accumulated Depreciation | | | | |
| At 1 August 2010 | | | | |
| | 69,274 | — | 32,990 | 102,264 |
| Charge for Year | 7,857 | — | 4,446 | 12,303 |
| At 31 July 2011..... | <u>77,131</u> | <u>—</u> | <u>37,436</u> | <u>114,567</u> |
| Net Book Value | | | | |
| At 31 July 2011..... | 260,290 | 4,191 | 10,091 | 274,572 |
| At 31 July 2010 | 263,976 | 1,345 | 10,149 | 275,470 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| | Group 2011 | University 2011 | Group 2010 | University 2010 |
|--|-----------------------|----------------------------|-----------------------|----------------------------|
| | £000 | £000 | £000 | £000 |
| 11 Fixed Asset Investments | | | | |
| Investment in University Challenge Fund... | — | — | 250 | 250 |
| Investment through Innovation Ulster Limited | 2,838 | — | 2,608 | — |
| Investment in Innovation Ulster Limited | — | 1,030 | — | 1,030 |
| | <u>2,838</u> | <u>1,030</u> | <u>2,858</u> | <u>1,280</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.

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

Innovation Ulster Limited investment movement during the year:-

| | Cost | Revaluation | Valuation |
|--|---------------------|---------------------|---------------------|
| | £000 | £000 | £000 |
| At 1 August..... | 1,976 | 882 | 2,858 |
| Investments made at cost..... | 267 | — | 267 |
| Investments realised | (421) | — | (421) |
| Revaluation..... | — | 255 | 255 |
| Provision for impairment in value..... | (73) | (48) | (121) |
| At 31 July..... | <u>1,749</u> | <u>1,089</u> | <u>2,838</u> |

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Accounts - Continued

| | | Group and University | | | |
|-----------|--|-----------------------------|-------------------|--------------|-------------------|
| | | 2011 | 2010 | | |
| | | £000 | £000 | | |
| 12 | Endowment Assets | | | | |
| | Balance at 1 August | 3,839 | 3,276 | | |
| | New endowments | 218 | 137 | | |
| | Increase in market value of investments | 303 | 517 | | |
| | Income generated less expenditure..... | 7 | (91) | | |
| | Balance at 31 July | 4,367 | 3,839 | | |
| | Investments held at the end of the year are detailed as follows: | | | | |
| | Securities | 4,206 | 3,851 | | |
| | Cash at bank held for endowment funds | 161 | (12) | | |
| | Total Endowment Assets | 4,367 | 3,839 | | |
| | | | | | |
| 13 | Debtors | Group | University | Group | University |
| | | 2011 | 2011 | 2010 | 2010 |
| | | £000 | £000 | £000 | £000 |
| | Trade debtors | 11,599 | 11,087 | 10,328 | 9,367 |
| | Amounts owed by group undertakings | — | 4,403 | — | 2,438 |
| | Prepayments and accrued income . | 1,181 | 1,296 | 1,405 | 1,340 |
| | | 12,780 | 16,786 | 11,733 | 13,145 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| 14 Creditors: Amounts Falling Due within One Year | Group 2011 £000 | University 2011 £000 | Group 2010 £000 | University 2010 £000 |
|---|-----------------------|----------------------------|-----------------------|----------------------------|
| Bank loans and overdrafts | 172 | 172 | 163 | 1,146 |
| Trade creditors | 28,664 | 27,840 | 23,633 | 22,190 |
| Taxation and social security | 4,141 | 4,141 | 4,285 | 4,285 |
| Accruals | 8,159 | 8,081 | 3,638 | 3,553 |
| | 41,136 | 40,234 | 31,719 | 31,174 |

15 Provisions for liabilities include the following:

- (i) an amount of £570k in respect of costs of redundancy and early retirement funding costs.

| 16 Creditors: Amounts Falling Due after more than One Year | Group 2011 £000 | University 2011 £000 | Group 2010 £000 | University 2010 £000 |
|--|-----------------------|----------------------------|-----------------------|----------------------------|
| Bank loans | 4,830 | 4,830 | 5,002 | 5,002 |

| Bank loans and overdrafts Amounts falling due: | Group 2011 £000 | University 2011 £000 | Group 2010 £000 | University 2010 £000 |
|---|-----------------------|----------------------------|-----------------------|----------------------------|
| Less than one year (Note 14)..... | 172 | 172 | 163 | 1,146 |
| Between one and two years | 182 | 182 | 172 | 172 |
| Between two and five years..... | 616 | 616 | 575 | 575 |
| Greater than five years..... | 4,032 | 4,032 | 4,255 | 4,255 |
| | 5,002 | 5,002 | 5,165 | 6,148 |

A fixed rate loan is secured by a negative pledge on a portion of land on the Jordanstown campus.

All bank loans >5 years are repayable by instalments.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| 17 Deferred Capital Grants - Group | Department for Employment and Learning | Other Grants | 2011 Total | 2010 Total |
|------------------------------------|--|-----------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| At 1 August | | | | |
| Buildings | 53,317 | 35,437 | 88,754 | 82,589 |
| Equipment | 273 | 796 | 1,069 | 2,136 |
| Total | 53,590 | 36,233 | 89,823 | 84,725 |
| Cash Received | | | | |
| Buildings | 8,037 | — | 8,037 | 9,081 |
| Equipment | — | 968 | 968 | 381 |
| Total | 8,037 | 968 | 9,005 | 9,462 |
| Released to Income & Expenditure | | | | |
| Buildings | 1,408 | 1,491 | 2,899 | 2,916 |
| Equipment | 272 | 1,128 | 1,400 | 1,448 |
| Total | 1,680 | 2,619 | 4,299 | 4,364 |
| At 31 July | | | | |
| Buildings | 59,947 | 33,946 | 93,893 | 88,754 |
| Equipment | — | 636 | 636 | 1,069 |
| Total at 31 July | 59,947 | 34,582 | 94,529 | 89,823 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| 17 Deferred Capital Grants - University | Department for Employment and Learning | Other Grants | 2011 Total | 2010 Total |
|---|--|-----------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| At 1 August | | | | |
| Buildings | 53,318 | 35,435 | 88,753 | 79,842 |
| Equipment | 272 | 735 | 1,007 | 2,046 |
| Total | 53,590 | 36,170 | 89,760 | 81,888 |
| Cash Received | | | | |
| Buildings | 8,037 | — | 8,037 | 11,828 |
| Equipment | — | 639 | 639 | 381 |
| Total | 8,037 | 639 | 8,676 | 12,209 |
| Released to Income & Expenditure | | | | |
| Buildings | 1,408 | 1,491 | 2,899 | 2,917 |
| Equipment | 272 | 1,099 | 1,371 | 1,420 |
| Total | 1,680 | 2,590 | 4,270 | 4,337 |
| At 31 July | | | | |
| Buildings | 59,947 | 33,944 | 93,891 | 88,753 |
| Equipment | — | 275 | 275 | 1,007 |
| Total at 31 July | 59,947 | 34,219 | 94,166 | 89,760 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Accounts - Continued

18 Endowments - Group and University

| | Unrestricted Permanent | Restricted Permanent | Total Permanent | Restricted Expendable | 2011 Total | 2010 Total |
|--|-----------------------------------|---------------------------------|----------------------------|----------------------------------|-----------------------|-----------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balances at 1 August | | | | | | |
| Capital | 1,304 | 1,525 | 2,829 | 1,035 | 3,864 | 3,331 |
| Accumulated income/ expenditure | 91 | 168 | 259 | (284) | (25) | (55) |
| | <u>1,395</u> | <u>1,693</u> | <u>3,088</u> | <u>751</u> | <u>3,839</u> | <u>3,276</u> |
| New Endowments | — | 242 | 242 | (24) | 218 | 137 |
| Investment Income | 44 | 57 | 101 | 23 | 124 | 131 |
| Expenditure | 1 | 31 | 32 | 85 | 117 | (223) |
| | <u>43</u> | <u>26</u> | <u>69</u> | <u>(62)</u> | <u>7</u> | <u>(92)</u> |
| Increase in market value of investments | 98 | 130 | 228 | 75 | 303 | 518 |
| At 31 July | <u>1,536</u> | <u>2,091</u> | <u>3,627</u> | <u>740</u> | <u>4,367</u> | <u>3,839</u> |
| Represented by | | | | | | |
| Capital | 1,403 | 1,896 | 3,299 | 1,086 | 4,385 | 3,864 |
| Accumulated income/ (expenditure) | 133 | 195 | 328 | (346) | (18) | (25) |
| | <u>1,536</u> | <u>2,091</u> | <u>3,627</u> | <u>740</u> | <u>4,367</u> | <u>3,839</u> |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| 19 Revaluation Reserve | Group 2010 £000 | University 2010 £000 | Group 2009 £000 | University 2009 £000 |
|--|-----------------------|----------------------------|--|--|
| Gross Revaluation surplus | | | | |
| At 1 August | 141,224 | 134,303 | 141,116 | 134,303 |
| Revalued in Year | 207 | — | 108 | — |
| | <u>141,431</u> | <u>134,303</u> | <u>141,224</u> | <u>134,303</u> |
| Contribution to Depreciation | | | | |
| At 1 August | 48,810 | 42,820 | 45,770 | 39,631 |
| Released in Year | 3,189 | 3,189 | 3,040 | 3,189 |
| | <u>51,999</u> | <u>46,009</u> | <u>48,810</u> | <u>42,820</u> |
| Net Revaluation Surplus | | | | |
| At 1 August | <u>92,414</u> | <u>91,483</u> | <u>95,346</u> | <u>94,672</u> |
| At 31 July | <u>89,432</u> | <u>88,294</u> | <u>92,414</u> | <u>91,483</u> |
| | | | | |
| 20 Pension Reserve | | | Group and University 2011 £000 | Group and University 2010 £000 |
| Balance at 1 August | | | (38,123) | (49,462) |
| Transfer to Income and Expenditure Account Reserve (Note 21) | | | (1,094) | (3,001) |
| Actuarial gain in respect of pension reserve (Note 30) | | | <u>8,840</u> | <u>14,340</u> |
| Balance at 31 July | | | <u>(30,377)</u> | <u>(38,123)</u> |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| 21 | Income and Expenditure Account Reserve | Group 2011 | University 2011 | Group 2010 | University 2010 |
|----|---|-----------------------|----------------------------|-----------------------|----------------------------|
| | | £000 | £000 | £000 | £000 |
| | Balance at 1 August | 81,936 | 89,032 | 69,654 | 74,950 |
| | Surplus after depreciation of assets at valuation, before and after tax..... | 2,859 | 2,605 | 6,241 | 7,892 |
| | Release from Revaluation Reserve (Note 19) | 3,189 | 3,189 | 3,040 | 3,189 |
| | Transfer from Pension Reserve (Note 20)* | 1,094 | 1,094 | 3,001 | 3,001 |
| | Balance at 31 July..... | <u>89,078</u> | <u>95,920</u> | <u>81,936</u> | <u>89,032</u> |

* This represents the Income Statement movement on the pension scheme

| 22 | Capital Commitments | Group and University 2011 | University 2010 |
|----|--|--------------------------------------|----------------------------|
| | | £000 | £000 |
| | Commitments contracted at 31 July | 17,805 | 1,554 |
| | Authorised but not contracted at 31 July | 418 | 4,114 |
| | | <u>18,223</u> | <u>5,668</u> |

Outstanding commitments include £16.798 million which relate to the development of the Belfast campus.

23 Contingent Liabilities

The University Council has reviewed legal proceedings outstanding at the year end and does not consider that there are any cases where there is the possibility of a liability falling due to the University. Therefore, in accordance with the FRS 12 Provisions, Contingent Liabilities and Contingency Assets, no disclosure is required in the Financial Statements.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| | Group 2011 | Group 2010 |
|--|-----------------------|-----------------------|
| | £000 | £000 |
| 24 Reconciliation of Consolidated Operating Surplus to Net Cash Inflows from Operating Activities | | |
| Surplus after depreciation of assets at valuation before tax | 2,859 | 6,241 |
| Depreciation | 12,332 | 11,656 |
| Deferred Capital Grants Released to Income (Note 17)..... | (4,299) | (4,364) |
| Investment Income (Note 5)..... | (382) | (141) |
| Endowment Income..... | (124) | (132) |
| Interest Payable | 263 | 291 |
| (Increase)/Decrease in Debtors..... | (1,047) | 2,652 |
| Increase/(Decrease) in Creditors | 9,985 | (401) |
| Pension Costs Less Contributions Payable | 1,094 | 3,001 |
| Revaluation of Investments | 457 | 108 |
| Endowment Fund Transfer | 7 | (91) |
| | 21,145 | 18,820 |
| Net Cash Inflow from Operating Activities | | |
| 25 Returns on Investments and Servicing of Finance | | |
| | Group 2011 | Group 2010 |
| | £000 | £000 |
| Income from Endowments | 124 | 132 |
| Income from Short Term Investments (Note 5)..... | 382 | 141 |
| Interest Paid (Note 8)..... | (263) | (291) |
| | 243 | (18) |
| Net cash inflow/(outflow) from returns on investments and servicing of finance | | |
| 26 Capital Expenditure | | |
| | Group 2011 | Group 2010 |
| | £000 | £000 |
| Tangible Assets Acquired (Note 10)..... | (11,736) | (11,289) |
| Deferred Capital Grants Received (Note 17) | 9,005 | 9,462 |
| Endowments Received | 218 | 132 |
| | (2,513) | (1,695) |
| Net cash inflow from capital expenditure | | |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| | | | |
|-----------|---|-----------------------------|-----------------------|
| 27 | Management of Liquid Resources | Group 2011 | Group 2010 |
| | | £000 | £000 |
| | Addition to deposits | (18,250) | (16,551) |
| | Purchase of investments | (289) | (335) |
| | Net cash (outflow) from management of liquid resources | (18,539) | (16,886) |
| | | | |
| 28 | Financing | Group 2011 | Group 2010 |
| | | £000 | £000 |
| | Balance at 1 August | 5,165 | 5,345 |
| | Loan Repayments | (163) | (180) |
| | Balance at 31 July | 5,002 | 5,165 |
| | | | |
| 29 | Analysis of Changes in Net Cash | At 1 August 2010 | Cash Flow |
| | | £000 | £000 |
| | Cash at Bank and in Hand | | |
| | Endowment Assets | (12) | 173 |
| | Short Term Deposits | 17,663 | 18,250 |
| | Debt due within one year | (163) | (9) |
| | Debt due after one year..... | (5,002) | 172 |
| | | 12,498 | 18,413 |
| | Total | 12,486 | 31,072 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

30 Net Pension Liability

The University participates in four pension schemes. The two principal schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund (NILGOSC). A small number of employees belong to two other schemes, the Teachers Superannuation Scheme (TSS) and the 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 Second Pension. The assets of each scheme are held in a separate trustee-administered fund. It is not possible to identify the institution's share of the underlying assets and liabilities of the scheme in USS, TSS and HPSS as required by FRS17 "Retirement Benefits" and as a result the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

USS Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular review of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

| | |
|---------------------------|--|
| Male members' mortality | PA92 MC YoB tables – Rated down 1 year |
| Female members' mortality | PA92 MC YoB tables – No age rating |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65 22.8 (24.8) years

Males (females) currently aged 45 24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

| Assumption | Change in assumption | Impact on scheme liabilities |
|----------------------------|---|-----------------------------------|
| Valuation rate of interest | Increase/decrease by 0.5% | Decrease/increase by £2.2 billion |
| Rate of pension increases | Increase/decrease by 0.5% | Increase/decrease by £1.5 billion |
| Rate of salary growth | Increase/decrease by 0.5% | Increase/decrease by £0.7 billion |
| Rate of mortality | More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation) | Increase by £1.6 billion |

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the institution had 1,907 active members participating in the scheme.

The total pension cost for the institution was £11,408,632 (2010: £11,253,603). The contribution rate payable by the institution was 16% of pensionable salaries.

NILGOSC Fund

The University is able to identify its share of the underlying assets and liabilities of the NILGOSC scheme and accordingly present the following information required by FRS 17:

A valuation of the fund was carried out at 31 March 2010 and updated to 31 July 2011 by a qualified independent actuary.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

| Balance Sheet | At 31 July 2011 | At 31 July 2010 | At 31 July 2009 |
|--|----------------------------|----------------------------|----------------------------|
| | £000 | £000 | £000 |
| Present value of scheme liabilities | (135,619) | (133,486) | (128,280) |
| Fair value of scheme assets | 105,260 | 95,363 | 78,845 |
| Present value of unfunded liabilities | (18) | — | (27) |
| Net pension liability | (30,377) | (38,123) | (49,462) |
| | | | |
| Movements in present value of defined benefit obligation | | At 31 July 2011 | At 31 July 2010 |
| | | £000 | £000 |
| At beginning of the year | | (133,486) | (128,307) |
| Current Service Cost..... | | (3,284) | (4,004) |
| Member contributions | | (1,095) | (1,243) |
| Past Service Costs..... | | — | 8,337 |
| Impact of settlements and curtailments | | (44) | — |
| Interest cost..... | | (7,209) | (7,756) |
| Benefits paid | | 4,196 | 3,310 |
| Actuarial gains/(losses) | | 5,285 | (3,823) |
| At end of year | | (135,637) | (133,486) |
| | | | |
| Movements in fair value of plan assets | | At 31 July 2011 | At 31 July 2010 |
| | | £000 | £000 |
| At beginning of the year | | 95,363 | 78,845 |
| Expected return on assets | | 6,383 | 5,404 |
| Employer contributions | | 3,059 | 3,354 |
| Member contributions | | 1,095 | 1,243 |
| Benefits paid | | (4,196) | (3,309) |
| Actuarial gains..... | | 3,556 | 9,826 |
| At end of year | | 105,260 | 95,363 |
| | | | |
| Expense recognised in the income and expenditure accounts | | At 31 July 2011 | At 31 July 2010 |
| | | £000 | £000 |
| Current service cost | | 3,284 | 4,004 |
| Timing difference relating to employer contribution | | — | (275) |
| Interest on defined benefit pension plan obligation | | 7,209 | 7,756 |
| Expected return on defined benefit pension plan assets | | (6,383) | (5,404) |
| Total | | 4,110 | 6,081 |

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

The expense is recognised in the following line items in the income and expenditure account:

| | At 31 July 2011 | At 31 July 2010 |
|------------------|--------------------|--------------------|
| | £000 | £000 |
| Staff costs | 3,284 | 3,729 |
| Interest payable | 826 | 2,352 |
| | <u>4,110</u> | <u>6,081</u> |

The total amount recognised in the statement of the total recognised gains and losses in respect of actuarial gain is £8,840k (2010: £14,340k).

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 are subsequently included by prior year adjustment under paragraph 96 of FRS17, are £(809k), (2010 : (£9,649k)).

The fair value of the plan assets and the return on those assets were as follows:-

| | At 31 July 2011 Fair Value | At 31 July 2010 Fair Value |
|---|----------------------------------|----------------------------------|
| | £000 | £000 |
| Equities | 77,892 | 70,569 |
| Bonds | 15,789 | 14,304 |
| Property | 7,368 | 6,675 |
| Cash | 4,211 | 3,185 |
| Actual return on plan assets | <u>105,260</u> | <u>95,363</u> |

The expected rates of return on plan assets are determined by reference to the historical returns, without adjustment, of the portfolio as a whole and not on the sum of the returns on individual asset categories. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:-

| | At 31 July 2011 | At 31 July 2010 |
|---------------------------------|--------------------|--------------------|
| Inflation/pension increase rate | 2.7% | 2.9% |
| Salary increase rate | 5.0% | 4.4% |
| Expected return on results | 6.4% | 6.7% |
| Discount rate | 5.3% | 5.4% |

Mortality

Life expectancy is based on the PFA92 and PMA92 tables, with improvements from 2007 in line with the medium cohort and a 1% p.a. underpin. Based on these assumptions, average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--------------------|------------|------------|
| Current pensioners | 22.9 years | 25.7 years |
| Future pensioners | 24.9 years | 27.7 years |

These figures make no allowance for the age ratings set out in the latest triennial valuation of the Fund.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Commutation

An allowance is included for 50% of future retirements to elect additional tax-free cash up to HMRC limits for pre-April 2010 service and 75% for post April 2010 service.

| History of Experience Gains and Losses | At 31 July 2011 | At 31 July 2010 | At 31 July 2009 | At 31 July 2008 | At 31 July 2007 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | £000/% | £000/% | £000/% | £000/% | £000/% |
| Difference between the expected and actual return on scheme assets: | | | | | |
| Amount | 3,556 | 9,826 | (13,249) | (11,362) | 3,262 |
| Percentage of scheme assets | 3.3% | 10.3% | (16.8)% | (13.4)% | 3.8% |
| Experience gains and losses on scheme liabilities: | | | | | |
| Amount | 7,975 | 9 | 1 | 190 | (79) |
| Percentage of the present value of scheme liabilities | 5.9% | 0.0% | 0.0% | 0.2% | (0.1)% |
| Total amount recognised in statement of total recognised gains and losses: | | | | | |
| Amount | 8,840 | 14,340 | (26,651) | (6,935) | 12,795 |
| Percentage of the present value of scheme liabilities | 6.5% | 10.7% | (20.8)% | (6.6)% | 12.5% |

The University expects to contribute approximately £3.097m to its defined benefit plans in the next financial year.

| The total pension cost for the University was: | Group 2011 | Group 2010 |
|--|---------------|---------------|
| | £000 | £000 |
| Contributions to USS..... | 11,409 | 11,254 |
| Charge to staff cost - NILGOSC | 3,244 | 3,729 |
| Contribution to TSS..... | 7 | 7 |
| Contribution to HPSS..... | 7 | 20 |
| Total Pension Cost (Note 6)..... | 14,667 | 15,010 |

| 31 Student Support Funds | Group 2011 | Group 2010 |
|---|----------------|---------------|
| | £000 | £000 |
| Balance Carried Forward..... | 25 | 43 |
| Funding Council Grants | 991 | 999 |
| Disbursed to Students | (1,107) | (1,017) |
| Balance (Over)/Underspent at 31 July | (91) | 25 |

DEL Student Support 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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

32 Subsidiary Company Information

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

- Ulster Educational Partnerships Limited (formerly UU Health Limited)
- Innovation Ulster Limited (formerly UUTECH Limited)
- UU Foundation Limited

The companies are controlled by the University. UU Foundation Limited and Ulster Educational Partnerships Limited are limited by guarantee.

The companies are all registered and operate in Northern Ireland. Ulster Educational Partnerships Limited provides education and training for Nursing and Midwifery and Allied Health Professions. Innovation Ulster Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities. UU Foundation Limited is a charity established to support the University's mission, vision and strategic aims.

As the subsidiary companies are 100% owned by the University of Ulster, it has taken advantage of the exemption available not to disclose its transactions with other members of the Group headed by the University of Ulster.

There is a cross guarantee in place between the University of Ulster and Ulster Educational Partnerships Limited for banking services. This is limited to the available overdraft facility of £5 million.

33 Joint Venture Information

The University has a joint venture with the Sports Council of Northern Ireland in the Sports Institute Northern Ireland (SINI), a company limited by guarantee. Its principal place of business is located at the University of Ulster at Jordanstown. The principal activity of the company is to provide specialist services and expert staff for High Performance Athletes (both able bodied and disabled), enabling the athlete to improve their performance at international and world level.

Management have not consolidated the University's holding in the gross assets and liabilities of the joint ventures in the results of the group at the year end as the University does not share control of the entities, management consider the entity to be an investment and have accounted for as such, in accordance with FRS 9: Associates and Joint Ventures, these have been accounted for as an investment at the year end.

34 Other Investments

The University holds 33% of the issued share capital of the University Challenge Fund.

In addition, through Innovation Ulster Limited, its wholly owned subsidiary, the University has the following holdings:-

- 9.0% of SISAF Limited
- 6.8% of Datactics Limited
- 11.52% of Sensor Technology & Devices Limited (renamed Intelsens Limited)
- 4.4% of Crescent Capital II LLP
- 4.7% of Axis Three Limited
- 13.1% of Eyesyfx Limited
- 1.7% of Bitt Ware Inc
- 5.4% of Sophia Search Limited

Convertible Loan of £15K in Camtech Research Limited.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

The University has holdings of greater than 15% in the following companies:-

| Name | Managing Wellbeing Limited (formerly Emtell Limited) | SPARC |
|---------------------------------|--|---|
| Country of Incorporation | Northern Ireland | Northern Ireland |
| Principal Activity | Health & Wellbeing Software Services | Developers of Spatially Reinforced Composite Aerostructures |
| % Shares Held | 20% | 25% |
| Turnover | £29k | £45k |
| Net Assets | (£44)k | £141k |
| Financial Year End | 31 December 2010 | 30 June 2010 |

The University has holdings of greater than 25% in the following companies:-

| Name | Diabetica Limited | Tactility Factory Limited | Flex Language Services Limited |
|----------------------------------|--|--|--------------------------------|
| Country of Incorporation | Northern Ireland | Northern Ireland | Northern Ireland |
| Principal Activity | Research and development of products for treatment of diabetes and obesity | Textile reinforced concrete design and manufacture | Language Translation Services |
| % Shares Held | 44.4% | 30% | 100% |
| Convertible Loan Stock | — | £50k | — |
| Turnover | — | £12k | £242k |
| Profit or Loss Before Tax | £(32k) | (£2k) | £44k |
| Net Assets | £193k | £38k | £83k |
| Financial Year End | 30 September 2010 | 31 July 2010 | 31 July 2011 |

On 17 June 2011 the Board of Innovation Language Services Limited (formerly Flex Language Services Limited) executed an agreement to sell the trade to West Belfast Enterprise Board Limited for £15k. On that date the company ceased trading and the company's Net Assets reflect the proceeds of the sale of the Trade. It is expected that during the subsequent financial year that all assets and liabilities will be liquidated and the net assets will be distributed to Innovation Ulster Limited.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

35 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 31 to 33 above, no transactions were identified which require to be disclosed under Financial Reporting Standard 8: 'Related Party Disclosures'.
