



Financial
Statements
2015/16



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Scope of the Financial Statements

The financial statements presented to the University's Council have been prepared on a consolidated basis and include the results of Ulster University and its subsidiary companies as detailed in note 22. This report should be read with the Annual Review 2015/16 which provides a detailed summary of activities undertaken by the University in delivering its corporate objectives.

Public Benefit

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

Ulster University's charitable purpose is the advancement of education. In setting and reviewing the University's objectives and activities, Council has given due regard to relevant guidance on the reporting of public benefit, in particular, the Charity Commission's supplementary public benefit guidance on the advancement of education. We deliver our charitable purpose for the public benefit, by implementing our corporate plan and delivering on those strategic aims and objectives approved by Council to shape our academic portfolio in response to the demands of students and employers, and to deliver research and innovation that achieves economic and social transformation.

The distinctiveness of the University within the HE sector places it within a small group of HEIs that are research-engaged and business-focused with significant commercialisation of research, major knowledge transfer relationships, and diversity in the student population.

It is against this background that our Corporate Plan for 2011/12-2015/16 was developed to focus and deepen our contribution to economic, social and cultural development in Northern Ireland and its global standing.

This theme is continued in the University's new five-year strategic plan 'Five and Fifty' which sets the vision and mission of the University, "As Northern Ireland's civic university, Ulster University will deliver outstanding research and teaching that encourages the innovation, leadership and vision needed to help our community thrive".

Results for the Year

The University's financial statements report a deficit for the year of £2.8m. The primary impact on Ulster's year on year performance arises from the reduction

in government funding as part of the budget settlement in 2015 which resulted in a total reduction in funding of £7.7m in this financial year. Given that Ulster is required to continue to provide teaching to students over the four years of their degree programme it has not been possible to reduce our cost base in line with the reduction in funding. The reported deficit however is better than planned mainly due to the implementation by Ulster of cost controls during the year.

Other Key Highlights are as Follows

Overall income is down by 6.6%. This is mainly as a result of a reduction in funding body grants of £7.7m, a reduction in tuition fee income of £0.9m and a reduction in research grants and contracts income of £4.9m.

The reduction in funding body grants comprises of a reduction in the teaching grant of £5.3m, as well as a reduction in government capital grant funding released in the year of £3m.

The decline in tuition fee income reflects a fall in full time undergraduate student fees arising from Ulster's reduction in student intake of 300 students, in response to the funding cuts which maintains the current under-funded levels of resource compared to Great Britain. Finally, there has been a reduction in overseas student income of £0.8m compared to the previous year. This has been partly offset by additional part-time fee income.

The reduction in research grants is due to delays in awarding INTERREG grants, as well as no further Research Development Expenditure Credit (RDEC) claims being allowed after 31 July 2015.

Ulster continues to maintain tight control over expenditure with a 9.6% reduction in total expenditure year on year. This has had a positive impact on our cash position as measured by Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) at £19.9m (2015: £18.6m).

Investment in our capital development plans was £26.7m. This mainly comprises of the Belfast campus development £18.8m, the Sports Centre at Coleraine £2.4m and teaching block at Magee £1.5m.

Net cash decreased to £53.6m from £64.4m in July 2015.

FRS 102 Adjustment

The financial statements have been prepared on the basis of FRS 102 whereas the financial strategy targets were based on an historical cost surplus target. The table below shows the impact of these adjustments against the historical cost surplus target.

	£m
Deficit for year	(2.8)
Salary adjustment re. pension	2.0
Additional depreciation through revaluation	3.7
Revaluation reserve	7.0
Deferred grant release	1.0
Interest adjustment re. pension	0.3
Gain on disposals	(0.2)
Historical cost surplus	11.0

This is comparable to the previous year's published financial statements which reported an historical cost surplus of £15.1m.

Analysis of Results for the Year

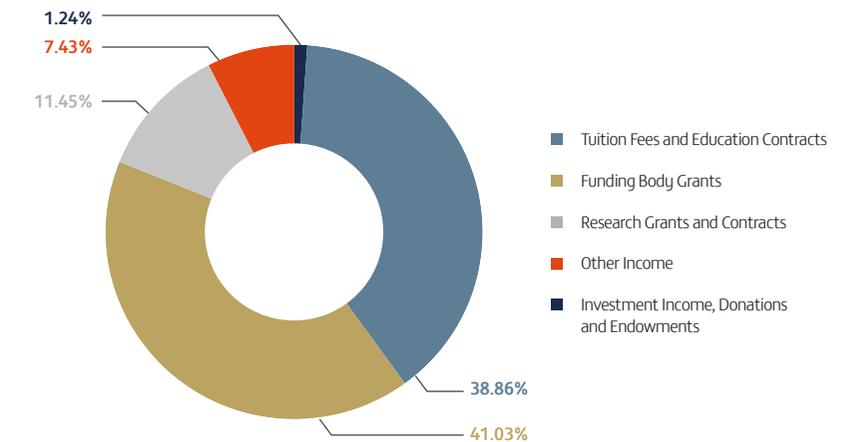
The financial year 2015/16 was a challenging year for Ulster as it responded to the 9.1% reduction in funding from the Department for the Economy (DfE) in funding body grants arising from the Executive budget settlement. This necessitated the University to undertake a significant restructuring exercise whereby the University plans to reduce its student numbers for full time undergraduates by 1,250 over the next four years, to consolidate activity by campus and a reduction in staffing resource so that the University can continue to operate in a financially sustainable manner.

Teaching income has also fallen with a reduction in full-time student fees of £0.7m mainly as a result of reduced full time undergraduate student intake. This has been offset by increases in part time student fees of £0.5m. Finally, overseas fee income fell by £0.8m.

Research grant income during the year was lower due to two main factors. Firstly, in the previous year the University received £2.6m of tax credit linked to the Research and Development Expenditure Credit (RDEC), this can no longer be claimed by the University. Secondly, there have been delays in the awarding INTERREG contracts.

A number of graphs and tables below provide further analysis of the 2015/16 results.

Table 1: % of Total Income 2015/16



The percentage composition of income largely has remained consistent with the previous year albeit Funding Council Grants are £7.8m lower than last year. Tuition Fee and Education Contracts has reduced by £0.9m, Research Grants and Contracts reduced by £4.9m and other income fell by £0.5m.

Table 2: Total Income 2011/12 to 2015/16

Table 2 shows the total income over the previous five years by funding source.

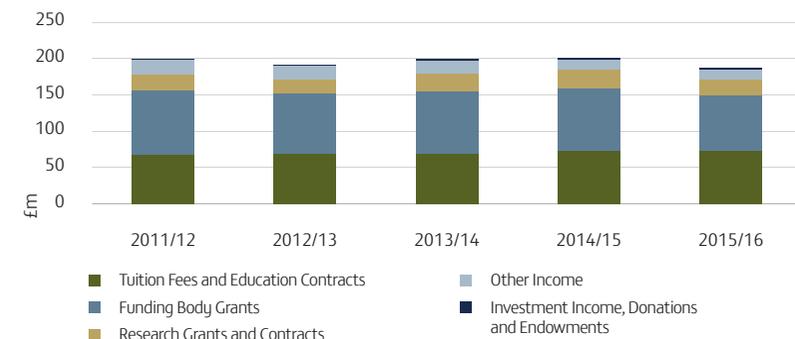


Table 3: Tuition Fees 2011/12 to 2015/16

Table 3 shows the breakdown of the University Tuition Fee income by category and reflects the high dependency on full-time and Department of Health funding sources.

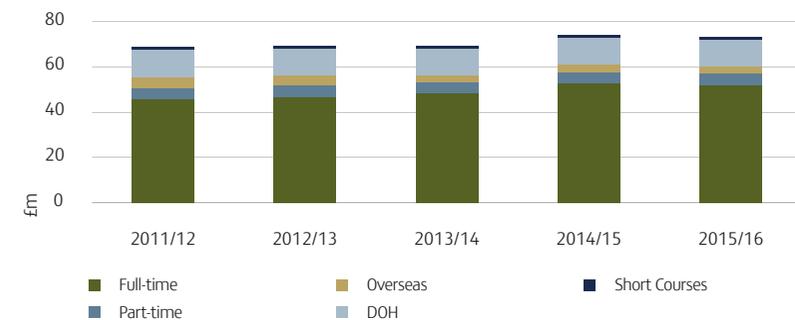
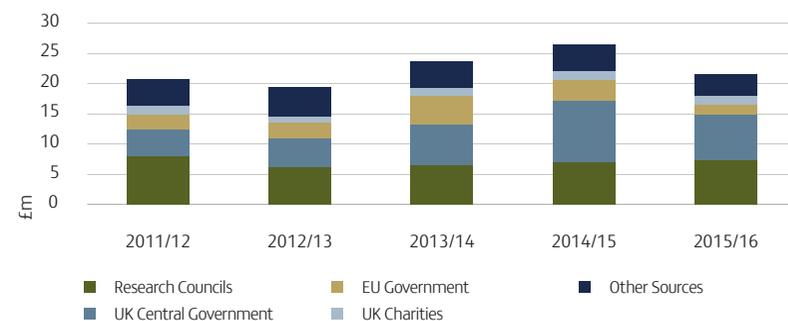


Table 4: Research Grants and Contracts 2011/12 to 2015/16

Table 4 shows the mix of research income funding from 2011/12. From the graph it can be seen the impact on UK central government arising from the RDEC claim as well as the reduction in EU government grants due to the delay in INTERREG.



In line with the financial strategy objectives of sustainability the underlying reduction year on year in income £13.3m (6.6%) has been matched by a £17.7m reduction in total expenditure (9.6%).

Table 5: % of Expenditure to Total Expenditure 2011/12 to 2015/16

Table 5 shows the breakdown in total expenditure. The main expense category is staff costs and table 6 below shows the degree to which salaries are incurred in support of different funded activity.

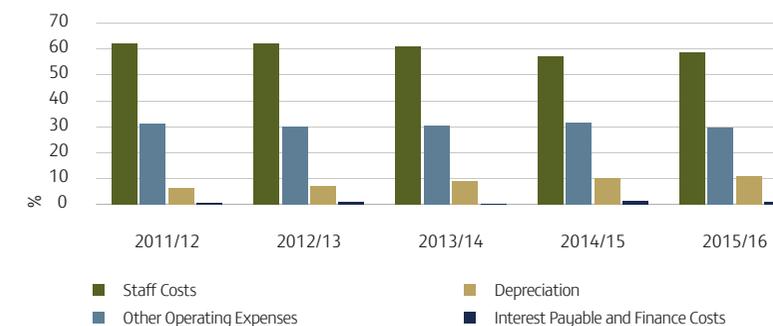
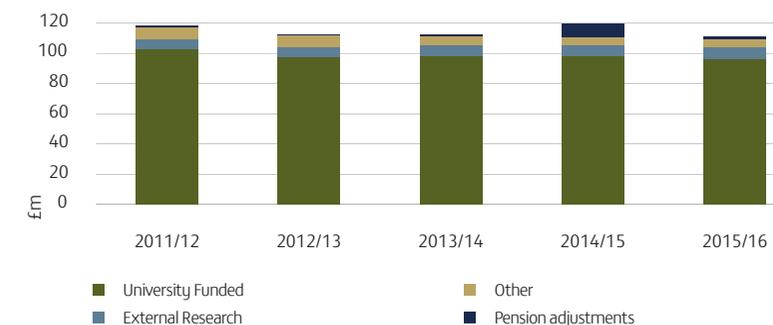


Table 6: Staff Costs 2011/12 to 2015/16



Treasury, Borrowings and Investments

Net cash decreased by £10.8m during the year. The movement in funds is summarised below:-

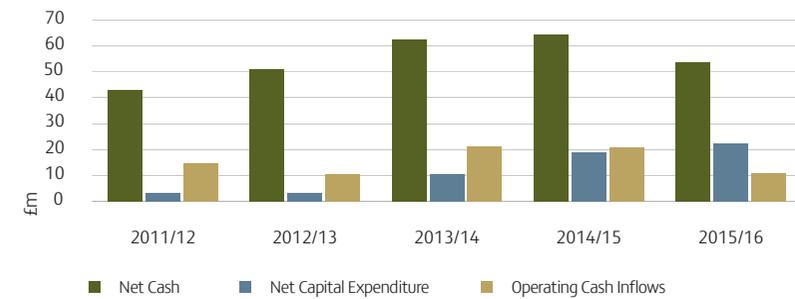
	2016 £m	2015 £m	Change £m
Investments and short term deposits	106.6	116.6	(10)
Cash at bank and in hand	24.6	26.2	(1.6)
Bank loans	(77.6)	(78.4)	0.8
Net cash	53.6	64.4	(10.8)

The net cash inflow from operating activities for the year was £10.9m (2015: £21m), interest paid totalled £0.8m (2015 £0.8m), and interest received totalled £1.5m (2015 £1.2m). Throughout the year the University operated with a cash surplus and in line with its banking covenants. All treasury decisions are undertaken within the framework of the University's treasury policy. The underlying principle of this policy is that the University operates a low risk approach in managing its investments and liquidity. All funds are placed with counter parties whose underlying credit rating is monitored against minimum criteria. Furthermore, an upper limit of investment in any one financial institution of £35m applies. The University's Treasury Management policy was approved by General Purposes and Finance Committee in April 2015.

Endowment assets at the year end were £7.5m and are managed by Rathbones Investment Management.

During the year £26.7m was spent on acquiring fixed assets against which £4.5m of capital grants were received. Table 7 shows the impact of this capital investment on our cash balances.

Table 7: Cash Movements and Capital Expenditure

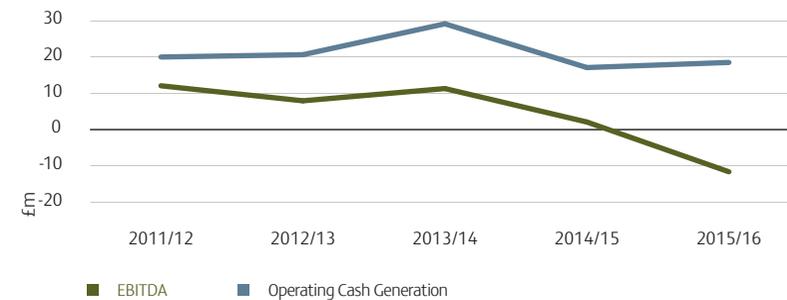


EBITDA and Net Cash Inflow from Operating Activities

One of the key targets which is being monitored as part of the financial strategy is the accumulation of cash to support our corporate ambitions. Two figures are being monitored. Firstly, Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is a measure of operating surplus excluding major accounting adjustments and finance charges. It provides a good indicator of financial capability to service debt and/or fund capital from internally generated cash. The second figure is net cash from operating activity. This figure takes into account movement in working capital requirements. The following table shows the movement of these two cash indicators over the last five years.

Table 8: EBITDA to Cash Generated from Operating Activities

From the above it can be seen that the University continues to operate in a financially sustainable manner and can support investment in its infrastructure at an appropriate level.



Strategic Plan

The financial year ended 31 July 2016 marked the end of the last Corporate Plan ‘Professional Education for Professional Life – 2011/12 to 2015/16’. This Corporate Plan focused on two corporate goals namely, the provision of excellent, accessible teaching and learning and secondly, focused research excellence and innovation, as well as a cross cutting enabling goal of a well led, healthy working and learning environment. The delivery of the objectives of this are referenced in the University’s Annual Report. Ulster has just completed a new strategic plan ‘Five and Fifty’ covering period 2016 – 2034 which sets the University’s mission “As Northern Ireland’s civic university, Ulster University will deliver outstanding research and teaching that encourages the innovation, leadership and vision needed to help our community thrive” and is structured around 4 priorities, namely Civic Contribution, Academic Excellence, Global Vision and Operational Excellence. Detailed implementation plans are being developed and progress of the new strategic plan is being actively monitored through the academic resource allocation and planning processes with the intention to update both Senate and Council.

Financial Strategy

Ulster continues to operate under an approved financial strategy which aims to deliver an operating surplus to support a sustainable investment strategy in both the University’s physical resources and information technology facilities. The University’s approved financial strategy is as follows:-

- To ensure the financial viability of the University.
- To achieve an annual cash surplus of 1% of total income to build up and maintain cash reserves.
- Any borrowings will not exceed that approved in the Business Plan for the Greater Belfast Development and any other projects that may arise which are confirmed as self-funding.
- To support the development of activities that generate income for growth.
- To achieve an annual operational surplus averaging 4.5% of income over a rolling 4-year period.

The University in this financial year operated within the financial targets.

Efficiency

Ulster continues to monitor and manage all of its activities and ensure value for money. Value for money is embedded throughout all operations of the University and can be demonstrated by Ulster’s continuing performance in delivering the financial strategy, our National Student Survey results and our performance in the Research Excellence Framework. These have been achieved despite Ulster operating in an environment where we receive considerably less funding per student per year than comparable institutions in Great Britain. This funding disadvantage is further exacerbated by the funding model adopted by the Department for the Economy not taking into account the cost of supporting activity across four geographically dispersed campuses despite these campuses being central in the support of the regional economy.

Strategic Risk Management

The Council as advised by Audit Committee, keeps under review the strategic risks facing the University and the preventative and corrective control measures in place to manage and mitigate against these risks. Amongst these risks are:-

- The inability to recruit and retain staff committed to the delivery of excellence across all activities;
- Failure to grow international undergraduate and post graduate student numbers and lack of focus in recruiting these students;
- Failure to respond/adapt to the consequence of the recent funding cuts which could impact on the student experience and the delivery of the University’s core business;
- Failure to increase the number of staff returned in REF 2020;
- Failure to protect and enhance the University’s profile and reputation.

To mitigate against these strategic risks, the University amongst other things:-

- Continued to offer competitive salaries, rewards and Terms & Conditions of Employment, increased staff development and training including to collaborative partners;
- Increased staff resourcing for marketing and recruitment within the International Department, developed and implemented an International Student Marketing and Recruitment Strategy;
- Established the Budget Review Group to consider areas of excellence as well as underperformance with a view to streamlining course provision in line with the emerging strategic themes;
- Encouraged multidisciplinary and cross UoA publications and Impact development, ensured mentoring of Early Career Researchers and young researchers, monitored grant applications and awards;
- Enhanced engagement with key stakeholders using a range of communication methods, proactively sourced and regularly presented news and feature stories which demonstrate the University’s strengths, particularly in research and teaching and its relevance to academia, industry and public life.

Operating and Financial Review (continued)

Conclusion

Despite the challenges that Ulster has faced in the last twelve months particularly arising from significant cuts in Executive funding, it is pleasing to note that the University operated within the approved financial strategy targets which aimed to deliver an operating surplus sufficient to support a sustainable investment strategy. The University had in prior years highlighted that should further cuts in Funding Council Grants transpire the University would have to commence a radical restructuring of activity. Such restructuring took place during the financial year ended 31 July 2016 with both a reduction in student and staff numbers. In addition, the University commenced planning for the consolidation of activities between campuses with the intention of developing separate campus identities. It is disappointing that there remains ongoing uncertainty over future funding with the University being advised that for the current and following financial years there will be only one year budget settlements. This prohibits the ability of Ulster to undertake long term planning. This needs to be considered against a background where both England and Scotland have increased funding to higher education and a review on funding in Wales has just been completed with a recommendation to increase financial support for the sector.

David Clements

Honorary Treasurer

Corporate Governance Statement

Ulster University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code (2010) as issued by the Financial Reporting Council (FRC). 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 Higher Education Code of Governance (December 2014) Council has adopted a Statement of Primary Responsibilities which is included on pages 16 to 17. This will be reviewed in the coming year.

The University is an independent educational charity, now registered with the Charity Commission for Northern Ireland, whose legal status derives from a Royal Charter granted in 1984. The University's objects, powers and framework of governance are set out in the Charter and 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 trustees of the charity. 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 (see note at end) 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. 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. With the exception of the Vice-Chancellor whose emoluments are disclosed in note 7 none of the members receive any payment, apart from the reimbursement of expenses, for the work that they do for the University in their role as members of the Council.

The Council of the University was reconstituted with effect from 1 October 2012, with a number of members remaining in office. Members during 2015/16 (the final year of the current term of office) are listed below.

During the course of the year there were two vacancies on Council.

Ex Officio Members:

Mr J Hunter, CB

Pro-Chancellor with effect from 1 April 2015 and Chairman from 11 August 2015

Ms R Peters-Gallagher, OBE

Honorary Treasurer (term ended 31 July 2016)

Professor P Nixon

Vice-Chancellor (with effect from 1 July 2015)

Mr C Mackey

President of the Students' Union

Appointed Members:Mrs M ClarkMrs R Laird, CBEMr L NellisMr A LanganMrs H QuigleyMr D Clements (appointed Honorary Treasurer 1 August 2016)Ms Deepa Mann Kler (Co-opted February 2016)**Elected Staff Members:**Dr B MasonMr B Magee (Retired March 2015)Professor N BlackMr T Leath

- **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 accounts 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 the Department for Employment and Learning (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. Professor Paddy Nixon was appointed and took up post as Vice-Chancellor and Chief Accounting Officer on 1 July 2015.

The Council met six times during 2015/16 including a joint meeting with the University's Senate. Certain functions of the Council are delegated to its committees. During 2015/16 the Committees comprised: Resources Committee; Organisational Development Committee; Audit Committee; Remuneration Committee. The Nominations Committee is a sub-committee of the Organisational Development 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 for the University group and monitors performance in relation to the approved budget. The Committee also has oversight of matters pertaining to the estate strategy and the information technology strategy. It also approves the annual budget for the Students' Union.

The **Organisational Development 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; human resources; and on organisational development and legislative matters. It also has oversight of the development fund-raising strategy; internal and external communication strategies and public relations; the marketing strategy for the range of the University's activities; Students' Union and matters relating to the Students' Union.

The **Nominations Sub-Committee** is responsible for reviewing the processes for and recommending the appointment and re-appointment of members to the Council.

The **Audit Committee** met five 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.

In 2015/16 the Members of the Audit Committee were:

Mr A Langan (Chair)Mrs H QuigleyMr L NellisMs Deepa Mann Kler (from February 2016)

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.

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, Directors of Administrative Departments and the University Secretary 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 Executive Team (SET) which comprises the Vice-Chancellor, Pro-Vice-Chancellors, Provosts, Deans of Faculty and Administrative Directors which meets monthly.

SET refers matters for decision to Council or Senate (or the relevant committees thereof) as appropriate. SET is 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 University Secretary. The Register is available at all meetings of the Council.

The Office of the University Secretary provides the secretariat to the Council. Any enquiries about the constitution and governance of the University are addressed to the University Secretary.

Statement of Internal Control

As the governing body of Ulster University, 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 the Department for Employment and Learning (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 2016.

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 six 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 Executive Team, 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 Institutional Sustainability Indicators 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;
- The University's Corporate Plan 2011/12-2015/16, adopted by the Council in June 2011 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 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 2015/16 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.

Statement of the Council's Responsibilities

In accordance with the Statutes, the Council as a governing body, is responsible for the administration and management of the affairs of the University including ensuring an effective system of internal control and is required to present audited Financial Statements for each financial year.

The Council is responsible for ensuring the maintenance of proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that Financial Statements are prepared in accordance with the Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Department for Employment and Learning (DEL) and the Council of the University, the Council, through its designated office holder, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

The Council has taken reasonable steps to:

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

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

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

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

STRATEGY	STEWARDSHIP	GOVERNANCE
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.	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.	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.
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.	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.	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.
In conjunction with the Senate to promote student engagement and a positive student experience at Ulster.	To make such provision as it thinks fit for the general welfare of students, in consultation with the Senate.	To ensure that the procedures in place for managing students, including disciplinary procedures are fair and equitable.
To establish processes to monitor and evaluate the performance and effectiveness of the Council.	To regularly review the effectiveness of the Council and its committees.	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.

STRATEGY	STEWARDSHIP	GOVERNANCE
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.	To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.	To safeguard the good name and values of the University.
To establish such other strategies, including financial, estates and ICT, as are necessary to the achievement of the University's strategic aims.	To ensure the University's long-term sustainability.	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.
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.		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.

We have audited the financial statements of the group and of Ulster University ("the financial statements") for the year ended 31 July 2016, which comprise the Statement of Principal Accounting Policies, the Consolidated Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds, and the related notes 1 to 27. 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), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Council, as a body, in accordance with the Charters and Statutes of the University and for no other purpose. Our audit work has been undertaken so that we might state to the Council, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Council and auditors

As explained more fully in the Statement of the Council's Responsibilities set out on page 15, 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.

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 the 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 annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- i. give a true and fair view of the state of affairs of the group and the University as at 31 July 2016, and of the deficit of the group's income over expenditure, and the group's cash flows for the year then ended;
- ii. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- iii. have been properly 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 issued under the Further and Higher Education Act 1992

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 the Economy have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

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 issued under the Further and Higher Education Act 1992 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 group and the University.

Ernst & Young LLP
Statutory Auditor
Belfast

8 December 2016

The maintenance and integrity of Ulster University's website is the responsibility of its 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.

1. Accounting Convention

The Financial Statements have been prepared on a going concern basis and in accordance with the Statement of Recommended Practice 'Accounting for Further and Higher Education 2015' and in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost convention, as modified by the revaluation of certain land and buildings. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

2. Consolidation

The consolidated Financial Statements include the University and its subsidiary undertaking. The results of the subsidiary company 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 Ulster University's Students' Union is constituted as an independent body and therefore in accordance with FRS 102, its financial statements are not consolidated with the Financial Statements of the University because the University does not control those activities.

The joint venture results of SINI is not consolidated as the University does not share control of the entity. The joint venture results of Branch Campus (London & Birmingham) Limited, Ulster Equity Partnership, ABC Research & Innovation Limited and NICOM LLP and the investment in NIACE Limited are not consolidated in the Financial Statements on the grounds of materiality.

3. Recognition of income

Income from the sale of goods and services is credited to the Statement of Comprehensive Income in line with the provision of the associated goods and services.

Academic Fee income is stated gross of any expenditure and credited to the Statement of Comprehensive Income over the period of students study. Where the amount of tuition fee is reduced income receivable is shown net of the discount. Bursaries and Scholarships are accounted for gross of expenditure and are not deducted from income.

Investment income is credited to the Statement of Comprehensive Income on a receivable basis.

Funds for which the University acts only as paying agent are excluded from the Statement of Comprehensive Income.

Grant Funding – Revenue Grants

Revenue grants are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income in line with such conditions being met.

Grant Funding – Capital Grants

Where tangible fixed assets are acquired with the aid of Government capital grants, these grants are recognised as deferred income within creditors and released to income over the expected useful economic life of the asset. All other capital grants are recognised in income when the University is entitled to the funds subject to any performance conditions being met.

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 Statement of Comprehensive Income on a receivable basis. All income from other sources is credited to the Statement of Comprehensive Income on an accruals basis.

Donations and Endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserves until such time it is utilised in line with the restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds. Investment income and appreciation/depreciation of endowments are recorded in income in the year in which they arise.

There are four types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donations must be used for a specific objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments – the donor has specified a particular objective for the use of the funds and the University can convert the endowed capital into income.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

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.

The USS scheme is a defined benefit scheme but 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 Statement of Comprehensive Income. A liability is recorded within the provisions for any contractual commitment to fund past deficits within the USS scheme.

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 a liability on the balance sheets.

The amount charged to the Statement of Comprehensive Income 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.

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 Statement of Comprehensive Income.

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 Comprehensive Income.

5. Employment Benefits

Any unused employment benefits for staff with contractual benefits are accrued and measured as the additional amount the University expects to pay as a result of unused entitlement.

6. Leases

The cost of operating leases is charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

7. 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 Statement of Comprehensive Income for the financial year.

8. Freehold Land and Buildings

The University has adopted the transitional arrangements on conversion to FRS 102 and has revalued land and buildings as at 31 July 2014 on three campuses, namely Coleraine, Magee and Belfast. The carrying value of the 31 July 2014 valuation will be retained as the deemed cost going forward and is also amended to reflect any impairment in value.

Pending the transfer of the Jordanstown campus to Belfast in 2019, the value of the land and buildings at Jordanstown is reviewed annually. The useful economic life of

the buildings is revised to reflect the transfer of the campus to Belfast.

For the purposes of identifying any impairment a desktop valuation is performed annually, supported by a periodic formal valuation. Any impairment in value is recognised 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 on a straight line basis over their expected useful lives as determined by the University's valuers.

9. 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.

10. Equipment

Equipment, including software and related software development costs, costing less than £25,000 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 on a straight line basis 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 and depreciated 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 Statement of Comprehensive Income 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.

11. Fixed Asset Investments

- a. 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 realisable value. Impairment reviews are performed by the directors when there has been an indication of potential impairment. Any changes in fair value are taken directly to the Statement of Comprehensive Income.
- b. Fixed Asset Investments through Innovation Ulster Limited

From the menu of valuation methodologies cited by the International Private Equity and Venture Capital Valuation Guidelines (Sept 2009 edition) the company values its fixed asset investments (which comprise trade investments) as follows:

- Price of Most Recent Investment (PMRI) ; or
- Multiple of earnings or revenues; or
- Net Asset Basis

If valuers consider that the passage of time since the date of the last investment diminishes the appropriateness of that methodology, then a modified version of that valuation may be used which refers to industry benchmark valuations or a company based milestone analysis, ie performance against technical or financial targets of milestones.

It is expected that the company will use the PMRI basis where the investment has been made within 12 months, otherwise the Net Assets Basis will be used.

Any changes in fair value are taken directly to the Statement of Comprehensive Income.

12. Current Asset Investments

Current asset investments are included at the lower of cost and net realisable value.

13. Stocks

Stocks, which are generally consumable in nature, are expensed to the Statement of Comprehensive Income in the year of purchase.

14. Cash and Cash Equivalents

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

Cash equivalents comprise of short term 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.

15. Provision for bad debts

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

16. Provisions

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

17. 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 Statement of Comprehensive Income in the period it is incurred.

18. Taxation status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 CTA 2009 and sections 471, 478, 488 CTA 2010 (formerly S505 of ICTA 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 is registered as a charity with HM Revenue and Customs and with the Northern Ireland Charity Commission.

The University receives no similar exemption in respect of Value Added Tax. Innovation Ulster Limited, a subsidiary of the University has no charitable status and can therefore be liable to Corporation Tax on chargeable profits.

19. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which through endowment to the University are held in a permanently restricted fund which the University must hold in perpetuity.

20. Transition to 2015 SORP

The University is preparing the financial statements for the first time under FRS 102 and consequently has applied the first time adoption requirements. Note 27 details the transition to 2015 SORP and lists the adjustments required to the financial position of the consolidated results of the University.

Application of the first time adoption grants certain exemptions for the full requirements of the SORP in the transition period. The following exemptions have been taken into these financial statements:

Revaluation of land and buildings on transition taken as deemed cost going forward

21. Subsidiary Accounting Policies

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

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the Year ended 31 July 2016			
		Group 2016	Group 2015
Income	Notes	£000	£000
Tuition Fees and Education Contracts	1	73,044	73,920
Funding Body Grants	2	77,121	84,877
Research Grants and Contracts	3	21,522	26,399
Other Income	4	13,969	14,531
Investment Income	5	1,517	1,192
Donations and Endowments	6	808	340
Total Income		187,981	201,259
Expenditure			
Staff Costs	7	112,405	119,585
Other Operating Expenses	8	56,541	65,806
Depreciation	11	20,679	21,107
Interest and Other Finance Costs	9	1,907	2,708
Total Expenditure		191,532	209,206
Deficit before other gains and losses		(3,551)	(7,947)

Consolidated Statement of Comprehensive Income (continued) for the Year ended 31 July 2016			
		Group 2016	Group 2015
	Notes	£000	£000
Gain/(Loss) on disposal of investments		788	(231)
Deficit before taxation		(2,763)	(8,178)
Taxation		(3)	(563)
Actuarial Loss in Respect of Pension Schemes		(2,148)	(3,543)
Total Comprehensive (Deficit) for the Year		(4,914)	(12,284)
Represented by:			
Endowment comprehensive income for the year		453	598
Unrestricted comprehensive income for the year		3,224	(2,130)
Revaluation reserve comprehensive income for the year		(8,591)	(10,752)
Total		(4,914)	(12,284)

Consolidated and University Statement of Changes in Reserves

Consolidated Statement of Changes in Reserves Year ended 31 July 2016

	Income and Expenditure Reserve		Revaluation Reserve	Total
	Endowment	Unrestricted		
Consolidated	£000	£000	£000	£000
Balance at 1 August 2014	6,483	115,765	154,600	276,848
Surplus/(deficit) from the Statement of Comprehensive Income	598	(9,339)	-	(8,741)
Other comprehensive income/(loss)	-	(3,543)	-	(3,543)
Transfers between revaluation and income and expenditure reserve	-	10,752	(10,752)	-
Total comprehensive income/(loss) for the year	<u>598</u>	<u>(2,130)</u>	<u>(10,752)</u>	<u>(12,284)</u>
Balance at 1 August 2015	7,081	113,635	143,848	264,564
Surplus/(deficit) from the Statement of Comprehensive Income	453	(3,219)	-	(2,766)
Other comprehensive income/(loss)	-	(2,148)	-	(2,148)
Transfers between revaluation and income and expenditure reserve	-	8,591	(8,591)	-
Total comprehensive income/(loss) for the year	<u>453</u>	<u>3,224</u>	<u>(8,591)</u>	<u>(4,914)</u>
Balance at 31 July 2016	<u>7,534</u>	<u>116,859</u>	<u>135,257</u>	<u>259,650</u>

University Statement of Changes in Reserves Year ended 31 July 2016

	Income and Expenditure Reserve			Revaluation Reserve	Total
	Endowment	Restricted	Unrestricted		
University	£000	£000	£000	£000	£000
Balance at 1 August 2014	6,483	-	114,703	154,600	275,786
Surplus/(deficit) from the income and expenditure statement	598	-	(8,590)	-	(7,992)
Other comprehensive income/(loss)	-	-	(3,543)	-	(3,543)
Transfers between revaluation and income and expenditure reserve	-	-	10,752	(10,752)	-
Total comprehensive income/(loss) for the year	<u>598</u>	<u>-</u>	<u>(1,381)</u>	<u>(10,752)</u>	<u>(11,535)</u>
Balance at 1 August 2015	7,081	-	113,322	143,848	264,251
Surplus/(deficit) from the income and expenditure statement	453	-	(3,874)	-	(3,421)
Other comprehensive income/(loss)	-	-	(2,148)	-	(2,148)
Transfers between revaluation and income and expenditure reserve	-	-	8,591	(8,591)	-
Total comprehensive income/(loss) for the year	<u>453</u>	<u>-</u>	<u>2,569</u>	<u>(8,591)</u>	<u>(5,569)</u>
Balance at 31 July 2016	<u>7,534</u>	<u>-</u>	<u>115,891</u>	<u>135,257</u>	<u>258,682</u>

Balance Sheets
as at 31 July 2016

	Notes	Group 2016 £000	University 2016 £000	Group 2015 £000	University 2015 £000
Fixed Assets					
Tangible assets	11	363,787	363,787	357,755	357,755
Investments	12	9,384	9,036	9,271	8,583
Total Fixed Assets		373,171	372,823	367,026	366,338
Debtors	13	16,823	17,123	14,260	15,058
Investments & short term deposits		106,566	106,566	116,621	116,621
Cash at bank and in hand		24,636	23,629	26,214	25,715
Total current assets		148,025	147,318	157,095	157,394
Creditors: Amounts Falling due Within One Year	14	(39,063)	(38,976)	(34,884)	(34,808)
Net Current Assets		108,962	108,342	122,211	122,586
Total Assets less current liabilities		482,133	481,165	489,237	488,924
Creditors: Amounts Falling Due After More Than One Year	15	(159,079)	(159,079)	(160,496)	(160,496)
Provision for Liabilities	16	(63,404)	(63,404)	(64,177)	(64,177)
Net Assets including Pension Liability		259,650	258,682	264,564	264,251

Balance Sheets
as at 31 July 2016 (continued)

	Notes	Group 2016 £000	University 2016 £000	Group 2015 £000	University 2015 £000
Reserves					
Restricted Reserves - Income and Expenditure Reserve – Endowment Reserve	17	7,534	7,534	7,081	7,081
Unrestricted Reserves - Income and Expenditure Account – unrestricted		116,859	115,891	113,635	113,322
Revaluation Reserve		135,257	135,257	143,848	143,848
Total Reserves		259,650	258,682	264,564	264,251

The Financial Statements on pages 20-58 were approved by the Council on 2 December 2016 and signed on its behalf by:

Mr David Clements
Honorary Treasurer

Mr Peter Hope
Chief Finance & Information Officer

Professor P Nixon
Vice Chancellor and Chief Accounting Officer

Consolidated Cash Flow Year ended 31 July 2016			
		Year ended 31 July 2016	Year ended 31 July 2015
Cash Flow From Operating Activities	Notes	£000	£000
Surplus/(deficit) for the year		(2,766)	(8,741)
Adjustment For Non-Cash Items			
Depreciation	11	20,679	21,107
(Loss) / Gain on investments		(258)	409
(Increase) in debtors	13	(2,563)	(433)
(Increase) / Decrease in creditors	14	3,658	(2,704)
Increase in pension provision	16	4,803	10,452
(Decrease) / Increase in other provisions	16	(7,724)	8,696
Deferred capital grants released income		(4,491)	(7,403)
Adjustment For Investing Or Financing Activities			
Investment income	5	(1,338)	(1,082)
Interest payable	9	798	777
Endowment income		(180)	(110)
Net Cash Inflow From Operating Activities		10,618	20,968

		Year ended 31 July 2016	Year ended 31 July 2015
Cash Flows From Investing Activities	Notes	£000	£000
Capital grants receipts		4,492	13,128
Disposal of non-current asset investments		366	-
Withdrawal of deposits		10,055	-
Investment income		1,338	1,082
Payments made to acquire fixed assets	11	(26,712)	(32,108)
New non-current asset investments		(221)	(327)
New deposits		-	(48,488)
		<u>(10,682)</u>	<u>(66,713)</u>
Cash Flows From Financing Activities			
Interest paid	9	(798)	(777)
Endowment cash received		180	110
New unsecured loans		-	49,012
Repayments of amounts borrowed		(896)	(203)
Total Reserves		(1,514)	48,142
(Decrease)/Increase In Cash and Cash Equivalents In The Year		(1,578)	2,397
Cash and cash equivalents at beginning of the year		26,214	23,817
Cash and cash equivalents at end of the year		24,636	26,214

1. Tuition Fees and Education Contracts

	Group 2016	Group 2015
	£000	£000
Full-time students	51,806	52,484
Part-time fees	5,551	4,982
Short Course Fees	935	968
	<u>73,044</u>	<u>73,920</u>

2. Funding Body Grants

	£000	£000
Recurrent Grant	72,516	77,833
Specific Grants		
Special Initiatives	1,822	1,255
Deferred Capital Grants Released in Year		
Buildings	2,779	5,785
Equipment	4	4
	<u>77,121</u>	<u>84,877</u>

3. Research Grants and Contracts

	Group 2016	Group 2015
	£000	£000
Research Councils	7,411	7,090
EU Government	1,725	3,576
Overseas (Non-EU)	362	618
Other Sources	2,991	3,380
	<u>21,522</u>	<u>26,399</u>

Included in Research Grants and Contracts Income is £1,349k (2015: £1,425k) in relation to deferred capital grant release.

4. Other Income

	Group 2016	Group 2015
	£000	£000
Residences, Catering and Conferences	2,329	2,733
Other Services Rendered	4,870	5,069
Other Income	6,339	6,520
Deferred Grant Release	431	209
	<u>13,969</u>	<u>14,531</u>

5. Investment Income

	Group 2016	Group 2015
	£000	£000
Investment Income on Expendable Endowments	25	15
Investment Income on Permanent Endowments	154	95
Income from Short Term Investments	<u>1,338</u>	<u>1,082</u>
	<u>1,517</u>	<u>1,192</u>

6. Donations and Endowments

	Group 2016	Group 2015
	£000	£000
New Expendable Endowments	127	131
Donations	<u>505</u>	<u>43</u>
	<u>808</u>	<u>340</u>

7. Staff Costs

	Group 2016	Group 2015
	£000	£000
Wages and Salaries	87,938	89,502
Other Pension Costs (Note 20)	15,222	15,085
	<u>1,959</u>	<u>8,118</u>
	<u>112,405</u>	<u>119,585</u>

	Group 2016	Group 2015
Emolument of the Vice Chancellor	£000	£000
Salary	250	201
		16

	Group 2016	Group 2015
Excluding the Vice Chancellor, remuneration of other Higher Paid Staff was in the following bands:-	Number	Number
£100,000 - £109,999	-	2
£110,000 - £119,999	2	2
£120,000 - £129,999	3	3
£130,000 - £139,000	2	1
£140,000 - £149,999	2	-

7. Staff Costs (continued)

	Group 2016	Group 2015
Key management personnel	£000	£000
Key management personnel compensation	£1,824	£1,692

	Group 2016	Group 2015
The average weekly number of persons (including senior post- holders) employed by the University during the year, expressed as full-time equivalents, was:-	Number	Number
Academic	1,028	1,104
Technical	148	155
Administrative	427	448
Other including Clerical and Manual	<u>552</u>	<u>578</u>
	<u>2,155</u>	<u>2,285</u>

8. Other Operating Expenses

	Group 2016	Group 2015
	£000	£000
Residences and conferences	1,132	1,181
Equipment not capitalised	2,070	1,688
Fellowships, scholarships and prizes	572	609
Heat, light, water and power	3,511	4,006
Contracted out services	4,582	4,727
External Auditors' remuneration	48	48
Internal Auditors' remuneration	98	114
Travel, subsistence and hospitality	4,969	5,254
Telephone and postage	516	676
Legal and professional fees	6,003	6,035
Student Support	8,670	8,782
Other expenses	<u>1,828</u>	<u>1,832</u>
	<u>56,541</u>	<u>65,806</u>

9. Interest and Other Finance Costs

	Group 2016	Group 2015
	£000	£000
Loans not wholly repayable within five years	798	777
Net charge on pension schemes	1,787	1,520
Exchange differences	<u>(678)</u>	<u>411</u>
	<u>1,907</u>	<u>2,708</u>

10. Analysis of 2016 Expenditure by Activity

	Staff costs	Depreciation	Other Operating Expenses	Interest & other finance costs	Total
	£000	£000	£000	£000	£000
Academic Departments	68,630	655	7,765	-	77,050
Research Grants & Contracts	8,241	768	9,323	-	18,332
Premises	3,427	15,673	14,750	798	34,648
Other Expenses	<u>3,764</u>	<u>9</u>	<u>2,782</u>	<u>1,787</u>	<u>8,342</u>
	<u>112,405</u>	<u>20,679</u>	<u>56,541</u>	<u>1,907</u>	<u>191,532</u>

The depreciation charged has been funded by:-	£000
Release from Deferred Capital Grants	3,241
Release from Revaluation Reserve	8,591
	<u>7,498</u>
	<u>20,679</u>

11. Tangible Assets - Group and University

	Freehold Land and Buildings	Assets Under Construction	Equipment	Total
	£000	£000	£000	£000
Valuation or cost at 1 August 2015				
Valuation	186,043	-	-	186,043
Cost	194,769	35,357	50,940	281,066
	380,812	35,357	50,940	467,109
Additions at Cost	-	23,346	3,400	26,746
Transfer CIP	17,894	(17,894)	-	-
Disposals	(4,101)	-	(1,935)	(6,036)
At 31 July 2016				
Valuation	182,157	-	-	182,157
Cost	212,448	40,809	52,405	305,662
Total	394,605	40,809	52,405	487,819
Accumulated Depreciation				
At 1 August 2015	66,039	-	43,315	109,354
Charge for year	17,731	-	2,948	20,679
Disposals	(4,101)	-	(1,900)	(6,001)
At 31 July 2016	79,669	-	44,363	124,032
Net Book Value				
At 31 July 2016	314,936	40,809	8,042	363,787
At 31 July 2015	314,773	35,357	7,625	357,755

12. Fixed Asset Investments

	Subsidiary Companies	Subsidiary Investment in spinouts	Other fixed assets investments	Total
	£000	£000	£000	£000
Group				
At 1 August 2015	-	2,190	7,081	9,271
Additions	-	10	211	221
Disposals	-	(366)	-	(366)
Reversal of Impairment	-	16	242	258
At 31 July 2016	-	1,850	7,534	9,384
University				
At 1 August 2015	1,502	-	7,081	8,583
Additions	-	-	211	211
Disposals	-	-	-	-
Reversal of Impairment	-	-	242	242
At 31 July 2016	1,502	-	7,534	9,036

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

13. Debtors

	Group 2016	University 2016	Group 2015	University 2015
	£000	£000	£000	£000
Trade debtors	11,621	11,447	10,277	10,134
Amounts owed by group undertakings	-	502	-	959
Prepayments and accrued income	5,202	5,174	3,983	3,965
	<u>16,823</u>	<u>17,123</u>	<u>14,260</u>	<u>15,058</u>

14. Creditors: Amounts Falling Due Within One Year

	Group 2016	University 2016	Group 2015	University 2015
	£000	£000	£000	£000
Bank Loans	226	226	213	213
Trade creditors	18,393	18,339	18,099	18,052
Taxation and social security	4,075	4,075	3,786	3,786
Accruals	11,998	11,965	8,924	8,895
Deferred Capital Grants	4,371	4,371	3,862	3,862
	<u>39,063</u>	<u>38,976</u>	<u>34,884</u>	<u>34,808</u>

15. Creditors: Amounts Falling Due after more than One Year

	Group 2016	University 2016	Group 2015	University 2015
	£000	£000	£000	£000
Bank Loans	77,291	77,291	78,200	78,200
Deferred Capital Grants	81,788	81,788	82,296	82,296
	<u>159,079</u>	<u>159,079</u>	<u>160,496</u>	<u>160,496</u>
Bank Loans - Amounts falling due:	£000	£000	£000	£000
Less than one year (Note 14)	226	226	213	213
Between one and two years	239	239	226	226
Between two and five years	16,542	16,542	11,252	11,252
Greater than five years	60,510	60,510	66,722	66,722
	<u>77,517</u>	<u>77,517</u>	<u>78,413</u>	<u>78,413</u>

A fixed rate loan is secured by a negative pledge on a portion of land on the Jordanstown campus. All bank loans greater than 5 years are repayable by instalments. Commercial terms and rates of interest payable have been negotiated.

16. Provisions for Liabilities - Group and University

	Obligation to fund deficit on USS pension	Defined Benefit Obligations (Note 20)	Total Pensions Provisions	Restructure Provision	Total Provision
	£000	£000	£000	£000	£000
At 1 August	19,292	36,189	55,481	8,696	64,177
Utilised in year	(907)	(2,966)	(3,873)	(7,724)	(11,597)
Additions in 2015/16	3,437	7,387	10,824	-	10,824
At 31 July 2016	<u>21,822</u>	<u>40,610</u>	<u>62,432</u>	<u>972</u>	<u>63,404</u>

USS Deficit

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of the provision.

Restructure Provision

Restructure provision is in respect of costs of redundancy and early retirement costs.

17. Endowments Reserves

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2016 Total	2015 Total
Group and University	£000	£000	£000	£000	£000	£000
Balances at 1 August						
Capital	364	5,180	5,544	1,577	7,121	6,508
Accumulated Income/expenditure	12	554	566	(606)	(40)	(25)
	<u>376</u>	<u>5,734</u>	<u>6,110</u>	<u>971</u>	<u>7,081</u>	<u>6,483</u>
New Endowments	-	176	176	127	303	297
Transfer						
Investment Income	10	145	155	25	180	110
Expenditure	-	(139)	(139)	(133)	(272)	(125)
	<u>10</u>	<u>6</u>	<u>16</u>	<u>(108)</u>	<u>(92)</u>	<u>(15)</u>
Increase in market value of investments	4	185	189	53	242	316
At 31 July 2016	<u>390</u>	<u>6,101</u>	<u>6,491</u>	<u>1,043</u>	<u>7,534</u>	<u>7,081</u>

17. Endowments Reserves (continued)

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2016 Total	2015 Total
Represented by:	£000	£000	£000	£000	£000	£000
Capital	368	5,541	5,909	1,757	7,666	7,121
	<u>22</u>	<u>560</u>	<u>582</u>	<u>(714)</u>	<u>(132)</u>	<u>(40)</u>
	<u>390</u>	<u>6,101</u>	<u>6,491</u>	<u>1,043</u>	<u>7,534</u>	<u>7,081</u>

Analysis by Type of Purpose:	£000	£000	£000	£000	£000	£000
Lectureships	-	3,338	3,338	-	3,338	3,238
Research support	-	216	216	987	1,203	1,018
General	<u>390</u>	<u>-</u>	<u>390</u>	<u>-</u>	<u>390</u>	<u>376</u>
	<u>390</u>	<u>6,101</u>	<u>6,491</u>	<u>1,043</u>	<u>7,534</u>	<u>7,081</u>

	2016 Total	2015 Total
Analysis by Asset:	£000	£000
Current & non current asset investments	<u>7,534</u>	<u>7,081</u>

18. Capital Commitments

	2016	2015
Group and University	£000	£000
Commitments contracted at 31 July	151,952	9,095
Authorised but not contracted at 31 July	<u>47,466</u>	<u>196,195</u>
	<u>199,418</u>	<u>205,290</u>

Outstanding commitments include £180.6 million which relate to the development of the Greater Belfast Campus.

19. 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 Section 21 of FRS 102 'Provisions and Contingencies', no disclosure is required in the Financial Statements.

20. Net Pension Liability

The University participates in two pension schemes. The schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund (NILGOSC). The schemes are defined benefit schemes, which are externally funded and contracted out of the State 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 as required by Section 28 of FRS 102 'Employee 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 Pension Scheme

The institution participates in the Universities Superannuation Scheme (USS). Throughout the current and preceding periods, the scheme was a defined benefit only scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. 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 Section 28 of FRS 102 'Employee 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. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

20. Net Pension Liability (continued)**Pension Costs**

The total cost charged to the profit and loss account is £13.586m (2015: £19.583m) as included in note 7.

The latest available actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method.

Since the institution cannot identify its share of the schemes assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.60%	3.30%
Price inflation (CPI)	2.20%	2.20%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality

98% of S1NA ["light"] YoB tables – No age rating

Female members' mortality

99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

Existing Benefits	2016	2015
Scheme assets	£49.8bn	£49.0bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

20. Net Pension Liability (continued)**NILGOSC Pension Scheme**

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 102.

A valuation of the fund was carried out at 31 March 2013 and updated to 31 July 2016 by a qualified independent actuary.

Balance Sheet

	At 31 July 2016	At 31 July 2015
	£000	£000
Present value of scheme liabilities	(205,004)	(183,429)
Fair value of scheme assets	164,413	147,258
Present value of unfunded liabilities	(19)	(18)
Net pension liability	(40,610)	(36,189)

Movements in present value of defined benefit obligation

	At 31 July 2016	At 31 July 2015
	£000	£000
At beginning of the year	(183,447)	(165,357)
Current service cost	(3,819)	(3,506)
Member contributions	(851)	(884)
Interest cost	(6,353)	(6,774)
Benefits paid	4,828	4,787
Past service cost	(204)	(42)
Actuarial (losses)/ gains	(15,177)	(11,671)
At end of year	(205,023)	(183,447)

20. Net Pension Liability (continued)

Movements in fair value of plan assets

	At 31 July 2016	At 31 July 2015
	£000	£000
At beginning of the year	147,258	134,724
Expected return on assets	5,137	9,065
Employer contributions	2,965	2,848
Member contributions	851	884
Benefits paid	(4,827)	(4,786)
Actuarial gains/(losses)	13,029	4,523
At end of year	164,413	147,258

Expense recognised in the income and expenditure accounts

	At 31 July 2016	
	£000	
Current service cost	3,819	3,506
Expected return on defined benefit pension plan assets	(5,137)	(9,065)
Total	5,239	1,256

The expense is recognised in the following line items in the income statement:

	At 31 July 2016	At 31 July 2015
	£000	£000
Staff costs	4,023	3,548
	1,216	(2,292)
	5,239	1,256

20. Net Pension Liability (continued)

Amounts recognised in Other Comprehensive Income

	At 31 July 2016	At 31 July 2015
	£000	£000
Assets gains arising during the period	13,029	8,128
		(11,671)
Total Amount recognised in Other Comprehensive Income	(2,148)	(3,543)

Cumulative actuarial losses recognised as Other Comprehensive Income are £12.911m (2015: £10.763m).

The fair value of the plan assets were as follows:-

	At 31 July 2016	At 31 July 2015
	Fair value	Fair value
	£000	£000
Equities	118,542	109,118
Bonds	19,401	16,787
Property	20,223	17,966
Cash	5,261	2,945
Other	986	442
Actual return on plan assets	164,413	147,258

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

	At 31 July 2016	At 31 July 2015
Inflation/pension increase rate	1.5%	2.0%
Discount rate	2.3%	3.5%
Mortality	Males	Females
Current pensioners	22.2 years	24.7 years
Future pensioners	24.4 years	27.0 years

The total pension cost for the University was:-

	Group 2016	Group 2015
	£000	£000
Contributions to USS	13,586	19,583
Contribution to HPSS	-	3
Total pension cost (Note 7)	17,181	23,203

The University expects to contribute approximately £2.855m to its defined benefit plans in the next financial year.

21. Student Support Funds

	Group 2016	Group 2015
	£000	£000
Balance Carried Forward	126	14
Funding Council Grants	1,344	1,246
Disbursed to Students	(1,408)	(1,134)
Balance Underspent at 31 July	62	126

DEL Student Support grants are available solely for students: the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

22. Subsidiary Company Information

There is one company which is a wholly owned subsidiary company of the University:

- Innovation Ulster Limited

This company has been fully consolidated in the Financial Statements.

The company is controlled by the University.

The company is registered and operates in Northern Ireland. Innovation Ulster Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities.

23. Joint Venture Information

The University has three joint ventures. Branch Campus (London and Birmingham) Limited is a joint venture between Ulster University and QAHE (Ulst) Limited for the principal purpose of providing services in support of the provision of degree courses to domestic and international students at campuses in London and Birmingham.

Ulster Equity Partnership is a limited partnership with Ulster University, Invest NI and TechStart NI for the principal purpose of carrying on the business of an investor and in particular to identify, research, negotiate, make or monitor the progress of and sell, realise, exchange or distribute equity or equity-related investments in connection with providing seed capital for the development of post – research post – proof of concept spin-out/in companies from Ulster University including from the technology sectors related to the Ulster University research base.

ABC Research & Innovation Limited is a company limited by guarantee with Ulster University, Derry City Council and the Western Trust as equal partners. The principal activity of the company is to develop an Academia Business Clinical Research Innovation facility.

The results of Branch Campus (London & Birmingham) Limited, Ulster Equity Partnership and ABC Research and Innovation Limited are not consolidated in the Group Financial Statements on the grounds of materiality.

Through Innovation Ulster Limited (IUL), a wholly owned subsidiary, the University has a joint venture with NICOM LLP. NICOM LLP was incorporated in 2011 to promote collaborative research in advanced composites. It is a joint venture between IUL and Queens Composites Limited, a wholly owned subsidiary of Queen's University, Belfast. The results of NICOM LLP are not consolidated in the Group Financial Statements on the grounds of materiality.

24 Other Investments

Through Innovation Ulster Limited, a wholly owned subsidiary, the University has the following holdings:-

7.41% of Intelsens Limited	4.44% of Crescent Capital II LLP
1.7% of Bitt Ware Inc	6.85% Performa Sports
7.45% Sophia Search Limited	10.18% Carritech Research Limited
Loan £10,000 in InLifeSize Limited	6% Datactics Limited
17.98% Get Invited	1.4% Axial 3D Limited
10.59% SISAF	14.25% Tactility Factory Limited plus £15k loan

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

Name	Get Invited
Country of Incorporation	Northern Ireland
Principal Activity	Ticketing Service
% Shares Held	17.98%
Turnover	N/A
Net Liabilities	N/A
Year End	N/A

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

Status	Name	Country of Incorporation	Principal Activity	% Shares Held	Convertible Loan Stock	Turnover	Profit or Loss Before Tax	Net Assets	Financial Year End
Disolved 06.02.15	Diabetica Limited	Northern Ireland	Research & development of products for treatment of diabetes and obesity	44.40%	N/A	-	-	-	-
Active	Hidinimage Limited	Northern Ireland	Secure digital water marking technology	38.50%	N/A	£0	(£169,024)	(£135,903)	31 May 2015
Active	Axis Composites Limited	Northern Ireland	Design and manufacture of 3D woven carbon fibre preforms	28%	N/A	N/A	(£110)	£3,593	29 Feb 2016
Active	Surf-Spec Limited	Northern Ireland	Developer of “made to specification” surfaces	25%	N/A	N/A	N/A	(£101,678)	28 Feb 2015
Active	Jenarron Therapeutics Limited	Northern Ireland	Putty like material applied and removed to wounds	49%	N/A	N/A	N/A	£4,025	31 Mar 2015
Active	Vifkon Limited	Northern Ireland	Fire and blast proof concrete products	30%	N/A	N/A	N/A	N/A	N/A
Active	Solaform Limited	Northern Ireland	Solar water heater	28%	N/A	N/A	N/A	N/A	N/A

25. 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 arm's length and in accordance with the University's financial regulations and normal procurement procedures. The University has taken advantage of the exemptions contained in section 33, FRS 102 'Related Party Transactions' not to disclose transactions with subsidiaries as all of the voting rights are controlled within the Group.

26. Ultimate Controlling Party

There is no one ultimate controlling party.

27. Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies as set out in pages 20 to 23 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Financial Position

	Notes	31 July 2014		31 July 2015	
		Consolidated	University	Consolidated	University
		£000	£000	£000	£000
Total Reserves Under 2007 SORP		191,535	196,214	192,728	197,546
Fixed Assets revaluation	(a)	84,472	78,731	80,177	75,045
Deferred Capital grants	(b)	10,967	10,967	9,977	9,978
USS pension provision	(d)	(10,853)	(10,853)	(19,292)	(19,292)
Employee leave accrual	(f)	(1,009)	(1,009)	(984)	(984)
Revenue recognition	(g)	1,736	1,736	1,898	1,898
Endowments	(h)	-	-	60	60
Total Effect of Transition to FRS 102		85,313	79,572	71,836	66,705
Total Reserves Under 2015 SORP		276,848	275,786	264,564	264,251

Financial Performance For Year Ended 31 July 2015

Fixed asset revaluation	(a)	(11,285)	(10,676)
Investments revaluation	(c)	(365)	-
Deferred capital grant	(b)	(989)	(989)
USS pension provision	(d)	(8,439)	(8,439)
NILGOSC pension provision	(e)	(7,148)	(7,148)
Revenue recognition	(g)	162	162
Employee leave accrual	(f)	25	25
Endowments	(h)	612	612
Total Effect Of Transition to FRS 102		(27,427)	(26,453)
Total Comprehensive Income For The Year Under 2015 SORP		(12,284)	(11,536)

Notes to the Reconciliations**(a) Fixed assets revaluation**

The University has adopted the transitional arrangement on conversion to FRS 102 and revalued land and buildings on three campuses, namely Belfast, Coleraine and Magee. The Jordanstown campus was not revalued due to the transition of this campus to the Belfast campus in 2019. The value as at 1 August 2014 is taken as the new deemed cost going forward. This has resulted in an increase in depreciation charge in 2015.

(b) Deferred Capital Grants

The University has applied the performance condition methodology to non-government grants. This has resulted in a release to I&E Reserves on transition as at 1 August 2015 of the non-government grants that had been deferred in the balance sheet.

(c) Investments revaluation

FRS 12 requires any changes in fair value investments to be taken directly to the Statement of Comprehensive Income. Therefore on transition to FRS 102 £364,957 was charged to the Statement of Comprehensive Income.

(d) USS pension provision

As USS pension scheme is a multi-employer plan and sufficient information is not available to use defined benefit accounting and the University has an obligation to fund past deficits this liability must be recognised on the Balance Sheet. A pensions fund deficit plan has been agreed with the Pensions Regulator. This has resulted in a new liability of £10.8m on transition to FRS 102 as at 1 August 2014.

(e) NILGOSC pension provision

The underlying assets and liabilities for the NILGOSC pension scheme are disclosed on the balance sheet under UK Gaap. However, the methodology for calculating the financing cost is different under FRS 102 to UK Gaap. FRS 102 requires the financing cost to be calculated using the liability discount rate for the scheme rather than an expected return on assets rate as used under UK Gaap. This has no impact to reserves on transition. Also under the FRS 102 the actuarial gain/loss on the scheme is recorded in the Statement of Comprehensive Income.

(f) Employee leave accrual

FRS 102 requires the University to recognise the cost of all employee short-term entitlements earned but not taken at the year-end. The impact of this is an additional liability on transition at 1 August 2014 of £1.009m.

(g) Revenue Recognition

This adjustment relates to impact of the performance condition model on income recognised in Statement of Comprehensive Income.

(h) Endowments

Revenue recognition as defined in FSR 102 requires income from non-exchange transactions to be recognised on entitlement to income. This reserves adjustment of £0.06m recognises additional endowment income at 31 July 2015. The Statement of Comprehensive Income records the gain/loss on the value of the Endowment funds.

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