

University of Ulster

*FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2003*

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UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report

SCOPE OF THE FINANCIAL STATEMENTS

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

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

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

In the remainder of this report, references to "the University" are deemed to include the activities of the subsidiary companies. Effective from 31 July 2003 the University's involvement with SEV Limited ceased. The company was transferred with net assets of £nil.

The Northern Ireland Hotel and Catering College (NIHCC) was acquired by the University on 1 August 2002, its full year trading results are included in the accounts. INCORE Conflict Resolution ceased trading on 31 December 2002; its net liabilities were transferred to the University at this date and the company's activities continue under the Faculty of Social Science.

RESULTS FOR THE YEAR

The University recorded a surplus for the year of £0.4M on a historical cost basis. This is the basis on which the University's outturn should be compared against other institutions. On a revaluation of assets basis the deficit for the year was £6.2M.

The University's total income was £131M, an increase of 9% on the previous year.

Funding Council block grants for teaching received from the Department for Employment and Learning (DEL) were increased by 5.9%. Block grants for research were increased by 6.8% to £11.9M and additional funded student numbers generated an extra £0.8M of Funding Council income. A further £3.1M was received for special initiatives, in particular Human Resources Strategy and Higher Education Reach Out to Business and the Community funding. The combined effect of these factors was to increase Funding Council income by 5%.

Income from Academic fees and support grants increased by 13.7% due, in the main, to an inflationary increase in fee rates (2.5%), a further increase in FTE (full time equivalents) student numbers (9%) and an increase in fees from online distance learning courses, overseas programmes and short courses.

The level of research income in the accounts shows an increase compared to the previous year of £0.3M, this figure excludes the significant income received in the year relating to capitalised research projects of £9M. This comprises of £7.2M relating to the Molecular Biosciences building at Coleraine and £1.7M relating to the Energy and Nanotechnology building at Jordanstown. This income has been transferred to deferred capital grants.

Staff costs increased by £7.6M or 9.5% when compared with the previous year. The addition of Nursing and the NIHCC increased costs by 2% and an increase in restructuring costs of 1.9% alongside the pay awards of 3%, incremented drift of 1% and an increase in employers national insurance contribution, are the main reasons for this increase.

OTHER OPERATING COSTS

These have increased in line with inflation.

LIQUIDITY AND CASH FLOW

The Cash Flow Statement for the year shows a cash outflow of £4M, the main component of which was net capital expenditure of £10M less £5.8M relating to a surplus on operating activity. This compares to a cash outflow of £2.3M in 2001/2002.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report - Continued

The cash outflow of £4M for the year reduced the University's liquidity position, increasing borrowings from a net £7.4M at the previous year end to £11.4M at the current year end.

INVESTMENT PERFORMANCE

The University's Endowment Asset Investments were valued at £2.5M at 31 July 2003, this represents a decrease in value of £94,000.

CAPITAL AND MAJOR MAINTENANCE PROJECTS

Gross capital expenditure in the year totalled £24M and this was offset by the receipt of capital grants of £14M. Ten per cent of the gross expenditure was invested in equipment, mostly IT related, for use in both Faculties and Departments. Eight per cent of the gross expenditure relates to the purchase of library assets during the year, mainly books and periodicals. The remaining 82% was invested in the Estate. The largest projects were the Molecular Biosciences Building at Coleraine, the Energy and Nanotechnology Building at Jordanstown, the Foyle Arts Centre at Magee and the Coastal Sciences Building at Coleraine.

NET ASSETS

The Group Net Assets were £180M at 31 July 2003.

INTERNAL AUDITORS

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

FINANCIAL MANAGEMENT

The University continues on a quarterly basis to monitor the Faculty Income and Expenditure accounts. These reports are presented to the Financial Planning Group ("FPG"), a committee involving the senior management team chaired by the Vice-Chancellor.

The FPG is responsible for reviewing on an on-going basis the financial performance of the University against the Corporate Plan targets and for establishing the budget allocation methodologies. In addition, there is also a Budget Allocation Working Group involving the same managers. This group is charged with reviewing and approving all salary costs and staff appointments to the University. Effective from 1 August 2003 these two groups have merged.

FUTURE DEVELOPMENTS

The University is in discussion with the Department of Education concerning the possible expansion of the Magee Campus through the use of land at Templemore and/or Foyle and Londonderry College. In addition, plans for the redevelopment of the University's Belfast Campus are at an advanced stage. It is estimated that £30M is required to fund this project of which £14M has already identified. In support of the University's Technology and Knowledge Transfer activities the University is seeking 'third leg' funding of £2M from the Higher Education Innovation Fund. This fund is funded jointly by DEL and Invest Northern Ireland.

As advised last year the University of Ulster Science and Research Park is about to commence the development of the multi-occupancy building at Magee at a cost of £3.5M. This building will specialise in the provision of accommodation for information and communication technology companies. A loan of £1.8M is available from the Northern Ireland Science Park to assist in this development.

CONCLUSION

The annual results are in line with the University's corporate plan targets of break even on a historical cost basis. In addition, the Group has had a net cash inflow of £6M arising from operating activities. The Group's retained profit remains at £21M with net assets of £180M and long-term borrowings of £10M. Despite achieving corporate plan targets, the University continues to operate in a difficult financial environment with a real value reduction in Government funding and the increased costs associated with the collection of student fees. In the current year, there is continuing uncertainty over the Government's White Paper for UK Higher Education and its impact on the Northern Ireland Universities.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance

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

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

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

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

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

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

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

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

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

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

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance - Continued

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

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

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

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

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Internal Control

STATEMENT OF INTERNAL CONTROL

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Those procedures have been in place since February 2003 and will permit the University to provide a full statement of internal control for the full financial year 2003/2004.

The following actions have been taken to implement and embed our risk management strategy:

- Drafted and adopted a risk management policy which was approved by Council (June 2002);
- Identified where the principal management responsibility rests for risk management;
- Authorised the Strategic Planning Working Group to oversee risk assessment and management;
- Held a risk management workshop to identify the institution's corporate objectives and risks and agreed the control strategy for each significant risk which will be refined over time;
- Revised the institution's Corporate Plan taking account of corporate risk assessment and management;
- Extended the risk assessment and management process to each faculty and department (June 2003);
- Received advice and assurances from the Audit Committee on the effectiveness of the risk management process via the Annual Report from the Chairman of Audit Committee;
- The Internal Audit plan as approved by the Audit Committee conforms to the latest professional standards reflecting the adoption of risk management;
- All senior officers and the Audit Committee have been provided with risk management training.

In addition to these actions the institution has:

- Regular reporting to the Strategic Planning Group about the risks facing the organization;
- Undertaken a programme of awareness training for faculties and support departments.
- Established a system of key performance and risk indicators;
- Arrange for reports on internal control activities.

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Responsibilities of the University's Council

RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL

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

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

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

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

The Council has taken reasonable steps to:

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

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

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

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

We have audited the Financial Statements on pages 8 to 34, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 8 and 9.

This report is made solely to the Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's 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, for our audit work, for this report, or for the opinions we have formed.

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

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

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

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

We read the other information contained in the Treasurer's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

BASIS OF OPINION

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

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

OPINION

In our opinion:

- the Financial Statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2003 and of the excess of expenditure over income and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- in all material respects, income from the Department for Employment and Learning, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- in all material respects, income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Department for Employment and Learning.

KPMG
Chartered Accountants
Registered Auditors
Belfast

12 December 2003

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies

1. Accounting convention

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

2. Consolidation

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

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

3. Recognition of Income

Income from specific endowments and donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account on a receivable basis.

4. Pension Schemes

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

5. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. Leases

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

7. Land and Buildings

Land and Buildings are stated at valuation except for those buildings purchased since the last valuation date which are stated at cost. The basis of valuation is depreciated replacement cost. The valuation on 30 June 1999 was performed by the Valuation and Lands Agency. The University adopted the transitional arrangements under FRS15; Tangible Fixed Assets and decided to retain the carrying value of land and buildings at the 30 June 1999 valuation figure (as amended to reflect any impairment in value). The valuation of land and buildings by the Valuation and Land Agency will continue to be undertaken every five years with any impairment in value recognised in the year. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives as determined by the Valuation and Lands Agency.

8. Equipment

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

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

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

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

9. **Library assets**

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

10. **Deferred capital grants**

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

11. **Goodwill**

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

12. **Investments**

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

13. **Stocks**

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

14. **Provision for bad debts**

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

15. **Maintenance of Premises**

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

16. **Taxation Status**

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

17. **Cash flows and liquid resources**

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Income and Expenditure Account
for the Year ended 31 July 2003

		Group 2003	Group 2002
		£000	£000
Income - continuing operations	Note		
Funding Council Grants	1	75,747	71,979
Academic Fees and Support Grants	2	26,758	23,527
Research Grants and Contracts	3	11,404	11,131
Other Operating Income	4	16,879	13,693
Endowment Income and Interest Receivable	5	413	474
Total Income		<u>131,201</u>	<u>120,804</u>
Expenditure - continuing operations			
Staff Costs	6	85,793	78,149
Depreciation	11	12,345	10,038
Other Operating Expenses	7	38,826	37,852
Interest Payable	8	466	511
Total Expenditure		<u>137,430</u>	<u>126,550</u>
Deficit after depreciation of assets at valuation before and after tax		<u>(6,229)</u>	<u>(5,746)</u>

Note of Historical Cost Surpluses and Deficits

Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		6,608	6,608
Historical cost surplus before and after tax		<u>379</u>	<u>862</u>

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Balance Sheet as at 31 July 2003

	Notes	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Fixed Assets					
Intangible Assets					
Goodwill	10	142	—	178	—
Negative Goodwill	10	(4,456)	(4,456)	—	—
Tangible Assets					
Investments	12	402	7,070	262	6,970
		197,568	188,575	185,553	175,340
Endowment Asset Investments	13	2,550	2,550	2,456	2,456
Current Assets					
Stocks		412	410	346	346
Debtors	14	17,607	21,205	13,719	16,135
Short Term Deposits		1,580	1,458	2,205	2,086
		19,599	23,073	16,270	18,567
Creditors: Amounts Falling Due					
Within One Year	15	(29,516)	(27,159)	(25,052)	(22,109)
Net Current Liabilities		(9,917)	(4,086)	(8,782)	(3,542)
Total Assets Less Current Liabilities ...		190,201	187,039	179,227	174,254
Creditors: Amounts Falling Due					
After More Than One Year	16	(10,000)	(10,650)	(6,004)	(6,691)
Provisions for Liabilities and Charges	17	(554)	(554)	(495)	(495)
Net Assets		179,647	175,835	172,728	167,068

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Balance Sheet as at 31 July 2003 - Continued

		Group 2003	University 2003	Group 2002	University 2002
	Notes	£000	£000	£000	£000
Deferred Capital Grants	18	34,767	24,623	21,868	13,970
Endowments					
Specific	19	1,873	1,873	1,756	1,756
General	19	677	677	700	700
		2,550	2,550	2,456	2,456
Reserves					
Revaluation Reserve	20	120,661	120,506	127,114	124,119
Income and Expenditure Account	21	21,669	28,156	21,290	26,523
Total Reserves		142,330	148,662	148,404	150,642
Total		179,647	175,835	172,728	167,068

The Financial Statements on pages 8 to 34 were approved by the Council on 12 December 2003 and signed on its behalf by:

G D B Harkness MA FCA

Honorary Treasurer

P W Hope

Director of Finance

Professor P G McKenna

Vice Chancellor and Chief Accounting Officer

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Cash Flow Statement for the Year Ended 31 July 2003

		Group 2003	Group 2002
		£000	£000
	Note		
Net Cash Inflow from Operating Activities	24	5,878	9,628
Returns on Investments and Servicing of Finance	25	(82)	(140)
Capital Expenditure and Financial Investment	26	(10,193)	(11,820)
Acquisitions	27	411	(25)
		<hr/>	<hr/>
Cash Outflow before Use of Liquid Resources and Financing		(3,986)	(2,357)
Management of Liquid Resources	28	641	4,993
Financing	29	3,996	4,996
		<hr/>	<hr/>
Increase in Cash	30	651	7,632
		<hr/>	<hr/>

Reconciliation of Net Cash Flow to Movement in Net Debt

		Group 2003	Group 2002
		£000	£000
	Note		
Increase in Cash in the Period		651	7,632
Decrease in Short Term Deposits	28	(625)	(5,000)
Repayment of capital element of finance lease	29	4	4
Increase in bank loans after one year	29	(4,000)	(5,000)
		<hr/>	<hr/>
Change in Net Debt		(3,970)	(2,364)
Net Debt at 1 August		(7,435)	(5,071)
		<hr/>	<hr/>
Net Debt at 31 July	30	(11,405)	(7,435)
		<hr/>	<hr/>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Statement of Total Recognised Gains and Losses

	Group 2003	Group 2002
	£000	£000
	Note	
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax	(6,229)	(5,746)
Unrealised surplus on revaluation of fixed assets	155	—
Appreciation/(depreciation) of endowment asset investments 19	139	(360)
Net withdrawals from endowment asset investments 19	(16)	—
Endowment income retained for year 19	(29)	(103)
Total recognised losses relating to the period	<u>(5,980)</u>	<u>(6,209)</u>
 Reconciliation of movement in reserves and endowments		
Opening reserves and endowments	150,860	157,069
Total recognised gains and losses for the year	<u>(5,980)</u>	<u>(6,209)</u>
Closing reserves and endowments	<u>144,880</u>	<u>150,860</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts

		Group 2003	Group 2002
		£000	£000
Note			
1	Funding Council Grants		
	Recurrent Grant*	68,880	65,795
	Specific Grants		
	Special Initiatives	3,924	1,676
	Other	2,527	4,272
	Deferred Capital Grants Released in Year (Note 18)		
	Buildings	341	236
	Equipment	75	—
		75,747	71,979
	* Includes a developmental element of Research Grant which is part funded through the EU's European Regional Development Fund.		
2	Academic Fees and Support Grants		
	Full-time students	18,064	16,056
	Full-time students charged overseas fees	2,205	1,792
	Part-time fees	4,118	3,793
	Research Training Support Grants	97	104
	Short Course Fees	2,274	1,782
		26,758	23,527
3	Research Grants and Contracts		
	Research Councils	1,705	1,338
	UK Charities	742	1,088
	EU Government	2,058	1,735
	Others	6,899	6,970
		11,404	11,131

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group 2003	Group 2002
		£000	£000
Note			
4	Other Operating Income		
	Residences, Catering and Conferences	4,591	3,910
	Other Services Rendered	6,465	3,934
	Other Income	5,823	5,849
		16,879	13,693
5	Endowment Income and Interest Receivable		
	Transferred from Specific Endowments (Note 19)	26	86
	Income from General Endowment Asset Investments (Note 19)	107	98
	Income from Short Term Investments	280	290
		413	474
6	Staff Costs		
	Wages and Salaries	73,107	66,016
	Social Security Costs	5,297	4,882
	Other Pension Costs (Note 31)	7,389	7,251
		85,793	78,149
	Emoluments of the Vice-Chancellor	191	174
	The University's pension contributions to USS in respect of the Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £23,851 (2002 - £20,157)		
		Group 2003	Group 2002
		£000	£000
	Compensation for Loss of Office of Higher Paid Staff	58	—
	Excluding the Vice-Chancellor, remuneration of other Higher Paid Staff, including employer's pension contributions.	Group 2003	Group 2002
		Number	Number
	£70,000 - £79,999	20	11
	£80,000 - £89,999	10	6
	£90,000 - £99,999	2	2
	£100,000 - £109,999	1	1
	The average weekly number of persons (including senior post-holders) employed by the University during the period, expressed as full-time equivalents, was:-		
	Academic	1,118	1,117
	Technical	224	221
	Administrative	372	368
	Other including Clerical and Manual	1,054	1,052
		2,768	2,758

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group 2003	Group 2002			
		£000	£000			
Note 7	Other Operating Expenses					
	Residences, Catering and Conferences operating expenses	2,877	2,195			
	Consumables and laboratory expenditure	2,414	3,312			
	Equipment not capitalised	2,797	3,996			
	Books and periodicals	101	85			
	Fellowships, scholarships and prizes	204	181			
	Rates	3,057	2,660			
	Heat, light, water and power	2,026	2,192			
	Long term maintenance	4,303	2,977			
	Grants to University of Ulster Students' Union	915	915			
	External Auditors' remuneration	82	62			
	External Auditors' remuneration in respect of non-audit services ..	63	135			
	Internal Auditors' remuneration	77	81			
	Printing and stationery	1,594	1,549			
	Travel, subsistence and hospitality	4,677	4,246			
	Miscellaneous academic support	1,479	1,986			
	Telephone and postage	1,505	1,586			
	Legal and professional fees	4,352	4,172			
	Advertising and publicity	981	925			
	Student Support	3,558	2,536			
	Other expenses	1,764	2,061			
		38,826	37,852			
Note 8	Interest Payable					
	Repayable within 5 years not by instalments	240	461			
	Loans not wholly repayable within five years	226	50			
		466	511			
Note 9	Analysis of 2003 Expenditure by Activity					
		Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest £000	Total £000
	Academic Departments	51,774	463	6,639	—	58,876
	Academic Services	8,630	5,475	7,432	—	21,537
	Research Grants & Contracts	5,527	1,111	4,810	—	11,448
	Residences, Catering & Conferences	1,856	423	3,212	—	5,491
	Premises	6,001	4,485	8,348	—	18,834
	Administration	8,371	227	4,301	—	12,899
	Other Expenses	3,634	161	4,084	466	8,345
		85,793	12,345	38,826	466	137,430
			£000			
	The depreciation charged has been funded by:-					
	Release from Deferred Capital Grants (Note 18)		1,221			
	Release from Research Grants and Contracts		822			
	Release from Revaluation Reserve (Note 20)		6,608			
	General income		3,694			
			12,345			

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

10 Intangible Assets

Negative goodwill arose on the acquisition of the Northern Ireland Hotel and Catering College (NIHCC) on 1 August 2002. Net assets of £4,926M were transferred to the University of Ulster for £ nil consideration, of which £0.47M was immediately released to the income and expenditure account, resulting in a balance of £4,456M. The negative goodwill will be written off over the useful economic life of negative goodwill assets, commencing in the year ended 31 July 2004.

Positive goodwill arose on the closure of INCORE Conflict Resolution which ceased trading on 31 December 2002. The goodwill arising on this transaction was impaired during the year.

	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Cost (or valuation)				
At 1 August	178	—	—	—
Additions				
Synergy	—	—	178	—
NIHCC	(4,926)	(4,926)	—	—
INCORE Conflict Resolution	—	175	—	—
	<u>(4,748)</u>	<u>(4,751)</u>	<u>178</u>	<u>—</u>
At 31 July				
Amortisation				
At 1 August	—	—	—	—
Charged in year	(434)	(470)	—	—
Impaired in year	—	175	—	—
	<u>(434)</u>	<u>(295)</u>	<u>—</u>	<u>—</u>
At 31 July				
Net Book Value				
At 31 July	<u>(4,314)</u>	<u>(4,456)</u>	<u>178</u>	<u>—</u>

At the year end, the Group had goodwill of £142k and negative goodwill of £4,456M; the University had negative goodwill of £4,456M.

	Northern Ireland Hotel and Catering College Fair Value £000	INCORE Conflict Resolution Fair Value £000
Net book value equalled fair value at the date of acquisition		
Tangible fixed assets	4,658	213
Deferred capital grants	(202)	(213)
	<u>4,456</u>	<u>—</u>
Stock	12	—
Debtors	47	37
Creditors	—	(407)
Bank	411	195
	<u>4,926</u>	<u>(175)</u>
Net assets/(liabilities)		

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

11 Tangible Assets (Group)

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Library Assets £000	Total £000
Valuation or cost					
At 1 August 2002					
Valuation	134,303	—	—	5,990	140,293
Cost	28,684	25,122	20,827	2,193	76,826
Additions at Cost	—	19,744	2,370	1,989	24,103
NIHCC additions	4,998	—	55	—	5,053
Disposals	—	—	(49)	—	(49)
Transfer CIP	26,386	(26,386)	—	—	—
	<u>194,371</u>	<u>18,480</u>	<u>23,203</u>	<u>10,172</u>	<u>246,226</u>
At 31 July 2003					
Valuation	134,303	—	—	5,990	140,293
Cost	60,068	18,480	23,203	4,182	105,933
	<u>194,371</u>	<u>18,480</u>	<u>23,203</u>	<u>10,172</u>	<u>246,226</u>
Depreciation					
At 1 August 2002					
	13,564	—	14,950	3,492	32,006
NIHCC additions	369	—	26	—	395
Charge for Year	4,748	—	2,957	4,640	12,345
	<u>18,681</u>	<u>—</u>	<u>17,933</u>	<u>8,132</u>	<u>44,746</u>
At 31 July 2003	<u>18,681</u>	<u>—</u>	<u>17,933</u>	<u>8,132</u>	<u>44,746</u>
Net Book Value					
At 31 July 2003	<u>175,690</u>	<u>18,480</u>	<u>5,270</u>	<u>2,040</u>	<u>201,480</u>
At 31 July 2002	<u>149,423</u>	<u>25,122</u>	<u>5,877</u>	<u>4,691</u>	<u>185,113</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

11 Tangible Assets (University)

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Total £000
Valuation or cost				
At 1 August 2002				
Valuation	134,303	—	—	134,303
Cost	28,397	13,638	20,400	62,435
Additions at Cost				
NIHCC additions	4,998	—	55	5,053
INCORE additions	286	—	22	308
Transfer CIP	15,173	(15,173)	—	—
	183,157	16,541	22,588	222,286
At 31 July 2003				
Valuation	134,303	—	—	134,303
Cost	48,854	16,541	22,588	87,983
	183,157	16,541	22,588	222,286
Depreciation				
At 1 August 2002				
Additions				
NIHCC	369	—	26	395
INCORE	83	—	22	105
Charge for Year	4,648	—	2,809	7,457
At 31 July 2003	18,595	—	17,730	36,325
Net Book Value				
At 31 July 2003	164,562	16,541	4,858	185,961
At 31 July 2002	149,205	13,638	5,527	168,370

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Note	Group 2003 £000	Univ 2003 £000	Group 2002 £000	Univ 2002 £000
12 Investments				
Investment in University Challenge Fund ..	250	250	250	250
Investment in UUTECH Limited	160	—	20	—
Investment in UUSR Limited	—	730	—	730
Investment in UU Bibliotech Limited	—	5,990	—	5,990
Investment in UU Services Limited	—	100	—	—
	<u>410</u>	<u>7,070</u>	<u>270</u>	<u>6,970</u>
 Investment in joint venture				
Share of Gross Assets	3,084	—	3,084	—
Share of Gross Liabilities	(3,092)	—	(3,092)	—
	<u>(8)</u>	<u>—</u>	<u>(8)</u>	<u>—</u>
 Total	<u>402</u>	<u>7,070</u>	<u>262</u>	<u>6,970</u>

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

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

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

UU Bibliotech Limited is a wholly owned subsidiary incorporated in Northern Ireland which provides library services to the University.

UU Services Limited is a wholly owned subsidiary incorporated in Northern Ireland which provides food services in the Jordanstown and Magee Campuses.

UU Health Limited is a wholly owned subsidiary incorporated in Northern Ireland which provides education and training for Nursing and Midwifery and Applied Health Professions.

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

Synergy Centres Limited is a wholly owned subsidiary incorporated in Northern Ireland which develops internet software.

UU-Online.com Limited is a wholly owned subsidiary incorporated in Northern Ireland which was dormant at the year end.

UU Foundation Limited is a wholly owned subsidiary incorporated in Northern Ireland which receives funds from donors to the University. The company has been consolidated for the first time in this current year. Comparative figures have been adjusted to reflect this. The effect of this is not material.

UUTECH Limited, UU Health Limited, Synergy Centres Limited, SEV Limited and UU Online.com Limited are held at £Nil cost.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

	Group and University	
	2003	2002
	£000	£000
13 Endowment Asset Investments		
Balance at 1 August: at cost	2,905	2,868
at valuation	2,456	2,919
Additions	812	1,924
Disposals	(758)	(1,788)
Net depreciation on disposal and/or revaluation	40	(599)
Balance at 31 July at valuation	<u>2,550</u>	<u>2,456</u>
Investments held at the end of the year are detailed as follows:		
Fixed Interest Stocks	570	568
UK Equities	1,102	1,002
Bank Balances	66	55
Balanced Portfolio	812	831
Total Endowment Asset Investments at valuation	<u>2,550</u>	<u>2,456</u>
Total Endowment Asset Investments at cost	<u>2,881</u>	<u>2,905</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

14 Debtors

	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Amounts falling due within one year				
Debtors	15,044	12,998	9,643	8,985
Amounts owed by group undertakings				
Subsidiary undertakings	—	6,398	—	4,767
Prepayments and accrued income	2,563	1,809	4,076	2,383
	<u>17,607</u>	<u>21,205</u>	<u>13,719</u>	<u>16,135</u>

15 Creditors: Amounts Falling Due within One Year

	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Bank overdrafts	3,047	1,506	3,687	1,596
Obligations under finance leases	4	4	4	4
Trade creditors	19,307	18,928	16,164	15,520
Other taxation and social security	2,667	2,720	—	—
Accruals	4,491	4,001	4,413	4,205
Recurrent grant clawback	—	—	784	784
	<u>29,516</u>	<u>27,159</u>	<u>25,052</u>	<u>22,109</u>

16 Creditors: Amounts Falling Due after more than One Year

	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Bank loans	10,000	10,000	6,000	6,000
Amounts owed by group undertakings				
Subsidiary undertakings	—	650	—	687
Obligations under finance leases				
Between one and five years	—	—	4	4
	<u>10,000</u>	<u>10,650</u>	<u>6,004</u>	<u>6,691</u>

	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Bank loans				
Amounts falling due				
Less than one year (note 15)	3,047	1,506	3,687	1,596
Between one and two years	5,000	5,000	—	—
Between two and five years	—	—	—	—
Greater than five years	5,000	5,000	6,000	6,000
	<u>13,047</u>	<u>10,506</u>	<u>9,687</u>	<u>7,596</u>

The loans are unsecured and the rate of interest payable is 0.40% - 0.65% above the Base Rate.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

17 **Provision for future pension liabilities**

	Group and University	
	2003	2002
	£000	£000
At 1 August	495	521
Utilised in Year	(35)	(39)
Changed to Income & Expenditure Account	94	13
At 31 July	554	495

The provision relates to the future provision of retirement benefits to certain employees. The calculation of the provision incorporates an assessment of the life expectancy of the individuals concerned. It is anticipated that £34K of this provision will be paid within the next financial year.

18 **Deferred Capital Grants - Group**

	Department for Employment and Learning £000	Other Grants £000	2003 Total £000	2002 Total £000
At 1 August				
Buildings	4,939	16,160	21,099	15,024
Equipment	—	769	769	207
Total	4,939	16,929	21,868	15,231
Additions				
NIHCC Buildings	201	—	201	—
Total	5,140	16,929	22,069	15,231
Cash Received				
Buildings	744	12,837	13,581	6,322
Equipment	—	338	338	897
Total	744	13,175	13,919	7,219
Released to Income & Expenditure				
Buildings	187	154	341	247
Equipment	—	880	880	335
Total	187	1,034	1,221	582
At 31 July				
Buildings	5,697	28,843	34,540	21,099
Equipment	—	227	227	769
Total at 31 July	5,697	29,070	34,767	21,868

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

18 Deferred Capital Grants - University

	Department for Employment and Learning £000	Other Grants £000	2003 Total £000	2002 Total £000
At 1 August				
Buildings	4,939	8,360	13,299	11,595
Equipment	—	671	671	207
Total	4,939	9,031	13,970	11,802
Additions				
NIHCC Buildings	201	—	201	—
INCORE	—	212	212	—
Total	5,140	9,243	14,383	11,802
Cash Received				
Buildings	744	10,235	10,979	1,941
Equipment	—	338	338	799
Total	744	10,573	11,317	2,740
Released to Income & Expenditure				
Buildings	187	68	255	237
Equipment	—	822	822	335
Total	187	890	1,077	572
At 31 July				
Buildings	5,697	18,739	24,436	13,299
Equipment	—	187	187	671
Total at 31 July	5,697	18,926	24,623	13,970

19 Endowments

	Group and University			
	Specific £000	General £000	2003 Total £000	2002 Total £000
At 1 August	1,756	700	2,456	2,919
Additions	27	23	50	—
Withdrawals	(66)	—	(66)	—
Appreciation/(depreciation) of endowment asset investments	90	49	139	(360)
Income for Year	92	12	104	81
Transferred to Income and Expenditure Account (Note 5)	(26)	(107)	(133)	(184)
At 31 July	1,873	677	2,550	2,456

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

20 Revaluation Reserve

	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Gross Revaluation surplus				
At 1 August	140,293	134,303	140,293	134,303
Revalued in Year	155	—	—	—
	<u>140,448</u>	<u>134,303</u>	<u>140,293</u>	<u>134,303</u>
Contribution to Depreciation				
At 1 August	13,179	10,184	6,571	6,571
Released in year	6,608	3,613	6,608	3,613
	<u>19,787</u>	<u>13,797</u>	<u>13,179</u>	<u>10,184</u>
Net Revaluation Surplus				
At 1 August	<u>127,114</u>	<u>124,119</u>	<u>133,722</u>	<u>127,732</u>
At 31 July	<u>120,661</u>	<u>120,506</u>	<u>127,114</u>	<u>124,119</u>

21 Income and Expenditure Account Reserve

	Group 2003 £000	University 2003 £000	Group 2002 £000	University 2002 £000
Balance at 1 August	21,290	26,523	20,428	26,806
Deficit after depreciation of assets at valuation, before and after tax	(6,229)	(2,155)	(5,746)	(3,897)
Release from Revaluation Reserve	6,608	3,613	6,608	3,614
Impairment on acquisition	—	175	—	—
Balance at 31 July	<u>21,669</u>	<u>28,156</u>	<u>21,290</u>	<u>26,523</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group and University	
		2003	2002
		£000	£000
22	Capital Commitments		
	Commitments contracted at 31 July	9,967	8,921
	Authorised but not contracted at 31 July	—	—
		9,967	8,921

23 **Contingent Liabilities**

The University council consider that as a result of legal proceedings outstanding at the year end, there is a potential contingent liability in the amount of £245,000. No valuable security has been provided by the University in respect of this contingent liability.

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

	Group	Group
	2003	2002
	£000	£000
Deficit after depreciation of assets at valuation before tax	(6,229)	(5,746)
Depreciation (Note 11)	12,345	10,038
Amortisation of Goodwill (Note 10)	(434)	—
Deferred Capital Grants Released to Income (Note 18)	(1,221)	(582)
Investment Income (Note 5)	(413)	(474)
Loss on Sale of Endowment Assets	94	166
Loss on Disposal of Fixed Assets	4	—
Interest Payable	466	511
(Increase)/Decrease in Stocks	(55)	3
Increase in Debtors	(3,842)	(1,479)
Increase in Creditors	5,104	7,217
Increase/(Decrease) in Provisions	59	(26)
Net Cash Inflow from Operating Activities	5,878	9,628

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

25 Returns on Investments and Servicing of Finance

	Group 2003 £000	Group 2002 £000
Income from Endowments (Note 19)	104	81
Income from Short Term Investments (Note 5)	280	290
Interest Paid (Note 8)	(466)	(511)
	(82)	(140)

26 Capital Expenditure and Financial Investment

	Group 2003 £000	Group 2002 £000
Tangible Assets Acquired (Note 11)	(24,103)	(18,903)
Endowment Asset Investments Acquired (Note 13)	(812)	(1,924)
	(24,915)	(20,827)
Total Fixed and Endowment Asset Investments Acquired	45	—
Receipts from Sales of Fixed Assets	758	1,788
Receipts from Sales of Endowment Assets (Note 13)	13,919	7,219
Deferred Capital Grants Received (Note 18)	(10,193)	(11,820)

27 Acquisitions

	Group 2003 £000	Group 2002 £000
Acquisition of Northern Ireland Hotel and Catering College	411	—
Net overdraft acquired with subsidiary	—	(25)
	411	(25)

28 Management of Liquid Resources

	Group 2003 £000	Group 2002 £000
Withdrawals from deposits	625	5,000
Purchase of investments	—	(7)
Withdrawal from endowment funds	16	—
	641	4,993

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

29 Analysis of Changes in Financing During the Year

	Mortgages & Loans £000	Finance Leases £000	Group Total £000
Balance at 1 August 2002	6,000	8	6,008
Medium Term bank loans/Capital Repayments	4,000	(4)	3,996
	10,000	4	10,004

30 Analysis of Changes in Net Funds/(Debt)

	At 1 August 2002 £000	Cash Flows £000	At 31 July 2003 £000
Cash at Bank and in Hand			
Endowment Assets	55	11	66
Bank Overdraft	(3,687)	640	(3,047)
	(3,632)	651	(2,981)
Short Term Deposits	2,205	(625)	1,580
Finance leases	(8)	4	(4)
Bank Loans due after one year	(6,000)	(4,000)	(10,000)
	(3,803)	(4,621)	(8,424)
Total	(7,435)	(3,970)	(11,405)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

31 Pension Schemes

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

The last actuarial valuations of the USS scheme was at 31 March 2002 and the NILGOSC Fund at 31 March 2001. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions.

USS Scheme

It was assumed that the valuation rate of interest would be 5% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The University contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the University contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus.

This left the past service surplus of £79.5 million (including the supplementary section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

NILGOSC Fund

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

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

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

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

The total pension cost for the University was:-

	Group 2003 £000	Group 2002 £000
The total pension cost for the University was:		
Contributions to USS	6,678	6,589
Contributions to NILGOSC	688	639
Contributions to TSS	22	22
Contributions to HPSS	1	1
Total Pension Cost (Note 6)	7,389	7,251

32 Student Support Funds

	Group and University	
	2003 £000	2002 £000
Balance Carried Forward	12	8
Funding Council Grants	877	1,046
Disbursed to Students	(861)	(1,042)
Balance Underspent at 31 July	28	12

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

33 Subsidiary Company Information

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

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

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

The companies are all registered and operate in Northern Ireland. INCORE Limited (Initiative on Conflict Resolution and Ethnicity) is a major international research and training centre set up in partnership with the United Nations University. On 31 December 2002 INCORE's activities were transferred into the University. On this date, the company changed its name to UU Health Limited and it now provides education and training for Nursing and Midwifery and Applied Health Professions. UUTECH Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities. UUSR Limited (University of Ulster Science Research Park) is a property management and development company for technology transfer. Synergy Centres Limited develops e-learning software packages and rents incubator units. UU Bibliotech Limited is a company established to provide library services to the University. UU ONLINE.com Limited is a dormant company. UU Services Limited trades as a food retail outlet. UUF Limited's purpose is to receive funds from donors and to distribute them to the University.

All companies are 100% owned by the University.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

34 Joint Venture Information

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

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

	MTP Ltd Year Ended 31 December 2002 £000	SEV Ltd Year Ended 31 July 2003 £000
(Loss)/Profit for the year	(14)	8
Services supplied by the University	25	70
Services received by the University	9	—
Amount owed to the University at the Balance Sheet date	—	67
Amount owed by the University at the Balance Sheet date	—	2
Capital and Reserves as at year end	56	(18)

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

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

35 Other Investments

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

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

Gendel	7.1%
8over8	0.8%
Sensory Technologies & Devices Ltd	16.4%
Propertyfriend.com	16.7%
Diabetica Ltd	15.7%
Eyesyfx Ltd	15%
EZ-DSP Ltd	5%
Gazer Technology Research Ltd	10%
Maxemus	15%
SLDi	2.5%
EFMB Ltd	50%
Axis Three	13.1%
Amphibiotics Ltd	2.5%
Datactics Ltd	6.4%
GMS Ltd	15%
3D Lingua	5%
TECHNICO Logix	10%

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

36 Related Party Transactions

Due to the nature of the University's operations and the composition of the University's Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at arms length and in accordance with the University's financial regulations and normal procurement procedures. Apart from the disclosures in Notes 31 to 33 above, no transactions were identified which require to be disclosed under Financial Reporting Standard 8: 'Related Party Disclosures'.