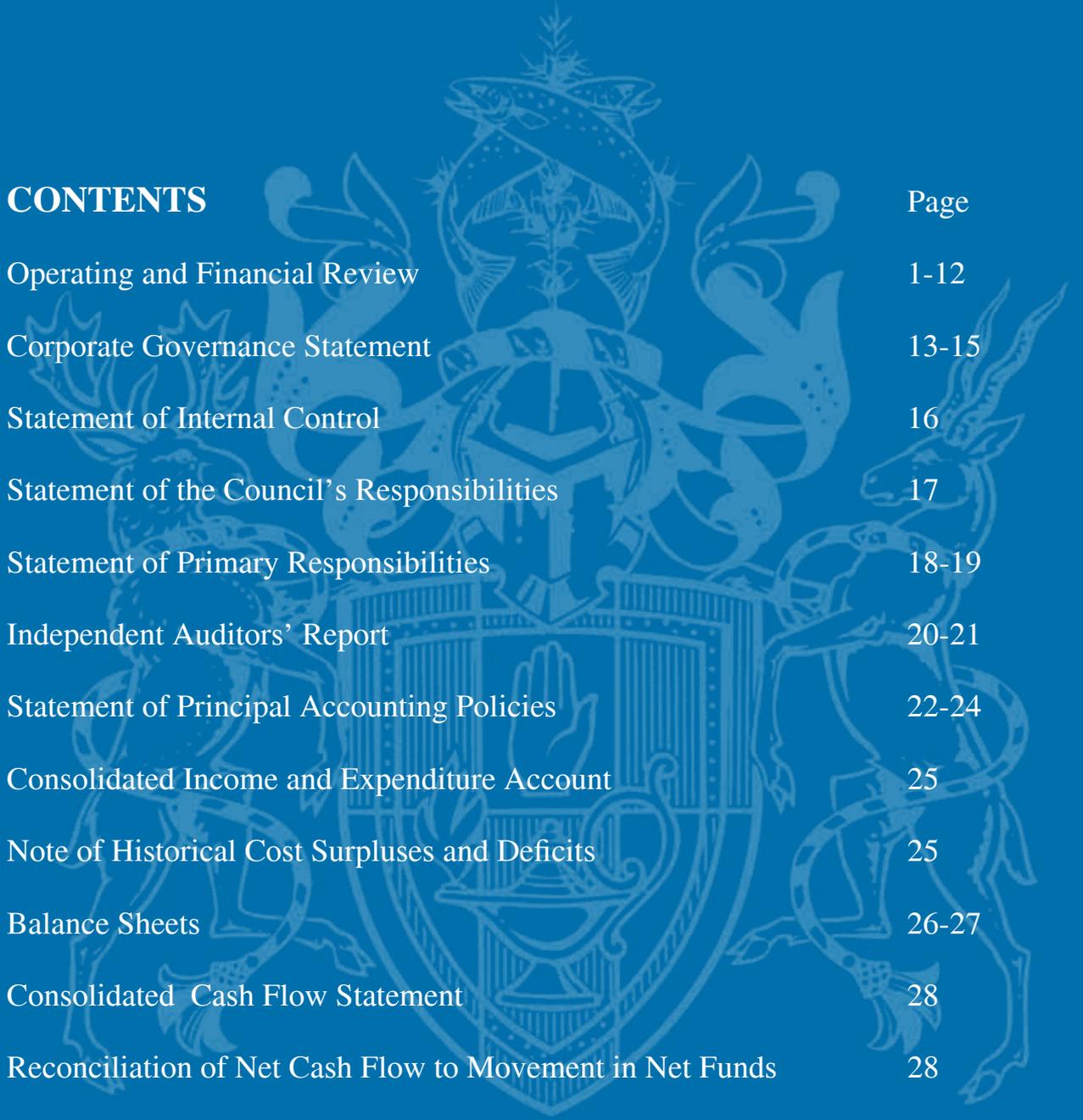




ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
for the year to 31 July 2013

# UNIVERSITY OF ULSTER GROUP ACCOUNTS



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# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review

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### THE UNIVERSITY

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

As our name conveys, the University of Ulster (Ulster) is a university of its locality: Northern Ireland. The Ulster community, located across our four campuses in Belfast, Coleraine, Jordanstown and Magee in Derry/Londonderry, is strongly committed to the inclusive economic, social and cultural transformation and advancement of Northern Ireland globally. The strength, quality and success of our teaching provision, our widening access and participation initiatives, our graduates, our research and innovation, and the commitment of our staff and students are widely acknowledged. In particular, we value our ability to shape and deliver our core academic provision by building close and productive links across the economy and society, both locally and internationally.

It is against this background that we have set out the context for our Corporate Plan 2011/12 to 2015/16 – to focus and deepen our contribution to the economic, social and cultural development of Northern Ireland and its global standing.

### CORPORATE STRATEGY

The University's Corporate Plan 2011/12 to 2015/16 sets out two corporate goals under the following headings:

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

These are facilitated by one enabling goal:

- A well led, healthy working and learning environment,

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

This Corporate Plan has been developed in the knowledge that we are embarking on a phase of considerable uncertainty and change in higher education across the United Kingdom with the differentiation in the students' fees regime, increased global competition and more challenging public finances. The University's Corporate Plan however provides us with a strong strategic focus for the future, a framework for further developing a high quality, world – renowned higher education institution capable of focusing and deepening our contribution to the economic, social and cultural development of Northern Ireland and its global standing. Our Plan is not about standing still, it is about agility, flexibility, ambition and success.

We are determined to manage all our affairs and our resources prudently through robust annual business planning and associated risk management strategies. Therefore the activities and action plans associated with the overarching Corporate Plan, form the basis of our annual business plan. This plan defines priorities for the year against which achievement in the delivery of our objectives and key success indicators are monitored and reported.

The University's strategic development plans are designed to address the deficiencies in the Jordanstown campus identified by the Department for Employment and Learning (DEL) sponsored JM Consulting report in 2006 and provide modern 'state of the art' facilities for both our students and staff. The development of a new campus around the existing York Street in Belfast complex is a creative and exciting initiative representing the creation of a modern university right in the heart of the city. It will provide an innovative and transformative higher educational environment offering new opportunities for learning through a variety of modes and the generation of knowledge that contributes to the economic, social and cultural life of the city, the region and further afield and links to Belfast City Council's own Strategic Development Plan.

The new campus will build upon the University's recognised strengths in the provision of professional education, focusing on employability and skills while at the same time providing flexibility in response to the changing higher education and external environments and providing access to the local community as part of the University's Community Engagement Strategy.

The Greater Belfast Development (GBD) plans will see the transfer of students and staff between Jordanstown and Belfast, with most of the existing Jordanstown activity being moved into the city. By 2018 15,000 students and staff will be studying and working in the Cathedral Quarter.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review - Continued

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2012/13 saw the commencement of the building phase of the project with the award of the demolitions and enabling works contract for the site, and the appointment of a preferred bidder for the construction of the first Block and the refurbishment of the existing campus building.

The Jordanstown campus will remain as an important part of our estate and will continue to house our excellent sports facilities, forming the hub of all sports-related team and individual activities, together with student residences and specialist engineering research facilities.

With regard to the North West development plans, our Coleraine and Magee campuses play a vital role in the economic, social and cultural development of the North West region.

To date we have made significant investment in state-of-the-art teaching, research and support facilities. Our future plans will build on this investment and further develop vibrant, dynamic and thriving campuses.

Our development plans for Coleraine are aimed at developing our campus infrastructure to provide a dynamic student learning environment. Having provided refurbished accommodation for computing, teaching and research in Central Buildings last year, the next stage of the University's Coleraine Campus Rationalisation plan was completed at the beginning of the summer and provided for the relocation of the catering provision to the newly refurbished accommodation on the first floor of Block E in time for the start of Semester 1 of 2013/14.

Our development plans for Magee are based upon expansion and developing, delivering and sustaining high-quality, regionally relevant provision with an emphasis on professional education for professional life. Planning has commenced on the development of new facilities to meet the needs of the 657 additional students allocated to this campus. The allocation of 657 places represents a significant step towards achieving the extra 1,000 places identified as an interim target in the city's One Plan.

### REVIEW OF OPERATIONS

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

The financial results for the Group for the year show a surplus of £14.4 million, a margin of 7.5%, and net cash of £51 million, all of which were in line with our plan to build sufficient reserves in support of the campus developments and to ensure our cash holdings are closer to sector benchmark figures.

### INCOME AND EXPENDITURE ACCOUNTS

Total income fell by 3.8% to £192 million while total expenditure decreased by 5.0% to £180 million, reflecting the impact of the University's restructuring and embedding of the efficiency plans following the reduction in core funding as part of the DEL budget settlement.

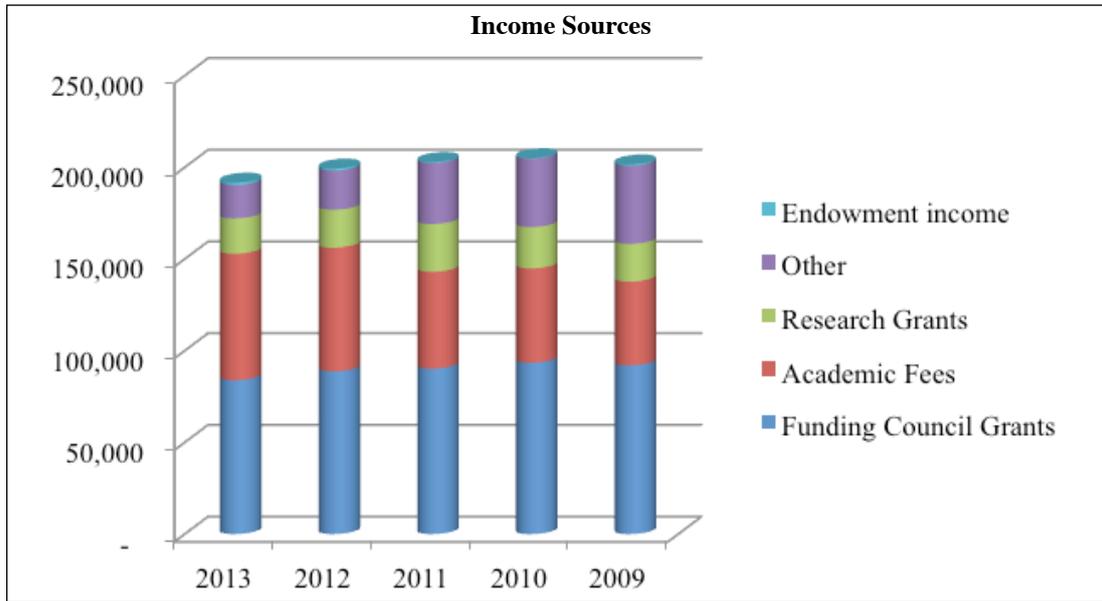
The Consolidated Income and Expenditure account shows:-

	<b>2013</b>	2012
	<b>£000</b>	£000
Income .....	<b>191,723</b>	199,379
Expenditure .....	<b>(180,477)</b>	(190,067)
Surplus (Deficit) Transferred to Endowment Fund .....	<b>(1)</b>	9
Operating Surplus .....	<b>11,245</b>	9,321
Revaluation Reserve Return .....	<b>3,187</b>	3,178
Historical Cost Surplus .....	<b>14,432</b>	12,499

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review - Continued

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



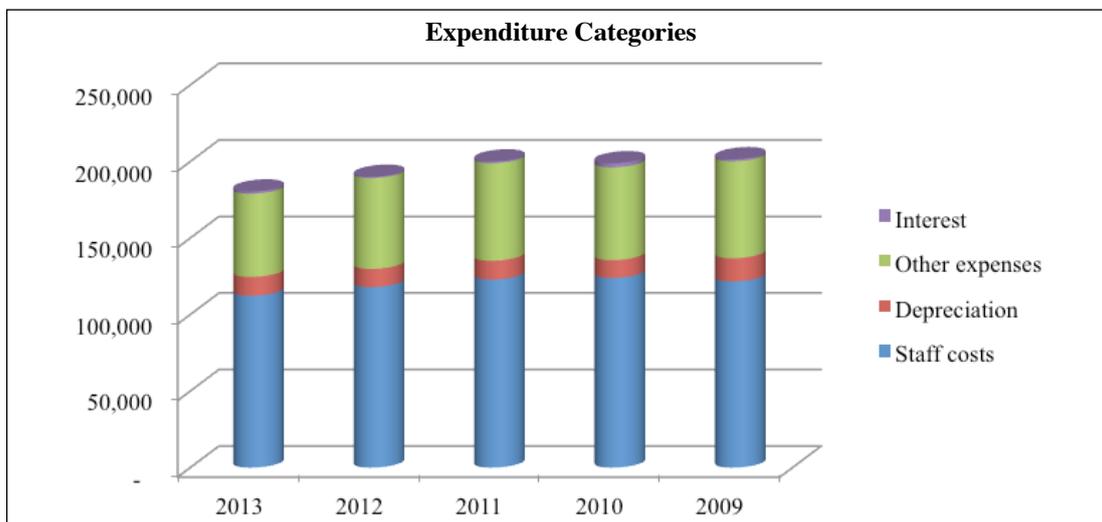
Funding Council Grants fell by 5.5% or £4.9 million as a result of the reduction in core DEL funding as part of the budget settlement. There was no funding for special initiatives which had yielded £500k in the previous year. The fall in this category of income has been marginally counteracted by a £1 million increase in deferred capital grants release, provided by DEL to support projects within the University's Estate Strategy.

Tuition fee and educational contracts income is largely in line with prior years, as this key income source stabilises and the movement away from grant funding to student fees begins in earnest. Income from home and EU full and part – time students rose year on year, however fees for overseas students fell £0.5 million.

Research Grant activity fell by 7.0% or £1.4 million, the main element being the late phasing of Invest NI grants which we had anticipated would have been received in the year. In addition, the average value of awards is down from £125k four years ago, to £60k in 2012/13.

The overall 3.8% drop in income highlights the continuing pressure on funding streams, from both the reduction in central DEL funding, the reduction in other government funding to support specific initiatives and from other commercial bodies as a result of the overall slow growth of the economy. The changes in income sources, over the past five years, have been analysed and this highlights the reduced reliance on funding council grants, from 47% to 44%, with a shift towards academic fees (up from 20% to 36%), and also illustrates the reduction in research grant income as a percentage of total income, which has fallen from 12% to 10%.

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



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review - Continued

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During 2012/13 we have continued to identify areas of activity which can be delivered more cost effectively or where divestment is appropriate as a means of managing our on-going cost base. Overall expenditure is 5.0% lower than that recorded as at 31 July 2012. The 4.8% reduction in staff costs reflects the ongoing staff restructuring plan commenced in response to the cut in core funding as part of DEL's budget settlement 2011-15, and has resulted in a reduced staff cost to income ratio of 58.6%, which is a further 0.6% improvement year on year. This remains high relative to the sector average, which, in part, can be explained by the University's multi-campus operation.

Other operating expenses continue to fall and reflect an in – year reduction of 8.5%. This is a significant achievement when set beside a 13.6% increase in rates, heat, light and power and long term maintenance, which is offset by a reduction in legal and professional costs, and student support.

The total spend of £54 million in other operating expenses includes a restructuring provision of £2 million.

### **BALANCE SHEET AS AT 31 JULY 2013**

After a decrease in net assets in 2012, attributable to the fluctuation in pension reserves, this year saw a positive movement with net assets increasing 10% from £237 million last year to £263 million in 2013 of which £12.4 million relates to the movement in Pension Reserve.

Cash and short term investments totalled £56 million as at 31 July 2013. This is an increase of 35.5% over the past two years, and is in line with the overarching financial strategic objective of increasing cash reserves to bring reserves nearer to sector norms and to support the development of the estate and support the infrastructure developments.

Fixed assets additions total £10.8 million of which £8.5 million related to assets under construction; including £3.4 million due to the ongoing development of the Greater Belfast project, £2.9 million for the construction of the Data Centre in Coleraine, and £2.1 million for the rationalisation of the Coleraine estate. The £7.5 million noted in respect of disposals, represents a write – off of assets previously held at nil net book value.

The defined pension liability decreased to £37 million from £49 million last year. Further comment in respect of this is noted later in this report.

Net current assets increased by £12.8 million, reflecting the increased investments, and reduction in short term creditors to a year end position of £37 million.

### **CASH FLOW FOR THE YEAR TO 31 JULY 2013**

The University's Finance Strategy aims to generate a cash surplus of £10 million from Operating Activity to support investment in capital works, improve the University's overall liquidity and create a cash reserve fund to support the University's development plans thereby reducing the need for bank borrowings.

Cash balances continue to improve due to delays in capital projects together with lower than projected spend by the Faculties and Departments.

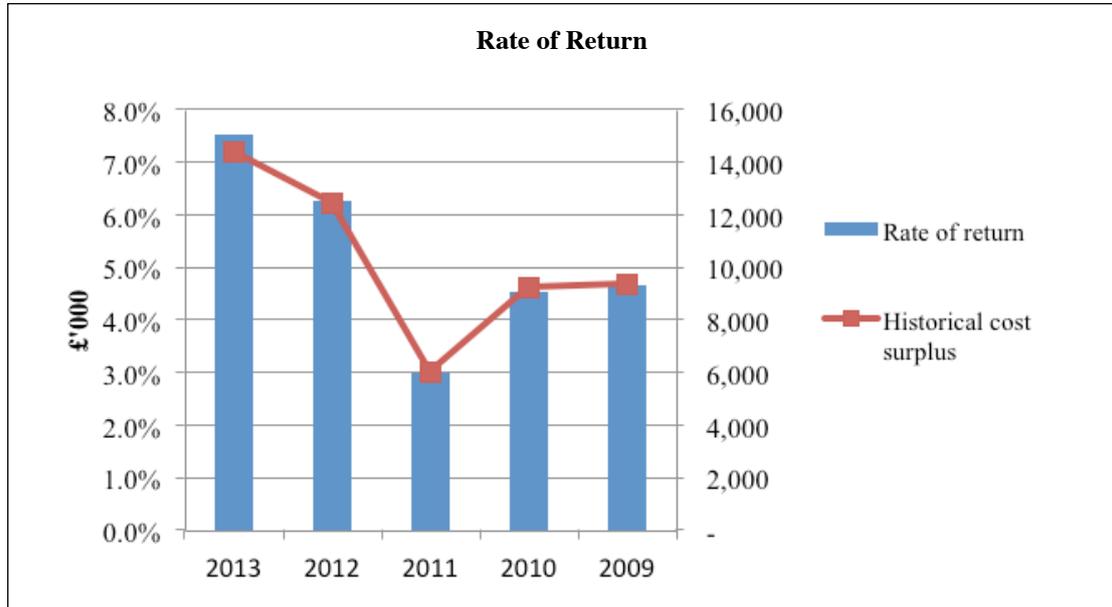
For the year ended 31 July 2013 net inflow from operating activity of £10.4 million was generated. The University invested £10.8 million in capital asset additions with £7.2 million having been received from government sources in support of these investments. As a consequence, the University's short term cash deposits and investments increased from £48 million last year to £55.7 million at 31 July 2013. The University's liquidity ratio (current assets to annual expenditure excluding depreciation) at 41.2% (up from 34.7% in 2012) reflects the planned accumulation of cash reserves.

### **FINANCIAL STRATEGY**

Through the financial strategy the University aims to achieve sustainable overall finances, while providing continued funding to support the University's Estates Strategy, which includes the redevelopment of Greater Belfast, the Magee Development plan and the consolidation of the physical estate on the Coleraine campus. The University's level of capital investment is determined from a HEFCE and DEL – commissioned JM Consulting Report "Future Needs for Capital Funding in HE", which recommended that in order to maintain a sustainable estate HEIs should invest 4.75% of the insurance replacement value of the estate annually. Coupled with this, the finance strategy sets two key performance indicators. To achieve an annual operating surplus averaging 4.5% over a rolling four year period, and to achieve a cash surplus of 1% of total income over the planning period to build the University's cash reserves closer to the HEFCE liquidity targets.

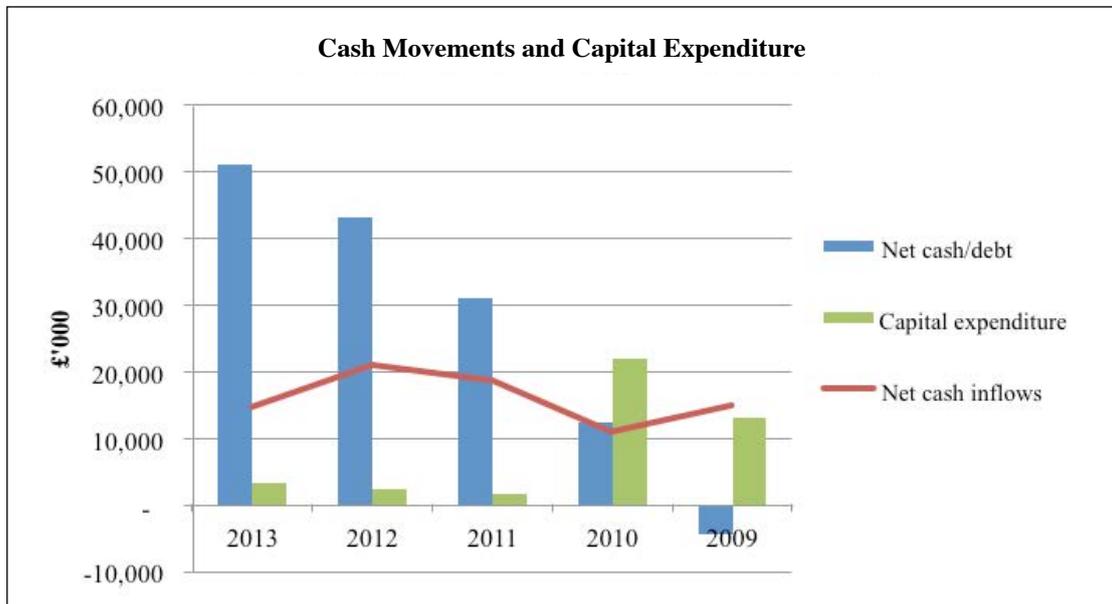
# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review - Continued



### TREASURY POLICY AND PERFORMANCE

The graph below illustrates the correlation between net cash/debt and capital expenditure.



The investment policy of the University provides that deposits are made on the basis of the short and long term ratings assigned by Moody's and Standard & Poors global rating agencies of the financial institution which the proposed investment is to be made. Deposit limits with one financial institution range from £1 million to £15 million depending on the deposit rate and credit rating.

<sup>1</sup> The reduction in cash balances in year ended 31 July 2009 reflects the purchase of land and buildings in that year to support the Greater Belfast Development.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review - Continued

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### **PENSION SCHEMES**

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

The USS scheme is unable to identify our share of the underlying assets and is therefore exempt from detailed reporting in the accounts in accordance with the relevant standard Financial Reporting Standard 17 (FRS17). The latest triennial actuarial valuation of the scheme was at 31 March 2011. At the valuation date the value of assets in the scheme was £32.4 billion and the value of liabilities using the schemes technical provision was £35.3 billion, a deficit of £2.9 billion.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation will be 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more. At 31 March 2013, USS had over 148,000 active members and we had 1,649 active members participating in the scheme. The total pension cost for Ulster was £10,807,751 (2012: £11,084,627). The contribution rate payable by the institution was 16% of pensionable salaries.

The NILGOSC scheme, against which the University is able to show its share of the underlying assets/liability, shows a FRS17 liability of £36.9 million for Ulster; down from £49.3 million at the previous year end. This results in a £4.7 million charge to the Income and Expenditure account of which £3.5 million is against staff costs and £1.1 million against interest payable.

### **RISK FOR THE COMING PERIOD**

The University continues to actively manage risk as part of its embedded management control processes. The 2012/13 year began with a review of the previous year's enterprise performance metrics - Institutional Sustainability Indicators (ISIs) and Operational Indicators (OIs) - and the associated corporate risks. Further alignment of the enterprise performance and risk management processes resulted in a new suite of indicators being drawn up and an increase in the number of corporate risks from twelve in 2011/12 to eighteen in 2012/13. These risks applied to a wider range of activities including Communication, Internationalisation, Fundraising, Change Management, Widening Access and IT Infrastructure.

In early 2013, Senior Management explored in detail risk appetite at portfolio level and drew up a Risk Appetite Statement which was approved by the Audit Committee and Council. Following this, towards the end of 2012/13, as a result of the recommendations from the Financial Sustainability Steering Group report entitled 'Assessing the sustainability of Higher Education Institutions', the University proposed a suite of ten ISIs for adoption in 2013/14. These ISIs were in the key activity areas listed below.

Eight Corporate Risks for 2013/14 were also identified and are listed.

In addition, the University introduced Operational Risks which align to Operational Indicators. These will be monitored at portfolio level with any exceptions being reported to the newly established Senior Executive Team.

## UNIVERSITY OF ULSTER GROUP ACCOUNTS

### Operating and Financial Review - Continued

KEY ACTIVITY	RISK CODE	KEY RISK	LEAD AGENT(S)
Learning, Teaching and the Student Experience	CR-LT1	Lack of focus on activities that support the University's core aims and pursuance of activities which threaten the maintenance of standards	PVC Teaching & Learning PVC Educational Partnerships & International Affairs
Research Outputs and Sustainability	CR-RO1	Lack of connectedness with grant-awarding, decision-making bodies and proactivity in horizon-scanning	PVC Research & Innovation
	CR-RO2	Lack of consistency across the Research Institutes in terms of developing a culture of successful grant application and succession planning	PVC Research & Innovation
Financial Performance for Sustainability	CR-F1	Failure to deliver the approved Financial Corporate Plan as a result in failure to deliver our core business strategies i.e. Learning & Teaching and Research & Innovation	Chief Finance & Information Officer PVC Teaching & Learning PVC Research & Innovation
Organisational Development	CR-OD1	Failure to develop an Organisational Development Strategy and implementation plan on a timely basis	
Estates and Infrastructure	CR-EI1	Failure to maintain appropriate capital investment strategy	Director of Physical Resources
Communication	CR-C1	Failure to develop an effective public affairs and communication policy and implementation plan on a timely basis with an aim to monitoring and influencing changing government policies	PVC Communication & Provost
	CR-C2	Failure to develop effective internal two-way communications and hence a lack of ownership by staff	PVC Communication & Provost
<b>Total</b>	<b>8</b>		

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review - Continued

### STUDENTS

Student numbers have increased slightly from a total enrolment of 30,574 in 2010/11 to 31,856 in 2012/13. This includes students based at partner colleges and institutions. The distribution of students across the different modes and level of study in 2012/13 was as follows:

	<b>2012/13 Number</b>	2011/12 Number	2010/11 Number
Full-time students .....	<b>16,303</b>	16,299	16,424
Full-time overseas students .....	<b>2,441</b>	1,738	651
Part-time students .....	<b>7,999</b>	8,220	8,264
Students at recognised institutions .....	<b>5,113</b>	5,016	5,235
Overall .....	<b>31,856</b>	31,273	30,574

In terms of domicile, the undergraduate student population, over the past three years has been made up as follows:

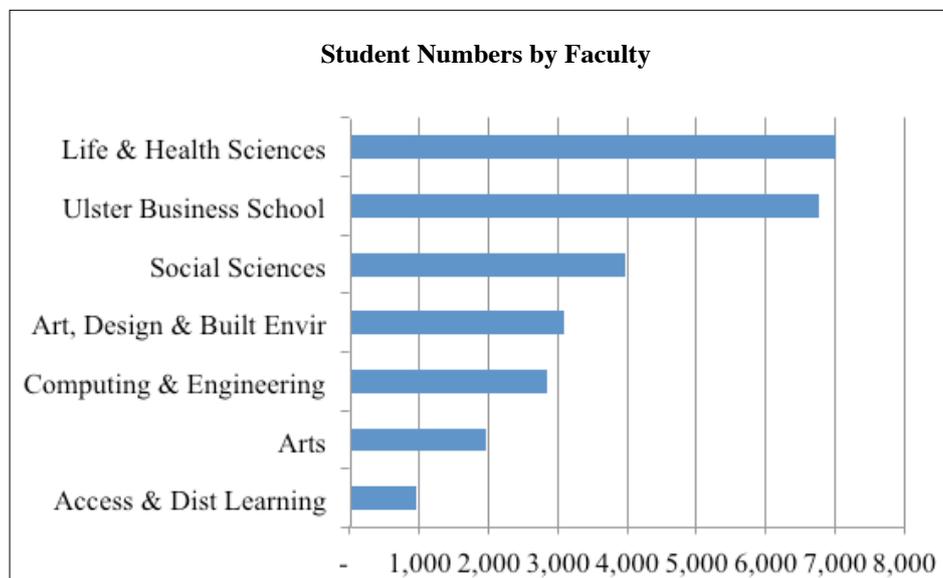
	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
UK	26,645	25,782	26,001
EU	2,438	2,977	3,264
Non EU	2,773	2,514	1,309
<b>Total</b>	<b>31,856</b>	<b>31,273</b>	<b>30,574</b>

2012 saw the launch of the University of Ulster EDGE Award. This was a new initiative for first and second year undergraduate students, which has been designed to enhance the employability of our students by providing official recognition and evidence of activities carried out outside the formal programme of study. It is taken in addition to the degree and it is free to enrol. For the award students take part in a wide range of activities to enhance their career prospects and also to show employers that they are committed to developing their personal skills. When the student graduates from Ulster, the EDGE Award will appear on their official transcript - giving them the 'edge' in their career.

### STUDENTS BY SUBJECT AREA

The University continues to offer a very wide range of subject mix with business, computing and subjects allied to life and health sciences being the most popular. There has also been growth in the areas of creative arts and engineering.

The graph below illustrates the range and scale of the student population by faculty:



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review - Continued

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### STUDENT INVOLVEMENT

The University has a number of mechanisms in place to facilitate communication with students and makes extensive use of email and the internet/social media to disseminate information and receive feedback, not least in partnership with the Students' Union to train and recognize the contribution made by the students representatives on the University's programmes. The Students' Union President is a member of the University Council and a number of Students' Union representatives are members of a variety of University committees including Senate, Learning and Teaching Committee, Resources Committee, Library, Information & Student Services Administration Committee and Organisational Development Committee.

### INTERNATIONALISATION

During the 2012/13 academic year, the International Department has been dedicated to supporting Faculties and the Educational Partnerships and International Affairs portfolio in meeting the objectives of the *Internationalisation Strategy (2011/12 – 2015/16)*.

The strategy defines targets for the International Department in terms of supporting internationalisation within the University and diversifying recruitment activity whilst enhancing student experience.

Notable areas of work include the approved *International Student Marketing and Recruitment Strategy 2013/14 – 2015/16*, guidance on Internationalisation of the Curriculum, established protocols for International Partnerships and Pricing International Contracts and the revision of the *International Student Charter*.

The University has seen significant improvement during this period in forming and progressing international partnerships. In 2012/13 International Business Support facilitated a total of 68 agreements including 25 Memoranda of Understanding and 20 Articulation agreements. Important areas where substantial work has been undertaken include a review of Study Abroad recruitment and agreements, the introduction of a new process and contract for appointing and monitoring international recruitment agents, consolidation of Erasmus recruitment and bi-lateral agreements ahead of the new Erasmus Plus programme and the consolidation of international recruitment and partnership information.

### RESEARCH ACTIVITY

The University's research is characterised by its capacity to shape lives and society, delivering economic, social or cultural benefit from research of the highest quality. The last RAE results (RAE 2008) demonstrated the quality of the University's research, highlighting that the University had jumped eighteen places from 63 to 45, placing it in the top third of UK universities. Twenty one of the twenty five units of assessments returned had research that was world leading and 85% of the research outputs were of an international quality. In addition, three of the units of assessment were assessed as being in the top three in the UK namely: Nursing, Biomedical Sciences, and Celtic Studies. A further seven subjects were ranked among the top 20 in the UK namely: Agriculture, Veterinary and Food Science, Metallurgy and Materials, Architecture and the Built Environment, Law, Sports-Related Studies, Linguistics, and Communication, Cultural and Media Studies.

Some examples of our internationally excellent and world leading research:

- **Built Environment Research Institute** – Research is carried out in areas such as hydrogen technologies, fire dynamics, renewable energy, biomass and bio-energy, regeneration processes and property planning. This addresses questions central to global, national, regional and local economies.
- **Computer Science Research Institute** – The Smart Environments' Research Group focuses on sensor-based technologies with applications in assistive technologies for healthcare. The Artificial Intelligence group researches pattern recognition and semantic reasoning with applications in intelligent document analysis, ambient assisted living and security.
- **Environmental Sciences Research Institute** – Pure and applied researchers investigate a range of earth systems, with an emphasis on those with societal relevance. This includes work on natural hazards such as earthquakes, tsunamis, climate change as well as human and physical influences in ecological, freshwater, coastal and maritime systems.
- **Engineering Research Institute** – High impact research is undertaken in advanced materials, medical devices such as defibrillators, nano-materials, coatings, sensors, composites and metal forming.
- **Biomedical Sciences Research Institute** – Undertakes cutting edge research on the prevention, diagnosis and treatment of degenerative and infectious diseases including cancer, diabetes, heart disease, osteoporosis and arthritis. The Institute focuses on translating their research for patient benefit and societal benefit with increasing emphasis on personalised medicine.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review - Continued

The successful research base creates numerous benefits to society and our researchers continue to attract funding from a broad range of research councils, charities and health authorities. In preparation for REF 2014 the University seeks to sustain and enhance its excellent reputation through further high quality research.

### INNOVATION & TECHNOLOGY TRANSFER

Innovation Ulster Limited is the University of Ulster’s wholly - owned award - winning knowledge venturing company. The University’s Office of Innovation works in partnership with staff and students to promote, capture, protect, and realise economic impact from our intellectual assets. Over the past six years the office has:

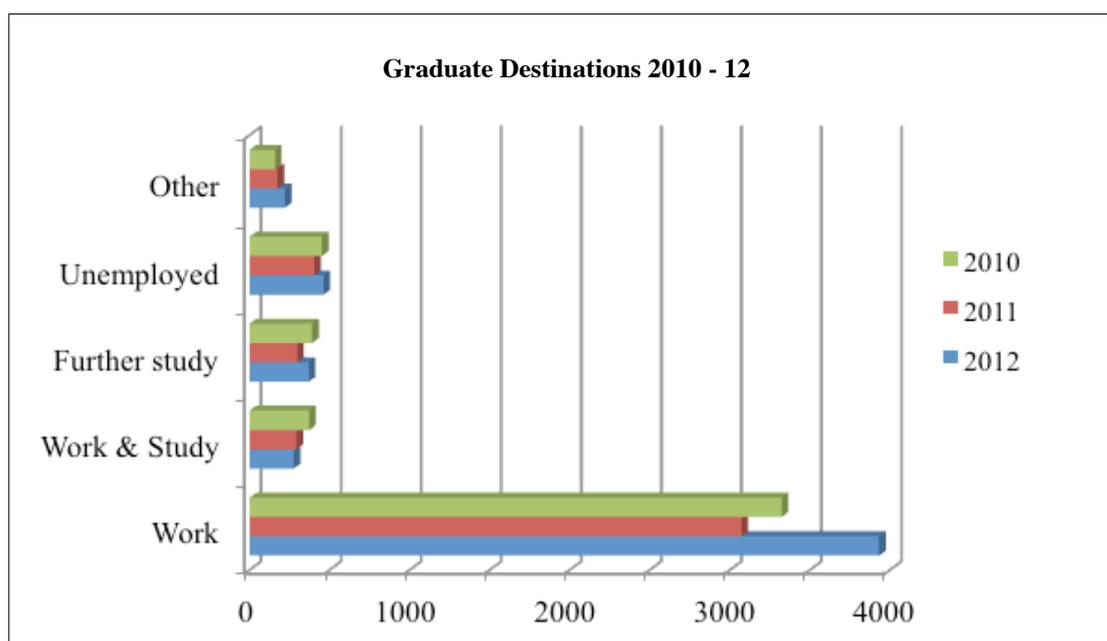
- Spun out 21 companies,
- Created 163 jobs in Ulster spin out companies,
- Licensed 37 technologies into businesses,
- Secured more than £21m of venture capital,
- Engaged in more than 5,000 business interventions with an average 12% annual business growth rate.

The Higher Education Business and Community Interaction (HE-BCI) survey data illustrates the success of the University in business and community interactions in the past year. DEL’s investment of £4.245 million through the Higher Education Innovation Fund III was significant in enabling this, as was the University’s own investment in knowledge transfer activities and infrastructure and the investment of strategic partners such as Invest NI, TSB, and DEL through complementary programmes. Ulster is now ranked in the top 25% of UK Universities in this area of our work.

### DESTINATION OF LEAVERS

The Employability and Marketing Departments conduct the Destination of Leavers from Higher Education (DLHE) survey biennially on behalf of the Higher Education Statistics Agency (HESA). The population surveyed is designated by HESA and includes both full-time and part-time leavers on undergraduate and postgraduate programmes. Students with a summer graduating date are surveyed in January following their graduation, while those graduating at Christmas are surveyed in the following April.

The statistics presented below refer to the 2011/12 academic year and give a ‘snapshot’ of destinations six months after graduations.



The destination of Ulster leavers for 2012 was employment 74.7%, work and study 5.2%, further study 7.5% and seeking work 8.8%. Overall 87.4% of all Ulster leavers were working, studying or a combination of both six months following graduation.

The vast majority (84%) of leavers, reported as being in employment, were employed within the UK.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Operating and Financial Review - Continued

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### SUSTAINABILITY AND ENVIRONMENT

The Physical Resources Department has primary responsibility for University energy management and environmental sustainability. An Environmental Sustainability Performance Report is issued to Senior Management each year.

Significant achievements in 2012/13 were:-

- Retention of 'First Class' award position in the 2012 UK HE Sector Green League table;
- Winning the 'Energy Efficiency Award' in the 2012 Sustainable Ireland Awards, with a submission outlining the University's long term approach to energy management;
- Retention of 'Quintile 1' status in the annual ARENA Network environmental benchmarking survey. The survey is organised by Business in the Community Northern Ireland and measures the environmental management and performance of Northern Ireland's leading 200 companies, government departments, local councils, health trusts and the education sectors;
- Introduction of an Operations Energy Efficiency Planning process to engage key Faculties and Support Departments in energy efficiency; and
- Making an on-going campus energy efficiency improvements through upgrades to insulation and lighting, and enhanced controls on heating and cooling plant to reduce energy consumption.

### PERFORMANCE OF THE UNIVERSITY OF ULSTER ESTATE

As part of the HESA Estates Management Statistics (EMS) project, Ulster, like all UK HEIs, is required to make annual returns of estates information to a common framework and set of agreed definitions. From these returns approximately two hundred performance ratios or Key Estate Ratios (KERs) have been derived. The 2011/12 EMS KERs demonstrate that Ulster's estate continues to operate on an effective and efficient basis. The continued reduction in capital expenditure has allowed a rebalancing of expenditure to maintenance which had been underfunded for a prolonged period. This rebalancing has brought direct benefits in relation to the effectiveness of the accommodation. Future years are likely to see the balance shift back towards capital expenditure as the impact of the Greater Belfast Development and Coleraine Rationalisation is reflected.

### PUBLIC BENEFIT

In setting and reviewing the University's objectives and activities, Council has had due regard to the guidance on the reporting of public benefit and particularly to the Charity Commission's supplementary public benefit guidance on the advancement of education. The University of Ulster's charitable purpose is the advancement of education. We deliver this for public benefit, through implementing our corporate plan and delivering strategic aims and objectives that have been 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 current distinctiveness of the University within the HE Sector places it within a small group of HEIs that are research engaged and business focused, have significant commercialisation of research and major knowledge transfer relationships, and a breadth of diversity in the student population.

A wide range of scholarships and bursaries are available to enable participation by those students who would not otherwise be able to afford to study at the University. At Ulster we firmly believe that higher education must be accessible to all who have the ability and potential to benefit irrespective of family background. Our Widening Participation Strategy sets out our vision in respect of this issue with particular emphasis on students with disabilities or from a disadvantaged background.

University staff and students engage in a broad range of outreach activities, examples of which being:

Inspire to Aspire - looks to raising aspirations and promoting inclusion in higher education for school leavers with physical disabilities and associated personal care/medical needs. Participants learn of the resources currently available to facilitate the transition to higher education. Importantly, young disabled people, their parents and advocates hear directly from Ulster students with physical disabilities on how they are engaging fully in the student experience and leading rewarding lives.

Frank Buttle Quality Mark – the University is a holder of this award which is made to institutions that prove their commitment to supporting students coming from a background of care. As part of this initiative Ulster hosts summer schemes and residential programmes for young people aged 15-18 to provide a taste of University life and deconstruct barriers by addressing issues such as student living, education, health and fitness, and interaction with others.

# **UNIVERSITY OF ULSTER GROUP ACCOUNTS**

## **Operating and Financial Review - Continued**

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Tutoring in Schools - places Ulster students as tutors to work alongside teachers and pupils on a variety of school-based projects. The programme provides tutors with the opportunity to develop key skills as well as the chance to act as role models and ambassadors, raising the aspirations of young people and encouraging more of them to consider progression to further or higher education.

Engaging Young Minds Programme - comprises a series of outreach activities targeted at pupils in years 8 to 12 from schools located in areas of social and economic disadvantage. These activities look to build the aspiration to pursue further and higher education as well as generating interest in STEM subject areas. Activities include a guest lecture series, science competitions and practical laboratory investigations.

Computing for the Boys' Brigade – through this initiative boys from a Boys' Brigade, situated within a local housing estate (Rathcoole) adjacent to the Jordanstown campus, were enrolled onto a Level 3 module entitled 'Introduction to Digital Imaging'. Having completed this University module these young people are now more confident and better equipped to pursue a computing related education.

Flexible awards at Ulster – provide community-based learners (from schools, colleges and organisations) the opportunity to develop confidence, knowledge and skills by working towards a University accredited award/Certificate in Personal and Professional Development (CPPD). The University continues to support concessionary fees within the CPPD offering, which enable and support student applications and attainment.

### **CONCLUSION**

The University continues to operate within the approved Finance Strategy targets which aims to deliver an operating surplus sufficient to support a sustainable investment strategy in both the University's physical resources and information technology facilities.

While the University faces considerable challenges in maintaining its level of income over future years, the University achieved its rate of return target in 2012/13 and has developed robust financial planning targets over the next 4 years to continue to operate in a financially sustainable manner and to implement the proposals in the strategy.

The sector continues to face difficult economic conditions, however, these financial statements demonstrate the commitment to achieve the financial targets set by Council and to continue to operate in a financially sustainable manner.

**Ms R PETERS-GALLAGHER, OBE**  
**Honorary Treasurer**

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Corporate Governance Statement

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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 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 Governance Code of Practice Council has adopted a Statement of Primary Responsibilities which is included on pages 24 to 25.

The University is an independent educational charity, 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 it's 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 6 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 2012/13 are listed below.

### **Ex Officio members:**

Mr G Mallon	Pro-Chancellor and Chairman
Dr J Harbison, CB	Pro-Chancellor
Ms R Peters-Gallagher, OBE	Honorary Treasurer
Professor RR Barnett	Vice-Chancellor
Miss Claire Flanagan	President of the Students' Union

### **Appointed Members:**

Mrs M Clark  
Mr J Hunter, CB  
Mrs R Laird, CBE  
Dr A M Telford  
Mr L Nellis  
Mr A Langan  
Mrs H Quigley  
Ms J O'Connor

### **Elected staff members:**

Mr P Quinn  
Dr B Mason  
Mr B Magee  
Professor N Black

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Corporate Governance Statement - Continued

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- **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.

The Council met seven times during 2012/13, including a joint meeting with the University's Senate and an induction for members. Certain functions of the Council are delegated to its committees. During 2012/13 the Committees comprised: Resources Committee; Organisational Development Committee; Audit Committee; Remuneration Committee. The Nominations Committee is as a sub-committee of 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; and the marketing strategy for the range of the University's activities.

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 six times during the year, with the University's internal auditors in attendance. The University's external auditors also attend all meetings of the Committee. The Committee considered detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation timescales. It also received and considered reports and advice from the Funding Council as they affect the University's business and monitor adherence to the regulatory requirements. Whilst Senior Management attend meetings of Audit Committee as necessary, they are not members of the Committee, and the Committee meets both the external auditors and the internal auditors on their own for independent discussions at least once a year.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Corporate Governance Statement - Continued

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In 2012/13 the Members of the Audit Committee were:

Mr J Hunter, CB (Chair)

Mrs H Quigley

Mr L Nellis

Mr A Langan

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 Management Team (SMT) which comprises of the Vice-Chancellor, Pro-Vice-Chancellors, Provosts, Deans of Faculty and Administrative Directors which meets monthly. The SMT refers matters for decision to Council or Senate (or the relevant committees thereof). There is also a Vice-Chancellor's Advisory Group (VCAG) which reports to the SMT and which meets regularly to progress operational matters. Both the SMT and the VCAG are chaired by the Vice-Chancellor.

The University maintains a Register of Interests of Members of the Council and Senior Officers, which may be consulted by arrangement with the 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.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Internal Control

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As the governing body of the University of Ulster, we, the Council, have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which we are responsible in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the Financial Memorandum with 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 2013.

The following actions have been taken in relation to the risk management policy and for reviewing the effectiveness of the systems of internal control:

- The Council met seven times in the year to consider the strategic direction and plans of the University and to monitor performance against those plans;
- There is clear definition of the responsibilities of and authority delegated to committees of the Council and the executive;
- A Corporate Risk Register which incorporates the key risks at institutional level, is maintained;
- The Senior 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 2012/13 was based. The internal audit service operates to standards defined in the HEFCE Accountability and Audit Code of Practice and submits regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal controls, together with recommendations for improvement.

Our reviews of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their year end management letter and other reports. The Audit Committee monitors the effectiveness of the systems of internal control on Council's behalf. Any system of internal control can, however, only provide reasonable, but not absolute assurance against material loss or misstatement.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of the Council's Responsibilities

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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.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## University of Ulster Council

### Statement of Primary Responsibilities

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## University of Ulster Council

### Statement of Primary Responsibilities - Continued

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Independent Auditors' Report

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

We have audited the financial statements of the group and of the University of Ulster ('the financial statements') for the year ended 31 July 2013, which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Note of Historical Cost Surpluses and Deficits, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds, the Consolidated Statement of Total Recognised Gains and Losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **RESPECTIVE RESPONSIBILITIES OF COUNCIL AND AUDITORS**

As explained more fully in the statement of the Council's Responsibilities set out on pages 22 and 23, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and 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. 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 the group's and the University's affairs at 31 July 2013, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice;
- 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 Employment and Learning have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

# **UNIVERSITY OF ULSTER GROUP ACCOUNTS**

## **Independent Auditors' Report - Continued**

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### **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.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Belfast

Date:

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Principal Accounting Policies

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### 1. Accounting convention

The Financial Statements have been prepared on a going concern and in accordance with the Statement of Recommended Practice 'Accounting for Further and Higher Education 2007' 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 and endowment asset investments. The accounting policies have been applied consistently throughout the year.

### 2. Consolidation

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

The University of Ulster's Students' Union is constituted as an independent body and therefore in accordance with FRS 2, 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 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 specific endowments and donations, research grants and contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account on a receivable basis. All income from other sources is credited to the Income and Expenditure account on an accruals basis.

Amounts have been reclassified within Tuition Fees and Education Contracts, Research Grants and Contracts and Other Income, to better reflect the nature of the income. There was no impact upon surplus after depreciation of assets at valuation before and after tax.

### 4. Pension schemes

The two principal pension schemes for the University's staff are the University's Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund (NILGOSC). The funds are valued every three years by actuaries using the aggregate method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

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

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

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

A small number of University employees are members of one other scheme the Health and Personal Social Services Superannuation Scheme (HPSS). This is a defined benefit scheme and contributions are charged in the Income and Expenditure Account in the year in which they become payable.

The expected return on the pension scheme's assets during the year and the increase in the scheme's liabilities due to the unwinding of the discount during the year are shown as financing costs in the Income and Expenditure Account.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Principal Accounting Policies - Continued

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

### 5. Foreign currencies

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

### 6. Freehold land and buildings

The University has adopted the transitional arrangements under FRS 15: Tangible Fixed Assets and is retaining the carrying value of land and buildings at the 30 June 1999 valuation figure (as amended to reflect any impairment in value). For the purposes of identifying any impairment a desktop valuation is performed annually, supported by a periodic formal valuation. Any impairment in value is 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, on average 40 years.

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

### 7. Assets Under Construction

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

### 8. Equipment

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

All other equipment including software and related development costs are capitalised. Capitalised equipment (other than research grant equipment) is stated at cost and depreciated 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 Income and Expenditure Account over the remaining life of the related grant.

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

### 9. Deferred capital grants

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

### 10. Fixed Asset Investments

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

### 11. Current Asset Investments

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Principal Accounting Policies - Continued

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### 12. Stocks

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

### 13. Provision for bad debts

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

### 14. 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.

### 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. Innovation Ulster Limited, a subsidiary of the University has no charitable status and can therefore be liable to Corporation Tax on chargeable profits. University of Ulster Foundation has charitable status and therefore exempt from corporation tax.

### 17. Leases

The cost of operating leases is charged to the Income and Expenditure account as they are accrued.

### 18. Cash flows and liquid resources

Cash flows comprise of 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 of 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.

### 19. Endowment Funds

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

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

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

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

### 20. Subsidiary Accounting Policies

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

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Consolidated Income and Expenditure Account**  
**for the Year ended 31 July 2013**

	Note	Group 2013 £000	Group 2012 £000
<b>Income</b>			
Funding Body Grants .....	1	83,902	88,808
Tuition Fees and Education Contracts.....	2	69,001	68,425
Research Grants and Contracts.....	3	19,299	20,746
Other Income .....	4	18,167	20,304
Endowment and Investment Income .....	5	1,354	1,096
<b>Total Income</b> .....		<b>191,723</b>	<b>199,379</b>
<b>Expenditure</b>			
Staff Costs .....	6	112,307	117,977
Depreciation .....	10	12,375	11,903
Other Operating Expenses .....	7	54,352	59,415
Interest and Other Finance Costs.....	8	1,443	772
<b>Total Expenditure</b> .....		<b>180,477</b>	<b>190,067</b>
<b>Surplus after depreciation of assets at valuation before and after tax</b> .....		<b>11,246</b>	<b>9,312</b>
(Surplus)/Deficit transferred to accumulated income in endowment funds.....	12	(1)	9
<b>Surplus retained within Income and Expenditure Reserve</b> .....		<b>11,245</b>	<b>9,321</b>

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

**Note of Historical Cost Surpluses and Deficits for the Year ended 31 July 2013**

Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount .....	19	3,187	3,178
<b>Historical cost surplus before and after tax</b> .....		<b>14,432</b>	<b>12,499</b>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Balance Sheet as at 31 July 2013**

	Group 2013	University 2013	Group 2012	University 2012
Note	£000	£000	£000	£000
<b>Fixed Assets</b>				
Tangible Assets.....	10	261,037	267,387	262,609
Investments.....	11	3,346	1,030	3,190
		<u>264,383</u>	<u>268,417</u>	<u>265,799</u>
Total Assets .....			<u>265,799</u>	<u>270,148</u>
Endowment Assets .....	12	4,764	4,764	4,337
		<u>4,764</u>	<u>4,764</u>	<u>4,337</u>
<b>Current Assets</b>				
Debtors .....	13	13,480	15,158	13,847
Investments.....		49,356	49,356	15,000
Cash at bank and in hand .....		6,344	5,218	32,983
		<u>69,180</u>	<u>69,732</u>	<u>61,830</u>
Total current assets.....			<u>61,830</u>	<u>61,864</u>
Creditors: Amounts Falling Due Within One Year.....	14	(32,208)	(32,057)	(37,731)
		<u>(32,208)</u>	<u>(32,057)</u>	<u>(37,731)</u>
<b>Net Current Assets</b> .....		<u>36,972</u>	<u>37,675</u>	<u>24,099</u>
<b>Total Assets Less Current Liabilities</b>		<b>306,119</b>	<b>310,856</b>	<b>294,235</b>
Creditors: Amounts Falling Due After More Than One Year .....	16	(4,458)	(4,458)	(4,648)
		<u>(4,458)</u>	<u>(4,458)</u>	<u>(4,648)</u>
Provision for Liabilities .....	15	(2,101)	(2,101)	(3,759)
		<u>(2,101)</u>	<u>(2,101)</u>	<u>(3,759)</u>
<b>Net Assets excluding Pension Liability</b> .....		<b>299,560</b>	<b>304,297</b>	<b>285,828</b>
Net Pension Liability .....	30	(36,914)	(36,914)	(49,330)
		<u>(36,914)</u>	<u>(36,914)</u>	<u>(49,330)</u>
<b>Net Assets including Pension Liability</b> .....		<b>262,646</b>	<b>267,383</b>	<b>236,498</b>
		<u>262,646</u>	<u>267,383</u>	<u>236,498</u>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Balance Sheet as at 31 July 2013 - Continued**

	Note	Group 2013 £000	University 2013 £000	Group 2012 £000	University 2012 £000
Deferred Capital Grants .....	17	<u>92,639</u>	<u>92,639</u>	<u>92,021</u>	<u>92,021</u>
<b>Endowment Fund</b>					
Permanent .....	18	<u>3,938</u>	<u>3,938</u>	<u>3,612</u>	<u>3,612</u>
Expendable .....	18	<u>826</u>	<u>826</u>	<u>725</u>	<u>725</u>
<b>Total Endowments .....</b>		<b><u>4,764</u></b>	<b><u>4,764</u></b>	<b><u>4,337</u></b>	<b><u>4,337</u></b>
<b>Reserves</b>					
Income and Expenditure Account					
Excluding Pension Reserve .....	21	<u>118,579</u>	<u>124,965</u>	<u>102,808</u>	<u>109,463</u>
Pension Reserve .....	20	<u>(36,914)</u>	<u>(36,914)</u>	<u>(49,330)</u>	<u>(49,330)</u>
Income and Expenditure Reserve					
Including Pension Reserve		<u>81,665</u>	<u>88,051</u>	<u>53,478</u>	<u>60,133</u>
Revaluation Reserve .....	19	<u>83,578</u>	<u>81,929</u>	<u>86,662</u>	<u>85,116</u>
<b>Total Reserves .....</b>		<b><u>165,243</u></b>	<b><u>169,980</u></b>	<b><u>140,140</u></b>	<b><u>145,249</u></b>
<b>Total Funds .....</b>		<b><u>262,646</u></b>	<b><u>267,383</u></b>	<b><u>236,498</u></b>	<b><u>241,607</u></b>

The Financial Statements on pages 22 to 53 were approved by the Council on 22 November 2013 and signed on its behalf by:

**Ms R Peters-Gallagher, OBE**

Honorary Treasurer

**Mr P W Hope**

Chief Finance and Information Officer

**Professor R R Barnett**

Vice Chancellor and Chief Accounting Officer

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Consolidated Cash Flow Statement for the Year Ended 31 July 2013**

	Note	Group 2013 £000	Group 2012 £000
<b>Net Cash Inflow from Operating Activities</b> .....	24	<b>10,353</b>	14,804
Net Cash Inflow from Returns on Investments and Servicing of Finance .....	25	<b>1,094</b>	800
Net Cash Outflow from Capital Expenditure .....	26	<b>(3,443)</b>	(3,418)
<b>Net Cash Inflow before Management of Liquid Resources</b> .....		<b>8,004</b>	12,186
Management of Liquid Resources .....	27	<b>(7,801)</b>	(12,196)
Financing.....	28	<b>(182)</b>	(172)
<b>Increase/(Decrease) in Cash in the year</b> .....	29	<b>21</b>	(182)

**Reconciliation of Net Cash Flow to Movement in Net Funds**

	Note	Group 2013 £000	Group 2012 £000
Increase/(Decrease) in Cash in the year.....		<b>21</b>	(182)
Increase in Short Term Deposits and Investments.....	27	<b>7,717</b>	12,070
Decrease in bank loans .....	28	<b>182</b>	172
Change in Net Funds.....		<b>7,920</b>	12,060
Net Funds at 1 August.....		<b>43,132</b>	31,072
Net Funds at 31 July .....	29	<b>51,052</b>	43,132

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Consolidated Statement of Total Recognised Gains and Losses**  
**For the Year Ended 31 July 2013**

	Note	Group 2013 £000	Group 2012 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax .....		11,245	9,321
Unrealised gains on investments.....	19	103	408
Endowment income retained/(released) for year .....	18	1	(9)
Appreciation/(Depreciation) of endowment asset investments .....	18	324	(113)
Actuarial gain/(loss) in respect of pension schemes .....	20	13,799	(17,722)
Net additions from endowment asset investments.....	18	102	92
Impairment on closure of subsidiary.....		(44)	—
<b>Total recognised gains/(losses) relating to the year .....</b>		<b>25,530</b>	<b>(8,023)</b>
<b>Reconciliation of movement in reserves and endowments</b>			
Opening reserves and endowments .....		144,477	152,500
Total recognised gains/(losses) for the year.....		25,530	(8,023)
<b>Closing reserves and endowments .....</b>		<b>170,007</b>	<b>144,477</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements

		<b>Group 2013</b>	<b>Group 2012</b>
		<b>£000</b>	<b>£000</b>
<b>Note</b>			
<b>1</b>	<b>Funding Body Grants</b>		
	Recurrent Grant .....	79,265	84,625
	Specific Grants		
	Special Initiatives .....	—	511
	Deferred Capital Grants Released in Year (Note 17)		
	Buildings .....	<u>4,637</u>	<u>3,672</u>
		<b>83,902</b>	<b>88,808</b>
		<b>Group 2013</b>	<b>Group 2012</b>
		<b>£000</b>	<b>£000</b>
<b>2</b>	<b>Tuition Fees and Education Contracts</b>		
	Full-time students.....	46,595	45,611
	Full-time students charged overseas fees.....	4,580	5,061
	Part-time fees .....	5,112	4,759
	DHSSPS Education Contract.....	11,798	12,101
	Short Course Fees .....	<u>916</u>	<u>893</u>
		<b>69,001</b>	<b>68,425</b>
		<b>Group 2013</b>	<b>Group 2012</b>
		<b>£000</b>	<b>£000</b>
<b>3</b>	<b>Research Grants and Contracts</b>		
	Research Councils.....	6,188	7,957
	UK Charities .....	901	1,461
	EU Government .....	2,672	2,378
	UK Central Government .....	4,788	4,546
	Overseas (Non-EU) .....	620	777
	Health and Hospital Authorities .....	454	400
	Other Sources.....	<u>3,676</u>	<u>3,227</u>
	Included in Research Grants and Contracts Income is £1,317k (2012: £1,116k) in relation to deferred capital grant release	<u>19,299</u>	<u>20,746</u>
		<b>Group 2013</b>	<b>Group 2012</b>
		<b>£000</b>	<b>£000</b>
<b>4</b>	<b>Other Income</b>		
	Residences, Catering and Conferences .....	3,586	3,341
	Other Services Rendered.....	7,817	5,845
	Other Income .....	6,073	10,440
	Deferred Grant Release.....	<u>691</u>	<u>678</u>
		<b>18,167</b>	<b>20,304</b>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

		<b>Group 2013</b>	<b>Group 2012</b>
<b>Note</b>		<b>£000</b>	<b>£000</b>
<b>5</b>	<b>Endowment and Investment Income</b>		
	Income from Expendable Endowments .....	25	23
	Income from Permanent Endowments .....	117	102
	Income from Short Term Investments .....	1,212	971
		<b>1,354</b>	<b>1,096</b>
		<b>Group 2013</b>	<b>Group 2012</b>
		<b>£000</b>	<b>£000</b>
<b>6</b>	<b>Staff Costs</b>		
	Wages and Salaries .....	91,107	95,735
	Social Security Costs .....	7,043	7,320
	Other Pension Costs (Note 30) .....	14,157	14,922
		<b>112,307</b>	<b>117,977</b>
		<b>Group 2013</b>	<b>Group 2012</b>
		<b>£000</b>	<b>£000</b>
	Emoluments of the Vice-Chancellor		
	Salary .....	183	183
	Benefits .....	21	22
	Pension contributions to USS .....	—	22
		<b>183</b>	<b>207</b>
	Excluding the Vice-Chancellor, remuneration of other Higher Paid Staff, including employer's pension contributions was in the following bands:-	<b>Group 2013</b>	<b>Group 2012</b>
		<b>Number</b>	<b>Number</b>
	£100,000 - £109,999 .....	2	2
	£110,000 - £119,999 .....	2	3
	£120,000 - £129,999 .....	2	4
	£130,000 - £139,999 .....	5	2
	The average weekly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:-		
	Academic .....	1,079	1,125
	Technical .....	169	181
	Administrative .....	430	458
	Other including Clerical and Manual .....	783	848
		<b>2,461</b>	<b>2,612</b>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

	<b>Group 2013 £000</b>	<b>Group 2012 £000</b>
<b>7 Other Operating Expenses</b>		
Residences, Catering and Conferences.....	1,786	1,840
Consumables and laboratory expenditure .....	2,726	2,748
Equipment not capitalised .....	1,698	1,720
Books and periodicals.....	3,285	3,272
Fellowships, scholarships and prizes.....	438	381
Rates .....	3,837	3,059
Heat, light, water and power.....	4,547	3,862
Long term maintenance .....	8,348	7,807
Grants to University of Ulster Students' Union .....	1,081	1,100
External Auditors' remuneration.....	57	57
External Auditors' remuneration in respect of non-audit services.....	21	14
Internal Auditors' remuneration .....	113	114
Printing and stationery.....	774	726
Travel, subsistence and hospitality.....	4,771	4,411
Miscellaneous academic support.....	1,508	1,363
Telephone and postage .....	624	878
Research sub-contracting.....	1,017	1,934
Legal and professional fees .....	5,826	7,262
Advertising and publicity .....	640	509
Student Support .....	8,150	10,173
Restructuring Provision.....	1,966	3,759
Other expenses.....	1,139	2,426
	<b>54,352</b>	<b>59,415</b>
	<b>Group 2013 £000</b>	<b>Group 2012 £000</b>
<b>8 Interest and Other Finance Costs</b>		
Net payable on pension assets.....	1,183	476
Loans not wholly repayable within five years.....	260	296
	<b>1,443</b>	<b>772</b>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

	Staff Costs	Depreciation	Other Operating Expenses	Interest and other Finance Costs	Total
	£000	£000	£000	£000	£000
<b>9 Analysis of 2013 Expenditure by Activity</b>					
Academic Departments .....	67,672	1,735	6,377	—	<b>75,784</b>
Academic Services .....	12,839	1,287	7,065	—	<b>21,191</b>
Research Grants & Contracts .....	6,773	361	8,202	—	<b>15,336</b>
Residences, Catering & Conferences .....	2,238	268	2,784	—	<b>5,290</b>
Premises.....	6,073	7,145	13,358	260	<b>26,836</b>
Administration.....	12,859	1,289	10,612	—	<b>24,760</b>
Other Expenses.....	3,853	290	5,954	1,183	<b>11,280</b>
	<u>112,307</u>	<u>12,375</u>	<u>54,352</u>	<u>1,443</u>	<u><b>180,477</b></u>

**£000**

The depreciation charged has been funded by:-

Release from Deferred Capital Grants .....	5,327
Release from Research Grants and Contracts .....	1,317
Release from Revaluation Reserve (Note 19) .....	3,187
General income.....	2,544
	<u><b>12,375</b></u>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

**10 Tangible Assets (Group)**

	<b>Freehold Land &amp; Buildings</b>	<b>Assets Under Construction</b>	<b>Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Valuation or cost</b>				
At 1 August 2012				
Valuation.....	127,808	—	—	127,808
Cost.....	205,229	6,341	48,719	260,289
Additions at Cost.....	—	8,473	2,335	10,808
Transfer CIP.....	4,579	(4,579)	—	—
Disposals.....	—	—	(7,565)	(7,565)
At 31 July 2013				
Valuation.....	127,808	—	—	127,808
Cost.....	209,808	10,235	43,489	263,532
<b>Total</b>	<b><u>337,616</u></b>	<b><u>10,235</u></b>	<b><u>43,489</u></b>	<b><u>391,340</u></b>
<b>Accumulated Depreciation</b>				
At 1 August 2012 .....				
Valuation.....	84,711	—	40,777	125,488
Charge for Year.....	8,141	—	4,234	12,375
Disposals.....	—	—	(7,560)	(7,560)
At 31 July 2013 .....	<b><u>92,852</u></b>	<b><u>—</u></b>	<b><u>37,451</u></b>	<b><u>130,303</u></b>
<b>Net Book Value</b>				
At 31 July 2013.....	<b><u>244,764</u></b>	<b><u>10,235</u></b>	<b><u>6,038</u></b>	<b><u>261,037</u></b>
At 31 July 2012 .....	<u>248,326</u>	<u>6,341</u>	<u>7,942</u>	<u>262,609</u>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

**10 Tangible Assets (University)**

	<b>Freehold Land &amp; Buildings</b>	<b>Assets Under Construction</b>	<b>Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Valuation or cost</b>				
At 1 August 2012				
Valuation.....	127,808	—	—	127,808
Cost .....	212,364	6,341	49,384	268,089
Additions at Cost.....	—	8,473	2,335	10,808
Transfer CIP.....	4,579	(4,579)	—	—
Disposals.....	—	—	(7,565)	(7,565)
At 31 July 2013				
Valuation.....	127,808	—	—	127,808
Cost .....	216,943	10,235	44,154	271,332
	<b>344,751</b>	<b>10,235</b>	<b>44,154</b>	<b>399,140</b>
<b>Accumulated Depreciation</b>				
At 1 August 2012 .....				
Charge for Year .....	85,337	—	41,442	126,779
Disposals.....	—	—	(7,560)	(7,560)
At 31 July 2013 .....	<b>93,636</b>	<b>—</b>	<b>38,117</b>	<b>131,753</b>
<b>Net Book Value</b>				
At 31 July 2013.....	<b>251,115</b>	<b>10,235</b>	<b>6,037</b>	<b>267,387</b>
At 31 July 2012 .....	254,835	6,341	7,942	269,118

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

**11 Fixed Asset Investments**

	<b>Group 2013</b>	<b>University 2013</b>	<b>Group 2012</b>	<b>University 2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Investment through Innovation Ulster Limited	<b>3,346</b>	—	3,190	—
Investment in Innovation Ulster Limited ....	<u>—</u>	<u><b>1,030</b></u>	<u>—</u>	<u>1,030</u>
	<u><b>3,346</b></u>	<u><b>1,030</b></u>	<u>3,190</u>	<u>1,030</u>

Innovation Ulster Limited is a wholly owned subsidiary incorporated in Northern Ireland which manages the commercial use of the University's intellectual property. Further details have been given in note 32.

Innovation Ulster Limited investment movement during the year:-

	<b>Cost</b>	<b>Revaluation</b>	<b>Valuation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August 2012.....	1,693	1,497	3,190
Investments made at cost.....	257	—	257
Investments realised .....	(152)	—	(152)
Revaluation.....	—	240	240
Provision for impairment in value.....	(53)	(136)	(189)
<b>At 31 July 2013.....</b>	<u><b>1,745</b></u>	<u><b>1,601</b></u>	<u><b>3,346</b></u>

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

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

**12 Endowment Assets**

	<b>Group and University 2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 August .....	4,337	4,367
New endowments .....	102	92
Increase/(Decrease) in market value of investments .....	324	(113)
Income generated less expenditure.....	1	(9)
	<u>4,764</u>	<u>4,337</u>
Balance at 31 July .....	<u>4,764</u>	<u>4,337</u>
Investments held at the end of the year are detailed as follows:		
Securities .....	4,764	4,358
Cash at bank held for endowment funds .....	—	(21)
	<u>4,764</u>	<u>4,337</u>
Total Endowment Assets.....	<u>4,764</u>	<u>4,337</u>

**13 Debtors**

	Group 2013	University 2013	Group 2012	University 2012
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Trade debtors .....	10,204	9,717	11,653	11,179
Amounts owed by group undertakings	—	2,172	—	2,056
Prepayments and accrued income	2,340	2,333	2,194	2,184
	<u>12,544</u>	<u>14,222</u>	<u>13,847</u>	<u>15,419</u>
Sub Total	<u>12,544</u>	<u>14,222</u>	<u>13,847</u>	<u>15,419</u>
 <b>Amounts falling due after more than one year</b>				
Trade debtors .....	936	936	—	—
	<u>936</u>	<u>936</u>	<u>—</u>	<u>—</u>
Total	<u>13,480</u>	<u>15,158</u>	<u>13,847</u>	<u>15,419</u>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

### 14 Creditors: Amounts Falling Due within One Year

	Group 2013	University 2013	Group 2012	University 2012
	£000	£000	£000	£000
Bank loans .....	190	190	182	182
Trade creditors .....	22,259	22,135	26,458	25,777
Taxation and social security .....	3,884	3,884	4,151	4,150
Accruals .....	5,875	5,848	6,940	6,896
	<u>32,208</u>	<u>32,057</u>	<u>37,731</u>	<u>37,005</u>

### 15 Provisions for liabilities

	Group and University 2013	Group and University 2012
	£000	£000
At August 2012	3,759	570
Charged to the Income and Expenditure Utilisation	2,101 (3,759)	3,759 (570)
At 31 July 2013	<u>2,101</u>	<u>3,759</u>

The provision is in respect of costs of redundancy and early retirement funding costs.

### 16 Creditors: Amounts Falling Due after more than One Year

	Group 2013	University 2013	Group 2012	University 2012
	£000	£000	£000	£000
Bank loans .....	4,458	4,458	4,648	4,648

	Group 2013	University 2013	Group 2012	University 2012
	£000	£000	£000	£000
Bank loans				
Amounts falling due:				
Less than one year (Note 14) .....	190	190	182	182
Between one and two years .....	203	203	190	190
Between two and five years .....	678	678	642	642
Greater than five years .....	3,577	3,577	3,816	3,816
	<u>4,648</u>	<u>4,648</u>	<u>4,830</u>	<u>4,830</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.

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

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**17 Deferred Capital Grants -  
Group and University**

	<b>Department for Employment and Learning</b>	<b>Other Grants</b>	<b>2013 Total</b>	<b>2012 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August				
Buildings .....	58,530	33,179	<b>91,709</b>	93,893
Equipment .....	—	312	<b>312</b>	636
<b>Total</b> .....	<u>58,530</u>	<u>33,491</u>	<u><b>92,021</b></u>	<u>94,529</u>
Cash Received				
Buildings .....	6,725	193	<b>6,918</b>	2,933
Equipment .....	—	345	<b>345</b>	25
<b>Total</b> .....	<u>6,725</u>	<u>538</u>	<u><b>7,263</b></u>	<u>2,958</u>
Released to Income & Expenditure				
Buildings .....	4,699	1,482	<b>6,181</b>	5,115
Equipment .....	—	464	<b>464</b>	351
<b>Total</b> .....	<u>4,699</u>	<u>1,946</u>	<u><b>6,645</b></u>	<u>5,466</u>
At 31 July				
Buildings .....	60,556	31,890	<b>92,446</b>	91,711
Equipment .....	—	193	<b>193</b>	310
<b>Total at 31 July</b> .....	<u>60,556</u>	<u>32,083</u>	<u><b>92,639</b></u>	<u>92,021</u>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

**18 Endowments -  
Group and University**

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2013 Total	2012 Total
	£000	£000	£000	£000	£000	£000
Balances at 1 August						
Capital	1,368	1,864	3,232	1,132	4,364	4,385
Accumulated income/ expenditure	177	203	380	(407)	(27)	(18)
	<u>1,545</u>	<u>2,067</u>	<u>3,612</u>	<u>725</u>	<u>4,337</u>	<u>4,367</u>
New Endowments	—	26	26	76	102	92
Transfer	(877)	877	—	—	—	—
Investment Income	22	95	117	25	142	125
Expenditure	—	(55)	(55)	(86)	(141)	(134)
	<u>(855)</u>	<u>917</u>	<u>62</u>	<u>(61)</u>	<u>1</u>	<u>(9)</u>
Increase/(Decrease) in market value of investments	42	196	238	86	324	(113)
<b>At 31 July</b>	<b><u>732</u></b>	<b><u>3,206</u></b>	<b><u>3,938</u></b>	<b><u>826</u></b>	<b><u>4,764</u></b>	<b><u>4,337</u></b>
Represented by						
Capital	736	2,760	3,496	1,293	4,789	4,364
Accumulated income and expenditure	(4)	446	442	(467)	(25)	(27)
	<u>732</u>	<u>3,206</u>	<u>3,938</u>	<u>826</u>	<u>4,764</u>	<u>4,337</u>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

### 19 Revaluation Reserve

	Group 2013	University 2013	Group 2012	University 2012
	£000	£000	£000	£000
Gross Revaluation surplus				
At 1 August.....	141,839	134,303	141,431	134,303
Revalued in Year .....	<u>103</u>	<u>—</u>	<u>408</u>	<u>—</u>
	<u>141,942</u>	<u>134,303</u>	<u>141,839</u>	<u>134,303</u>
Contribution to Depreciation				
At 1 August.....	55,177	49,187	51,999	46,009
Released in Year .....	<u>3,187</u>	<u>3,187</u>	<u>3,178</u>	<u>3,178</u>
	<u>58,364</u>	<u>52,374</u>	<u>55,177</u>	<u>49,187</u>
Net Revaluation Surplus				
At 1 August.....	<u>86,662</u>	<u>85,116</u>	<u>89,432</u>	<u>88,294</u>
At 31 July.....	<u>83,578</u>	<u>81,929</u>	<u>86,662</u>	<u>85,116</u>

### 20 Pension Reserve

	Group and University 2013	Group and University 2012
	£000	£000
Balance at 1 August.....	(49,330)	(30,377)
Transfer to Income and Expenditure Account Reserve (Note 21)	(1,383)	(1,231)
Actuarial gain/(loss) in respect of pension reserve (Note 30).....	<u>13,799</u>	<u>(17,722)</u>
Balance at 31 July.....	<u>(36,914)</u>	<u>(49,330)</u>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

### 21 Income and Expenditure Account Reserve

	Group 2013	University 2013	Group 2012	University 2012
	£000	£000	£000	£000
Balance at 1 August.....	102,808	109,463	89,078	95,920
Surplus after depreciation of assets at valuation, before and after tax.....	11,245	11,140	9,321	9,134
Release from Revaluation Reserve (Note 19) .....	3,187	3,187	3,178	3,178
Transfer from Pension Reserve (Note 20)*	1,383	1,383	1,231	1,231
Impairment on Closure .....	(44)	(208)	—	—
Balance at 31 July.....	<u>118,579</u>	<u>124,965</u>	<u>102,808</u>	<u>109,463</u>

\* This represents the Income Statement movement on the pension scheme.

### 22 Capital Commitments

	Group 2013	University 2012
	£000	£000
Commitments contracted at 31 July	11,264	13,342
Authorised but not contracted at 31 July	<u>1,516</u>	<u>10</u>
	<u>12,780</u>	<u>13,352</u>

Outstanding commitments include £10.110 million which relate to the development of the Greater Belfast campus.

### 23 Contingent Liabilities

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

**24 Reconciliation of Consolidated Operating Surplus to Net Cash Inflows from Operating Activities**

	<b>Group 2013</b>	<b>Group 2012</b>
	<b>£000</b>	<b>£000</b>
Surplus after depreciation of assets at valuation before tax .....	11,245	9,321
Depreciation .....	12,375	11,903
Loss of disposal of fixed assets .....	5	—
Deferred Capital Grants Released to Income (Note 17).....	(6,645)	(5,466)
Investment Income (Note 5).....	(1,212)	(971)
Endowment Income.....	(142)	(125)
Interest Payable .....	260	296
Decrease/(Increase) in Debtors.....	367	(1,067)
(Decrease) in Creditors.....	(7,189)	(226)
Pension Costs Less Contributions Payable .....	1,383	1,231
Revaluation of Investments .....	52	—
Endowment Fund Transfer.....	(102)	(92)
Impairment on closure.....	(44)	—
	<b>10,353</b>	<b>14,804</b>

**25 Returns on Investments and Servicing of Finance**

	<b>Group 2013</b>	<b>Group 2012</b>
	<b>£000</b>	<b>£000</b>
Income from Endowments .....	142	125
Income from Short Term Investments (Note 5) .....	1,212	971
Interest Paid (Note 8).....	(260)	(296)
	<b>1,094</b>	<b>800</b>

**26 Capital Expenditure**

	<b>Group 2013</b>	<b>Group 2012</b>
	<b>£000</b>	<b>£000</b>
Tangible Assets Acquired (Note 10) .....	(10,808)	(6,468)
Deferred Capital Grants Received (Note 17) .....	7,263	2,958
Endowments Received .....	102	92
	<b>(3,443)</b>	<b>(3,418)</b>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
Notes to the Financial Statements - Continued

**27 Management of Liquid Resources**

	<b>Group 2013</b>	<b>Group 2012</b>
	<b>£000</b>	<b>£000</b>
Movement in Endowment Assets.....	21	(182)
Addition to deposits.....	(7,717)	(12,070)
Purchase of investments .....	(105)	56
	<b>(7,801)</b>	<b>(12,196)</b>
<b>Net cash outflow from management of liquid resources</b>	<b>(7,801)</b>	<b>(12,196)</b>

**28 Financing**

	<b>Group 2013</b>	<b>Group 2012</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 August.....	4,830	5,002
Loan Repayments .....	(182)	(172)
	<b>4,648</b>	<b>4,830</b>
<b>Balance at 31 July</b> .....	<b>4,648</b>	<b>4,830</b>

**29 Analysis of Changes in Net Cash**

	<b>At 1 August 2012</b>	<b>Cash Flow</b>	<b>At 31 July 2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at Bank and in Hand			
Endowment Assets .....	(21)	21	—
Investments.....	15,000	34,356	<b>49,356</b>
Short Term Deposits.....	32,983	(26,639)	<b>6,344</b>
Debt due within one year .....	(182)	(8)	<b>(190)</b>
Debt due after one year.....	(4,648)	190	<b>(4,458)</b>
	43,153	7,899	<b>51,052</b>
<b>Total</b> .....	43,132	7,920	<b>51,052</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

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### 30 Net Pension Liability

The University participates in three pension schemes. The two principal schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund (NILGOSC). A small number of employees belong to one other scheme, the Health and Personal Social Services Superannuation Scheme (HPSS). All of these schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension. The assets of each scheme are held in a separate trustee-administered fund. It is not possible to identify the institution's share of the underlying assets and liabilities of the scheme in USS and HPSS as required by FRS 17 'Retirement Benefits' and as a result the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

#### USS Scheme

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

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second 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. The actuary also carries out regular review of the funding levels. In particular, they carry out a review of the funding level each year between triennial valuations and details of their estimate of the funding level at 31 March 2013 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	SINA ["light"] YoB tables – No age rating
Female members' mortality	SINA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

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Males (females) currently aged 65 23.7 (25.6) years

Males (females) currently aged 45 25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a deficit of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

### *New Entrants*

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

### *Normal pension age*

The Normal pension age was increased for future service and new entrants, to age 65.

### *Flexible Retirement*

Flexible retirement options were introduced.

### *Member contributions increased*

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

### *Cost sharing*

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

### *Pension increase cap*

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS 17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a buy-out basis at that date was approximately 56%.

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

Assumption	Change in Assumption	Impact on Scheme Liabilities
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

At 31 March 2013, USS had over 148,000 active members and the institution had 1,649 active members participating in the scheme.

The total pension cost for the institution was £10,807,751 (2012: £11,084,627). The contribution rate payable by the institution was 16% of pensionable salaries.

### NILGOSC Fund

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

A valuation of the fund was carried out at 31 March 2010 and updated to 31 July 2013 by a qualified independent actuary.

	<b>At 31 July 2013</b>	<b>At 31 July 2012</b>
	<b>£000</b>	<b>£000</b>
<b>Balance Sheet</b>		
Present value of scheme liabilities .....	(165,268)	(156,885)
Fair value of scheme assets .....	128,374	107,575
Present value of unfunded liabilities .....	(20)	(20)
<b>Net pension liability</b> .....	<b>(36,914)</b>	<b>(49,330)</b>
	<b>At 31 July 2013</b>	<b>At 31 July 2012</b>
	<b>£000</b>	<b>£000</b>
<b>Movements in present value of defined benefit obligation</b>		
At beginning of the year .....	(156,905)	(135,637)
Current service cost .....	(4,036)	(3,831)
Member contributions .....	(1,028)	(1,076)
Impact of settlements and curtailments .....	700	(15)
Interest cost .....	(6,435)	(7,192)
Benefits paid .....	5,160	4,812
Unfunded benefits .....	1	—
Past service cost .....	(189)	—
Actuarial (losses) .....	(2,556)	(13,966)
<b>At end of year</b> .....	<b>(165,288)</b>	<b>(156,905)</b>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Financial Statements - Continued**

	<b>At 31 July 2013</b>	<b>At 31 July 2012</b>
	<b>£000</b>	<b>£000</b>
<b>Movements in fair value of plan assets</b>		
At beginning of the year .....	107,575	105,260
Expected return on assets .....	5,252	6,716
Employer contributions .....	3,324	3,090
Member contributions .....	1,028	1,076
Benefits paid .....	(5,160)	(4,812)
Actuarial gains/(losses) .....	16,355	(3,755)
<b>At end of year .....</b>	<b>128,374</b>	<b>107,575</b>

	<b>At 31 July 2013</b>	<b>At 31 July 2012</b>
	<b>£000</b>	<b>£000</b>
<b>Expense recognised in the income and expenditure accounts</b>		
Current service cost .....	4,036	3,831
Interest on defined benefit pension plan obligation .....	6,435	7,192
Expected return on defined benefit pension plan assets .....	(5,252)	(6,716)
Losses on curtailments and settlements .....	(701)	15
Past service cost .....	189	—
<b>Total .....</b>	<b>4,707</b>	<b>4,322</b>

	<b>At 31 July 2013</b>	<b>At 31 July 2012</b>
	<b>£000</b>	<b>£000</b>
<b>The expense is recognised in the following line items in the income and expenditure account:</b>		
Staff costs .....	3,524	3,846
Interest payable .....	1,183	476
<b>Total .....</b>	<b>4,707</b>	<b>4,322</b>

The total amount recognised in the statement of the total recognised gains and losses in respect of actuarial gain is £13,799k (2012 loss: £17,722k).

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 are subsequently included by prior year adjustment under paragraph 96 of FRS17, are £(4,732)k, (2012 : (£18,531k)).

	<b>At 31 July 2013</b>	<b>At 31 July 2012</b>
	<b>Fair Value</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>
<b>The fair value of the plan assets and the return on those assets were as follows:-</b>		
Equities .....	96,923	78,529
Bonds .....	15,662	13,985
Property .....	10,013	9,682
Cash .....	5,648	5,379
Other .....	128	—
<b>Actual return on plan assets .....</b>	<b>128,374</b>	<b>107,575</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

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

	At 31 July 2013	At 31 July 2012
<b>Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:-</b>		
Inflation/pension increase rate	2.7%	2.2%
Salary increase rate	5.1%	4.5%
Expected return on results	6.9%	4.9%
Discount rate	4.5%	4.1%

### Mortality

Life expectancy is based on the standard SAPS Normal Health All Amounts (SINFA) and PMA92 tables, with improvements from 2007 in line with the medium cohort and a 1% p.a. underpin. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	23.2 years	26.1 years
Future pensioners	25.2 years	28.1 years

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

### Commutation

An allowance is included for 50% of future retirements to elect additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% for post April 2009 service.

	At 31 July 2013	At 31 July 2012	At 31 July 2011	At 31 July 2010	At 31 July 2009	At 31 July 2008
	£000/%	£000/%	£000/%	£000/%	£000/%	£000/%
<b>History of Experience Gains and Losses</b>						
Difference between the expected and actual return on scheme assets:						
Amount	16,355	(3,755)	3,556	9,826	(13,249)	(11,362)
Percentage of scheme assets	12.7%	(3.5%)	3.3%	10.3%	(16.8)%	(13.4)%
Experience gains and losses on scheme liabilities:						
Amount	0	(1,485)	7,975	9	1	190
Percentage of the present value of scheme liabilities	0.0%	0.9%	5.9%	0.0%	0.0%	0.2%
Total amount recognised in statement of total recognised gains and losses:						
Amount	(13,799)	(17,722)	8,840	14,340	(26,651)	(6,935)
Percentage of the present value of scheme liabilities	8.3%	(11.3%)	6.5%	10.7%	(20.8)%	(6.6)%

The University expects to contribute approximately £3,274m to its defined benefit plans in the next financial year.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

	<b>Group 2013</b>	<b>Group 2012</b>
	<b>£000</b>	<b>£000</b>
<b>The total pension cost for the University was:-</b>		
Contributions to USS.....	10,808	11,085
Charge to staff cost - NILGOSC .....	3,344	3,825
Contribution to TSS.....	—	7
Contribution to HPSS .....	5	5
	<b>14,157</b>	<b>14,922</b>
<b>Total Pension Cost (Note 6).....</b>		
	<b>Group 2013</b>	<b>Group 2012</b>
	<b>£000</b>	<b>£000</b>
<b>31 Student Support Funds</b>		
Balance Carried Forward.....	607	(91)
Funding Council Grants .....	1,333	1,584
Disbursed to Students .....	(1,912)	(886)
	<b>28</b>	<b>607</b>
<b>Balance Underspent at 31 July.....</b>		

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.

### 32 Subsidiary Company Information

There are two companies which are wholly owned subsidiary companies of the University:

- Innovation Ulster Limited; and
- University of Ulster Foundation.

The above companies have been fully consolidated in the Financial Statements.

The companies are controlled by the University. University of Ulster Foundation Limited is limited by guarantee.

The companies are all registered and operate in Northern Ireland. Innovation Ulster Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities. University of Ulster Foundation is a charity established to support the University's mission, vision and strategic aims.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

### 33 Joint Venture Information

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

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

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.

### 34 Other Investments

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

10.2% of Intelsens Limited  
 4.44% of Crescent Capital II LLP  
 5.9% of Axis Three Limited  
 1.7% of Bitt Ware Inc  
 9.27% of Performa Sports  
 7.45% Sophia Search Limited  
 1.16% Heartsine Limited  
 10.18% Carritech Research Limited  
 0.77% 8 over 8  
 10.26% Datactics Limited  
 Loan £10,000 in InLifeSize Limited

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

Name	Managing Wellbeing Limited (formerly Emtell Limited)	SISAF Limited
<b>Country of Incorporation</b>	Northern Ireland	Northern Ireland
<b>Principal Activity</b>	Health & Wellbeing Software Services	Dermal drug delivery
<b>% Shares Held</b>	20%	17%
<b>Turnover</b>	£71k	N/A
<b>Net Liabilities</b>	£13k	£84k
<b>Year End</b>	31 December 2012	31 October 2012

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Financial Statements - Continued

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

Name	Diabetica Limited	Hidinimage Limited	Axis Composites	Tactility Factory Limited	SurfSpec Limited	Jenarron Therapeutics Limited
<b>Country of Incorporation</b>	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland
<b>Principal Activity</b>	Research and development of products for treatment of diabetes and obesity	Secure digital water marking technology	Designs and manufactures 3D woven carbon fibre preforms	Textile Reinforced Concrete Design & Manufacture	Develop of 'made to specification' surfaces	Putty like material applied and removed to wounds
<b>% Shares Held and type</b>	44.4%	38.5%	28%	30.1%	25%	25%
<b>Convertible Loan Stock</b>	N/A	N/A	—	£50k	N/A	N/A
<b>Turnover</b>	Nil	N/A	£38k	N/A	N/A	N/A
<b>Profit or Loss Before Tax</b>	£0	N/A	(£31k)	N/A	N/A	N/A
<b>Net Assets/ (Liabilities)</b>	£0.7k	N/A	£11k	(£22k)	N/A	N/A
<b>Financial Year End</b>	30 September 2012	31 January 2013	29 February 2012	31 July 2012	28 February 2013	28 February 2013

### 35 Related Party Transactions

Due to the nature of the University's operations and the composition of the University's Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at 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 FRS 8 'Related Party Transactions' not to disclose transactions with subsidiaries as all of the voting rights are controlled within the Group.

### 36 Ultimate Controlling Party

There is no one ultimate controlling party.



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