



FINANCIAL
STATEMENTS
FOR THE YEAR
ENDED 31ST JULY 2005

University of Ulster

*FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2005
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CONTENTS	Page
Treasurer's Report	1-3
Corporate Governance	4-5
Statement of Internal Control	6-7
Responsibilities of the University's Council	8
Report of the Independent Auditors	9
Statement of Principal Accounting Policies	10-11
Income and Expenditure Account	12
Balance Sheets	13-14
Cash Flow Statement	15
Statement of Total Recognised Gains and Losses	16
Notes to the Accounts	17-35

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report

SCOPE OF THE FINANCIAL STATEMENTS

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

- UUHealth Limited
- UUTECH Limited
- UUSR Limited
- UU Bibliotech Limited
- Synergy Centres Limited
- UU Services Limited
- UU Foundation Limited
- UUONLINE.com Limited (dormant)

In the remainder of this report references to the University are deemed to include the activities of the subsidiary companies.

RESULTS FOR THE YEAR

The University recorded a surplus for the year of £7.4m on a historical cost basis. This is the basis on which the University's outturn is compared against other Universities. On a revaluation of assets basis the surplus for the year was £1.5m.

The University's total income was £157m, an increase of 7% on the previous year.

Funding Council block grants for teaching received from the Department for Employment and Learning (DEL) represent the main source of income to the University being at 52% of income. Funding Council grant increased 7.1% from the prior year. Teaching Block grant increased £6.5m compared to the previous year. This was as a result of a 4% inflation increase and the transfer of funding for the Rewarding and Developing Staff initiative into the Teaching Block Grant. There was an increase in specific grants awarded to the University of £1.7m when compared year on year. The level of Research Block Grant funding remained constant.

Income from academic fees and support grants decreased by £1.4m. This is due to an increase in the provision for bad debt and a fall in short course activity.

Research income in the accounts shows an increase of £3.6m compared to the previous year. This reflects the success of the University in the recent Government initiatives, in particular SRIF 2 and Research Capability funding.

In addition, the University received £4.4m of funding which was capitalised during the year and has been transferred to deferred capital grant for release in future years. This comprises of £3.1m relating to the FireSert building, £1m relating to the Coastal Research Centre and £0.3m relating to the Molecular Biosciences building.

Other operating income has increased by £2.8m. This is due to an increase in Residence and Catering income and car park ticket sales.

Staff costs increased by £4.0m when compared with the previous year. This reflects pay awards of 3% and incremental drift of 1%. During the year the increase of salary costs relating to externally funded activities was higher in comparison to the increase in salary costs supported by the DEL and DHSSPS funded activity.

DEPRECIATION

A valuation of land and buildings was carried out at 31 July 2005. The total value of the University's estate following this revaluation is now £314m. However, it should be noted that the revaluation process involved a review of each building within the University estate. As a consequence of a number of buildings no longer being used by the University, the University has had to make a charge of £2.6m in its accounts of which £2.3m relates to a reduction in the revaluation reserve. This is the main explanation for the significant change in depreciation between years.

OTHER OPERATING COSTS

These have increased in line with the increase in income.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report - Continued

LIQUIDITY AND CASH FLOW

The Cash Flow Statement for the year shows a reduction in net debt of £1.6m. This improved cash flow position is due to reduced capital expenditure year on year rather than increased cash being generated from operating activity. This compares to a cash outflow of £4.3m in 2003/2004.

The cash inflow of £1.6m for the year improved the University's liquidity position, reducing borrowings from £15.7m at the previous year end to £14.1m at the current year end.

INVESTMENT PERFORMANCE

The University's endowment asset investments were valued at £3.1m at 31 July 2005, this represents an increase in value of £677k.

CAPITAL AND MAJOR MAINTENANCE PROJECTS

Capital expenditure in the year totalled £19m against which capital grants of £11m were received. Of this expenditure approximately £3.8m related to expenditure on equipment for use in both Faculties and Departments and £1.9m related to the purchase of books and periodicals which have been classified in the accounts as library assets. The remaining £13.3m was invested in the redevelopment of the University's Estate. The largest projects include the redevelopment of the Belfast Campus, Building no. 1 on the Coleraine Campus, Centre for Rehabilitation and Ageing at the Jordanstown Campus and the completion of the car park management scheme.

NET ASSETS

The group net assets were £197m at 31 July 2005.

INTERNAL AUDITORS

During the year Deloitte & Touche LLP provided an Internal Audit service to the University.

FINANCIAL MANAGEMENT

The University monitors on a quarterly basis Faculty Income and Expenditure accounts. These accounts are presented to the Financial Planning Group ("FPG"), a committee chaired by the Acting Vice Chancellor and involving the senior managers of the University.

The FPG is responsible for reviewing on an on-going basis the financial performance of the University against the Corporate Plan and for establishing the budget allocation methodologies. This group is also charged with reviewing and approving all salary costs and staff appointments to the University.

From the 1st August 2005 the activity of the FPG was subsumed into the Acting Vice Chancellor's Advisory Group. This group will meet five times per year to consider FPG matters and recommend decisions for adoption by the Senior Management Group of the University.

FUTURE DEVELOPMENTS

The University is in the process of developing a 10 year strategy for the North West Campuses of the University. The purpose of this review is to help formulate plans for the possible expansion of activity within this region, the development of new courses and to assist in the development of capital development priorities. The development of the University's Belfast Campus has started with the approval being given to commence Phases 1 and 2 of this proposal. To date it is estimated that the project will cost £30m against which £14m of external funding has been identified.

The University, in association with the Sports Council of Northern Ireland, has been successful in securing Lottery funding for the development of the Sports Institute of Northern Ireland, a joint venture between these two bodies. Within this proposal the University has secured Lottery funding to assist in the development of a high performance centre at the Jordanstown Campus. The building work on this project is due to commence prior to the 31st July 2006.

Finally, the University has established 17 Research Institutes to support selectivity of research activity in advance of the RAE 2008. In support of these new Research Institutes, the University continues to recruit high calibre researchers at professorial and reader level.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report - Continued

CONCLUSION

The annual results reported are ahead of the University's Corporate Plan target of a surplus of £1.8m on a historical cost basis. This improvement reflects additional income received by the University during the year as well as improvements in cost control and in particular in managing the DEL and DHSSPS funded activity costs. The Group had a net cash inflow from operational activity of £11m against which the University committed £8m in support of capital projects from operating reserves. The Group's retained profit at £34m shows an increase of £7m against the previous year, net assets of £197m (£188m – 2004) and borrowings of £14.1m (£15.7m – 2004). Despite exceeding the Corporate Plan target, the University continues to operate in a difficult financial environment with the prospect of reduced Government funding as a result of the changes to the Northern Ireland budget, increased costs associated with the collection of student fees and the need for major capital redevelopment of the University Estate. Furthermore, the University is currently engaged in agreeing a revised pay framework in line with the National Framework Agreement which has to be implemented by the 31st July, 2006. The University will also face challenges arising from the introduction of variable tuition fees which will be introduced on the 1st August 2006. Finally, it should be noted that the University continues to incur significant additional costs in providing geographically-split regional campuses for which it is not receiving any additional government funding.

G D B HARKNESS, MA FCA
HONORARY TREASURER

16 December 2005

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance

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

The University endeavours to conduct its business in accordance with seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which has been provided by the Committee of University Chairmen (CUC) from time to time.

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

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

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

It has a majority of appointed members from outside the University (described as lay members), from whom its Chairman and its Deputy Chairman must be drawn. The Chairman and Deputy Chairman are the designated Pro-Chancellors and together with the appointed Honorary Treasurer these three positions constitute the senior lay officers of the University. Also included are members elected from the staff of the University and the student body. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work which they do for the University.

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

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

The principal academic and Chief Executive 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.

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance - Continued

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

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

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

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

Following the publication in November 2004 by the CUC of its new '*Guide for Members of Higher Education Governing Bodies in the UK*' and the accompanying report by CHEMS Consulting '*Good Practice in six areas of Governance of Higher Education Institutions*', the Council convened a Sub-Group drawn from its own membership to review the University's governance structures. In progressing its work the Sub-Group also took cognisance of the findings of an investigation and of relevant internal reviews, and sought guidance from the Higher Education Funding Council for England and the Department for Employment and Learning.

The preliminary report of the Sub-Group proposed *inter alia*: changes to the committee structure of the Council; clarification of the framework of delegated authority; and the conduct of effectiveness reviews. The recommendations were fully adopted by the Council in June 2005 for implementation from the 2005/2006 session. Thenceforth, the Committees of the Council will comprise: General Purposes and Finance Committee; Policy and Governance Committee; Estates and Information Technology Committee; Audit Committee; Remuneration Committee; and Development, Communications and Marketing Committee (which is a joint committee of Council and Senate). The Nominations Committee will remain as a sub-committee of Policy and Governance Committee.

As Chief Executive of the University, the Vice-Chancellor, influences the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors, Deans of Faculties, Provosts and Directors of Administrative Departments are the senior officers of the University and all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor. Until November 2004, when it was formally stood down, the University had a Strategic Planning Group which reported to the Planning Committee – a committee of the Senate. All Senior Officers are members of the Planning Committee which is effectively the executive committee of the University. Following on from the review of the structure of the Council, it is intended to review the structure of the Senate with agreed changes to be implemented in 2005/2006. The appropriateness of the reporting relationship and responsibilities of the Planning Committee will be part of that review. The Planning Committee is chaired by the Vice-Chancellor.

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Internal Control

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The risk management process covers all risks – governance, management, quality, reputational and financial. However, it is focused on the most important key risks. Those procedures have been in place since February 2003.

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 meets at least five times a year to consider the plans and strategic direction of the University;
- A Corporate Risk Register which incorporates the key risks at institutional level, is maintained;
- Until November 2004 the Strategic Planning Group, then subsequently the Planning Committee, 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;
- A report on risk management is submitted to the Council annually in December;
- Risk management is a standing item on the agenda of the Audit Committee who receive on a cyclical basis risk assurance review reports from the relevant senior officer.

In addition to these actions:

- The Council (October 2004) adopted the CUC Governance Code of Practice;
- A Sub-Committee of the Council reviewed the University's corporate governance structures against the new CUC guide and the CHEMS good practice guide (*op cit*) and the Council approved recommendations for adaptations to its structures for implementation from 2005/2006. (See also Corporate Governance above);
- In liaison with the Boards of its subsidiary companies, the University put in place business planning and regular performance reporting for each company. Drawing on the HEFCE Guide (*'Related Companies: Good Practice Guide, RSM Robson Rhodes'*), a detailed governance framework for UUTech Ltd was adopted by the Council (June 2005) and similar frameworks will be introduced for all other subsidiary companies in 2005/2006;
- A Value for Money (VFM) Steering Group initiates and oversees the conduct of VFM studies. It reports to the Audit Committee and to other Council Committees as appropriate, and ensures the implementation of approved recommendations.
- The institution has completed the HEFCE guidance checklist on risk assessment and has reported to the Council; and
- The independent internal audit service has reviewed risk assurance and has provided an adequate level of assurance. Recommendations of the auditors have been or are being implemented in accordance with the agreed management responses.

The work of the internal audit service has been informed by an analysis of the operational, business, compliance and financial risks to which the University is exposed and upon which internal audit activity in 2004/05 was based. The internal audit service operates to standards defined in the HEFCE 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, risk management and governance arrangements. An adequate level of assurance has been provided for the financial year 2004/05 together with recommendations for improvement.

During the year, two instances were identified of consultancy agreements being entered into which were outside the University's procurement procedures. As a result of these instances being identified, a review of legal and professional

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Internal Control - Continued

spend was undertaken by Internal Audit. This review concluded that there was no systematic breach in the University's financial procedures. Furthermore, as part of the year end audit process, the University's External Auditors concluded that there were no material irregular transactions identified that would lead them to qualify their regularity audit opinion.

The detail of this work was reviewed by the University's Audit Committee who endorsed the findings of the Auditors. The University considered that it would be appropriate to develop and adopt a specific policy for the engagement of consultants which was in line with the Department of Finance & Personnel guidance. This policy was introduced in May 2005.

Nevertheless, non-compliance with the existing procurement procedures in the two instances identified and the absence of a specific policy for the engagement of consultants meant that a robust opinion on the VFM obtained from the work could not be concluded.

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Responsibilities of the University's Council

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

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

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

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

The Council has taken reasonable steps to:

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

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

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

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

We have audited the Financial Statements on pages 10 to 35, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 10 to 11.

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

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

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

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

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

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

BASIS OF OPINION

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

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

OPINION

In our opinion:

- the Financial Statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2005 and of the excess of expenditure over income and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- in all material respects, income from the Department for Employment and Learning, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- in all material respects, income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Department for Employment and Learning.

KPMG
Chartered Accountants
Registered Auditors
Belfast

16 December 2005

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies

1. Accounting convention

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

2. Consolidation

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

The University of Ulster's Students' Union is constituted as an independent body and therefore in accordance with FRS 2, its financial statements are not consolidated with the Financial Statements of the University.

3. Recognition of income

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

4. Pension schemes

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

5. Foreign currencies

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

6. Leases

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

7. Land and buildings

The University has adopted the transitional arrangements under FRS15; Tangible Fixed Assets and is retaining the carrying value of land and buildings at the 30 June 1999 valuation figure (as amended to reflect any impairment in value). The valuation of land and buildings is undertaken every five years with any impairment in value recognized in the year. The last valuation was carried out at 31 July 2005 by Gerald Eve valuers. The basis of valuation used was depreciated replacement cost. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives as determined by the University's valuers.

8. Equipment

Equipment, including software, costing less than £10,000 per individual item or group of related items, is

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

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

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

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

9. **Library assets**

Library assets are stated at cost. Depreciation is charged straight line over the useful life of the assets, which is assumed to be two years. Depreciation is charged in the year of acquisition.

10. **Deferred capital grants**

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

11. **Goodwill**

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

12. **Investments**

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

13. **Stocks**

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

14. **Provision for bad debts**

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

15. **Maintenance of premises**

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

16. **Taxation status**

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

17. **Cash flows and liquid resources**

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Income and Expenditure Account
for the Year ended 31 July 2005

		Group 2005	Group 2004
		£000	£000
Income - continuing operations	Note		
Funding Council Grants	1	80,933	75,771
Academic Fees and Support Grants	2	23,798	25,184
Research Grants and Contracts	3	21,022	17,463
Other Operating Income	4	30,518	27,692
Endowment Income and Interest Receivable	5	440	229
Total Income		156,711	146,339
Expenditure - continuing operations			
Staff Costs	6	94,434	90,407
Depreciation	11	15,115	10,740
Other Operating Expenses	7	44,901	43,244
Interest Payable	8	808	529
Total Expenditure		155,258	144,920
Surplus after depreciation of assets at valuation before and after tax		1,453	1,419

Note of Historical Cost Surpluses and Deficits

Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		5,941	3,613
Historical cost surplus before and after tax		7,394	5,032

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Balance Sheet as at 31 July 2005

	Group 2005	University 2005	Group 2004	University 2004
Note	£000	£000	£000	£000
Fixed Assets				
Intangible Assets				
Negative Goodwill	10	(4,210)	(4,333)	(4,333)
Tangible Assets	11	219,787	216,022	200,025
Investments	12	1,226	450	6,754
		216,803	212,139	202,446
Endowment Asset Investments	13	3,124	2,447	2,447
Current Assets				
Stocks		321	343	342
Debtors	14	15,944	14,736	20,583
Short Term Deposits		4,158	1,495	240
		20,423	16,574	21,165
Creditors: Amounts Falling Due Within One Year	15	(33,428)	(31,055)	(28,432)
Net Current Liabilities		(13,005)	(14,481)	(7,267)
Total Assets Less Current Liabilities ...		206,922	200,105	197,626
Creditors: Amounts Falling Due After More Than One Year	16	(10,095)	(11,391)	(10,371)
Provisions for Liabilities and Charges	17	—	(1,111)	(1,111)
Net Assets		196,827	187,603	186,144

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2005 - Continued

	Note	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Deferred Capital Grants	18	48,561	38,888	41,467	31,499
Endowments					
Specific	19	1,761	1,761	1,241	1,241
General	19	1,363	1,363	1,206	1,206
		3,124	3,124	2,447	2,447
Reserves					
Revaluation Reserve	20	111,047	110,952	116,988	116,893
Income and Expenditure Account	21	34,095	43,342	26,701	35,305
Total Reserves		145,142	154,294	143,689	152,198
Total		196,827	196,306	187,603	186,144

The Financial Statements on pages 10 to 35 were approved by the Council on 16 December 2005 and signed on its behalf by:

G D B Harkness MA FCA

Honorary Treasurer

P W Hope

Director of Finance

Professor R R Barnett

Acting Vice Chancellor and Chief Accounting Officer

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Cash Flow Statement for the Year Ended 31 July 2005

		Group 2005	Group 2004
		£000	£000
	Note		
Net Cash Inflow from Operating Activities	24	10,811	12,351
Returns on Investments and Servicing of Finance	25	(376)	(298)
Capital Expenditure and Financial Investment	26	(8,233)	(16,106)
Cash Inflow/(Outflow) before Use of Liquid Resources and Financing		2,202	(4,053)
Management of Liquid Resources	27	(3,242)	(207)
Financing.....	28	(1,341)	2,469
Decrease in Cash.....	29	<u>(2,381)</u>	<u>(1,791)</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

		Group 2005	Group 2004
		£000	£000
	Note		
Decrease in Cash in the Period		(2,381)	(1,791)
Increase/(Decrease) in Short Term Deposits.....	27	2,663	(85)
Repayment of capital element of finance lease.....	28	—	4
Decrease/(Increase) in bank loans after one year	29	1,341	(2,473)
Change in Net Debt.....		1,623	(4,345)
Net Debt at 1 August.....		(15,750)	(11,405)
Net Debt at 31 July	29	<u>(14,127)</u>	<u>(15,750)</u>

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

	Note	Group 2005	Group 2004
		£000	£000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax.....		1,453	1,419
Unrealised deficit on revaluation of fixed assets.....		—	(60)
Appreciation of endowment asset investments.....	19	488	79
Net additions/(withdrawals) from endowment asset investments	19	197	(184)
Endowment income (released)/retained for year	19	(8)	2
Total recognised gains relating to the period		<u>2,130</u>	<u>1,256</u>
 Reconciliation of movement in reserves and endowments			
Opening reserves and endowments.....		146,136	144,880
Total recognised gains and losses for the year		<u>2,130</u>	<u>1,256</u>
Closing reserves and endowments		<u>148,266</u>	<u>146,136</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts

		Group 2005	Group 2004
		£000	£000
Note			
1	Funding Council Grants		
	Recurrent Grant	76,960	70,425
	Specific Grants		
	Special Initiatives	277	3,173
	Other	3,164	1,448
	Deferred Capital Grants Released in Year (Note 18)		
	Buildings	532	697
	Equipment	—	28
		80,933	75,771
2	Academic Fees and Support Grants		
	Full-time students.....	16,155	16,406
	Full-time students charged overseas fees.....	1,428	1,350
	Part-time fees	4,349	4,965
	Research Training Support Grants	12	78
	Short Course Fees	1,854	2,385
		23,798	25,184
3	Research Grants and Contracts		
	Research Councils.....	1,497	2,103
	UK Charities	678	815
	EU Government	4,376	4,058
	Others	14,471	10,487
		21,022	17,463

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group 2005	Group 2004
		£000	£000
Note			
4	Other Operating Income		
	Residences, Catering and Conferences	5,307	4,634
	Other Services Rendered.....	3,934	3,651
	Other Income	10,080	9,262
	Allied Health Professions Training	11,197	10,145
		30,518	27,692
5	Endowment Income and Interest Receivable		
	Transferred from Specific Endowments (Note 19)	30	27
	Income from General Endowment Asset Investments (Note 19)	60	55
	Income from Short Term Investments	350	147
		440	229
6	Staff Costs		
	Wages and Salaries.....	79,754	76,599
	Social Security Costs	6,310	5,995
	Other Pension Costs (Note 30)	8,370	7,813
		94,434	90,407
	Emoluments of the Vice-Chancellor for the financial year	233	219
	Emoluments of the Acting Vice-Chancellor for 8 months	102	—

The University's pension contributions to USS in respect of the Vice-Chancellor and Acting Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £27,817 and £12,487 respectively (2004-£25,546, £0 respectively).

	Group 2005 Number	Group 2004 Number
Excluding the Vice-Chancellor and Acting Vice-Chancellor, remuneration of other Higher Paid Staff, including employer's pension contributions was in the following bands:-		
£70,000 - £79,999	25	24
£80,000 - £89,999	8	11
£90,000 - £99,999	12	8
£100,000 - £109,999	4	1

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

Academic	1,150	1,142
Technical	200	214
Administrative.....	406	387
Other including Clerical and Manual	1,048	1,044
	2,804	2,787

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group 2005	Group 2004			
		£000	£000			
Note 7	Other Operating Expenses					
	Residences, Catering and Conferences operating expenses	2,908	2,407			
	Consumables and laboratory expenditure	2,621	2,912			
	Equipment not capitalised	2,907	3,536			
	Books and periodicals	501	157			
	Fellowships, scholarships and prizes	84	84			
	Rates	3,155	2,856			
	Heat, light, water and power	2,477	2,351			
	Long term maintenance	4,935	3,995			
	Grants to University of Ulster Students' Union	960	936			
	External Auditors' remuneration	58	59			
	External Auditors' remuneration in respect of non-audit services	45	32			
	Internal Auditors' remuneration	132	93			
	Printing and stationery	1,436	1,359			
	Travel, subsistence and hospitality	5,202	5,381			
	Miscellaneous academic support	2,459	2,032			
	Telephone and postage	1,497	1,569			
	Legal and professional fees	6,418	5,542			
	Advertising and publicity	1,329	1,316			
	Student Support	4,453	4,449			
	Other expenses	1,324	2,178			
		44,901	43,244			
Note 8	Interest Payable					
	Repayable within 5 years not by instalments	392	195			
	Loans not wholly repayable within five years	416	334			
		808	529			
Note 9	Analysis of 2005 Expenditure by Activity					
		Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest £000	Total £000
	Academic Departments	53,815	620	6,208	—	60,643
	Academic Services	9,969	3,166	7,849	—	20,984
	Research Grants & Contracts	8,468	2,167	8,902	—	19,537
	Residences, Catering & Conferences	2,824	606	3,117	—	6,547
	Premises	5,404	8,200	7,792	416	21,812
	Administration	9,578	356	7,744	—	17,678
	Other Expenses	4,376	—	3,289	392	8,057
		94,434	15,115	44,901	808	155,258
			£000			
	The depreciation charged has been funded by:-					
	Release from Deferred Capital Grants		1,384			
	Release from Research Grants and Contracts		2,839			
	Release from Revaluation Reserve (Note 20)		5,941			
	General income		4,951			
			15,115			

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

10 Intangible Assets

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Cost (or valuation)				
At 1 August.....	(4,748)	(4,751)	(4,748)	(4,751)
Amortisation				
At 1 August.....	(415)	(418)	(434)	(295)
Charged in year.....	(123)	(123)	(88)	(123)
Impaired in year.....	—	—	107	—
	(538)	(541)	(415)	(418)
At 31 July	(538)	(541)	(415)	(418)
Net Book Value				
At 31 July	(4,210)	(4,210)	(4,333)	(4,333)

At the year end, the Group and the University had negative goodwill of £4.2m.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

11 Tangible Assets (Group)

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Library Assets £000	Total £000
Valuation or cost					
At 1 August 2004					
Valuation	134,303	—	—	5,990	140,293
Cost	94,802	3,630	26,461	6,322	131,215
Additions at Cost.....	802	12,503	3,866	1,920	19,091
Transfer CIP	4,667	(4,667)	—	—	—
Disposals	(3,227)	—	—	—	(3,227)
	231,347	11,466	30,327	14,232	287,372
At 31 July 2005					
Valuation	131,617	—	—	5,990	137,607
Cost	99,730	11,466	30,327	8,242	149,765
	231,347	11,466	30,327	14,232	287,372
Depreciation					
At 1 August 2004.....					
Charge for Year	24,153	—	21,123	10,210	55,486
Impairment	6,774	—	3,710	2,047	12,531
Disposals	2,584	—	—	—	2,584
	(3,016)	—	—	—	(3,016)
	30,495	—	24,833	12,257	67,585
At 31 July 2005					
	200,852	11,466	5,494	1,975	219,787
	204,952	3,630	5,338	2,102	216,022

The impairment charge was due to the demolition of Residences buildings during the year.

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Accounts - Continued

11 **Tangible Assets (University)**

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Total £000
Valuation or cost				
At 1 August 2004				
Valuation	134,303	—	—	134,303
Cost	81,437	3,346	25,548	110,331
Additions at Cost	4,514	9,473	3,870	17,857
Transfer CIP	4,667	(4,667)	—	—
Disposals	(3,227)	—	—	(3,227)
	221,694	8,152	29,418	259,264
At 31 July 2005				
Valuation	131,617	—	—	131,617
Cost	90,077	8,152	29,418	127,647
	221,694	8,152	29,418	259,264
Depreciation				
At 1 August 2004	23,769	—	20,840	44,609
Charge for Year	6,468	—	3,579	10,047
Impairment	2,584	—	—	2,584
Disposals	(3,016)	—	—	(3,016)
At 31 July 2005	29,805	—	24,419	54,224
Net Book Value				
At 31 July 2005	191,889	8,152	4,999	205,040
At 31 July 2004	191,971	3,346	4,708	200,025

The impairment charge was due to the demolition of Residences buildings during the year.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Note	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
12 Investments				
Investment in University Challenge Fund...	250	250	250	250
Investment in UUTECH Limited	856	—	200	—
Investment in UUSR Limited.....	—	414	—	414
Investment in UU Bibliotech Limited	—	5,990	—	5,990
Investment in UU Services Limited	—	100	—	100
Investment in Greenshoots-Newry Ltd	120	120	—	—
	<u>1,226</u>	<u>6,874</u>	<u>450</u>	<u>6,754</u>

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

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

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

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

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

Greenshoots - Newry (Ltd) Technology and Innovation Centre is a partnership with Newry & Kilkeel Institute of Further and Higher Education to provide business incubation and technology transfer support to the local business community.

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Accounts - Continued

		Group and University	
		2005	2004
		£000	£000
13	Endowment Asset Investments		
	Balance at 1 August: at cost	2,552	2,881
	at valuation.....	2,447	2,550
	Additions	1,877	2,092
	Disposals.....	(1,731)	(2,155)
	Net appreciation/(depreciation) on disposal and/or revaluation.....	531	(40)
	Balance at 31 July at valuation	3,124	2,447
	Investments held at the end of the year are detailed as follows:		
	Fixed Interest Stocks	372	455
	UK Equities	2,497	1,255
	Bank Balances	206	53
	Balanced Portfolio	—	684
	Property	49	—
	Total Endowment Asset Investments at valuation.....	3,124	2,447
	Total Endowment Asset Investments at cost	2,937	2,552

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

14 Debtors

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Amounts falling due within one year				
Debtors	14,957	13,277	14,026	11,342
Amounts owed by group undertakings				
Subsidiary undertakings	—	10,671	—	9,082
Prepayments and accrued income	987	374	710	159
	<u>15,944</u>	<u>24,322</u>	<u>14,736</u>	<u>20,583</u>

15 Creditors: Amounts Falling Due within One Year

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Bank overdrafts	7,359	3,628	4,825	3,071
Bank loans	1,037	1,037	1,082	1,082
Trade creditors	17,850	17,435	18,401	17,919
Other taxation and social security	3,122	3,122	2,854	2,906
Accruals	4,060	3,262	3,893	3,454
	<u>33,428</u>	<u>28,484</u>	<u>31,055</u>	<u>28,432</u>

16 Creditors: Amounts Falling Due after more than One Year

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Bank loans	10,095	10,095	11,391	9,413
Amounts owed by group undertakings				
Subsidiary undertakings	—	827	—	958
	<u>10,095</u>	<u>10,922</u>	<u>11,391</u>	<u>10,371</u>

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Bank loans and overdrafts				
Amounts falling due				
Less than one year (note 15).....	8,396	4,665	5,907	4,153
Between one and two years	2,243	2,243	2,184	2,184
Between two and five years	2,762	2,762	2,227	2,227
Greater than five years	5,090	5,090	6,980	5,002
	<u>18,491</u>	<u>14,760</u>	<u>17,298</u>	<u>13,566</u>

A £6m fixed rate loan is secured by a negative pledge on a portion of land on the Jordanstown campus. All other loans are unsecured.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

17 Provision for future pension liabilities

	Group and University 2005 £000	2004 £000
At 1 August.....	1,111	554
Utilised in Year	(753)	(43)
(Release)/Charge to Income & Expenditure Account	(358)	600
	<u>—</u>	<u>1,111</u>
At 31 July	—	1,111

The provision relates to the future provision of retirement benefits to certain employees. The calculation of the provision incorporates an assessment of the life expectancy of the individuals concerned. During the year a lump sum payment was made to the pension scheme to buyout all liabilities relating to compensatory added years.

18 Deferred Capital Grants - Group

	Department for Employment and Learning £000	Other Grants £000	2005 Total £000	2004 Total £000
At 1 August				
Buildings	11,619	29,695	41,314	34,540
Equipment	—	153	153	227
	11,619	29,848	41,467	34,767
Cash Received				
Buildings	3,641	4,742	8,383	7,471
Equipment	523	2,411	2,934	1,642
	4,164	7,153	11,317	9,113
Released to Income & Expenditure				
Buildings	532	1,517	2,049	697
Equipment	—	2,174	2,174	1,716
	532	3,691	4,223	2,413
At 31 July				
Buildings	14,728	32,920	47,648	41,314
Equipment	523	390	913	153
	15,251	33,310	48,561	41,467
Total at 31 July	15,251	33,310	48,561	41,467

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

18 Deferred Capital Grants - University

	Department for Employment and Learning £000	Other Grants £000	2005 Total £000	2004 Total £000
At 1 August				
Buildings	11,619	19,740	31,359	24,436
Equipment	—	140	140	187
Total	11,619	19,880	31,499	24,623
Cash Received				
Buildings	3,641	4,743	8,384	7,313
Equipment	523	2,384	2,907	1,642
Total	4,164	7,127	11,291	8,955
Released to Income & Expenditure				
Buildings	532	1,203	1,735	390
Equipment	—	2,167	2,167	1,689
Total	532	3,370	3,902	2,079
At 31 July				
Buildings	14,728	23,280	38,008	31,359
Equipment	523	357	880	140
Total at 31 July	15,251	23,637	38,888	31,499

19 Endowments

	Group and University			
	Specific £000	General £000	2005 Total £000	2004 Total £000
At 1 August.....	1,241	1,206	2,447	2,550
Additions	279	—	279	3
Withdrawals.....	(27)	(55)	(82)	(187)
Appreciation of endowment asset investments	252	236	488	79
Income for Year	46	36	82	84
Transferred to Income and Expenditure Account (Note 5).....	(30)	(60)	(90)	(82)
At 31 July	1,761	1,363	3,124	2,447

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Accounts - Continued

20 **Revaluation Reserve**

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Gross Revaluation surplus				
At 1 August	140,388	134,303	140,448	134,303
Revalued in Year	<u>—</u>	<u>—</u>	<u>(60)</u>	<u>—</u>
	<u>140,388</u>	<u>134,303</u>	<u>140,388</u>	<u>134,303</u>
Contribution to Depreciation				
At 1 August	23,400	17,410	19,787	13,797
Released in year	<u>5,941</u>	<u>5,941</u>	<u>3,613</u>	<u>3,613</u>
	<u>29,341</u>	<u>23,351</u>	<u>23,400</u>	<u>17,410</u>
Net Revaluation Surplus				
At 1 August	<u>116,988</u>	<u>116,893</u>	<u>120,661</u>	<u>120,506</u>
At 31 July	<u>111,047</u>	<u>110,952</u>	<u>116,988</u>	<u>116,893</u>

21 **Income and Expenditure Account Reserve**

	Group 2005 £000	University 2005 £000	Group 2004 £000	University 2004 £000
Balance at 1 August	26,701	35,305	21,669	28,156
Surplus after depreciation of assets at valuation, before and after tax	1,453	2,096	1,419	3,536
Release from Revaluation Reserve.....	<u>5,941</u>	<u>5,941</u>	<u>3,613</u>	<u>3,613</u>
Balance at 31 July.....	<u>34,095</u>	<u>43,342</u>	<u>26,701</u>	<u>35,305</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group and University	
		2005	2004
		£000	£000
22	Capital Commitments		
	Commitments contracted at 31 July	16,249	3,431
	Authorised but not contracted at 31 July	11,668	26,567
		27,917	29,998

23 **Contingent Liabilities**

The University Council consider that as a result of legal proceedings outstanding at the year end, there is a potential contingent liability in the amount of £150,000. No valuable security has been provided by the University in respect of this contingent liability.

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

	Group	Group
	2005	2004
	£000	£000
Surplus after depreciation of assets at valuation before tax	1,453	1,419
Depreciation (Note 11)	15,115	10,740
Amortisation of Goodwill (Note 10)	(123)	19
Deferred Capital Grants Released to Income (Note 18).....	(3,910)	(2,413)
Investment Income (Note 5).....	(440)	(229)
Loss on Sale of Endowment Assets.....	110	106
Loss on Disposal of Fixed Assets	211	—
Interest Payable	808	529
Decrease in Stocks.....	22	69
(Increase)/Decrease in Debtors.....	(1,208)	2,871
Decrease in Creditors	(116)	(1,317)
(Decrease)/Increase in Provisions	(1,111)	557
Net Cash Inflow from Operating Activities	10,811	12,351

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

25 Returns on Investments and Servicing of Finance

	Group 2005 £000	Group 2004 £000
Income from Endowments (Note 19)	82	84
Income from Short Term Investments (Note 5).....	350	147
Interest Paid (Note 8).....	(808)	(529)
	(376)	(298)

26 Capital Expenditure and Financial Investment

	Group 2005 £000	Group 2004 £000
Tangible Assets Acquired (Note 11)	(19,091)	(25,282)
Endowment Asset Investments Acquired (Note 13).....	(1,877)	(2,092)
	(20,968)	(27,374)
Total Fixed and Endowment Asset Investments Acquired	(20,968)	(27,374)
Receipts from Sales of Fixed Assets	—	—
Receipts from Sales of Endowment Assets (Note 13).....	1,731	2,155
Deferred Capital Grants Received (Note 18)	11,004	9,113
	(8,233)	(16,106)

27 Management of Liquid Resources

	Group 2005 £000	Group 2004 £000
(Additions)/Withdrawals from deposits	(2,663)	85
Purchase of investments	(776)	(108)
Additions/(Withdrawals) from endowment funds.....	197	(184)
	(3,242)	(207)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

28 **Analysis of Changes in Financing During the Year**

	Group Total £000
Balance at 1 August 2004	12,473
Medium Term bank loans/Capital Repayments.....	(1,341)
	11,132
Balance at 31 July 2005.....	11,132

29 **Analysis of Changes in Net Debt**

	At 1 August 2004 £000	Cash Flows £000	At 31 July 2005 £000
Cash at Bank and in Hand			
Endowment Assets	53	153	206
Bank Overdraft.....	(4,825)	(2,534)	(7,359)
	(4,772)	(2,381)	(7,153)
Short Term Deposits	1,495	2,663	4,158
Bank Loans	(12,473)	1,341	(11,132)
	(10,978)	4,004	(6,974)
Total	(15,750)	1,623	(14,127)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

30 Pension Schemes

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

The last actuarial valuations of the USS scheme was at 31 March 2002 and the NILGOSC Fund at 31 March 2004. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions.

USS Scheme

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

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

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

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

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. An actuarial valuation was carried out at 31 March 2005. This will be completed by December 2005.

NILGOSC Fund

A valuation of the fund was carried out at 31 March 2004. The principal actuarial assumptions adopted for the valuation were as follows: -

Inflation rate	2.9%
Rate of increase in pensionable salaries	4.4%
Rate of pension increases	2.9%
Rate of investment return pre retirement	6.3%
Rate of investment of investment return post retirement	6.3%

At the valuation date, the market value of the assets of the scheme was £2,152 million and the value of the past service liabilities was £2,544 million leaving a deficit of assets of £392 million. The assets therefore were sufficient to cover 85% of the benefits which had accrued to members after allowing for expected future increases in earnings.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Following the valuation, NILGOSC has increased their employer contribution rates. The University contribution rates for the three years commencing 1st April 2005 will be as follows:-

1 April 05 – 31 March 06	8.5%
1 April 06 – 31 March 07	11.0%
1 April 07 – 31 March 08	13.0%

	Group 2005 £000	Group 2004 £000
The total pension cost for the University was:		
Contributions to USS.....	7,404	7,094
Contributions to NILGOSC.....	940	697
Contributions to TSS	24	20
Contributions to HPSS	2	2
Total Pension Cost (Note 6)	<u>8,370</u>	<u>7,813</u>

31 Student Support Funds

	Group and University	
	2005 £000	2004 £000
Balance Carried Forward.....	117	28
Funding Council Grants	952	945
Disbursed to Students	(1,042)	(856)
Balance Underspent at 31 July	<u>27</u>	<u>117</u>

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

32 Subsidiary Company Information

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

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

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

The companies are all registered and operate in Northern Ireland. UU Health Limited provides education and training for Nursing and Midwifery and Applied Health Professions. UUTECH Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities. UUSR Limited (University of Ulster Science Research Park) is a property management and development company for technology transfer. Synergy Centres Limited develops e-learning software packages and rents incubator units. UU Bibliotech Limited is a company established to provide library services to the University. UU ONLINE.com Limited is a dormant company. UU Services Limited trades as a food retail outlet. UUF Limited's purpose is to receive funds from donors and to distribute them to the University.

On 30 September 2005 the Board of Synergy Centres Limited completed the sale of the trade and assets of the Synergy Learning Division to New Media Warehouse Limited, a new company formed by the management team of Synergy Centres Limited. From 1 October 2005 the company's only activities are the provision of incubator space to SME's and the management of a grant scheme on behalf of Invest Northern Ireland. The grant scheme will terminate on 31 March 2006.

All companies are 100% owned by the University.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

33 Joint Venture Information

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

34 Other Investments

The University holds 33% of the issued ordinary share capital of the University Challenge Fund. In addition, through UUTECH Limited, its wholly owned subsidiary, the University holds 20.4% of the issued share capital in CDC Limited, 2.5% in SLDI, 13.1% in Axis Three and 19.2% in Datactics. The University does not hold a participating interest in these entities and therefore accounts for them as investments.

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

Diabetica Ltd	45.0%
Gendel	2.97%
8over8	0.8%
Sensory Technologies & Devices Ltd	10%
Propertyfriend.com	16.7%
Eyesyfx Ltd	13.5%
EZ-DSP Ltd	1.66%
EFMB Ltd	50%
Amphibiotics Ltd	2.5%
TECHNICO Logix	10%

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

35 Related Party Transactions

Due to the nature of the University's operations and the composition of the University's Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at arms length and in accordance with the University's financial regulations and normal procurement procedures. Apart from the disclosures in Notes 32 to 34 above, no transactions were identified which require to be disclosed under Financial Reporting Standard 8: 'Related Party Disclosures'.

