



# Financial Statements for the year ended 31st July 2006

# University of Ulster

*FINANCIAL STATEMENTS  
FOR THE YEAR TO 31 JULY 2006  
ISSN 0307-496X*



<b>CONTENTS</b>	<b>Page</b>
Treasurer's Report	1-5
Corporate Governance	6-7
Statement of Internal Control	8-9
Responsibilities of the University's Council	10
Report of the Independent Auditors	11-12
Statement of Principal Accounting Policies	13-15
Income and Expenditure Account	16
Balance Sheets	17-18
Cash Flow Statement	19
Statement of Total Recognised Gains and Losses	20
Notes to the Accounts	21-42



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Treasurer's Report

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### SCOPE OF THE FINANCIAL STATEMENTS

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

- UUHealth Limited
- UUTECH Limited
- UUSR Limited
- UU Bibliotech Limited
- Synergy Centres Limited
- UU Services Limited
- UU Foundation Limited.

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 £3.5m 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 £21k.

The University's total income was £164m, an increase of 5% 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 50% of income. Funding Council grant increased 4% from the prior year as a result of an inflationary increase. In the previous year funding was provided by the Sports Council in support of the set up of the Sports Institute for Northern Ireland. This company is now being funded directly by the Sports Council hence, the reduction in the specific grants.

Income from academic fees and support grants increased by £0.3m.

Research income in the accounts shows an increase of £2.5m compared to the previous year. This reflects the success of the University in the recent Government initiatives, in particular SRIF 2 and SRIF 3 funding.

Other operating income has increased by £3.2m. This is due to increased Nursing and Allied Health Professions training activity being undertaken by UUHealth Ltd for both DHSSPS and overseas organisations.

Staff costs increased by £5.0m when compared with the previous year. This reflects pay awards of 3%, incremental drift of 1% and an increase in recruitment during the year as the University prepares for the Research Assessment Exercise in 2008. In addition, in line with the requirements of Financial Reporting Standard 17: Retirement Benefits, the 2005 Financial Statements have been restated to reflect the University's proportion of the pension deficit in the NILGOSC scheme. The University did not include this within its Corporate Plan since it was only advised after the end of the Financial Year of its share of the deficit. In both 2006 and 2005, an additional provision of £1.7m has been made. This accounting standard requires the University to recognise on the Balance Sheet the deficit on its pension schemes, when the institution's share of the pension scheme's assets/liabilities can be appropriately identified. The Balance Sheet adjustment records the recognition of a potential liability of £24m and this has been recorded in the pension reserve note. The detailed impact of applying FRS 17 is highlighted in Note 1 to the Accounts.

### OTHER OPERATING EXPENSES:- NORMAL

These have increased in line with inflation.

### OTHER OPERATING EXPENSES:- EXCEPTIONAL ITEM

One of the University's subsidiary companies, UUBibliotech Ltd. has been in dispute with Her Majesty's Revenue & Customs (HMRC) over the treatment of VAT on the supply of services by the company to the University. In September 2006, a VAT Tribunal ruled in favour of HMRC. Consequently, the VAT of £2.4m which the company formerly believed was recoverable from HMRC has to be fully provided in the current year.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Treasurer's Report - Continued

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### LIQUIDITY AND CASH FLOW

The Cash Flow Statement for the year shows a reduction in net debt of £9.5m. This improved cash flow position is mainly due to cash inflow from operating activities being greater than the net capital expenditure after receipt of Government grants. This compares to a cash inflow of £1.6m in 2004/2005.

The cash inflow of £9.5m for the year improved the University's liquidity position, reducing borrowings from £14.1m at the previous year end to £4.7m at the current year end.

### INVESTMENT PERFORMANCE

The University's endowment asset investments were valued at £3.4m at 31 July 2006, this represents an increase in value of £310k.

### CAPITAL AND MAJOR MAINTENANCE PROJECTS

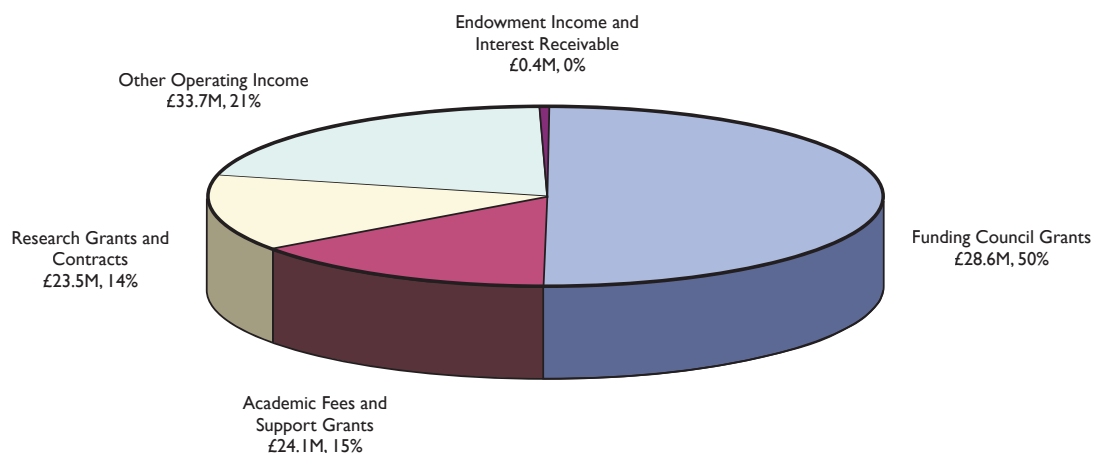
Capital expenditure in the year totalled £26.8m against which capital grants of £21m were received. Of this expenditure approximately £5.3m related to expenditure on equipment for use in both Faculties and Departments and £2.3m related to the purchase of books and periodicals which have been classified in the accounts as library assets. The remaining £19.2m was invested in the redevelopment of the University's Estate. The largest projects include the ongoing redevelopment of the Belfast Campus, the rationalisation of IT facilities on all campuses, the refurbishment of the Science Block at Coleraine, the development of the Centre for Rehabilitation and Ageing and, the commencement of the High Performance Sports Centre both at the Jordanstown Campus.

### NET ASSETS

The group net assets were £191m at 31 July 2006.

I have detailed below a graphical analysis of the major items of Income and Expenditure.

### Total Income (£M and %) by Source

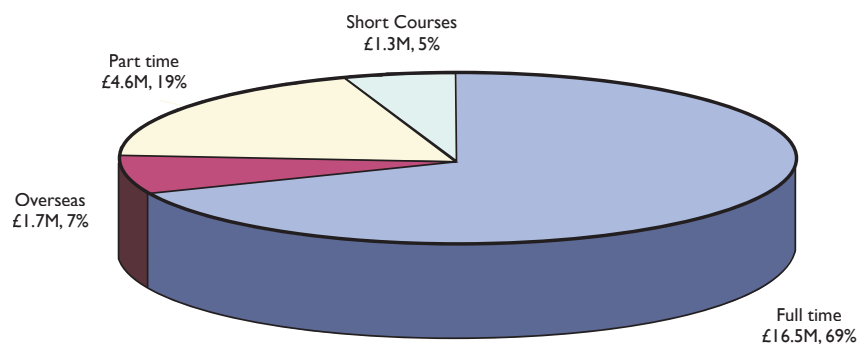


# UNIVERSITY OF ULSTER GROUP ACCOUNTS

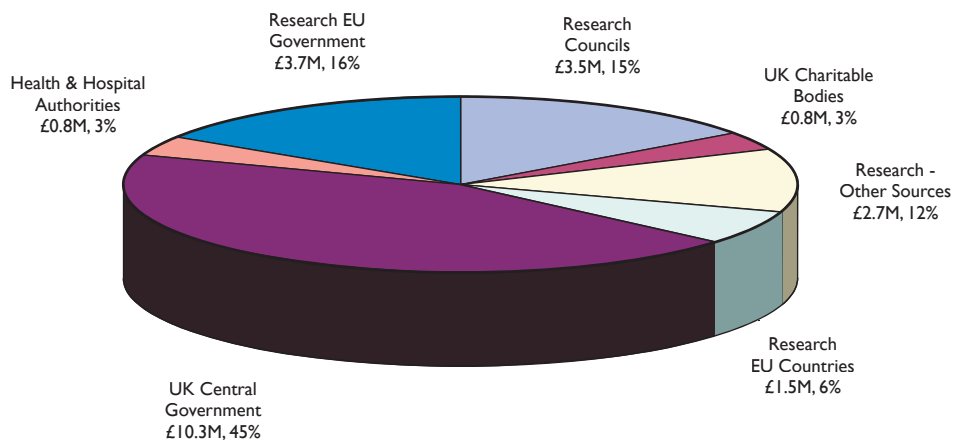
## Treasurer's Report - Continued

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### Academic Fees (M and %) by Source



### Research Income (M and %) by Funding Source



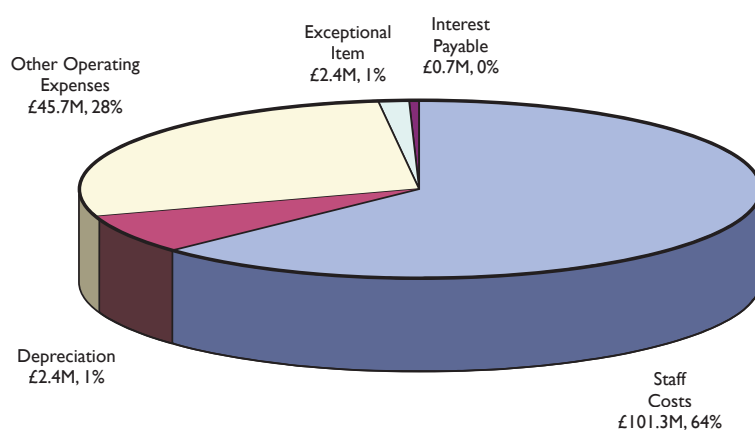


# UNIVERSITY OF ULSTER GROUP ACCOUNTS

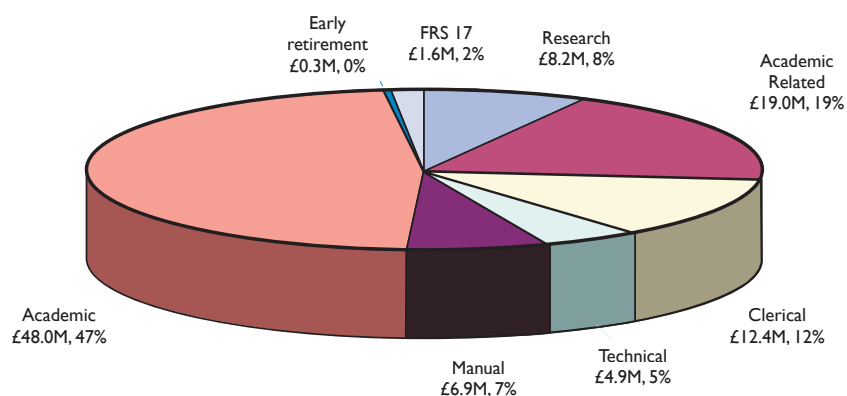
## Treasurer's Report - Continued

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### Total Expenditure (M and %) by Category



### Staff Costs (M and %) by Category



# **UNIVERSITY OF ULSTER GROUP ACCOUNTS**

## **Treasurer's Report - Continued**

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### **INTERNAL AUDITORS**

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

### **FINANCIAL MANAGEMENT**

The University operates within a clearly defined financial strategy. This strategy is intended to ensure that the University continues to operate in a financially viable manner. The strategy includes targets for cash holdings, a maximum borrowing limit which can only be exceeded following Council approval, a commitment to support the development of new activities which generate income for growth and, targets for both overall staff costs and operating surpluses. In developing the University's Corporate Plan the impact on the financial strategy is considered by General Purposes and Finance Committee prior to the approval of the Corporate Plan. Throughout the year the Corporate Plan is compared to actual outturn on a quarterly basis and reported to General Purposes and Finance Committee.

### **FUTURE DEVELOPMENTS**

The University continues to develop a 10 year strategy for the North West Campuses of the University. This development is linked to the key priority areas identified by the Department for Employment and Learning and will be in line with the economic regeneration plans for this region. The University has commenced the second phase of the redevelopment of the Belfast Campus having in the last financial year completed phase one. On the Coleraine Campus, initial planning has commenced on the redevelopment of the library facilities. On the Jordanstown Campus the Centre for Rehabilitation and Ageing has been completed and work is going on in the development of the Lottery funded High Performance Sports Centre. In addition, the University has just commenced a review of the infrastructural needs on this Campus to meet the student requirements for high quality academic facilities.

Within the sector there is ongoing development of the transparent approach to costing which had previously been developed in support of the research activity within the sector. This initiative is now being expanded to include an assessment of teaching income and the University is fully engaged in supporting this development.

### **CONCLUSION**

While the annual results show a surplus of £3.5m on an historical cost basis this is behind the University's Corporate Plan target. The reason for this adverse variance is due to two exceptional items; firstly, the impact of the UUBibliotech Ltd. decision and secondly, the FRS17 adjustment to pension scheme costs. Both of these were notified to the University after the end of the Financial Year. Excluding these adjustments the University would have achieved its Corporate Plan targets. The ongoing challenge for the University is to maintain its current sources of income while at the same time developing new markets and reducing our dependence on Funding Council grants. The Group had a net cash inflow from operating activity of £14.7m against which £6m was committed in support of Capital Projects from operating reserves. The Group's retained profit at £39m shows an increase of £5m against the previous year, net assets of £191m (£173m, 2005) and borrowings of £4.7m (£14.1m, 2005). With the impact of the comprehensive spending review still unknown, increased volatility in student numbers due to the introduction of variable tuition fees and the need for the University to continue with major capital development of its Estate to ensure that facilities are fit for purpose, the University faces significant challenges to continue to operate within its financial resources. This challenging environment is made more difficult for the University in that it continues to incur significant additional costs in providing geographically split regional Campuses for which it is not receiving any additional Government funding. It is pleasing to note that during the year, despite difficulties nationally in resolving a pay award, the University in agreement with the Unions have introduced an agreed pay settlement until 2009. This was achieved through co-operation between University management and the Unions and enabled all coursework and examinations to be set and marked so that all students could progress in line the University's normal quality assurance processes.

**G D B HARKNESS, MA FCA**  
**HONORARY TREASURER**

**15 December 2006**

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Corporate Governance

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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 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 is 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 originally granted in 1984. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, the latest version of which was approved by the Privy Council in 2000.

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

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

It has a majority of appointed members from outside the University (described as lay members), from whom its Chairman and its Deputy Chairman must be drawn. The Chairman and Deputy Chairman hold positions as Pro-Chancellors of the University. An Honorary Treasurer is also appointed from amongst the lay members of the Council. Also included in Council's members are elected representatives of the staff of the University and the student body. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work, that 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 for 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 large, 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 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 require the approval of the Court before they can be submitted to the Privy Council.

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

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Department for Employment and Learning (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 House of Commons.

The Council meets at least six times each year and certain functions are delegated to its committees. 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 compiling its recommendations, the group sought guidance from the Higher Education Funding Council for England and the Department for Employment and Learning. The recommendations which related *inter alia* to: changes to the committee structure of the Council; clarification of the framework of delegated authority; and the conduct of effectiveness reviews, were adopted by the Council in June 2005 and were fully implemented from

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Corporate Governance - Continued

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the commencement of the 2005/2006 session. The Committees of Council now comprise: General Purposes and Finance Committee; Policy and Governance Committee; Audit Committee; Remuneration Committee; Estates and Information Technology Committee; and Development, Communication and Marketing Committee (the latter being a joint committee with Senate). The Nominations Committee is as a sub-committee of Policy and Governance Committee.

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

The 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 Committee also has oversight of matters pertaining to human resources and the Students' Union.

The Policy and Governance Committee reviews and makes recommendations to the Council on all matters pertaining to the instruments, articles, structures and effectiveness of institutional and subsidiary company governance; and on policy and legislative matters including risk management policy and strategy. The Nominations Committee is responsible to the Policy and Governance Committee for reviewing the processes for and recommending the appointment and re-appointment of lay persons to the Council. Appointed members hold office for a period of four years and are eligible for re-appointment for one further period of four years.

The Audit Committee meets five times a year, with the University's internal auditors in attendance. The University's external auditors also attend at least one meeting of the Committee. The Committee considers detailed reports in accordance with Accountability and Audit : HEFCE Code of Practice together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation timescales. 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.

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 Estates and Information Technology Committee makes recommendations to the Council on the estate strategy and the information technology strategy.

The Development, Communication and Marketing Committee has oversight of the development fund-raising strategy; internal and external communication strategies and public relations; and the marketing strategy for the range of the University's activities.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors, Provosts, Deans of Faculties and Directors of Administrative Departments all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor. The executive structure of the University is represented by the Senior Management Group (SMG) which comprises the Vice-Chancellor, Pro-Vice-Chancellors, Provosts, Deans of Faculty and administrative Directors and which meets monthly. The SMG refers matters for decision to Council or Senate (or the relevant committees thereof). There is also a Vice-Chancellor's Advisory Group (VCAG) which reports to the SMG and which meets regularly to progress operational matters. Both the SMG and the VCAG are chaired by the Vice-Chancellor.

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

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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 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. 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 strategic direction and plans of the University;
- A Corporate Risk Register which incorporates the key risks at institutional level, is maintained;
- The Senior Management Group, the University's designated Risk Management Committee formally reviews and assesses corporate risks bi-annually;
- All Faculties and departments, as part of their planning, maintain and review bi-annually their risk registers and provide, annually, signed stewardship statements confirming their adherence to the risk management policy and process;
- A report on risk management is submitted to the Council annually in October;
- Risk management is a standing item on the agenda of the Audit Committee;

In addition to these actions:

- A new Council approved governance committee structure was fully implemented in 2005/06 (See also Corporate Governance above).
- During 2005/06, an extensive, consultative exercise was completed to develop the University's Corporate Plan 2006/07 – 2010/11. The Corporate Plan, adopted by the Council in June 2006 was fully risk assessed and an accompanying Corporate Risk Register and a comprehensive suite of corporate metrics were developed and approved.
- A revised and streamlined senior staff structure was implemented creating *inter alia* co-ordinated, team-based structures under the Pro-Vice-Chancellors to support the University's key business activities *viz* teaching and learning, and research, technology and knowledge transfer. The revisions have been reflected in the restructuring of the committees of the Senate.
- Following publication in December 2005 of the revised HEFCE Guide (*'Related companies: guidance for higher education institutions'*, RSM Robson Rhodes), the Vice-Chancellor undertook to review the arrangements for the University's subsidiary company activity. In parallel, the Policy and Governance Committee, in line with its terms of reference, requested an independent review of the governance arrangements of UUTech Ltd against accepted good practice. The review, conducted by the internal auditors, was completed post year-end and contained a number of recommendations on the governance and oversight of the Company and the reporting relationship between the Company and the University. As a consequence of the Vice-Chancellor's review and taking account of the recommendations of the auditor's report to management, UUTech Ltd has been restructured post year-end to mainstream its activities within the University's operations. Other subsidiary companies' operations will be similarly benchmarked and reorganized if appropriate.
- Revised protocols and procedures have been developed and adopted for the receipt of gifts and hospitality and maintenance of the Gifts and Hospitality Register in accordance with Civil Service guidelines.
- 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 independent internal audit service has reviewed risk assurance and has provided an adequate level of assurance. Recommendations of the auditors have been fully implemented.

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 2005/06 was based. The internal audit

## **UNIVERSITY OF ULSTER GROUP ACCOUNTS**

### **Statement of Internal Control - Continued**

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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, together with recommendations for improvement.

During the year the development of a comprehensive, consolidated corporate business continuity plan was identified as a control area requiring attention. Steps have been taken to commence the development of a comprehensive plan but this has taken longer than originally anticipated and an extension has been agreed with the University's Audit Committee.

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 management letter and other reports.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Responsibilities of the University's Council

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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**

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We have audited the Group and University financial statements (the “financial statements”) of the University of Ulster for the year ended 31 July 2006 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 AUDITORS**

The University's Council responsibilities for preparing the Treasurer's Report and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 10.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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: Accounting for Further and Higher Education. 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, in all material respects, 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 whether in our opinion the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Treasurer's Report and the Statement of Internal Control and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

### **BASIS OF OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Group and University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31 July 2006 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- 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 during the year ended 31 July 2006 have been applied for the purposes for which they were received; and



**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Independent Auditor's Report to the Council of the University of Ulster**

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- in all material respects, income during the year ended 31 July 2006 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 Auditor  
Stokes House  
College Square East  
BELFAST

15 December 2006

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Principal Accounting Policies

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### 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. Intra-Group sales and profits are eliminated fully on consolidation.

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

### 3. Recognition of income

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

### 4. Pension schemes

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

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

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

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

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 profit and loss account.

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

### 5. Foreign currencies

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

### 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.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Principal Accounting Policies - Continued

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**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 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 capitalized. Capitalized 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 installments 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.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Principal Accounting Policies - Continued

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**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 2006**

		<b>Group 2006</b>	<b>Restated Group 2005</b>
		<b>£000</b>	<b>£000</b>
<b>Income - continuing operations</b>	<b>Note</b>		
Funding Council Grants .....	2	82,547	80,933
Academic Fees and Support Grants .....	3	24,065	23,798
Research Grants and Contracts.....	4	23,538	21,022
Other Operating Income .....	5	33,762	30,518
Endowment Income and Interest Receivable .....	6	409	440
Total Income .....		<u>164,321</u>	<u>156,711</u>
<b>Expenditure - continuing operations</b>			
Staff Costs.....	7	101,319	96,313
Depreciation .....	12	14,216	15,115
Other Operating Expenses - Normal .....	8	45,718	44,901
Other Operating Expenses - Exceptional .....	8	2,381	—
Interest Payable .....	9	666	933
Total Expenditure .....		<u>164,300</u>	<u>157,262</u>
<b>Surplus/(Deficit) after depreciation of assets at valuation before and after tax .....</b>		<u>21</u>	<u>(551)</u>

**Note of Historical Cost Surpluses and Deficits**

Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount .....	3,521	5,941
<b>Historical cost surplus before and after tax .....</b>	<u>3,542</u>	<u>5,390</u>

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Balance Sheet as at 31 July 2006

		<b>Group 2006</b>	<b>University 2006</b>	<b>Restated Group 2005</b>	<b>Restated University 2005</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fixed Assets					
Intangible Assets					
Negative Goodwill .....	11	(4,087)	(4,087)	(4,210)	(4,210)
Tangible Assets.....	12	232,429	217,343	219,787	205,040
Investments .....	13	1,483	4,692	1,226	6,874
		<b>229,825</b>	<b>217,948</b>	<b>216,803</b>	<b>207,704</b>
Endowment Asset Investments.....	14	3,434	3,434	3,124	3,124
Current Assets					
Stocks .....		371	371	321	321
Debtors .....	15	15,917	19,657	15,944	24,322
Short Term Deposits .....		2,428	5,930	4,158	241
		<b>18,716</b>	<b>25,958</b>	<b>20,423</b>	<b>24,884</b>
Creditors: Amounts Falling Due Within One Year.....	16	(30,073)	(28,534)	(33,428)	(28,484)
Net Current (Liabilities)/Assets .....		<b>(11,357)</b>	<b>(2,576)</b>	<b>(13,005)</b>	<b>(3,600)</b>
<b>Total Assets Less Current Liabilities ....</b>		<b>221,902</b>	<b>218,806</b>	<b>206,922</b>	<b>207,228</b>
Creditors: Amounts Falling Due After More Than One Year .....	17	(6,963)	(7,644)	(10,095)	(10,922)
<b>Net Assets excluding Pension     Liability .....</b>		<b>214,939</b>	<b>211,162</b>	<b>196,827</b>	<b>196,306</b>
Pension Liability .....	31	(24,385)	(24,385)	(23,618)	(23,618)
<b>Net Assets including Pension     Liability .....</b>		<b>190,554</b>	<b>186,777</b>	<b>173,209</b>	<b>172,688</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Balance Sheet as at 31 July 2006 - Continued

		<b>Group 2006</b>	<b>University 2006</b>	<b>Restated Group 2005</b>	<b>Restated University 2005</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Deferred Capital Grants .....	18	64,642	55,227	48,561	38,888
<b>Endowments</b>					
Specific .....	19	2,010	2,010	1,761	1,761
General .....	19	1,424	1,424	1,363	1,363
		<b>3,434</b>	<b>3,434</b>	<b>3,124</b>	<b>3,124</b>
<b>Reserves</b>					
Revaluation Reserve .....	20	107,526	107,431	111,047	110,952
Pension Reserve .....	21	(24,385)	(24,385)	(23,618)	(23,618)
Income and Expenditure Account .....	22	39,337	45,070	34,095	43,342
<b>Total Reserves .....</b>		<b>122,478</b>	<b>128,116</b>	<b>121,524</b>	<b>130,676</b>
<b>Total .....</b>		<b>190,554</b>	<b>186,777</b>	<b>173,209</b>	<b>172,688</b>

The Financial Statements on pages 13 to 42 were approved by the Council on 15 December 2006 and signed on its behalf by:

**G D B Harkness MA FCA**

Honorary Treasurer

**P W Hope**

Director of Finance

**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 2006

	Note	Group 2006 £000	Restated Group 2005 £000
<b>Net Cash Inflow from Operating Activities</b> .....	25	14,680	10,936
Returns on Investments and Servicing of Finance .....	26	(243)	(501)
Capital Expenditure and Financial Investment .....	27	(4,658)	(8,233)
<b>Cash Inflow before Use of Liquid Resources and Financing</b> .....		9,779	2,202
Management of Liquid Resources .....	28	1,416	(3,242)
Financing .....	29	(3,841)	(1,341)
Increase/(Decrease) in Cash .....	30	<u>7,354</u>	<u>(2,381)</u>

### Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Group 2006 £000	Restated Group 2005 £000
Increase/(Decrease) in Cash in the Period .....		7,354	(2,381)
(Decrease)/Increase in Short Term Deposits .....	28	(1,730)	2,663
Decrease in bank loans after one year .....	30	3,841	1,341
Change in Net Debt .....		9,465	1,623
Net Debt at 1 August .....		(14,127)	(15,750)
Net Debt at 31 July .....	30	<u>(4,662)</u>	<u>(14,127)</u>



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Consolidated Statement of Total Recognised Gains and Losses

	Note	Group 2006 £000	Restated Group 2005 £000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax.....		21	(551)
Actuarial gain/(loss) in pension plan .....	31	933	(4,131)
Appreciation of endowment asset investments.....	19	352	488
Net (withdrawals)/additions from endowment asset investments .....	19	(57)	197
Endowment income retained/(released) for year .....	19	15	(8)
<b>Total recognised gains/(losses) relating to the period .....</b>		<b>1,264</b>	<b>(4,005)</b>
Prior year adjustment (note 1) .....		(23,618)	(17,483)
<b>Total recognised gains and losses since last Annual Report .....</b>		<b>(22,354)</b>	<b>(21,488)</b>
<b>Reconciliation of movement in reserves and endowments</b>			
Opening reserves and endowments as previously reported .....		148,266	146,136
Prior year adjustment (note 1) .....		(23,618)	(17,483)
As restated.....		124,648	128,653
Total recognised gains and losses for the year .....		1,264	(4,005)
Closing reserves and endowments .....		<b>125,912</b>	<b>124,648</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts

### 1 Prior Year Adjustment

The Group has adopted the reporting requirements of FRS17 “Retirement Benefits” in its primary statements from 1 August 2005. The financial information for the year ended 31 July 2005 which was originally prepared under the accounting requirements of SSAP 24 “Pension Costs” has been restated following the adoption of FRS17. The main impact of the change in accounting policy was to record on the University Balance Sheet the full amount of the University’s deficit in the NILGOSC defined benefit pension scheme measured in accordance with FRS17. The impact on the 2005 results and closing Balance Sheet as originally reported are shown below:-

Group	As reported under SSAP 24	Prior Year Adjustment	As Restated Under FRS 17
	£000	£000	£000
<b>Income and Expenditure Account</b>			
Total Income.....	156,711	—	156,711
Staff Costs .....	94,434	1,879	96,313
Depreciation .....	15,115	—	15,115
Other Operating Expenses .....	44,901	—	44,901
Interest Payable .....	808	125	933
Total Expenditure.....	155,258	2,004	157,262
Surplus/(Deficit) after depreciation of assets at valuation before and after tax .....	<b>1,453</b>	<b>(2,004)</b>	<b>(551)</b>
<b>Statement of Total Recognised Gains and Losses</b>			
Surplus/(Deficit) for the year.....	1,453	(2,004)	(551)
Actuarial gains and losses.....	—	(4,131)	(4,131)
Appreciation of endowment assets investment .....	488	—	488
Net additions endowment assets.....	197	—	197
Endowment income.....	(8)	—	(8)
	<b>2,130</b>	<b>(6,135)</b>	<b>(4,005)</b>
Opening reserves and endowments.....	146,136	(17,483)	128,653
Total recognised gains and losses .....	2,130	(6,135)	(4,005)
Closing reserves and endowments .....	<b>148,266</b>	<b>(23,618)</b>	<b>124,648</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### 1 Prior Year Adjustment - continued

Group	As reported under SSAP 24	Prior Year Adjustment	As Restated Under FRS 17
	£000	£000	£000
<b>Balance Sheet</b>			
Fixed assets .....	216,803	—	216,803
Endowment assets .....	3,124	—	3,124
Current assets .....	20,423	—	20,423
Creditors due within 1 year.....	(33,428)	—	(33,428)
Creditors due after 1 year.....	(10,095)	—	(10,095)
Net assets before pension liability.....	196,827	—	196,827
Pension liability.....	—	(23,618)	(23,618)
<b>Net assets after pension liability .....</b>	<b>196,827</b>	<b>(23,618)</b>	<b>173,209</b>
Deferred capital grants.....	48,561	—	48,561
Endowments .....	3,124	—	3,124
Revaluation reserve .....	111,047	—	111,047
Pension reserve.....	—	(23,618)	(23,618)
Income and expenditure account reserve .....	34,095	—	34,095
	<b>196,827</b>	<b>(23,618)</b>	<b>173,209</b>

University	As reported under SSAP 24	Prior Year Adjustment	As Restated Under FRS 17
	£000	£000	£000
<b>Balance Sheet</b>			
Fixed assets .....	207,704	—	207,704
Endowment assets .....	3,124	—	3,124
Current assets .....	24,884	—	24,884
Creditors due within 1 year.....	(28,484)	—	(28,484)
Creditors due after 1 year.....	(10,922)	—	(10,922)
Net assets before pension liability.....	196,306	—	196,306
Pension liability.....	—	(23,618)	(23,618)
<b>Net assets after pension liability .....</b>	<b>196,306</b>	<b>(23,618)</b>	<b>172,688</b>
Deferred capital grants.....	38,888	—	38,888
Endowments .....	3,124	—	3,124
Revaluation reserve .....	110,952	—	110,952
Pension reserve.....	—	(23,618)	(23,618)
Income and expenditure account reserve .....	43,342	—	43,342
	<b>196,306</b>	<b>(23,618)</b>	<b>172,688</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

		Group 2006	Group 2005
		£000	£000
Note			
2	<b>Funding Council Grants</b>		
	Recurrent Grant .....	80,216	76,960
	Specific Grants		
	Special Initiatives .....	284	277
	Other .....	1,285	3,164
	Deferred Capital Grants Released in Year (Note 18)		
	Buildings .....	613	532
	Equipment .....	149	—
		<b>82,547</b>	<b>80,933</b>
3	<b>Academic Fees and Support Grants</b>		
	Full-time students.....	16,467	16,155
	Full-time students charged overseas fees.....	1,746	1,428
	Part-time fees .....	4,587	4,349
	Research Training Support Grants .....	—	12
	Short Course Fees .....	1,265	1,854
		<b>24,065</b>	<b>23,798</b>
4	<b>Research Grants and Contracts</b>		
	Research Councils.....	3,511	3,438
	UK Charities .....	782	678
	EU Government .....	3,707	4,376
	Others .....	15,538	12,530
		<b>23,538</b>	<b>21,022</b>

## Notes to the Accounts - Continued

24

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

<b>7</b>	<b>Staff Costs - continued</b>	<b>Group 2006 Number</b>	<b>Group 2005 Number</b>
	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 .....	22	25
	£80,000 - £89,999 .....	11	8
	£90,000 - £99,999 .....	11	12
	£100,000 - £109,999 .....	1	4
	The average weekly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:-		
	Academic .....	1,221	1,158
	Technical .....	206	202
	Administrative.....	433	407
	Other including Clerical and Manual.....	1,103	1,051
		<b>2,963</b>	<b>2,818</b>
<b>8</b>	<b>Other Operating Expenses</b>	<b>Group 2006</b>	<b>Group 2005</b>
		<b>£000</b>	<b>£000</b>
	Residences, Catering and Conferences operating expenses .....	3,417	2,908
	Consumables and laboratory expenditure .....	2,861	2,621
	Equipment not capitalised.....	2,779	2,907
	Books and periodicals .....	1,161	501
	Fellowships, scholarships and prizes .....	132	84
	Rates.....	1,972	3,155
	Heat, light, water and power .....	2,539	2,477
	Long term maintenance.....	4,392	4,935
	Grants to University of Ulster Students' Union .....	991	960
	External Auditors' remuneration .....	60	58
	External Auditors' remuneration in respect of non-audit services....	44	45
	Internal Auditors' remuneration .....	104	132
	Printing and stationery .....	1,484	1,436
	Travel, subsistence and hospitality .....	5,224	5,202
	Miscellaneous academic support .....	1,712	2,459
	Telephone and postage .....	1,325	1,497
	Legal and professional fees.....	6,850	6,418
	Advertising and publicity .....	1,317	1,329
	Student Support.....	5,656	4,453
	Other expenses .....	1,698	1,324
		<b>45,718</b>	<b>44,901</b>
	<b>Exceptional Item - Books and Periodicals</b>		
	This is a charge to the University of Ulster following HMRC ruling in September 2006 regarding the VAT supply of books and periodicals by UU Bibliotech to the University of Ulster	<b>2,381</b>	—
<b>9</b>	<b>Interest Payable</b>		
	Repayable within 5 years not by instalments.....	216	392
	Loans not wholly repayable within five years .....	395	416
	Net return on pension liability (note 31).....	55	125
		<b>666</b>	<b>933</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### 10 Analysis of 2006 Expenditure by Activity

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest £000	Total £000
Academic Departments .....	57,055	710	5,826	—	63,591
Academic Services .....	10,464	3,562	9,696	—	23,722
Research Grants & Contracts .....	8,059	3,145	10,097	—	21,301
Residences, Catering & Conferences .....	3,205	533	3,820	—	7,558
Premises.....	5,689	5,805	7,400	395	19,289
Administration.....	12,366	461	8,430	55	21,312
Other Expenses.....	4,481	—	2,830	216	7,527
	<b>101,319</b>	<b>14,216</b>	<b>48,099</b>	<b>666</b>	<b>164,300</b>

£000

The depreciation charged has been funded by:-

Release from Deferred Capital Grants .....	1,203
Release from Research Grants and Contracts .....	3,609
Release from Revaluation Reserve (Note 20) .....	3,521
General income.....	5,883

**14,216**

### 11 Intangible Assets

	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
<b>Cost (or valuation)</b>				
At 1 August.....	(4,748)	(4,751)	(4,748)	(4,751)
<b>Amortisation</b>				
At 1 August.....	(538)	(541)	(415)	(418)
Charged in year.....	(123)	(123)	(123)	(123)
At 31 July .....	(661)	(664)	(538)	(541)
<b>Net Book Value</b>				
At 31 July .....	<b>(4,087)</b>	<b>(4,087)</b>	<b>(4,210)</b>	<b>(4,210)</b>

At the year end, the Group and the University had negative goodwill of £4.087m (2005, £4.21m).

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### 12 Tangible Assets - Group

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Library Assets £000	Total £000
<b>Valuation or cost</b>					
At 1 August 2005					
Valuation .....	131,617	—	—	5,990	137,607
Cost .....	99,730	11,466	30,327	8,242	149,765
Additions at Cost .....	133	19,123	5,284	2,318	26,858
Transfer CIP .....	25,145	(25,145)	—	—	—
At 31 July 2006					
Valuation .....	131,617	—	—	5,990	137,607
Cost .....	125,008	5,444	35,611	10,560	176,623
	<b>256,625</b>	<b>5,444</b>	<b>35,611</b>	<b>16,550</b>	<b>314,230</b>
<b>Depreciation</b>					
At 1 August 2005.....	30,495	—	24,833	12,257	67,585
Charge for Year .....	6,986	—	5,156	2,074	14,216
At 31 July 2006 .....	<b>37,481</b>	<b>—</b>	<b>29,989</b>	<b>14,331</b>	<b>81,801</b>
<b>Net Book Value</b>					
At 31 July 2006 .....	<b>219,144</b>	<b>5,444</b>	<b>5,622</b>	<b>2,219</b>	<b>232,429</b>
At 31 July 2005 .....	<b>200,852</b>	<b>11,466</b>	<b>5,494</b>	<b>1,975</b>	<b>219,787</b>



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### 12 Tangible Assets - University

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Total £000
<b>Valuation or cost</b>				
At 1 August 2005				
Valuation .....	131,617	—	—	131,617
Cost .....	90,077	8,152	29,418	127,647
Additions at Cost .....	—	18,973	5,016	23,989
Transfer CIP .....	21,682	(21,682)	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 July 2006				
Valuation .....	131,617	—	—	131,617
Cost .....	111,759	5,443	34,434	151,636
	<u>243,376</u>	<u>5,443</u>	<u>34,434</u>	<u>283,253</u>
<b>Depreciation</b>				
At 1 August 2005 .....	29,805	—	24,419	54,224
Charge for Year .....	6,678	—	5,008	11,686
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 July 2006 .....	<u>36,483</u>	<u>—</u>	<u>29,427</u>	<u>65,910</u>
<b>Net Book Value</b>				
At 31 July 2006 .....	<u>206,893</u>	<u>5,443</u>	<u>5,007</u>	<u>217,343</u>
At 31 July 2005 .....	<u>191,889</u>	<u>8,152</u>	<u>4,999</u>	<u>205,040</u>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
13 <b>Investments</b>				
Investment in University Challenge Fund...	250	250	250	250
Investment in UUTECH Limited .....	1,113	—	856	—
Investment in UUSR Limited.....	—	414	—	414
Investment in UU Bibliotech Limited .....	—	2,778	—	5,990
Investment in UU Services Limited .....	—	100	—	100
Investment in UU Tech Limited .....	—	1,030	—	—
Investment in Greenshoots-Newry Ltd .....	120	120	120	120
	<b>1,483</b>	<b>4,692</b>	<b>1,226</b>	<b>6,874</b>

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

		<b>Group and University</b>	
		<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>£000</b>
<b>14</b>	<b>Endowment Asset Investments</b>		
	Balance at 1 August: at cost.....	2,937	2,552
	at valuation.....	3,124	2,447
	Additions .....	1,019	1,877
	Disposals .....	(1,017)	(1,731)
	Net appreciation/(depreciation) on disposal and/or revaluation.....	308	531
	Balance at 31 July at valuation.....	<b>3,434</b>	<b>3,124</b>
Investments held at the end of the year are detailed as follows:			
	Fixed Interest Stocks .....	378	372
	UK Equities .....	2,766	2,497
	Bank Balances .....	201	206
	Property .....	61	49
	Hedge Funds.....	28	—
	Total Endowment Asset Investments at valuation.....	<b>3,434</b>	<b>3,124</b>
	Total Endowment Asset Investments at cost .....	<b>3,057</b>	<b>2,937</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

15	<b>Debtors</b>	<b>Group 2006 £000</b>	<b>University 2006 £000</b>	<b>Group 2005 £000</b>	<b>University 2005 £000</b>
	Amounts falling due within one year				
	Debtors .....	15,055	12,392	14,957	13,277
	Amounts owed by group undertakings				
	Subsidiary undertakings .....	—	6,902	—	10,671
	Prepayments and accrued income .....	862	363	987	374
		<b>15,917</b>	<b>19,657</b>	<b>15,944</b>	<b>24,322</b>
16	<b>Creditors: Amounts Falling Due within One Year</b>	<b>Group 2006 £000</b>	<b>University 2006 £000</b>	<b>Group 2005 £000</b>	<b>University 2005 £000</b>
	Bank overdrafts .....	—	—	7,359	3,628
	Bank loans .....	328	328	1,037	1,037
	Trade creditors .....	20,708	19,705	17,850	17,435
	Other taxation and social security .....	3,393	3,393	3,122	3,122
	Accruals .....	5,644	5,108	4,060	3,262
		<b>30,073</b>	<b>28,534</b>	<b>33,428</b>	<b>28,484</b>
17	<b>Creditors: Amounts Falling Due after more than One Year</b>	<b>Group 2006 £000</b>	<b>University 2006 £000</b>	<b>Group 2005 £000</b>	<b>University 2005 £000</b>
	Bank loans .....	6,963	6,963	10,095	10,095
	Amounts owed by group undertakings				
	Subsidiary undertakings .....	—	681	—	827
		<b>6,963</b>	<b>7,644</b>	<b>10,095</b>	<b>10,922</b>
		<b>Group 2006 £000</b>	<b>University 2006 £000</b>	<b>Group 2005 £000</b>	<b>University 2005 £000</b>
	Bank loans and overdrafts				
	Amounts falling due				
	Less than one year (note 16) .....	328	328	8,396	4,665
	Between one and two years .....	338	338	2,243	2,243
	Between two and five years .....	1,244	1,244	2,762	2,762
	Greater than five years .....	5,381	5,381	5,090	5,090
		<b>7,291</b>	<b>7,291</b>	<b>18,491</b>	<b>14,760</b>

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

18	Deferred Capital Grants - Group	Department for Employment and Learning £000	Other Grants £000	2006 Total £000	2005 Total £000
	At 1 August				
	Buildings .....	14,728	32,920	47,648	41,314
	Equipment .....	523	390	913	153
	<b>Total .....</b>	<b>15,251</b>	<b>33,310</b>	<b>48,561</b>	<b>41,467</b>
	Cash Received				
	Buildings .....	17,276	233	17,509	8,383
	Equipment .....	632	2,752	3,384	2,934
	<b>Total .....</b>	<b>17,908</b>	<b>2,985</b>	<b>20,893</b>	<b>11,317</b>
	Released to Income & Expenditure				
	Buildings .....	613	1,307	1,920	2,049
	Equipment .....	149	2,743	2,892	2,174
	<b>Total .....</b>	<b>762</b>	<b>4,050</b>	<b>4,812</b>	<b>4,223</b>
	At 31 July				
	Buildings .....	31,391	31,846	63,237	47,648
	Equipment .....	1,006	399	1,405	913
	<b>Total at 31 July .....</b>	<b>32,397</b>	<b>32,245</b>	<b>64,642</b>	<b>48,561</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

18	<b>Deferred Capital Grants - University</b>	<b>Department for Employment and Learning £000</b>	<b>Other Grants £000</b>	<b>2006 Total £000</b>	<b>2005 Total £000</b>
	At 1 August				
	Buildings .....	14,728	23,280	38,008	31,359
	Equipment .....	523	357	880	140
	<b>Total .....</b>	<b>15,251</b>	<b>23,637</b>	<b>38,888</b>	<b>31,499</b>
	Cash Received				
	Buildings .....	17,276	231	17,507	8,384
	Equipment .....	632	2,752	3,384	2,907
	<b>Total .....</b>	<b>17,908</b>	<b>2,983</b>	<b>20,891</b>	<b>11,291</b>
	Released to Income & Expenditure				
	Buildings .....	613	1,054	1,667	1,735
	Equipment .....	149	2,736	2,885	2,167
	<b>Total .....</b>	<b>762</b>	<b>3,790</b>	<b>4,552</b>	<b>3,902</b>
	At 31 July				
	Buildings .....	31,391	22,457	53,848	38,008
	Equipment .....	1,006	373	1,379	880
	<b>Total at 31 July .....</b>	<b>32,397</b>	<b>22,830</b>	<b>55,227</b>	<b>38,888</b>
19	<b>Endowments</b>	<b>Group and University</b>			
		<b>Specific £000</b>	<b>General £000</b>	<b>2006 Total £000</b>	<b>2005 Total £000</b>
	At 1 August.....	1,761	1,363	3,124	2,447
	Additions .....	33	—	33	279
	Withdrawals.....	(29)	(61)	(90)	(82)
	Appreciation of endowment asset investments .....	208	144	352	488
	Income for Year .....	61	47	108	82
	Transferred to Income and Expenditure Account (Note 6).....	(24)	(69)	(93)	(90)
	<b>At 31 July .....</b>	<b>2,010</b>	<b>1,424</b>	<b>3,434</b>	<b>3,124</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

20	Revaluation Reserve	Group 2006 £000	University 2006 £000	Group 2005 £000	University 2005 £000
	Gross Revaluation surplus				
	At 1 August .....	140,388	134,303	140,388	134,303
	Revalued in Year.....	—	—	—	—
		<u>140,388</u>	<u>134,303</u>	<u>140,388</u>	<u>134,303</u>
	Contribution to Depreciation				
	At 1 August	29,341	23,351	23,400	17,410
	Released in Year	3,521	3,521	5,941	5,941
		<u>32,862</u>	<u>26,872</u>	<u>29,341</u>	<u>23,351</u>
	Net Revaluation Surplus				
	At 1 August .....	<u>111,047</u>	<u>110,952</u>	<u>116,988</u>	<u>116,893</u>
	At 31 July.....	<u>107,526</u>	<u>107,431</u>	<u>111,047</u>	<u>110,952</u>
21	Pension Reserve			Group and University 2006 £000	Restated Group and University 2005 £000
	Opening balance previously reported at 1 August.....			—	—
	Prior year adjustment (note 1) .....			(23,618)	(17,483)
	As restated .....			(23,618)	(17,483)
	Transfer from Income and Expenditure Account Reserve (Note 22)			(1,700)	(2,004)
	Actuarial profit/(loss) in respect of pension scheme .....			933	(4,131)
	Balance at 31 July.....			<u>(24,385)</u>	<u>(23,618)</u>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

22	<b>Income and Expenditure Account Reserve</b>	<b>Group 2006 £000</b>	<b>University 2006 £000</b>	<b>Group 2005 £000</b>	<b>University 2005 £000</b>
	Balance at 1 August.....	34,095	43,342	26,701	35,305
	Surplus/(deficit) after depreciation of assets at valuation, before and after tax.....	21	(3,493)	(551)	92
	Release from Revaluation Reserve.....	3,521	3,521	5,941	5,941
	Transfer to Pension Reserve (Note 21).....	1,700	1,700	2,004	2,004
	Balance at 31 July.....	<b>39,337</b>	<b>45,070</b>	<b>34,095</b>	<b>43,342</b>

	<b>Group and University 2006 £000</b>	<b>2005 £000</b>
23 <b>Capital Commitments</b>		
Commitments contracted at 31 July	27,193	16,249
Authorised but not contracted at 31 July	5,027	11,668
	<b>32,220</b>	<b>27,917</b>

## 24 **Contingent Liabilities**

The University Council has reviewed legal proceedings outstanding at the year end and do not consider any material liability will result. No valuable security has been provided by the University in respect of this contingent liability.



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

25	<b>Reconciliation of Consolidated Operating Surplus to Net Cash Inflows from Operating Activities</b>	<b>Group 2006 £000</b>	<b>Group 2005 £000</b>
	Surplus/(Deficit) after depreciation of assets at valuation before tax.....	21	(551)
	Depreciation (Note 12).....	14,216	15,115
	Amortisation of Goodwill (Note 11).....	(123)	(123)
	Deferred Capital Grants Released to Income (Note 18).....	(4,812)	(3,910)
	Investment Income (Note 6).....	(315)	(440)
	(Profit)/Loss on Sale of Endowment Assets.....	(54)	110
	Loss on Disposal of Fixed Assets.....	—	211
	Interest Payable.....	666	933
	(Increase)/Decrease in Stocks.....	(50)	22
	Decrease/(Increase) in Debtors.....	27	(1,208)
	Increase in Creditors.....	5,104	1,888
	Decrease in Provisions.....	—	(1,111)
	<b>Net Cash Inflow from Operating Activities.....</b>	<b>14,680</b>	<b>10,936</b>
26	<b>Returns on Investments and Servicing of Finance</b>	<b>Group 2006 £000</b>	<b>Group 2005 £000</b>
	Income from Endowments (Note 19).....	108	82
	Income from Short Term Investments (Note 6).....	315	350
	Interest Paid (Note 9).....	(666)	(933)
	<b>Net cash outflow from returns on investments and servicing of finance.....</b>	<b>(243)</b>	<b>(501)</b>
27	<b>Capital Expenditure and Financial Investment</b>	<b>Group 2006 £000</b>	<b>Group 2005 £000</b>
	Tangible Assets Acquired (Note 12).....	(25,549)	(19,091)
	Endowment Asset Investments Acquired (Note 14).....	(1,019)	(1,877)
	<b>Total Fixed and Endowment Asset Investments Acquired.....</b>	<b>(26,568)</b>	<b>(20,968)</b>
	Receipts from Sales of Fixed Assets.....	—	—
	Receipts from Sales of Endowment Assets (Note 14).....	1,017	1,731
	Deferred Capital Grants Received (Note 18).....	20,893	11,004
	<b>Net cash outflow from capital expenditure and final investment.....</b>	<b>(4,658)</b>	<b>(8,233)</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

28	<b>Management of Liquid Resources</b>		<b>Group 2006 £000</b>	<b>Group 2005 £000</b>
	Withdrawals/(Additions) from deposits .....		1,730	(2,663)
	Purchase of investments .....		(257)	(776)
	(Withdrawals)/Addition from endowment funds .....		(57)	197
	<b>Net cash inflow/(outflow) from management of liquid resources</b>		<b>1,416</b>	<b>(3,242)</b>
29	<b>Financing</b>			<b>Group Total £000</b>
	Balance at 1 August 2005 .....			11,132
	Loan Repayments .....			(3,841)
	Balance at 31 July 2006.....			<b>7,291</b>
30	<b>Analysis of Changes in Net Debt</b>	<b>At 1 August 2005 £000</b>	<b>Cash Flows £000</b>	<b>At 31 July 2006 £000</b>
	Cash at Bank and in Hand			
	Endowment Assets .....	206	(5)	201
	Bank Overdraft.....	(7,359)	7,359	—
		<b>(7,153)</b>	<b>7,354</b>	<b>201</b>
	Short Term Deposits .....	4,158	(1,730)	2,428
	Bank Loans .....	(11,132)	3,841	(7,291)
		(6,974)	2,111	(4,863)
	<b>Total .....</b>	<b>(14,127)</b>	<b>9,465</b>	<b>(4,662)</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

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### 31 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 institutions shares of the underlying assets and liabilities of the scheme in USS, TSS and HPSS as required by FRS17 "Retirement benefits" and as a result the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

#### USS Scheme

The last actuarial valuations of the USS scheme was at 31 March 2005. 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.

It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% 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 £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% 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 14.3% of pensionable salaries but the trustee company decided to maintain the University contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as 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 next formal triennial actuarial valuation is due as at 31 March 2008. There will also be an actuarial valuation carried out as at 31 March 2006 and annually thereafter on the "technical provisions" basis under the Pensions Act 2004, as required by the Occupational Pension Schemes (Cross-Border Activities) Regulations 2005, reflecting the scheme's status as a cross-border scheme. The contribution rate will be reviewed as part of each valuation.

#### 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 FRS17:

A valuation of the fund was carried out at 31 March 2004 and updated to 31 July 2006 by a qualified independent actuary.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

31 Pension Schemes - continued	At 31 July 2006	At 31 July 2005
Inflation rate .....	3.1%	2.8%
Rate of increase in pensionable shares .....	4.6%	4.3%
Rate of pension increase .....	3.1%	2.8%
Discount rate .....	5.1%	5.0%

The assets in the scheme and expected rates of return were:

	Long term return at 31 July 2006	Assets at 31 July 2006	Long term return at 31 July 2005	Assets at 31 July 2005
	% p.a.	£000	% p.a.	£000
Equities .....	7.7	57,554	7.3	51,865
Bonds .....	4.7	12,398	4.7	10,657
Property .....	5.7	7,005	5.4	6,394
Cash .....	4.8	3,353	4.5	2,131
<b>Total .....</b>	<b>6.9</b>	<b>80,310</b>	<b>6.7</b>	<b>71,047</b>

Net Pensions Assets as at	At 31 July 2006	At 31 July 2005
	£000	£000
Estimated Employer Assets .....	80,311	71,048
Present Value of Scheme Liabilities .....	(104,696)	(94,666)
<b>Net Pension Liability .....</b>	<b>(24,385)</b>	<b>(23,618)</b>

Analysis of Amount Charged to Income and Expenditure Account	At 31 July 2006	At 31 July 2005
	£000	£000
Current Service Cost .....	3,141	2,621
Past Service Cost .....	31	89
Curtailments and Settlements .....	35	110
<b>Total Operating Charge .....</b>	<b>3,207</b>	<b>2,820</b>

### Analysis of Net Return on Pension Scheme

Expected Return on Employer Assets .....	4,713	4,359
Interest on Pension Scheme Liabilities .....	(4,768)	(4,484)
<b>Net Return (note 9) .....</b>	<b>(55)</b>	<b>(125)</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### 31 Pension Schemes - continued

#### Analysis of Amount Recognised in Statements of Total Recognised Gains and Losses

	At 31 July 2006	At 31 July 2005
	£000	£000
Actual Return less Expected Return on Pension Schemes Assets .....	4,904	7,100
Experience Gains and Losses Arising on the Scheme Liabilities.....	1	(51)
Changes in Financial Assumptions underlying the Present Value of the Scheme Liabilities .....	(3,972)	(11,180)
<b>Actuarial Gain/(Loss) Recognised in STRGL.....</b>	<b>933</b>	<b>(4,131)</b>

#### Movement in Surplus/(Deficit) during the year

	At 31 July 2006	At 31 July 2005
	£000	£000
Deficit at Beginning of the Year .....	(23,618)	(17,483)
Current Service Cost .....	(3,141)	(2,621)
Employer Contributions .....	1,562	941
Post Service Costs .....	(31)	(89)
Impact of Settlements and Curtailments .....	(35)	(110)
Net Return on Assets .....	(55)	(125)
Actuarial Gains/(Losses) .....	933	(4,131)
<b>Deficit at End of Year .....</b>	<b>(24,385)</b>	<b>(23,618)</b>

#### History of Experience Gains and Losses

	At 31 July 2006	At 31 July 2005
	£000	£000
Difference Between the Expected and Actual Return on Assets .....	4,904	7,100
Value of Assets .....	80,311	71,048
<b>Percentage of Assets .....</b>	<b>6.1%</b>	<b>10.0%</b>
Experience Gains/(Losses) on Liabilities .....	1	(51)
Total Present Value of Liabilities .....	104,696	94,666
<b>Percentage of the Total Present Value of Liabilities .....</b>	<b>0.0%</b>	<b>(0.1%)</b>
Actuarial Gains/(Losses) Recognised in STRGL.....	933	(4,131)
Total Present Value of Liabilities .....	104,696	94,666
<b>Percentage of the Total Present Value of Liabilities .....</b>	<b>0.9%</b>	<b>(4.4%)</b>

#### The total pension cost for the University was:

	Group 2006	Group 2005
	£000	£000
Contributions to USS.....	7,950	7,404
Contributions to NILGOSC.....	3,235	2,819
Contributions to TSS .....	21	24
Contribution to HPSS.....	2	2
<b>Total Pension Cost (Note 7).....</b>	<b>11,208</b>	<b>10,249</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### 32 Student Support Funds

#### Group and University

	<b>Group 2006 £000</b>	<b>Group 2005 £000</b>
Balance Carried Forward.....	27	117
Funding Council Grants .....	872	952
Disbursed to Students.....	(879)	(1,042)
Balance Underspent at 31 July .....	<b>20</b>	<b>27</b>

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.

### 33 Subsidiary Company Information

There are seven 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

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 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

### 34 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.

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 principle 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.

Neither of these joint ventures are consolidated in the Group Accounts due to immateriality value to the Group.

### 35 Other Investments

The University holds 33% of the issued ordinary share capital of the University Challenge Fund. In addition, through UUTECH Limited, its wholly owned subsidiary, the University holds 20.4% of the issued share capital in CDC Limited, 17% of Datactics Limited, 44.4% of Diabetica Limited, 10% of Sensor Technology and Devices (ST&D) and 4.4% of Crescent Capital II LP. The University does not hold a participating interest in these entities and therefore accounts for them as investments.

The results of Diabetica Limited for their last financial year are:-

	£000
Loss for their last financial year.....	(21)
Aggregate amount of capital and reserves at the end of their last financial year .....	<u>329</u>

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

<b>Axis Three Limited</b>	<b>3.7%</b>
<b>Gendel</b>	<b>3%</b>
<b>8over8</b>	<b>0.8%</b>
<b>Propertyfriend.com</b>	<b>16.7%</b>
<b>Eyesypfx Ltd</b>	<b>13.8%</b>
<b>Bitt Ware Inc (acquirer of EZ-DSP Limited)</b>	<b>1.7%</b>

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

### 36 Related Party Transactions

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