



Financial Statements for the Year Ended 31st July 2007

University of Ulster

*FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2007
ISSN 0307-496X*

UNIVERSITY OF ULSTER GROUP ACCOUNTS

CONTENTS	Page
Treasurer's Report	1-5
Corporate Governance	6-8
Statement of Internal Control	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	21-41

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 six subsidiary companies, namely:-

- UUHealth Limited
- UUTECH Limited
- UUSR Limited
- UU Bibliotech 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 £6.9m 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 £3.4m. This is the basis on which the University's outturn is reported.

The University's total income was £174m, an increase of 6% 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 49% of income. Funding Council grant increased 4% from the prior year as a result of an inflationary increase.

Income from academic fees and support grants increased by £6.2m (26%) reflecting the impact from the introduction of variable tuition fees.

Research income in the accounts shows a decrease of £2.2m compared to the previous year. This is mainly due to a decrease in activity as a result of resources being allocated towards completing submissions for the Research Assessment Exercise in 2008.

Other operating income has increased by £1.9m due to an increase in consultancy income in UUTECH Limited, the introduction of the Step-up Programme in Belfast and increased activity under the Government initiative Higher Education Innovation Fund which is a funding programme designed to encourage knowledge transfer in UK Universities.

Staff costs increased by £7.1m when compared with the previous year. This not only reflects the impact of the nationally agreed pay award but also the adoption of the single pay spine as a result of the implementation of the National Framework Agreement. In addition, in line with the requirements of Financial Reporting Standard 17: Retirement Benefits, an additional provision of £1.8m 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 £13m and this has been recorded in the pension reserve note. The detailed impact of applying FRS 17 is highlighted in Note 30 to the Accounts.

OTHER OPERATING EXPENSES:- NORMAL

These have increased in line with inflation.

LIQUIDITY AND CASH FLOW

The Cash Flow Statement for the year shows a reduction in net debt of £9m. 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 £9.4m in 2005/2006.

The cash inflow of £9m for the year improved the University's liquidity position, reducing borrowings from £4.8m at the previous year end to a net cash surplus of £4.2m at the current year end.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report - Continued

INVESTMENT PERFORMANCE

The University's endowment asset investments were valued at £4.1m at 31 July 2007, this represents an increase in value of £0.8m (24%) reflecting both the better performance of the endowment fund managers and the ongoing success of the institution in attracting new sources of endowment funds.

CAPITAL AND MAJOR MAINTENANCE PROJECTS

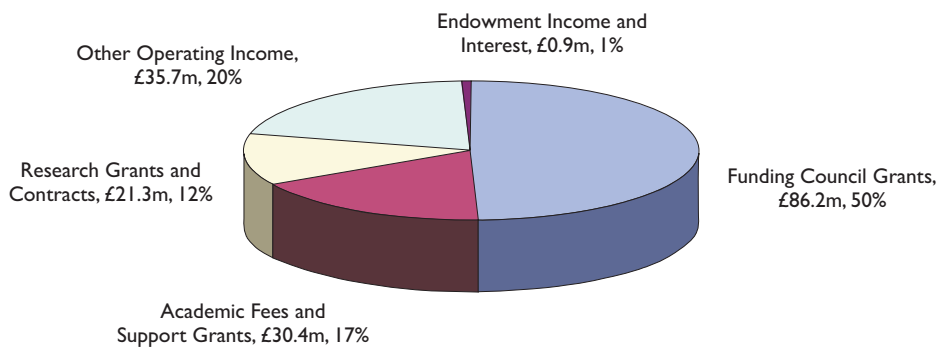
Capital expenditure in the year totalled £26m against which capital grants of £12.9m were received. Of this expenditure approximately £5m related to expenditure on equipment for use in both Faculties and Departments. The remaining £13.1m was invested in the redevelopment of the University's Estate. The largest projects included the commencement of phase 2 of the development of the Belfast Campus, the development of the High Performance Centre at Jordanstown, the commencement of the Learning Resource Centre build at Coleraine and the ongoing development of the Science Research Infrastructure Funds projects.

NET ASSETS

The group net assets were £219m at 31 July 2007.

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

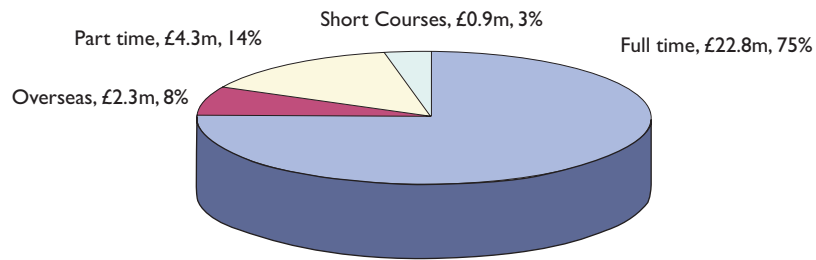
Total Income (£M and %) by Source



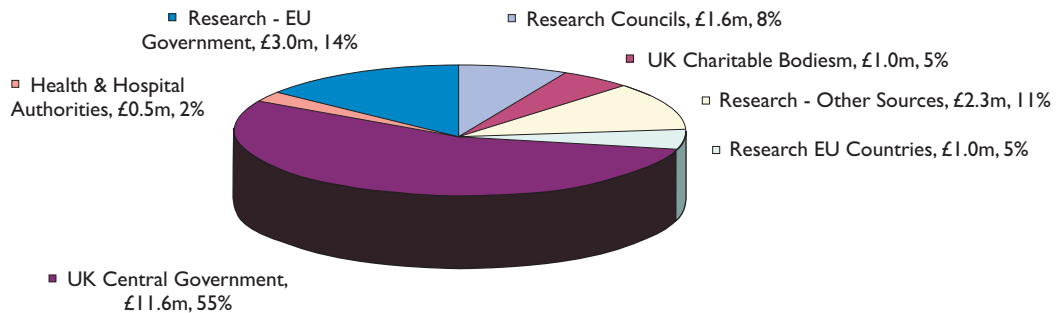
UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report - Continued

Academic Fees (£M and %) by Source



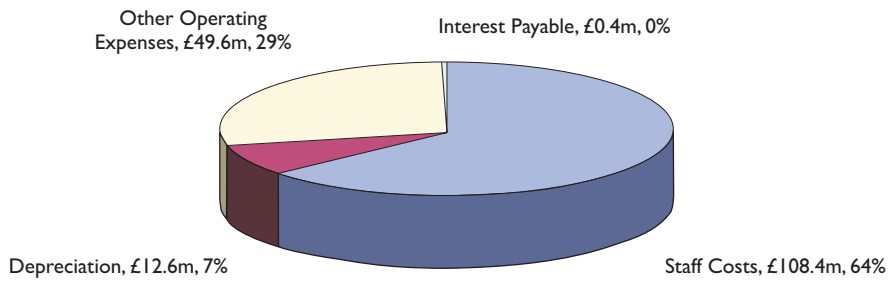
Research Income (£M and %) by Funding Source



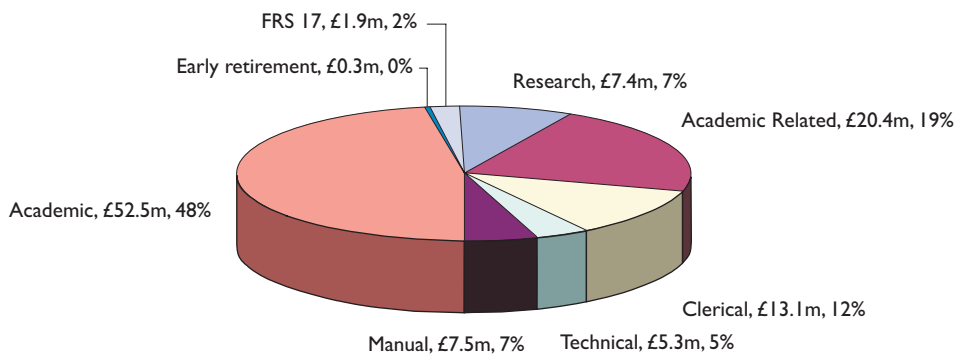
UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report - Continued

Total Expenditure (£M and %) by Category



Staff Costs (£M and %) by Category



UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report - Continued

INTERNAL AUDITORS

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

FINANCIAL MANAGEMENT

The University continues to operate 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

In response to the needs of today's students, the University continues to invest in its physical infrastructure to provide up-to-date facilities for its staff and students. As part of this strategy the University is continuing the redevelopment of its Belfast campus, a project costing £35m which is consistent with the redevelopment of the Cathedral Quarter in Belfast. Phase 2 of this scheme is currently in progress and phase 3, for which full funding is in place, will commence in 2008. In addition, the University has commenced a master planning exercise for the redevelopment of the Jordanstown campus, to ensure that, as the University progresses in the 21st century, staff and students will be working and studying in modern state of the art facilities. The University is in the process of redeveloping its Academic Plan. This will include the development of the north west campuses of the University and assessment of the Teaching and Learning Strategy to anticipate future needs of both students and employers. Submissions are being finalised for the Research Assessment Exercise in 2008. Critical to the ongoing development of the University is the need to obtain more diverse sources of income. To this end the University is introducing a Graduate School of Professional Legal Education at the Magee campus which for the first time will offer training opportunities for solicitors outside of Belfast, and is considering the creation of a Post Graduate Medical School to service the needs of the north west of Ireland and is engaged in the development of a Pharmacy programme not only in Northern Ireland but also in the Middle East, in line with the University's international mission. At the same time the University continues to ensure that its governance arrangements mirror best practice in the sector and is actively engaged in the transparent approach to costing with the development of models in support of teaching activity.

CONCLUSION

The annual results show a surplus of £6.9m on an historical cost basis which was in excess of the University's Corporate Plan target. 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 £20.7m against which £12.5m was committed in support of Capital Projects from operating reserves. The Group's retained profit at £47.9m shows an increase of £8.6m against the previous year, net assets of £219m (£190m, 2006) and net cash of £4.2m (£4.8m 2006). As highlighted last year, 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. While these future challenges have yet to be met it is pleasing to note that the University continues to operate in a stable financial environment and has created cash reserves which could be used to facilitate management in any uncertain future operating environment.

G D B HARKNESS, MA FCA
HONORARY TREASURER

23 November 2007

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance

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 July 2003. 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.

During 2006/07, the Council, through the Policy and Governance Committee, reviewed the University's Statutes in the context of government deregulation of Privy Council control over university governance announced by the Department for Education and Skills in February 2006. Substantial changes to the statutory instruments were agreed by special resolutions of the Council and have been submitted to the Privy Council for approval. Approved changes will be implemented from 2007/08.

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 Northern Ireland Assembly.

The Council meets at least six times each year and certain functions are delegated to its committees. The Committees

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance - Continued

of Council, in place since 2005/06, 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 Sub-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 two meetings of the Committee. 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 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.

In 2006/07, the Council engaged an independent, external consultant to review and advise on the effectiveness of the Council, its structure and processes. A report will be presented to the Council in autumn 2007 and any agreed actions will be implemented within relevant timeframes. Additionally in 2006/07, the Policy and Governance Committee convened a new Nominations Sub-Committee to commence work in preparation for the appointment of a new Council to be in place by October 2008 and the Audit Committee underwent an externally facilitated self-effectiveness review.

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 meets monthly, and comprises the Vice-Chancellor, Pro-Vice-Chancellors, Provosts, Deans of Faculty and administrative Directors. 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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance - Continued

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Internal Control

STATEMENT OF INTERNAL CONTROL

As the governing body of the University of Ulster, we, 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 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. In this regard 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 six times a year to consider the strategic direction and plans of the University and to monitor performance against those plans;
- 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 and the Committee regularly receives reports from the independent Internal Auditors on the adequacy and effectiveness of the University's systems of internal control with recommendations, as appropriate, for improvements;
- The University's Corporate Plan 2006/07 – 2010/11, adopted by the Council in June 2006, sets the framework of strategic aims and objectives against which risks are assessed and performance is monitored and reported;
- 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.

In addition to these, other actions were taken in-year to enhance internal control:

- Implementation from the commencement of 2006/07 of revised governance arrangements for UUTech Ltd in line with accepted good practice;
- A comprehensive Business Continuity Management Policy was developed and adopted together with a Business Continuity Guide and a Business Continuity Plan Template. The Guide and Template are being piloted in three prioritised areas and will in due course be implemented throughout the University;
- The independent internal audit service has reviewed risk assurance and has provided an adequate level of assurance. The recommendations of the auditors for enhancements to existing processes have been considered by Management and generally endorsed.

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 2006/07 was based. The internal audit service operates to standards defined in the HEFCE Accountability and Audit Code of Practice and submits regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal controls, together with recommendations for improvement.

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Responsibilities of the University's Council

RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL

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

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

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

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

The Council has taken reasonable steps to:

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

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

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

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

We have audited the Group and University financial statements (the "financial statements") of the University of Ulster for the year ended 31 July 2007 which comprise the primary statements such as the Group Income and Expenditure Account, the Group 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 2003. 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 Corporate Governance Statement 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 2007 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 2003;
- in all material respects, income from the Department for Employment and Learning, grants and income for specific

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

purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied for the purposes for which they were received; and

- in all material respects, income during the year ended 31 July 2007 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

23 November 2007

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 2003” 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 because the University does not control those activities.

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

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, on average 40 years.

8. Assets Under Construction

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

9. Equipment

Equipment, including software and related software development costs, costing less than £10,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment including software and related development costs are capitalised. Capitalised equipment (other than research grant equipment) is stated at cost and depreciated 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.

10. 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. Library books are expensed in the year of purchase.

11. 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.

12. 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.

13. Negative Goodwill

Negative goodwill relates to assets inherited from Department for Employment and Learning (DEL). Negative goodwill is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets inherited are recovered, whether through depreciation or sale.

14. Investments

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

15. Stocks

Stocks are expensed to the Income and Expenditure account in the year of purchase.

16. Provision for bad debts

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

17. Maintenance of premises

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

18. 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.

19. 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 2007

		Group 2007	Group 2006
		£000	£000
Income - continuing operations	Note		
Funding Council Grants	1	86,221	82,547
Academic Fees and Support Grants	2	30,356	24,065
Research Grants and Contracts	3	21,283	23,538
Other Operating Income	4	35,665	33,762
Endowment Income and Interest Receivable	5	868	409
Total Income		<u>174,393</u>	<u>164,321</u>
Expenditure - continuing operations			
Staff Costs	6	108,427	101,319
Depreciation	11	12,586	14,216
Other Operating Expenses - Normal	7	49,568	45,718
Other Operating Expenses - Exceptional	7	—	2,381
Interest Payable	8	392	666
Total Expenditure		<u>170,973</u>	<u>164,300</u>
Surplus after depreciation of assets at valuation before and after tax		<u>3,420</u>	<u>21</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		3,499	<u>3,521</u>
Historical cost surplus before and after tax		<u>6,919</u>	<u>3,542</u>

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2007

	Group 2007	University 2007	Group 2006	University 2006
Note	£000	£000	£000	£000
Fixed Assets				
Intangible Assets				
Negative Goodwill	10 (3,964)	(3,964)	(4,087)	(4,087)
Tangible Assets	11 243,466	237,915	232,429	217,343
Investments	12 1,900	4,692	1,483	4,692
	241,402	238,643	229,825	217,948
Endowment Asset Investments	13 4,088	4,088	3,285	3,285
Current Assets				
Stocks	—	—	371	371
Debtors	14 18,258	22,153	15,917	19,657
Short Term Deposits	9,747	8,785	2,428	5,930
	28,005	30,938	18,716	25,958
Creditors: Amounts Falling Due				
Within One Year	15 (35,362)	(33,463)	(30,073)	(28,534)
Net Current Liabilities	(7,357)	(2,525)	(11,357)	(2,576)
Total Assets Less Current Liabilities ...	238,133	240,206	221,753	218,657
Creditors: Amounts Falling Due				
After More Than One Year	16 (5,484)	(6,129)	(6,963)	(7,644)
Net Assets excluding Pension Liability	232,649	234,077	214,790	211,013
Pension Liability	30 (13,253)	(13,253)	(24,385)	(24,385)
Net Assets including Pension Liability	219,396	220,824	190,405	186,628

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2007 - Continued

	Note	Group 2007 £000	University 2007 £000	Group 2006 £000	University 2006 £000
Deferred Capital Grants	17	76,242	73,187	64,642	55,227
Endowments					
Specific	18	2,589	2,589	1,930	1,930
General	18	1,499	1,499	1,355	1,355
		4,088	4,088	3,285	3,285
Reserves					
Revaluation Reserve	19	104,400	103,932	107,526	107,431
Pension Reserve	20	(13,253)	(13,253)	(24,385)	(24,385)
Income and Expenditure Account	21	47,919	52,870	39,337	45,070
Total Reserves		139,066	143,549	122,478	128,116
Total		219,396	220,824	190,405	186,628

The Financial Statements on pages 13 to 41 were approved by the Council on 23 November 2007 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 2007

	Note	Group 2007 £000	Group 2006 £000
Net Cash Inflow from Operating Activities	24	20,726	14,585
Returns on Investments and Servicing of Finance	25	279	(242)
Capital Expenditure and Financial Investment	26	<u>(11,932)</u>	<u>(4,680)</u>
Cash Inflow before Use of Liquid Resources and Financing		9,073	9,663
Management of Liquid Resources	27	(7,363)	1,473
Financing.....	28	<u>(1,601)</u>	<u>(3,841)</u>
Increase in Cash	29	<u>109</u>	<u>7,295</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Group 2007 £000	Group 2006 £000
Increase in Cash in the Period.....		109	7,295
Increase/(Decrease) in Short Term Deposits.....	27	7,319	(1,730)
Decrease in bank loans after one year.....	29	<u>1,601</u>	<u>3,841</u>
Change in Net Cash		9,029	9,406
Net Debt at 1 August.....		<u>(4,811)</u>	<u>(14,217)</u>
Net Cash at 31 July	29	<u>4,218</u>	<u>(4,811)</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Consolidated Statement of Total Recognised Gains and Losses

	Note	Group 2007 £000	Group 2006 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax.....		3,420	21
Actuarial gain in pension plan	20	12,795	933
Appreciation of endowment asset investments.....	18	250	261
Net additions from endowment asset investments.....	18	559	34
Endowment income released for year.....	18	(6)	(40)
Unrealised gains on investments	19	373	—
Total recognised gains and losses since last Annual Report		<u>17,391</u>	<u>1,209</u>
 Reconciliation of movement in reserves and endowments			
Opening reserves and endowments		125,763	124,554
Total recognised gains and losses for the year.....		<u>17,391</u>	<u>1,209</u>
Closing reserves and endowments		<u>143,154</u>	<u>125,763</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts

		Group 2007	Group 2006
		£000	£000
Note			
1	Funding Council Grants		
	Recurrent Grant	83,936	80,216
	Specific Grants		
	Special Initiatives	294	284
	Other	661	1,285
	Deferred Capital Grants Released in Year (Note 17)		
	Buildings	978	613
	Equipment	352	149
		86,221	82,547
2	Academic Fees and Support Grants		
	Full-time students.....	22,847	16,467
	Full-time students charged overseas fees.....	2,297	1,746
	Part-time fees	4,268	4,587
	Short Course Fees	944	1,265
		30,356	24,065
3	Research Grants and Contracts		
	Research Councils.....	1,628	3,511
	UK Charities	1,015	782
	EU Government	2,963	3,707
	UK Central Government	11,637	10,326
	Overseas (Non-EU)	126	78
	Health and Hospital Authorities	495	786
	Other Sources.....	3,419	4,348
		21,283	23,538

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group 2007	Group 2006
		£000	£000
Note			
4	Other Operating Income		
	Residences, Catering and Conferences	5,114	5,300
	Other Services Rendered.....	6,189	5,360
	Other Income	12,953	9,218
	Allied Health Professions Training	11,409	13,884
		35,665	33,762
5	Endowment Income and Interest Receivable		
	Transferred from Specific Endowments (Note 18)	150	24
	Income from General Endowment Asset Investments (Note 18)	12	69
	Income from Short Term Investments	515	316
	Net return on pension assets (Note 30)	191	—
		868	409
		Group 2007	Group 2006
		£000	£000
6	Staff Costs		
	Wages and Salaries.....	88,732	83,401
	Social Security Costs	7,197	6,710
	Other Pension Costs (Note 30)	12,498	11,208
		108,427	101,319
	Emoluments of the Vice-Chancellor (2006: 4 months)	212	59
	Emoluments of the Acting Vice-Chancellor (2006: 8 months)	—	110
	Emoluments of the previous Vice-Chancellor (2006: 8 months)	—	131
	The University's pension contributions to USS in respect of the Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £24,838 (2006 - £7,233 Vice Chancellor, £13,533 Acting Vice-Chancellor and £7,339 previous Vice-Chancellor).		
	Compensation for Loss of Office of Higher Paid Staff.....	—	121
	This was funded by monies generated by non DEL funded activity.		

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

	Group 2007 Number	Group 2006 Number
6 Staff Costs - continued		
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	40	22
£80,000 - £89,999	17	11
£90,000 - £99,999	9	11
£100,000 - £109,999	2	1
£110,000 - £119,999	8	—
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	1,221
Technical	229	206
Administrative.....	448	433
Other including Clerical and Manual.....	1,068	1,103
	2,966	2,963
7 Other Operating Expenses	Group 2007 £000	Group 2006 £000
Residences, Catering and Conferences operating expenses	2,565	3,417
Consumables and laboratory expenditure	2,911	2,861
Equipment not capitalised	1,848	2,779
Books and periodicals	3,774	1,161
Fellowships, scholarships and prizes	208	132
Rates.....	2,883	1,972
Heat, light, water and power	3,343	2,539
Long term maintenance.....	3,407	4,392
Grants to University of Ulster Students' Union	1,027	991
External Auditors' remuneration	64	60
External Auditors' remuneration in respect of non-audit services	75	44
Internal Auditors' remuneration	155	104
Printing and stationery	1,472	1,484
Travel, subsistence and hospitality	5,630	5,224
Miscellaneous academic support	2,047	1,712
Telephone and postage	1,153	1,325
Legal and professional fees.....	6,362	6,850
Advertising and publicity.....	1,149	1,317
Student Support.....	8,137	5,656
Other expenses	1,358	1,698
	49,568	45,718
Exceptional Item - Books and Periodicals		
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	—	2,381
8 Interest Payable		
Repayable within 5 years not by instalments.....	82	216
Loans not wholly repayable within five years	310	395
Net return on pension liability (note 30).....	—	55
	392	666

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

9 Analysis of 2007 Expenditure by Activity

	Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest £000	Total £000
Academic Departments	61,842	670	6,369	—	68,881
Academic Services	11,165	2,546	8,651	—	22,362
Research Grants & Contracts	7,780	2,022	8,687	—	18,489
Residences, Catering & Conferences	3,447	516	3,157	—	7,120
Premises.....	6,418	6,274	7,556	377	20,625
Administration.....	11,336	558	9,554	—	21,448
Other Expenses.....	6,439	—	5,594	15	12,048
	108,427	12,586	49,568	392	170,973

£000

The depreciation charged has been funded by:-

Release from Deferred Capital Grants	1,809
Release from Research Grants and Contracts	2,882
Release from Revaluation Reserve (Note 19)	3,499
General income.....	4,396
	12,586

10 Negative Goodwill

	Group 2007 £000	University 2007 £000	Group 2006 £000	University 2006 £000
Cost (or valuation)				
At 1 August.....	(4,748)	(4,751)	(4,748)	(4,751)
Amortisation				
At 1 August.....	661	664	538	541
Charged in year.....	123	123	123	123
At 31 July	784	787	661	664
Net Book Value				
At 31 July	(3,964)	(3,964)	(4,087)	(4,087)

At the year end, the Group and the University had negative goodwill of £3.964m (2006, £4.087m).

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 2006					
Valuation	131,617	—	—	5,990	137,607
Cost	125,008	5,444	35,611	10,560	176,623
Additions at Cost.....	69	19,267	5,049	348	24,733
Transfer CIP	4,521	(4,521)	—	—	—
Disposals	—	—	(1,257)	(16,898)	(18,155)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2007					
Valuation	131,617	—	—	5,990	137,607
Cost	129,598	20,190	39,403	(5,990)	183,201
	<u>261,215</u>	<u>20,190</u>	<u>39,403</u>	<u>—</u>	<u>320,808</u>
Depreciation					
At 1 August 2006.....					
Charge for Year	37,481	—	29,989	14,331	81,801
Disposals	7,561	—	3,775	1,250	12,586
	(410)	—	(1,054)	(15,581)	(17,045)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2007	<u>44,632</u>	<u>—</u>	<u>32,710</u>	<u>—</u>	<u>77,342</u>
Net Book Value					
At 31 July 2007	<u>216,583</u>	<u>20,190</u>	<u>6,693</u>	<u>—</u>	<u>243,466</u>
At 31 July 2006	<u>219,144</u>	<u>5,444</u>	<u>5,622</u>	<u>2,219</u>	<u>232,429</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

11 Tangible Assets - University

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Total £000
Valuation or cost				
At 1 August 2006				
Valuation	131,617	—	—	131,617
Cost	111,759	5,443	34,434	151,636
Additions at Cost	7,040	19,267	5,089	31,396
Transfer CIP	4,521	(4,521)	—	—
At 31 July 2007				
Valuation	131,617	—	—	131,617
Cost	123,320	20,189	39,523	183,032
	254,937	20,189	39,523	314,649
Depreciation				
At 1 August 2006				
Charge for Year	36,483	—	29,427	65,910
	7,257	—	3,567	10,824
At 31 July 2007	43,740	—	32,994	76,734
Net Book Value				
At 31 July 2007				
	211,197	20,189	6,529	237,915
At 31 July 2006	206,893	5,443	5,007	217,343

The University purchased buildings of £7.04m from UU Bibliotech Limited when it ceased trading during the year. The University also purchased equipment of £78,000 from UU Services Limited when it ceased trading at the year end.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

	Group 2007 £000	University 2007 £000	Group 2006 £000	University 2006 £000
12 Investments				
Investment in University Challenge Fund...	250	250	250	250
Investment in UUTECH Limited	1,530	—	1,113	—
Investment in UUSR Limited.....	—	414	—	414
Investment in UU Bibliotech Limited	—	2,778	—	2,778
Investment in UU Services Limited	—	100	—	100
Investment in UU Tech Limited	—	1,030	—	1,030
Investment in Greenshoots-Newry Ltd	120	120	120	120
	1,900	4,692	1,483	4,692

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 providing library services to the University. The Company ceased to trade during the year, however, there has been no impairment to the investment as the value of net assets exceeded the carrying value of the investment.

UU Services Limited is a wholly owned subsidiary incorporated in Northern Ireland which provides food services in the Jordanstown and Magee Campuses. The Company ceased to trade during the year, however, there has been no impairment to the investment as the value of net assets exceeded the carrying value of the investment.

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	
		2007	2006
		£000	£000
13	Endowment Asset Investments		
	Balance at 1 August: at cost	2,908	2,843
	at valuation.....	3,285	3,034
	Additions	1,316	985
	Disposals.....	(872)	(927)
	Increase in cash balances held at fund managers	109	(64)
	Net appreciation on disposal and/or revaluation	250	257
	Balance at 31 July at valuation	4,088	3,285
	Investments held at the end of the year are detailed as follows:		
	Fixed Interest Stocks	348	378
	UK Equities	3,478	2,766
	Bank Balances	161	52
	Property	101	61
	Hedge Funds	—	28
	Total Endowment Asset Investments at valuation.....	4,088	3,285
	Total Endowment Asset Investments at cost	3,531	2,908

The figures for 2006 are restated to reflect the most up-to-date guidance on accounting treatment contained within the Higher Education SORP (Statement of Recommended Practice).

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

14 Debtors	Group 2007 £000	University 2007 £000	Group 2006 £000	University 2006 £000
Amounts falling due within one year				
Debtors	17,168	16,604	15,055	12,392
Amounts owed by group undertakings				
Subsidiary undertakings	—	4,572	—	6,902
Prepayments and accrued income	1,090	977	862	363
	18,258	22,153	15,917	19,657
15 Creditors: Amounts Falling Due within One Year	Group 2007 £000	University 2007 £000	Group 2006 £000	University 2006 £000
Bank loans	206	206	328	328
Trade creditors	27,156	25,522	20,708	19,705
Other taxation and social security	3,734	3,734	3,393	3,393
Accruals	4,266	4,001	5,644	5,108
	35,362	33,463	30,073	28,534
16 Creditors: Amounts Falling Due after more than One Year	Group 2007 £000	University 2007 £000	Group 2006 £000	University 2006 £000
Bank loans	5,484	5,484	6,963	6,963
Amounts owed by group undertakings				
Subsidiary undertakings	—	645	—	681
	5,484	6,129	6,963	7,644
	Group 2007 £000	University 2007 £000	Group 2006 £000	University 2006 £000
Bank loans and overdrafts				
Amounts falling due				
Less than one year (note 15).....	206	206	328	328
Between one and two years	164	164	338	338
Between two and five years	489	489	1,244	1,244
Greater than five years	4,831	4,831	5,381	5,381
	5,690	5,690	7,291	7,291

A fixed rate loan is secured by a negative pledge on a portion of land on the Jordanstown campus.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

17 Deferred Capital Grants - Group	Department for Employment and Learning £000	Other Grants £000	2007 Total £000	2006 Total £000
At 1 August				
Buildings	31,391	31,846	63,237	47,648
Equipment	1,006	399	1,405	913
Total	32,397	32,245	64,642	48,561
Cash Received				
Buildings	7,336	5,721	13,057	17,509
Equipment	729	2,505	3,234	3,384
Total	8,065	8,226	16,291	20,893
Released to Income & Expenditure				
Buildings	978	1,327	2,305	1,920
Equipment	352	2,034	2,386	2,892
Total	1,330	3,361	4,691	4,812
At 31 July				
Buildings	37,749	36,240	73,989	63,237
Equipment	1,383	870	2,253	1,405
Total at 31 July	39,132	37,110	76,242	64,642

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

17 Deferred Capital Grants - University	Department for Employment and Learning £000	Other Grants £000	2007 Total £000	2006 Total £000
At 1 August				
Buildings	31,391	22,457	53,848	38,008
Equipment	1,006	373	1,379	880
Total	32,397	22,830	55,227	38,888
Cash Received				
Buildings	7,337	11,891	19,228	17,507
Equipment	729	2,506	3,235	3,384
Total	8,066	14,397	22,463	20,891
Released to Income & Expenditure				
Buildings	978	1,151	2,129	1,667
Equipment	352	2,022	2,374	2,885
Total	1,330	3,173	4,503	4,552
At 31 July				
Buildings	37,750	33,197	70,947	53,848
Equipment	1,383	857	2,240	1,379
Total at 31 July	39,133	34,054	73,187	55,227

18 Endowments	Group and University			
	Specific £000	General £000	2007 Total £000	2006 Total £000
At 1 August 2006.....	1,930	1,355	3,285	3,034
Additions	559	—	559	33
Income for Year	91	65	156	109
Expenditure for Year	(150)	(12)	(162)	(148)
Appreciation of Endowment				
Asset Investments	159	91	250	257
At 31 July 2007	2,589	1,499	4,088	3,285

The figures for 2006 are restated to reflect the most up-to-date guidance on accounting treatment contained within the Higher Education SORP (Statement of Recommended Practice)

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Accounts - Continued

19	Revaluation Reserve	Group 2007 £000	University 2007 £000	Group 2006 £000	University 2006 £000
	Gross Revaluation surplus				
	At 1 August	140,388	134,303	140,388	134,303
	Revalued in Year.....	<u>373</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>140,761</u>	<u>134,303</u>	<u>140,388</u>	<u>134,303</u>
	Contribution to Depreciation				
	At 1 August	32,862	26,872	29,341	23,351
	Released in Year.....	<u>3,499</u>	<u>3,499</u>	<u>3,521</u>	<u>3,521</u>
		<u>36,361</u>	<u>30,371</u>	<u>32,862</u>	<u>26,872</u>
	Net Revaluation Surplus				
	At 1 August	<u>107,526</u>	<u>107,431</u>	<u>111,047</u>	<u>110,952</u>
	At 31 July	<u>104,400</u>	<u>103,932</u>	<u>107,526</u>	<u>107,431</u>
20	Pension Reserve			Group and University 2007 £000	Group and University 2006 £000
	Opening balance			(24,385)	(23,618)
	Transfer to Income and Expenditure Account Reserve (Note 21)* .			(1,663)	(1,700)
	Actuarial profit in respect of pension reserve			<u>12,795</u>	<u>933</u>
				<u>(13,253)</u>	<u>(24,385)</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

21 Income and Expenditure Account Reserve	Group 2007 £000	University 2007 £000	Group 2006 £000	University 2006 £000
Balance at 1 August	39,337	45,070	34,095	43,342
Surplus/(deficit) after depreciation of assets at valuation, before and after tax.....	3,420	2,638	21	(3,493)
Release from Revaluation Reserve.....	3,499	3,499	3,521	3,521
Transfer from Pension Reserve (Note 20)*	1,663	1,663	1,700	1,700
Balance at 31 July.....	<u>47,919</u>	<u>52,870</u>	<u>39,337</u>	<u>45,070</u>

* This represents the Income Statement movement on the pension scheme

22 Capital Commitments	Group and University	
	2007	2006
	£000	£000
Commitments contracted at 31 July	12,928	27,193
Authorised but not contracted at 31 July	<u>3,460</u>	<u>5,027</u>
	<u>16,388</u>	<u>32,220</u>

23 **Contingent Liabilities**

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

		Group 2007 £000	Restated Group 2006 £000
24	Reconciliation of Consolidated Operating Surplus to Net Cash Inflows from Operating Activities		
	Surplus after depreciation of assets at valuation before tax	3,420	21
	Depreciation (Note 11)	12,586	14,216
	Amortisation of Goodwill (Note 10)	(123)	(123)
	Deferred Capital Grants Released to Income (Note 17).....	(4,691)	(4,812)
	Investment Income (Note 5)	(515)	(316)
	Interest Payable	392	666
	Decrease/(Increase) in Stocks.....	371	(50)
	Decrease/(Increase) in Debtors.....	903	(122)
	Increase in Creditors	6,720	3,405
	Pension Costs Less Contributions Payable	1,663	1,700
	Net Cash Inflow from Operating Activities	20,726	14,585
25	Returns on Investments and Servicing of Finance	Group 2007 £000	Group 2006 £000
	Income from Endowments	156	108
	Income from Short Term Investments (Note 5).....	515	316
	Interest Paid (Note 8).....	(392)	(666)
	Net cash inflow/(outflow) from returns on investments and servicing of finance	279	(242)
26	Capital Expenditure and Financial Investment	Group 2007 £000	Group 2006 £000
	Tangible Assets Acquired (Note 11)	(26,042)	(25,549)
	Endowment Asset Investments Acquired (Note 13).....	(1,316)	(985)
	Total Fixed and Endowment Asset Investments Acquired	(27,358)	(26,534)
	Receipts from Sales of Fixed Assets	1,110	—
	Receipts from Sales of Endowment Assets (Note 13).....	872	927
	Deferred Capital Grants Received (Note 17)	12,885	20,893
	Endowments Received	559	34
	Net cash outflow from capital expenditure and final investment	(11,932)	(4,680)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

27	Management of Liquid Resources	Group 2007 £000	Group 2006 £000
	(Additions)/Withdrawals to/from deposits	(7,319)	1,730
	Purchase of investments	(44)	(257)
	Net cash (outflow)/inflow from management of liquid resources	(7,363)	1,473
28	Financing	Group 2007 £000	Group Total £000
	Balance at 1 August 2006	7,291	11,132
	Loan Repayments	(1,601)	(3,841)
	Balance at 31 July 2007	5,690	7,291
29	Analysis of Changes in Net Cash	At 1 August 2006 £000	Cash Flows £000
	Cash at Bank and in Hand		At 31 July 2007 £000
	Endowment Assets	52	109
	Short Term Deposits	2,428	7,319
	Bank Loans	(7,291)	1,601
		(4,863)	8,920
	Total	(4,811)	9,029
		4,057	4,218

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 institutions share 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's 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 2009 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 FRS 17:

A valuation of the fund was carried out at 31 March 2004 and updated to 31 July 2007 by a qualified independent actuary.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

30	Pension Schemes - continued	At 31 July 2007	At 31 July 2006
	Inflation rate.....	3.3%	3.1%
	Rate of increase in pensionable shares	4.8%	4.6%
	Rate of pension increase	3.3%	3.1%
	Discount rate.....	5.8%	5.1%

Demographic Assumptions

Life expectancy for non-pensioners is based on the PMA/PFA92 table, projected to calendar year 2017

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

	Long term return at 31 July 2007 % p.a.	Assets at 31 July 2007 £000	Long term return at 31 July 2006 % p.a.	Assets at 31 July 2006 £000	Long term return at 31 July 2005 % p.a.	Assets at 31 July 2005 £000
Equities	8.0	65,945	7.7	57,554	7.3	51,865
Bonds	5.2	14,402	4.7	12,398	4.7	10,657
Property	6.0	7,435	5.7	7,005	5.4	6,394
Cash	5.1	1,602	4.8	3,353	4.5	2,132
Total	7.3	89,384	6.9	80,310	6.7	71,048

Net Pensions Assets as at	At 31 July 2007	At 31 July 2006	At 31 July 2005
	£000	£000	£000
Estimated Employer Assets	89,384	80,310	71,048
Present Value of Scheme Liabilities	(102,565)	(104,695)	(94,666)
Present Value of Unfunded Liabilities	(72)	—	—
Net Pension Liability	(13,253)	(24,385)	(23,618)

Analysis of Amount Charged to Income and Expenditure Account	At 31 July 2007	At 31 July 2006
	£000	£000
Current Service Cost.....	3,875	3,141
Past Service Cost	21	31
Curtailments and Settlements	10	35
Total Operating Charge	3,906	3,207

Analysis of Net Return on Pension Scheme

Expected Return on Employer Assets	5,584	4,713
Interest on Pension Scheme Liabilities.....	(5,393)	(4,768)
Net Return (see note 5)	(191)	(55)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

30 Pension Schemes - continued

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

	At 31 July 2007	At 31 July 2006
	£000	£000
Actual Return less Expected Return on Pension Scheme Assets	3,222	4,904
Experience Gains and Losses Arising on the Scheme Liabilities.....	(79)	1
Changes in Financial Assumptions underlying the Present Value of the Scheme Liabilities	9,652	(3,972)
Actuarial Gain Recognised in STRGL	12,795	933

	At 31 July 2007	At 31 July 2006
	£000	£000
Deficit at Beginning of the Year	(24,385)	(23,618)
Current Service Cost.....	(3,875)	(3,141)
Employer Contributions	2,052	1,562
Past Service Costs.....	(21)	(31)
Impact of Settlements and Curtailments.....	(10)	(35)
Net Return on Assets	191	(55)
Actuarial Gains	12,795	933
Deficit at End of Year	(13,253)	(24,385)

	At 31 July 2007	At 31 July 2006	At 31 July 2005
	£000	£000	£000
Difference Between the Expected and Actual Return on Assets	3,222	4,904	7,100
Value of Assets	89,384	80,311	71,048
Percentage of Assets	3.6%	6.1%	10.0%
Experience (Losses)/Gains on Liabilities	(79)	1	(51)
Total Present Value of Liabilities	102,637	104,696	94,666
Percentage of the Total Present Value of Liabilities	(0.1%)	0.0%	(0.1%)
Actuarial Gains/(Losses) Recognised in STRGL	12,795	933	(4,131)
Total Present Value of Liabilities	102,637	104,696	94,666
Percentage of the Total Present Value of Liabilities	12.5%	0.9%	(4.4%)

	Group 2007	Group 2006
	£000	£000
Contributions to USS.....	8,572	7,950
Contributions to NILGOSC.....	3,906	3,235
Contributions to TSS	18	21
Contribution to HPSS	2	2
Total Pension Cost (Note 6).....	12,498	11,208

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

31 Student Support Funds	Group and University	
	Group 2007 £000	Group 2006 £000
Balance Carried Forward.....	20	27
Funding Council Grants	884	872
Disbursed to Students	(806)	(879)
Balance Underspent at 31 July	98	20

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.

32 Subsidiary Company Information

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

- UU Health Limited
- UUTECH Limited
- UUSR Limited
- UU Bibliotech Limited
- UU Services Limited
- UU Foundation Limited

The companies are controlled by the University. UU Foundation Limited is 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. 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.

During the year, UU Bibliotech Limited ceased trading on 30 September 2006, Synergy Centres Limited ceased trading on 31 January 2007 and was struck-off during the year and UU Services Ltd ceased trading on 31 July 2007.

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.

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.

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

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 17% of the issued share capital in CDC Limited, 19.68% of Datactics Limited, 44.4% of Diabetica Limited, 10% of Sensor Technology and Devices (ST&D), 4.4% of Crescent Capital II LP and 20% of Sophia Search Limited. The University does not exercise significant control in these entities and therefore accounts for them as investments.

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

	Diabetica Limited £000	Sophia Search Limited £000
Loss for their last financial year.....	92	—
Aggregate amount of capital and reserves at the end of their last financial year.....	<u>238</u>	<u>—</u>

No financial information was available for Sophia Search Limited as it only commenced trading in July 2007.

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

Axis Three Limited	5.7%
Gendel	2.5%
8over8	0.8%
Propertyfriend.com	16.7%
Eyesypfx Ltd	13.8%
Bitt Ware Inc (acquirer of EZ-DSP Limited)	1.7%

These investments are carried at £Nil cost. Management have not consolidated their initial investment and share of the reports of the associate companies in the University's group accounts in the current year as they do not believe that the University exercises a significant influence over these entities. Therefore, in accordance with FRS 9: Associated and Joint Ventures, these have been accounted for as an investment at the year end.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

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'.

