

Financial Statements

2018/19



Contents

Operating and Financial Review	4-13
Corporate Governance Statement	14-17
Statement of Internal Control	18-19
Statement of the Council’s Responsibilities	20-21
Statement of Primary Responsibilities	22
Independent Auditors’ Report to the Council of Ulster University	24-26
Statement of Principal Accounting Policies	28-35
Group and University Statment of Comprehensive Income	36
Group and University Statement of Changes in Reserves	37-38
Balance Sheets	39
Group Cash Flow Statement	40
Notes to the Financial Statements	41-59

Financial Review

Financial performance during the year shows a deficit before gains and losses of £32.3m (2018: surplus £10.7m). This reflects a charge to cover past service deficits in both the USS and NILGOSC pension schemes of £41.4m (2018: surplus £1.1m). The balance sheet has likewise weakened with total net assets of £262.3m (2018: £308.7m) reflecting increased pension scheme provisions of £60m.

Scope of Financial Statements

The financial statements presented to the University’s Council have been prepared on a consolidated basis and include the results of Ulster University and its subsidiary company Innovation Ulster Limited. This report should be read with the Annual Review 2019 which provides a detailed summary of activities undertaken by the University in delivering its corporate objectives.

Public Benefit

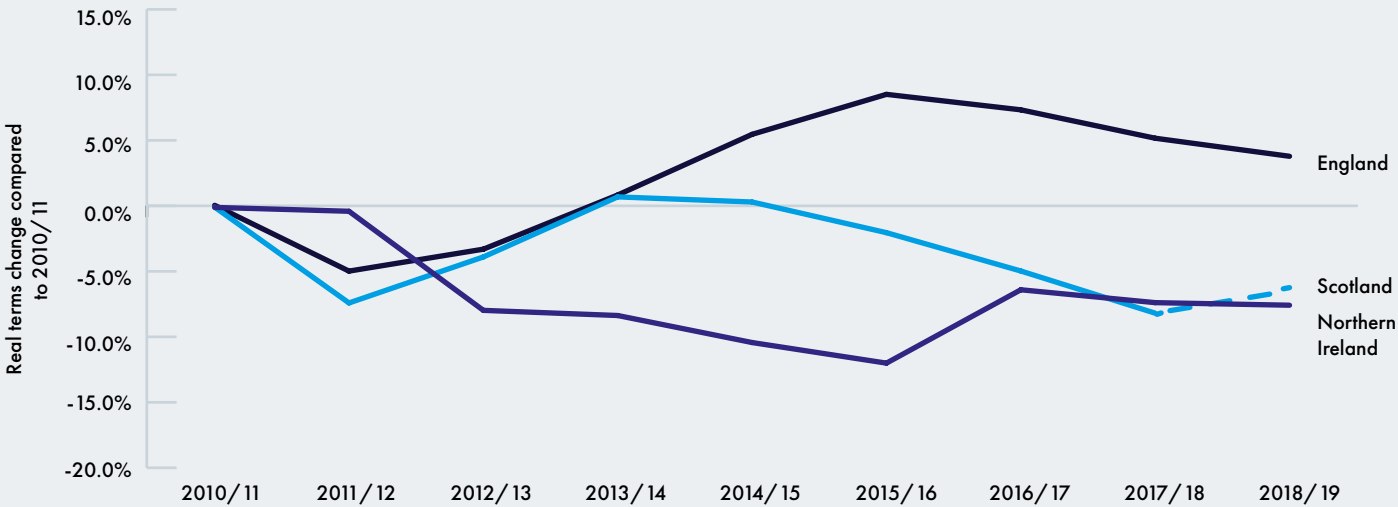
The University is an independent educational charity whose legal status is derived from a Royal Charter granted in 1984.

Ulster University’s charitable purpose is the advancement of education. In setting and reviewing the University’s objectives and activities, Council has given due regard to relevant guidance on the reporting of public benefit, in particular, the Charity Commission’s supplementary public benefit guidance on the advancement of education. We deliver our charitable purpose for the public benefit, by implementing our corporate plan and delivering on those strategic aims and objectives approved by Council to shape our academic portfolio in response to the demands of students and employers, and to deliver research and innovation that achieves economic and social transformation.

The distinctiveness of the University within the HE sector places it within a small group of HEIs that are research-engaged and business-focused with significant commercialisation of research, major knowledge transfer relationships.

The University’s five-year strategic plan ‘Five and Fifty’ sets the vision and mission of the University, “As Northern Ireland’s civic university, Ulster University will deliver outstanding research and teaching that encourages the innovation, leadership and vision needed to help our community thrive”.

Differential funding is shown in the table below



Financial Performance

Despite the deficit arising from the impact of the 2017 valuation on the USS pension scheme coupled with the need within the NILGOSC scheme to recognise the impact of the Guaranteed Minimum Pension and potential impact of the McCloud judgement, the University’s underlying financial performance remains strong.

	2019	2018	Higher/Lower	↑↓
Staff costs excluding pension adjustment: income ratio %	55.7%	54.0%		↑
Cash spend on fixed assets (£m)	£41m	£31m		↑
Earnings before interest, depreciation and amortisation (EBITDA)	£25m	£21m		↑
% Income from non government sources	27%	26%		↑

The University’s consolidated comprehensive deficit for the year was £46.3m (2018: surplus £31.3m). This reflects the impact of pension deficits attributable to Ulster relating to both USS and NILGOSC pension schemes with a charge to the Statement of Comprehensive Income of £58.9m (2018: credit £18.2m). The underlying financial performance excluding the pension adjustment is a credit of £12.6m (2018: £13.1m).

Sources of Income 2018/19



Financial Review (continued)

Income

Total income in 2018/19 was £218.3m (2018: £210m). This represents an increase of 4 per cent from last year and is less than growth in expenditure.

The funding mix for the University remains almost the same as last year.

Research income grew by 10 per cent on the previous year to £29m (2018: £26.5m). This reflects the University’s continued success in securing research grants and contracts with 31 per cent from Research Councils (2018: 29 per cent). 20 per cent (2018: 17 per cent) of the total research funding was received from EU Government bodies. The University continues to closely monitor the longer-term outlook for EU research funding in the context of Brexit related issues.

£16.6m of the University’s income, 8 per cent (2018: 7 per cent) is earned from other sources. This includes additional income from the Nursing Competency Centre.

Expenditure

Total expenditure in 2018/19 was £250.6m (2018: £199.2m), with staff costs representing 58 per cent of the total expenditure (2018: 57 per cent) after excluding pension adjustments.

Other operating expenses includes expenditure on student accommodation, scholarships and bursaries, library services, utilities and premises maintenance costs and administration costs. Other operating expenses (excluding depreciation) for the year were £68.2m, a 2.4 per cent increase on last year.

Impact of Pension Deficit

27 per cent of the total income for the year relates to a charge of £60m to the Statement of Comprehensive Income from movement in the University’s pension liabilities. The charge is a non-cash movement and is not a measure of the University’s operational financial performance or surplus generated. It is simply the difference, year on year, revisions of the estimated value of the scheme assets and liabilities University’s defined benefit pension schemes.

Certain assumptions are used to value future liabilities of the pension scheme and the assets belonging to the pension scheme. These estimates reflect changes to

the actuary’s assumptions as a result of another year’s experience.

Estates Capital Plan

The Estates capital work for 18/19 has focused on enhancing the experience for students, staff and the wider community. This included the development of masterplans for Coleraine, Magee and Belfast Campuses which set out a long term vision for the campus while providing a short to medium framework for the progression of developments such as Belfast Region City Deal and Derry City & Strabane Region City Deal projects. In addition, a number of capital works were delivered across all four campuses.

On the Coleraine campus the University invested in social learning spaces, and the library to create areas of social learning and interaction aimed at enhancing the student and staff experience on campus.

The progression of a major refurbishment of the Magee Campus library created a modern user friendly learning environment providing unique opportunities for students to learn and collaborate with and alongside their peers. The £1.3 million refurbishment project spanning across the three floors has seen the creation of a social, collaborative learning space with modern furniture, group study pods, quick access and information point on the ground floor promoting group study and social learning. Within the refurbished upper floors extensive modern study desks and quiet study areas and café area provide a range of learning environments to satisfy all users. The works also include the recladding and reconfiguration of the rear external façade.

Cosmetic building fabric improvements and the installation of new flexible furniture has been completed to 15 centrally bookable teaching rooms on the Jordanstown campus to enhance the learning environment and facilitate the introduction of collaborative learning styles. In addition, new furniture has been provided to create learning and social areas in the central hub areas of the Campus.

In addition, the Belfast campus saw the recommencement of the Greater Belfast Development which is scheduled for completion in the next two years.

How we allocate our resources 2018/19

£80.2m Academic Departments	Total Staff Costs £163m
	Total Other £87.6m
	Total £250.6m
£26.4m Research Grants and contracts	Staff costs: £69.4m Other: £10.8m
£31.8m Premises	Staff costs: £11.8m Other: £14.6m
£25.5m Administrative and central services	Staff costs: £3.2m Other: £28.6m
£5.1m Residences, catering and conferences	Staff costs: £16m Other: £9.5m
£5.1m Residences, catering and conferences	Staff costs: £1m Other: £4.1m
£34.7m Library, computer and academic support services	Staff costs: £18.7m Other: £16m
£46.9m Other spend	Staff costs: £42.9m * Other spend: £4m <small>*including income-generating operations</small>

Cashflow and Financing

Net cash decreased by £20.7m during the year. The movement in funds is summarised below:-

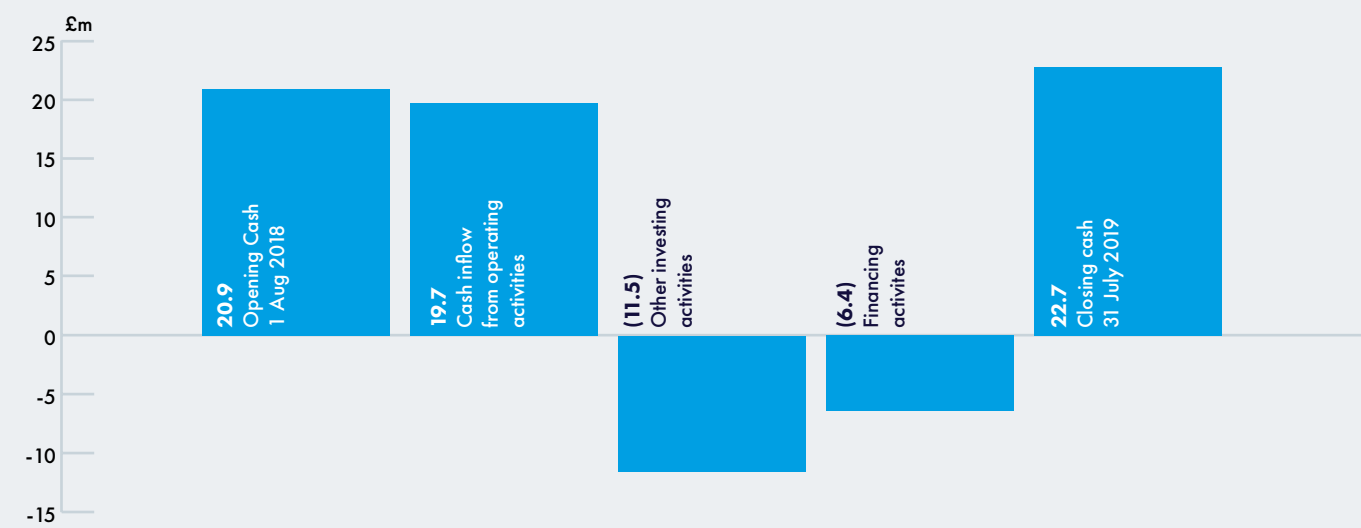
	2019 £m	2018 £m	Change £m
Investments & short term desposits	66.0	94.0	(28.0)
Cash at bank & in hand	22.8	21.0	1.8
Bank and other loans	(71.6)	(77.1)	5.5
Net cash	17.2	37.9	(20.7)

The net cash inflow from operating activities for the year was £19.7m (2018: £13.6m), interest paid totalled £0.8m (2017 £0.8m), and interest received totalled £0.9m (2018 : £0.8m). Throughout the year the Group operated with a cash surplus and in line with its banking covenants. All treasury decisions are undertaken within the framework of the University’s treasury policy. The underlying principle of this policy is that the University operates a low risk approach in managing its investments and liquidity. All funds are placed with counter parties whose underlying credit rating is monitored against minimum criteria. Furthermore, an upper limit of investment in any one financial institution of £35m applies. The University’s Treasury Management policy was approved by General Purposes and Finance Committee in April 2015.

Endowment assets at the year-end were £15.1m, an increase of £0.7m. The endowment funds are managed by Rathbones Investment Management.

During the year £40.8m was spent on acquiring fixed assets against which £1.1m of capital grants were received. The table above shows the impact of this capital investment on our cash balances.

Cashflow Statement 2018/19

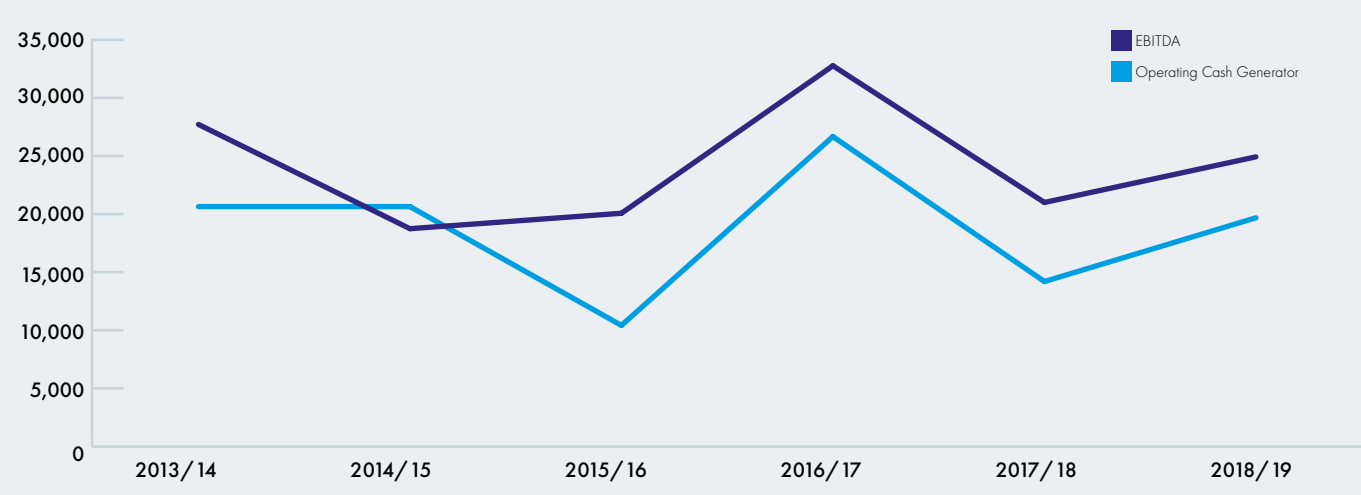


EBITDA

One of the key targets which is being monitored as part of the financial strategy is the accumulation of cash to support our corporate ambitions. Two figures are being monitored. Firstly, Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is a measure of operating surplus excluding major accounting adjustments and finance charges. It provides a good indicator of financial capability to service debt and/or fund capital from internally generated cash. The second figure is net cash from operating activity. This figure takes into account movement in working capital requirements. The table below shows the movement of these two cash indicators over the last five years.

It can be seen that the University continues to operate in a financially sustainable manner and can support investment in its infrastructure with EBITDA being maintained at £24.9m.

EBITDA to Cash Generated from Operating Activities 2013/14 to 2018/19



Net Assets

Total net assets £263.2m (2018: £308.7m) have decreased by 15 per cent. This decrease largely relates to changes in the underlying value of the University's pension schemes. The net book value of fixed assets increased by £23.3m to £419.3m (2018: £396m). This reflects the University's continued investment in the Greater Belfast Development as well as maintaining investment in other campuses.

Financial Review (continued)

Endowments

In the year to 31 July 2019 the Endowment fund value rose to £15.1m, (31 July 2018: £14.4m) representing an increase of 5 per cent.

The University holds the ethical policy of ensuring investments are made in a responsible manner. In support of this, the University in collaboration with the Students' Union, made the decision to divest from fossil fuel companies and instead invest our endowment fund into more sustainable alternatives. Fossil fuel divestment is the removal of investment assets including stocks, bonds, and investment funds from companies involved in extracting fossil fuels, to reduce climate change by tackling its ultimate causes. The University has fully divested from these investment assets.

Events after Reporting Date

Covid 19 Pandemic

Following the balance sheet date, the Covid 19 pandemic has spread rapidly across the world impacting the UK and global economies. Covid 19 presented significant challenges for the University with students transferring to online learning and examination from March 2020. Tuition fee income was maintained in 2019/20.

In financial terms the main impact was on the Residences, Sports and other trading areas of the University. This loss of income was mitigated by cost reductions due to campus closures. Overall the University financial performance for the year ended 31 July 2020 was above target for the year. Since the year-end 31 July 2020 the University has seen robust student recruitment despite the Covid 19 pandemic.

New Loan Agreement

The University entered into a revised loan agreement from the Strategic Investment Board in October 2020 to assist the funding of the Greater Belfast Development. This was agreed in October 2020 for an additional £126m, with a term of 30 years. The University has drawn down the first instalment of £61m. Security against the University estate has been given as part of the conditions of the loan.

Future Financial Health

Key performance indicators are set out below with an assessment on progress against the financial strategy target with red meaning immediate action required, amber more work required and green on track. When taken together these measures reflect the strong governance and effective management of the University's resources in sustaining financial health in the short, medium and long term.

Financial Sustainability Indicators	2019 Actual	2018 Actual		Comments
(Deficit)/Surplus as a % of total income	(13.2%)	6.8%	●	This includes the charge of £60m actuarial deficit on the pension funds.
Surplus as a % of income after deducting pension provision movement	5.6%	7%	●	This indicates the level of return necessary for investment in capital.
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	£24.9m	£20.9m	●	This is a measure of operating surplus excluding accounting adjustments and finance charges. It is a good indicator of financial capability to service debt and /or capital expenditure from internally generated cash.
Liquidity ratio	129 days	211 days	●	This measures our ability to fund short term cash requirements.
Current assets to current liabilities	2.6:1	3.4:1	●	An indicator of financial strength to meet short term liabilities.
% Income from Non-Government sources	27%	26%	●	This measures the diversification of income sources.

Risk Managing

The University has adopted a risk appetite-based approach to its risk management processes. We have developed an institutional risk appetite statement as well as assigning one of five risk appetites to our strategic priorities. In addition, risk appetite statements and categories have been applied to each of our 16 areas of focus within our Strategic Plan Five and Fifty.

Risk Management

If Ulster University is to implement an effective risk management process, it must commence with a clear understanding of what it is trying to achieve. Robust risk management is about managing the threats that may hinder the delivery of our objectives and maximising the opportunities that will help to deliver them.

The University’s approach to risk management provides assurance to the Senior Leadership Team, Audit Committee, Council and the Department for the Economy that those risks that threaten the achievement of each of the areas of focus within the Strategic Plan, Five and Fifty are being actively identified, monitored and mitigated against.

Process

With Five and Fifty, the University embarked on an ambitious journey to be Northern Ireland’s civic university, ‘and deliver outstanding research and teaching that encourages the innovation, leadership and vision needed to help our community thrive’.

Our approach to managing risks is therefore aligned to the following key strategic priorities within the plan:

- Civic Contribution
- Global Vision
- Research Excellence
- Teaching Excellence
- Operational Excellence

Our Senior Leadership team, (SLT), is responsible for effective risk management in their areas of responsibility, in accordance with the risk management policy and procedures. Key roles of the SLT are to:

- Review annually the institutional risk appetite statement and appetites assigned to the strategic priorities of Five and Fifty, for consideration and approval by Council;
- Twice yearly, review all significant strategic risks faced by the University for consideration by Audit Committee and Council, and keep these risks under scrutiny monthly;

- Provide accurate information on the status of risks and controls to allow timely reporting to Audit Committee and Council;
- Undertake training and development activities associated with risk management;
- Ensure the adoption of risk management amongst their staff.

In addition;

- All senior officers are required to undertake regular reviews and assessment of key risks within their areas of operation as part of routine management arrangements.
- The Deputy Vice-Chancellors and Chief Operating Officer are responsible, as project leaders, for the risk management of major institutional projects.
- The Chief Operating Officer is responsible for ensuring that the University operates effective procedures relating to risk management and for undertaking formal reviews on behalf of Council of the risk management policy.
- Staff within Audit, Risk and Business Continuity provide on-going training to risk owners in order to facilitate the effective operation of risk management across the University.
- The Resilience Committee, bimonthly, reviews the tactical and operational risk registers to ensure that they are operating within agreed risk tolerances and significant risks are being escalated on a timely basis.

- Audit, Risk and Business Continuity regularly produce reports for all risk owners highlighting any significant risks across the university that relate to their area of responsibility.

Risk registers

Risk registers exist at three different levels across the university: strategic; tactical (portfolio level); and operational (faculty and departmental). There are also a number of project risk registers, e.g. GBD, NIGEMS and City Deals. In addition, a risk register has been compiled for the Department for the Economy in the event of a no-deal Brexit.

Integration with Strategic Planning

There continues to be renewed emphasis on integrating risk management in the Integrated Planning Process and aligning operational, tactical, strategic and project risks across the entire institution.

As part of its Resilience Framework, the University has also refreshed its Crisis Management and Crisis Communication Plans and continues to review its Business Continuity Plans at operational and strategic levels. This further strengthens and embeds effective risk management.

Our internal audit strategy is developed around the University’s strategic risks which are listed below, as well as those risks facing the sector. The annual audit plan of reviews across key areas further supports our risk management processes.

Strategic Priority	Risk Description	Risk Management
Financial Stability	The University cannot attract/access investment as needed to deliver the Five and Fifty strategy and to operate in a financially sustainable manner.	The University continues to have ongoing discussions with DfE as well as frequent monitoring of the academic plan, modelling of the impact on fee income and roll out of the new contribution model. In addition, the University has redesigned a fit-for-purpose Global Engagement department, which will provide international recruitment services to deliver agreed Faculty international recruitment strategies. We also are exploring other income-generating opportunities and are investing in growing commercial income streams through Campus Life. A Brexit-readiness working group has also been established to oversee the impact of Brexit.
Reputation	Failure to ensure the timely and effective delivery of the full benefits of the expanded Belfast campus	The University continues to prioritise its efforts to ensure the delivery of the expanded Belfast campus. An economic Business Case to support further funding for the project has been completed and a Capital Project Review is being undertaken. A DfE assurance review is also underway. A Strategic Programme Office (Belfast Vision) has also been established to ensure key transformation Belfast Vision projects are delivered.
World-class Infrastructure	Inability to develop and maintain a high quality, fit for purpose Digital Infrastructure to support teaching and learning delivery and which is resilient in respect of cyber security.	A new Digital Strategy has been approved and investment in developing the digital infrastructure has commenced. A wide range of cyber security measures including multi factor authentication, advanced threat protection and training for staff and students, has been introduced to enhance the University network’s resilience and protect it from attack. An Information Governance Committee has also been established as a focal point for policy development in this area.

Managing Risk (continued)

Strategic Priority	Risk Description	Risk Management
People & Culture	An inability to recruit and retain staff who feel engaged, empowered and valued and whose health and wellbeing are critical to success.	A revised People and Culture structure, focusing on resourcing, talent, developing our staff and promoting health and well-being is being implemented alongside the new People and Culture strategy. This includes a number of initiatives aimed at developing our people to the best of their ability, spotting talent and harnessing it, developing career pathways for both academic and professional services staff, and building our leadership and management capability. The creation of a centre of resourcing excellence will place Ulster University more proactively and progressively in the recruitment market as an employer of choice, and the new Performance Management Framework will allow for expectations around output to be agreed, including a renewed focus on personal and professional development. The launch of a new Health and Well-being strategy will help us to support our staff through change and in the future.
People & Culture	Inability to identify and respond to our students' health and well-being.	The University recognises the ever-increasing pressures that our students are under and has therefore created a dedicated Student Experience Team that will implement the Student Mental Health and Wellbeing Strategy. The Mind your Mood campaign continues to grow in size with funds being generated to support student internships.
Compliance, Regulation & Ethics	The University does not fully comply with its regulatory and legislative requirements.	The University takes very seriously its obligation to comply with the many different regulatory and legislative requirements. As such, a Senior Tier 4 Oversight Group has been established to ensure oversight and review of the monitoring and reporting of International student attendance and adherence to the Tier 4 Policy. CMA Compliance and Information Governance Groups have been established. There is also regular review and adherence to the broad range of policies and procedures that have been developed to guide our practices in all areas of activity including for example, GDPR.
Student Experience	High quality University environment is not developed/maintained and utilised effectively to deliver a high-quality student and staff experience in respect of learning, research and campus life	The University continues to be mindful of ongoing investment in the fabric of the estate, (including Jordanstown ahead of the move to Belfast), and the need to create vibrant campus communities. To this end strategic dialogue with Derry City & Strabane District Council and Causeway Coast and Glens Council regarding the development of masterplans for Magee and Coleraine is ongoing. A steering group chaired by the DVC-External has now been established to coordinate the proposals for City Deals (Derry and Belfast).
People & Culture	Inability to support the management of change among our staff to deliver the goals of Five and Fifty and the move to GBD.	The new People & Culture Strategy has increased the capacity of the Directorate to support our staff through change. Performance Management, Leadership & Management and Employee Engagement Frameworks are some of the initiatives that are being currently rolled out.

Ulster University’s appetite for risk

	Risk-seeking	Risk-taking	Cautious	Risk-minimising	Risk-averse
Civic Contribution		●			
Teaching Excellence		●			
Research Excellence		●			
Global Vision	●				
People & Culture		●			
Reputation			●		
World Class Infrastrcuture		●			
Finanical Sustainability					●
Compliance, Regulation & Ethics					●

Outlook

With the development of the Covid-19 pandemic in March 2020 significant challenges were presented to the risk profile of universities across the UK as they had to rapidly adapt to undertaking all of their activities through remote access and ensuring full compliance with government regulations. Through a Recovery Planning Steering group the University managed this transition and indeed continues to manage the ongoing impact of Covid across all its business activities. The University continues to deliver all its activities, within NI government guidelines, the key services relating to Education, Research, Campus Services, Accommodation and Student Services & UUSU. It also has academics leading on Covid related research projects such as:

- Professor Tony Bjourson founder of the Transition Research and Innovation Centre (C-TRIC) at Altnagelvin which successfully helped scale up COVID-19 testing in Derry
- Professors Tara Moore and Jim McLaughlin are part of the UK Rapid Test Consortium (UK-RTC), which is aimed at developing and manufacturing a Covid-19 Point of Care antibody test to support the Government’s national testing strategy
- Dr Le Roy Dowey – PHA joint pilot for testing students with Covid-19.

Central to our planning is that we ensure at all times the primacy of maintaining the safety of our staff and students. The success of this work has been seen by the degree to which all staff have engaged in the new ways of working and in the provision of direct support to students through the combination of online and on campus activity and the continuation of research activity. Special measures have been implemented to support our Widening Participation mission, such as, an initiative for those students suffering from digital poverty, to access laptops and in some cases mobile networks to allow them to fully engage in the learning experience.

Throughout the spring and summer of 2020 the University continued to monitor all areas of its activity to react to any issues created through Covid and closely managed

its cashflow to ensure that it continued to operate within its existing debt servicing requirements. Furthermore, significant work was undertaken in developing a number of scenarios around which future financial sustainability could be modelled with different assumptions around the impact of Covid. The success of this planning together with the work of all staff co-ordinated through the Recovery Planning Steering Group is evidenced through the financial statements which have reported an outturn better than planned before Covid and that by the year end the University retained cash reserves in excess of £37m. Good planning has continued into the following financial year and it is pleasing to report that the University is projected to increase its fee income by 8.6% year on year, has been able to maintain its research commitments and continues to maintain its civic commitments. Furthermore, working closely with the main contractor the Greater Belfast Development has continued in line with the build plan. To-date Covid has impacted mainly on the University’s trading activities namely, residences, catering and sports all of which been impacted by increased remote learning and restrictions placed by government. Overall the University is projected to increase its short term cash holdings over the next 12 months and will operate in line within its debt servicing requirements. The University will have a significant increase in its long-term debt through the Financial Transactions Capital loan facility which will result in a large increase in the University’s debt gearing ratio. These ratios are within the approved Financial Sustainability Plan.

Finally, it is pleasing to be able to report that the funding for the Greater Belfast Development, through a combination of Finance Transactions Capital and additional Capital grants, has been secured.

As the University enters a new chapter through the leadership of Professor Bartholomew as Vice Chancellor, it is pleasing to note the adaptability and resilience of Ulster in addressing the challenges caused by Covid. However, I do not underestimate the future challenges of the post Covid world and in particular the impact it could have upon the public finances, as well as, the pressures being exerted on the sustainability of the University’s pension schemes (USS and NILGOSC).

David Clements
Honorary Treasurer

Corporate Governance Statement

Ulster University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code (2010) as issued by the Financial Reporting Council (FRC). Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University endeavours to structure its governance arrangements and conduct its business in accordance with seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which is provided by the Committee of University Chairs (CUC) from time to time. In line with the CUC’s Higher Education Code of Governance (December 2014) Council has adopted a Statement of Primary Responsibilities which is included on page 22.

The University is an independent educational charity, (now registered with the Charity Commission for Northern Ireland), whose legal status derives from a Royal Charter granted in 1984. The University’s objects, powers and framework of governance are set out in the Charter and supporting Statutes, the latest version of which was approved by the Privy Council in 2007.

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

The Council

The Council is the governing body and its members are trustees of the charity. It is responsible for setting the general strategic direction of the institution and for ensuring effective management and control of: finance, property, investments, structure, staffing and the general business of the University.

The Council has a membership of seventeen (see note at end) the majority of whom are appointed from outside the University and from whom its Chair and its Deputy Chair are drawn. The Chair and Deputy Chair hold positions as Pro-Chancellors of the University. An Honorary Treasurer is also appointed from amongst the external members of the Council. The Vice-Chancellor and the Students’ Union President are ex-officio members and also included are four members of the staff of the University appointed by the Council on the recommendation of the Governance, Nominations and Remuneration Committee. With the exception of the Vice-Chancellor whose emoluments are disclosed in note 7 none of the members receive any payment, apart from the reimbursement of expenses, for the work that they do for the University in their role as members of the Council.

The Council of the University was reconstituted with effect from 1 October 2016, with a number of members from the previous Council being reappointed. Members during 2018/ 19 are listed below.

Ex Officio members:	
Mr J Hunter, CB	Pro-Chancellor and Chariman (to 30 June 2019)
Mrs J Pyper	Pro-Chancellor (to 3 December 2018)
Mr A Langan	Pro-Chancellor (from 1 July 2019)
Mr D Clements	Honorary Treasurer (with effect from 1 August 2016)
Professor P Nixon	Vice-Chancellor
Mr K McStravock	President of the Students’ Union

Appointed members:	
Mr A Langan	01 October 2016 (Pro-Chancellor from 1 July 2019)
Mr P Lobban	01 October 2016
Ms M McKee	01 October 2016 (resigned 30 June 2018)
Dr P McNaney	01 October 2016
Ms J Pyper	01 October 2016 (Pro-Chancellor from 3 December 2018)
Sir Robert Salisbury	01 October 2016 (resigned 30 June 2018)
Dr J Stuart	01 October 2016
Mrs H Quigley	01 October 2012
Ms E Way	26 January 2018
Mr P Sheridan	appointed 9 November 2018
Mrs M Lindsay	appointed 9 November 2018
Mr R Sloan	appointed 15 February 2019

Elected staff members:	
Dr K Burnett	01 October 2016
Professor M Stringer	01 October 2016 (retired 30 September 2018)
Ms H Bingham	01 October 2016
Mrs L McKeown	01 October 2016 (resigned 30 June 2018)
Ms G Horgan	appointed 15 February 2019

During the financial year 2019/20 Vice-Chancellor Professor Patrick Nixon resigned from his post with the University. Professor Paul Bartholomew was appointed as Interim Vice-Chancellor on 1 March 2020 and as Vice Chancellor on 17 August 2020.

Corporate Governance Statement (continued)

The Senate

The **Senate** is the academic authority of the University. It is composed mainly of academic staff but provision is also made for membership of non-academic staff and students. Its role is to direct and regulate the teaching and research work of the University and it is chaired by the Vice-Chancellor.

The Court

The **Court** is a larger body representing the University’s stakeholders. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a consultative forum where members of Court can raise any matters about the University. The majority of members are drawn from external organisations representative of the wider corporate, academic and societal interests of the University. Twenty-five of these bodies are nominated by the Council with the same number being nominated by the Senate. Membership also includes representatives of the staff of the University (both academic and non-academic) and the student body. The Court normally meets once a year to receive the annual report and accounts of the University. It is also responsible, on the nomination of the Council, for the appointment of the Chancellor, the Pro-Chancellors and the Honorary Treasurer. In addition, major changes to the constitution of the University require the approval of the Court before they can be submitted to the Privy Council.

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Department for the Economy (DfE), 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. Professor Paddy Nixon was appointed and took up post as Vice-Chancellor and Chief Accounting Officer on 1 July 2015.

The Council met six times during 2018/19 including a joint meeting with the University’s Senate. Certain functions of the Council are delegated to its committees. During 2016/17, following recommendations from an external effectiveness review of the conduct of Council business, the Committees were Resources Committee; Audit Committee; and Governance, Nominations and Remuneration 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 member. The decisions and recommendations of these committees are formally reported to the Council.

The Resources Committee

The **Resources Committee**, *inter alia*, recommends to the Council the University’s annual revenue and capital budgets for the University group and monitors performance in relation to the approved budget. The Committee also has oversight of matters pertaining to the estate strategy and the information technology strategy. It also approves the annual budget for the Students’ Union.

The Audit Committee

The **Audit Committee** met five times during the year, with the University’s internal auditors in attendance. The University’s external auditors also attend all meetings of the Committee. The Committee considered detailed reports together with recommendations for the improvement of the University’s systems of internal control and management’s responses and implementation timescales. Whilst Senior Management attend meetings of Audit Committee as necessary, they are not members of the Committee, and the Committee meets both the external auditors and the internal auditors on their own for independent discussions at least once a year.

In 2018/19 the Members of the Audit Committee were:

Audit Committee members:	
Mr A Langan	Chair
Ms H Bingham	
Dr K Burnett	
Mrs H Quigley	
Ms J Pyper	(member to December 2018)
Ms E Way	(member from February 2018)
Mr P Sheridan	(member from December 2018)
Mr R Sloan	(member from February 2019)

The Governance, Nominations and Remuneration Committee

The **Governance, Nominations and Remuneration Committee** was established following an externally conducted review of the effectiveness of the conduct of Council business during 2015/16. It brought together the responsibilities of the Remuneration Committee, the Nominations Sub-Committee and the governance element of the Organisational Development Committee. It reviews annually the performance-related salaries of the senior staff of the University including the professoriate body and the Vice-Chancellor. The review takes account of any external earnings, including consultancy, by senior staff as well as the salary norms within the higher education sector for a wide variety of senior posts. It is also responsible for reviewing the processes for and recommending the appointment and re-appointment of members to the Council, as well as agreeing development plans for Council. It ensures that Council keeps up to date with best practice governance initiatives both within the sector and at board level generally.

As de facto 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, Executive Deans of Faculties, the Chief Operating Officer, Professional Service Directors and the University Secretary all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor. The executive structure of the University is represented by the Senior Leadership Team (SLT). This comprises of the Vice-Chancellor, Pro-Vice-Chancellors, Executive Deans of Faculty, Professional Service Directors and the University Secretary. SLT meets monthly.

SLT refers matters for decision to Council or Senate (or the relevant committees thereof) as appropriate, and in line with the delegated authority framework. SLT is chaired by the Vice-Chancellor.

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

The Office of the University Secretary provides the secretariat to the Council. Any enquiries about the constitution and governance of the University are addressed to the University Secretary.

Statement of Internal Control

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

The Council is of the view that there is an ongoing process for identifying the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Those procedures have been in place for the year ended 31 July 2019.

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

- The Council met six times in the year to consider the strategic direction and plans of the University and to monitor performance against those plans;
- There is clear definition of the responsibilities of and authority delegated to committees of the Council and the executive;
- The University's strategic plan, Five and Fifty, adopted by the Council in June 2016, sets the framework of strategic aims and objectives against which risks are assessed and performance is monitored and reported;
- A Strategic Risk Register which incorporates the key risks at institutional level, is maintained;
- A Resilience Committee has been established which monitors, on a bi-monthly basis, tactical and operational risks that threaten the achievement of the objectives within Five and Fifty;
- The Senior Leadership Team, (SLT), formally reviews and assesses high risks bi-monthly;
- All faculties and departments, as part of their planning, maintain and review, bi-monthly, their risk registers which are then monitored by the Resilience Committee;
- The Audit Committee receives reports from the independent Internal Auditors on the adequacy and effectiveness of the University's systems of internal control with recommendations, as appropriate, for improvements;

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

The work of the internal audit service has been informed by an analysis of the operational, business and financial risks to which the University is exposed and upon which internal audit activity for 2018/19 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 systems 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.



Statement of the Council's Responsibilities

In accordance with the Statutes, the Council as a governing body, is responsible for the administration and management of the affairs of the University including ensuring an effective system of internal control and is required to present audited Financial Statements for each financial year.

The Council is responsible for ensuring the maintenance of proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that Financial Statements are prepared in accordance with the Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards.

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

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

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

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

Statement of Council’s Responsibilities
(continued)

Ulster University Council’s Statement of Primary Responsibilities

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



Independent Auditors' Report to Council

Opinion

We have audited the financial statements of Ulster University for the year ended 31 July 2019 which comprise Statement of Principal Accounting Policies, the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds, and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK".

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2019 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of Covid-19 and New Loan Agreement

We draw attention to Note 1 in the Statement of Principal Accounting Policies of the financial statements and Note 28 "Events after the Reporting period", which describes the financial and operational consequences the University is facing as a result of Covid-19, and details on the new loan agreement entered into by the University post year-end. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in the respect of the following matters in relation to which the ISAs(UK) require us to report to you where:

- the University Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the University Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon.

The University Council is responsible for the other information.

Our opinion on the financial statements does not cover other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information, we are required to report that fact.

We have nothing to report in the regard.

Opinion on other matters prescribed by the Financial Memorandum issued by the former Department for Employment and Learning (now DfE)

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Department of the Economy have been applied in accordance with the Financial Memorandum and any other terms and conditions applied to them; and

Responsibilities of the University Council

As explained more fully in the Statement of the University Council's Responsibilities set out on pages 20-22, the University Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Council is responsible for assessing the Group and the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern of accounting unless the University Council either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

Independent Auditor’s Report to Council (continued)

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of the auditors’ report.

Use of our report

This report is made solely to the University Council of Ulster University, as a body, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the charity’s trustees those matters we are required to state to them in an auditors’ 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 Ulster University and the University Council as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Belfast

Date: 20 November 2020

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Notes:

1. The maintenance and integrity of the Ulster University’s web site is the responsibility of the University Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Statement of Principal Accounting Policies

1. Basis for Preparation

Ulster University ("the University") is an independent educational charity, registered with the Charity Commission of Northern Ireland, whose legal statue derives from a Royal Charter granted in 1984. The address of the University's registered office is Cromore Road, Coleraine, BT52 1SA.

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice "Accounting for Further and Higher Education 2015" and in accordance with Financial Reporting 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102"). The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain land and buildings. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

The financial statements are presented in Sterling (£) with all values rounded to the nearest £1,000 except when otherwise indicated.

Going Concern

The University and Group's financial statements have been prepared on a going concern basis. Covid-19 has had implications across the University's range of activities, including changes to teaching, the ability of students to physically attend campuses and required operational changes to facilities. This has created potential volatility in student demand and increased costs.

The University has prepared a 5 year strategic plan and financial forecasts and the current development of the Greater Belfast Campus is a key part of that plan. The University has entered into a revised long-term loan agreement with the Strategic Investment Board to assist the funding of the Greater Belfast Development. This was agreed in October 2020 for an additional £126m, with a term of 30 years. The University has drawn down the first instalment of £61m.

The University has prepared cashflow forecasts to December 2021, based on conservative estimates of student numbers and in line with its Strategic Plan, which show the University operating within the terms of its funding facilities and sufficient cash resources throughout this period. The University has further stress tested these cashflows to reflect potential forecast impacts of Covid 19, including reductions in student numbers, and increased operating costs. Even under these stressed scenarios the cashflow forecasts project the University operating within the terms of its funding facilities and having sufficient cash resources throughout this 12 month period. The University's student registrations for academic year 20/21 have exceeded the conservative estimates used within the cashflow projections. The cashflow demonstrates the University will continue to maintain cash reserves over the next 12 months and meet all its obligations.

On this basis, Council has a reasonable expectation that the University and its subsidiary undertaking have adequate resources to continue in operational existence for the next twelve months. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

2. Consolidation

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

The Ulster University's Students' Union is constituted as an independent body and therefore in accordance with FRS 102, its financial statements are not consolidated with the Financial Statements of the University because the University does not control those activities.

The joint venture results of Branch Campus (London & Birmingham) Limited, Ulster Equity Partnership, ABC Research & Innovation Limited and NICOM LLP and the investment in NIACE Limited are not consolidated in the Financial Statements on the grounds of materiality.

3. Recognition of Income

Income from the sale of goods and services is credited to the Statement of Comprehensive Income in line with the provision of the associated goods and services.

Academic Fee income is stated gross of any expenditure and credited to the Statement of Comprehensive Income over the period of students study. Where the amount of tuition fee is reduced income receivable is shown net of the discount. Bursaries and Scholarships are accounted for gross of expenditure and are not deducted from income.

Investment income is credited to the Statement of Comprehensive Income on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the Statement of Comprehensive Income where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant Funding – Revenue Grants

Revenue grants are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income in line with such conditions being met.

Grant Funding – Capital Grants

Where tangible fixed assets are acquired with the aid of Government capital grants, these grants are recognised as deferred income within creditors and released to income over the expected useful economic life of the asset. All other capital grants are recognised in income when the University is entitled to the funds subject to any performance conditions being met.

Other Income

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

Statement of Principal Accounting Policies

(continued)

Donations and Endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserves until such time it is utilised in line with the restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds. Investment income and appreciation/depreciation of endowments are recorded in income in the year in which they arise.

There are four types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donations must be used for a specific objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments – the donor has specified a particular objective for the use of the funds and the University can convert the endowed capital into income.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

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.

The USS scheme is a defined benefit scheme but 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 Statement of Comprehensive Income. A liability is recorded within the provisions for any contractual commitment to fund past deficits within the USS scheme.

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

The amount charged to the Statement of Comprehensive Income 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 Statement of Comprehensive Income.

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 Comprehensive Income.

5. Employment Benefits

Any unused employment benefits for staff with contractual benefits are accrued and measured as the additional amount the University expects to pay as a result of unused entitlement.

6. 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 the Statement of Comprehensive Income for the financial year.

7. Freehold Land and buildings

The University has adopted the transitional arrangements on conversion to FRS 102 and has revalued land and buildings as at 31 July 2014 on three campuses, namely Coleraine, Magee and Belfast. Land and buildings that have been revalued to fair value prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation.

Pending the transfer of the Jordanstown campus to Belfast, the value of the land and buildings at Jordanstown is reviewed annually. The useful economic life of the buildings is revised to reflect the transfer of the campus to Belfast.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated on a straight line basis over their expected useful lives, up to a maximum of 60 years.

Statement of Principal Accounting Policies

(continued)

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 £25,000 per individual item or group of related items, is written off in the year of acquisition.

All other equipment including software and related development costs are capitalised. Capitalised equipment (other than research grant equipment) is stated at cost and depreciated on a straight line basis over its expected useful life, assumed to be four years. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

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

(a) The University’s Endowment Fund is included in the Balance Sheet at market value and is administered by an external fund manager. Investments in subsidiary companies are shown at the lower of cost and net realisable value. Impairment reviews are performed by the directors when there has been an indication of potential impairment. Any changes in fair value are taken directly to the Statement of Comprehensive Income.

(b) Fixed Asset Investments through Innovation Ulster Limited

From the menu of valuation methodologies cited by the International Private Equity and Venture Capital Valuation Guidelines (Dec 2015 edition) the company values its fixed asset investments (which comprise trade investments) as follows:

- Price of Most Recent Investment (PMRI); or
- Multiple of earnings or revenues; or
- Net Asset Basis

If valuers consider that the passage of time since the date of the last investment diminishes the appropriateness of that methodology, then a modified version of that valuation may be used which refers to industry benchmark valuations or a company based milestone analysis, ie performance against technical or financial targets of milestones.

It is expected that the company will use the PMRI basis where the investment has been made within 12 months, otherwise the Net Assets basis will be used.

Any changes in fair value are taken directly to the Statement of Comprehensive Income.

11. Current Asset Investments

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

12. Stocks

Stocks, which are generally consumable in nature, are expensed to the Statement of Comprehensive Income in the year of purchase.

13. Cash and Cash Equivalents

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.

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

14. Provisions for bad debts

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



Statement of Principal Accounting Policies (continued)

15. Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The cost of operating leases is charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

16. Provisions

Provisions are recognised when the University has a present, legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligations.

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 Statement of Comprehensive Income in the period it is incurred.

18. Taxation status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 CTA 2009 and sections 471, 478, 488 CTA 2010 (formerly S505 of ICTA 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 is registered as a charity with HM Revenue and Customs and with the Northern Ireland Charity Commission.

The University receives no similar exemption in respect of Value Added Tax. Innovation Ulster Limited, a subsidiary of the University has no charitable status and can therefore be liable to Corporation Tax on chargeable profits.

19. Reserves

Income and Expenditure reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which through endowment to the University are held in a permanently restricted fund which the University must hold in perpetuity.

The University holds a revaluation reserve resulting from revaluation of fixed assets on conversion to FRS 102 as at July 2014.

20. Subsidiary Accounting Policies

The subsidiary of the University adopts the same accounting policies of the University.

21. Judgements and Key sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Carrying value of investments

The Group has investments, as disclosed in note 12, valued using the menu of valuation methodologies cited by the International Private Equity and Venture Capital Valuation Guidelines. Judgement is required to consider if the passage of time since the date of the last investment diminishes the appropriateness of that methodology. Any diminution in value is recognised in profit or loss.

NILGOSC Pension benefits

The cost of the NILGOSC defined benefit pension plans is determined using actuarial valuations, as disclosed in note 21. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the yield of high quality bonds of the same term and currency as the future cashflows.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates.

USS pension scheme

Given the significant uncertainty that has arisen due to the fact the formal valuation of the USS scheme for 2017 has not been completed, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. Further detail on the University's judgements have been laid out in note 16.

Statement of Comprehensive Income

Group and University Statement of Comprehensive Income
For The Year Ended 31 July 2019

	Note	Group 2019	University 2019	Group 2018	University 2018
		£000	£000	£000	£000
Income					
Tuition Fees and Education Contracts	1	80,779	80,779	76,747	76,747
Funding Body Grants	2	89,536	89,536	86,033	86,033
Research Grants and Contracts	3	29,054	29,054	26,482	26,479
Other Income	4	16,568	16,589	13,767	13,728
Investment Income	5	1,461	1,461	1,121	1,121
Donations and Endowments	6	920	920	5,807	5,807
Total Income		218,318	218,339	209,957	209,915
Expenditure					
Staff Costs	7	121,591	121,591	113,447	113,447
Movement in USS Pension Provisions	7	38,047	38,047	(2,775)	(2,775)
Movement in NILGOSC Pension Provision	7	3,385	3,385	1,723	1,723
		163,023	163,023	112,395	112,395
Other Operating Expenses	8	68,253	67,377	66,767	66,735
Depreciation	11	17,631	17,631	17,863	17,863
Interest and Other Finance Costs	9	1,668	1,668	2,261	2,261
Total Expenditure		250,575	249,699	199,286	199,254
(Loss)/Surplus before other gains and losses		(32,257)	(31,360)	10,671	10,661
Gain on investments		3,397	135	3,577	765
(Loss)/Surplus before taxation		(28,860)	(31,225)	14,248	11,426
Taxation		(30)	-	-	-
(Loss)/Surplus after taxation		(28,890)	(31,225)	14,248	11,426
Actuarial (Loss)/Gain in Respect of Pension Schemes	21	(17,448)	(17,448)	17,114	17,114
Total Comprehensive (Loss)/Surplus for the Year		(46,338)	(48,673)	31,362	28,540
Represented by:					
Endowment comprehensive income for the year		726	726	5,362	5,362
Unrestricted comprehensive income for the year		(39,425)	(41,760)	32,584	29,762
Revaluation reserve comprehensive income for the year		(7,639)	(7,639)	(6,584)	(6,584)
Total		(46,338)	(48,673)	31,362	28,540

Statement of Changes in Reserves

Group and University Statement of Changes in Reserves
Year Ended 31 July 2019

Group	Income and Expenditure Reserve			Revaluation Reserve	Total
	Endowment	Unrestricted			
	£000	£000	£000		£000
Balance at 1 August 2017	9,003	141,373	126,943		277,319
Surplus from the Statement of Comprehensive Income	5,362	8,886	-		14,248
Other comprehensive income	-	17,114	-		17,114
Transfers between revaluation and income and expenditure reserve	-	6,584	(6,584)		-
Total Comprehensive Income/(Loss) for the year	5,362	32,584	(6,584)		31,362
Balance at 1 August 2018	14,365	173,957	120,359		308,681
Surplus/(Loss) from the Statement of Comprehensive Income	726	(29,616)	-		(28,890)
Other comprehensive income	-	(17,448)	-		(17,448)
Transfers between revaluation and income and expenditure reserve	-	7,639	(7,639)		-
Total Comprehensive Income/(Loss) for the year	726	(39,425)	(7,639)		(46,338)
Balance at 31 July 2019	15,091	134,532	112,720		262,343

Statement of Changes in Reserves
(continued)

Group and University Statement of Changes in Reserves
Year Ended 31 July 2019

University	Income and Expenditure Reserve			Total
	Endowment	Unrestricted	Revaluation Reserve	
	£000	£000	£000	£000
Balance at 1 August 2017	9,003	140,022	126,943	275,968
Surplus from the Statement of Comprehensive Income	5,362	6,064	-	11,426
Other comprehensive income	-	17,114	-	17,114
Transfers between revaluation and income and expenditure reserve	-	6,584	(6,584)	-
Total Comprehensive Income/(Loss) for the year	5,362	29,762	(6,584)	28,540
Balance at 1 August 2018	14,365	169,784	120,359	304,508
Surplus/(Loss) from the Statement of Comprehensive Income	726	(31,951)	-	(31,225)
Other comprehensive income	-	(17,448)	-	(17,448)
Transfers between revaluation and income and expenditure reserve	-	7,639	(7,639)	-
Total Comprehensive Income/(Loss) for the year	726	(41,760)	(7,639)	(48,673)
Balance at 31 July 2019	15,091	128,024	112,720	255,835

Balance Sheets

Balance Sheets as at 31 July 2019

	Note	Group 2019	University 2019	Group 2018	University 2018
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	11	419,266	419,266	396,050	396,050
Investments	12	22,958	16,593	18,483	15,867
Total Fixed Assets		442,224	435,859	414,533	411,917
Current Assets					
Debtors	13	32,806	32,776	22,606	22,287
Investments & short term deposits		66,015	66,015	94,005	94,005
Cash at bank and in hand		22,782	22,674	20,953	19,697
Total Current Assets		121,603	121,465	137,564	135,989
Creditors: Amounts falling due within one year	14	(46,951)	(46,956)	(40,065)	(40,047)
Net Current Assets		74,652	74,509	97,499	95,942
Total Assets less current liabilities		516, 876	510,368	512,032	507,859
Creditors: Amounts falling due within one year	15	(148,962)	(148,962)	(157,764)	(157,764)
Provision for Liabilities	16	(105,571)	(105,571)	(45,587)	(45,587)
Net Assets including Pension Liability		262,343	255,835	308,681	304,508
Reserves					
Restricted Reserves					
Endowment Reserve	17	15,091	15,091	14,365	14,365
Unrestricted Reserves		134,532	128,024	173,957	169,784
Income & Expenditure Account - unrestricted					
Revaluation Reserve		112,720	112,720	120,359	120,359
Total Reserves		262,343	255,835	308,681	304,508

The Financial Statements on pages 28-59 were approved by the Council on 16 November 2020 and signed on its behalf by:

Mr David Clements Honorary Treasurer

Mr Peter Hope Chief Finance Officer

Professor P Bartholomew Vice-Chancellor and Chief Accounting Officer

Group Cash Flow

Group Cash Flow Year Ended 31 July 2019

	Note	Year ended 31 July 2019	Year ended 31 July 2018
		£000	£000
Cash Flow from Operating Activities			
(Loss)/Surplus for the year before taxation		(28,860)	14,248
Taxation		(30)	-
(Loss)/Surplus for the year after taxation		(28,890)	14,248
Adjustments for Non-Cash Items			
Depreciation	11	17,631	17,863
Gain on investments		(3,261)	(3,566)
(Increase) in debtors	13	(10,200)	(239)
(Decrease)/Increase in creditors	14	6,584	(5,040)
Increase in pension provision	16	42,536	347
Deferred capital grants released income		(3,757)	(4,193)
Adjustments for Investing of Financing Activities			
Investment income	5	(1,461)	(1,121)
Interest payable	9	751	814
New endowment received		(231)	(5,530)
Loss on disposal of fixed assets		-	-
Net Cash Inflow from Operating Activities		19,702	13,583
Cash Flows from Investing Activities			
Capital grant receipts		1,148	5,362
Disposal of non-current asset investments		206	2,680
Withdrawal of deposits		27,990	13,176
Investment Income		894	825
Payments made to acquire fixed assets	11	(40,847)	(31,199)
New non-current asset investment		(853)	(5,976)
		(11,462)	(15,132)
Cash Flows from Financing Activities			
Interest paid	9	(751)	(814)
Endowment cash received		231	5,530
New unsecured loans		-	1,116
Repayments of amounts borrowed		(5,891)	(652)
		(6,411)	5,180
Increase in Cash and Cash Equivalents in the Year		1,829	3,631
Cash and cash equivalents at beginning of the year		20,953	17,322
Cash and cash equivalents at the end of the year		22,782	20,953

Notes to the Financial Statements

Notes to the Financial Statements

1. Tuition Fees and Education Contracts	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Full-time Students Fees	53,486	53,486	52,950	52,950
Full-time Students Charged Overseas Fees	3,647	3,647	2,964	2,964
Part-time Student Fees	7,933	7,933	7,063	7,063
DOH Education Contract	14,630	14,630	13,048	13,048
Short Course Fees	1,083	1,083	722	722
	80,779	80,779	76,747	76,747
2. Funding Body Grants	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Recurrent Grant	78,634	78,634	77,746	77,746
Specific Grants				
Special Initiatives	8,331	8,331	5,948	5,948
Deferred Capital Grants Released in Year				
Buildings	2,497	2,497	2,262	2,262
Equipment	74	74	77	77
	89,536	89,536	86,033	86,033
3. Research Grants and Contracts	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Research Councils	9,081	9,081	7,654	7,654
UK Charities	1,893	1,893	2,142	2,142
EU Government	5,923	5,923	4,497	4,497
UK Central Government	7,494	7,494	9,965	9,965
Overseas (Non-EU)	657	657	636	636
Health and Hospital Authorities	177	177	201	201
Other Sources	3,829	3,829	1,387	1,384
	29,054	29,054	26,482	26,479
Included in Research Grants and Contracts Income is £913k (2018: £1,085k) in relation to deferred capital grant release				
4. Other Income	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Residences, Catering and Conferences	3,480	3,480	2,947	2,947
Other Services Rendered	4,957	4,978	3,619	3,581
Other Income	7,852	7,852	6,922	6,921
Deferred Grant Release	279	279	279	279
	16,568	16,589	13,767	13,728

Notes to the Financial Statements
(continued)

Notes to the Financial Statements

5. Investment Income	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Investment Income on Expendable Endowments	77	77	69	69
Investments Income on Permanent Endowments	489	489	227	227
Income from Short Term Investments	895	895	825	825
	1,461	1,461	1,121	1,121
6. Donation and Endowments	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
New Expendable Endowments	361	361	361	361
New Permanent Endowments	-	-	5,169	5,169
Donations	559	559	277	277
	920	920	5,807	5,807
7. Staff Costs	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Wages and Salaries	95,550	95,550	89,680	89,680
Social Security Costs	9,124	9,124	8,696	8,696
Other Pension Costs (Note 21)	16,917	16,917	15,071	15,071
Movement on USS Pension Provision	38,047	38,047	(2,775)	(2,775)
Movement on NILGOSC Pension Provision	3,385	3,385	1,723	1,723
	163,023	163,023	112,395	112,395
Emolument of the Vice-Chancellor	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Emolument of the Vice-Chancellor				
Salary	285	285	271	271
Benefits	5	5	4	4
	290	290	275	275
Employers Pension Contributions	53	53	49	49
	343	343	324	324
		2019		2018
Ratio of Vice-Chancellor's basic salary to median basic salary of member of University staff		7.23:1		8.12:1
Ratio of Vice-Chancellor's total remuneration to median total remuneration of member of University Staff		7.14:1		8.06:1

In addition to the above the Vice-Chancellor was provided with a house, the provision of which was a non-taxable benefit. The value of this benefit in 2018/19 was £24,562 (2017/18: £24,562).

The Vice-Chancellor leads Ulster University to make significant social, economic and cultural contribution helping our community to thrive and confidently supporting Northern Ireland on the global stage. In an increasingly competitive sector, university leadership reflects the scale, complexity and impact of higher education across research and teaching. The Vice-Chancellor's salary is determined by the University's committee responsible for remuneration and governance.

	Group 2019	University 2019	Group 2018	University 2018
	No.	No.	No.	No.
Excluding the Vice-Chancellor, remuneration of other Higher Paid Staff was in the following bands:				
£ 100,000-£ 104,999	5	5	2	2
£ 105,000-£ 109,999	-	-	1	1
£ 110,000-£ 114,999	1	1	2	2
£ 115,000-£ 119,999	5	5	5	5
£ 120,000-£ 124,999	5	5	1	1
£ 125,000- 129,999	-	-	2	2
£ 140,000-£ 144,999	-	-	2	2
£ 145,000- 149,999	1	1	1	1
£ 150,000- 154,999	-	-	1	1
£ 155,000- 159,999	1	1	-	-
£ 160,000- 164,000	1	1	-	-
	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Key Management Personnel				
Key management personnel remuneration	2,255	2,255	2,158	2,158
Compensation for loss office				
Compensation payable recorded within staff costs	596	596	480	480
The average weekly number of persons (including senior postholders) employed by the University during the year, expressed as full-time equivalents was:-	Group 2019	University 2019	Group 2018	University 2018
	No.	No.	No.	No.
Academic	1,050	1,050	997	997
Technical	128	128	128	128
Administrative	497	497	441	441
Other including Clerical and Manual	534	534	523	523
	2,209	2,209	2,089	2,089

Notes to the Financial Statements
(continued)

Notes to the Financial Statements

8. Other Operating Expenses	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Residences and conferences	2,049	2,049	1,361	1,361
Consumables and labratory equipment	3,473	3,473	3,968	3,968
Equipment not capitalised	2,723	2,723	2,651	2,651
Books and periodicals	4,979	4,979	4,346	4,346
Fellowships, scholarships and prizes	505	505	530	530
Rates	3,862	3,862	3,581	3,581
Heat, light, water and power	4,057	4,057	3,835	3,835
Long term maintenance	7,781	7,781	8,105	8,105
Contracted out services	4,842	4,842	4,575	4,575
Grants to Ulster University Students' Union	1,613	1,613	1,498	1,498
External Auditors' remuneration	52	40	62	56
External Auditors' remuneration in respect of non-audit services	67	67	24	24
Internal Auditors' remuneration	104	104	122	122
Internal Auditors' remuneration in respect of non-audit services	28	28	7	7
Printing and stationery	920	920	858	858
Travel, subsistence and hospitality	7,042	7,042	6,286	6,286
Miscellaneous academic support	987	987	963	963
Telephone and postage	453	453	420	420
Research sub-contracting	2,455	2,455	1,955	1,955
Legal and professional services	10,278	9,990	8,314	8,288
Advertising and publicity	803	803	1,531	1,531
Student support	7,564	7,564	8,160	8,160
Other expenses	1,616	1,040	3,615	3,615
	68,253	67,377	66,767	66,735

9. Interest and Other Finance Costs	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Interest on loans not wholly repayable within five years	751	751	814	814
Net charge on pension schemes	1,105	1,105	1,399	1,399
Exchange differences	(188)	(188)	48	48
	1,668	1,668	2,261	2,261

10. Analysis of 2019 Expenditure by Activity	Staff Costs	Depreciation	Other Operating Expenses	Interest and Other Finance costs	Total
	£000	£000	£000	£000	£000
Academic Departments	69,368	530	10,345	-	80,243
Academic Seviles	18,725	2,295	13,240	5	34,265
Research Grants & Contracts	11,835	735	12,176	-	24,746
Residences, Catering & Conferences	1,001	707	3,441	-	5,149
Premises	3,219	11,705	16,151	746	31,821
Administration	15,992	1,659	9,982	(188)	27,445
Other Expenses	42,883	-	2,918	1,105	46,906
	163,023	17,631	68,253	1,668	250,575

	£000
The depreciation charged has been funded by:	
Release from Deferred Capital Grants	2,850
Release from Research Grants and Contracts	948
Transfer from Revaluation Reserve	7,639
General Income	6,194
	17,631

Notes to the Financial Statements
(continued)

Notes to the Financial Statements

11. Tangible Assets - Group and University	Freehold Land and Buildings	Assets Under Construction	Equipment	Total
	£000	£000	£000	£000
Valuation or cost				
At 1 August 2018				
Revaluation	173,696	-	-	173,696
Cost	228,518	84,629	61,082	374,229
	402,214	84,629	61,082	547,925
Additions at Cost	1,256	35,156	4,435	40,847
Transfer CIP	471	(471)	-	-
Disposals	-	-	(8,881)	(8,881)
At 31 July 2019				
Revaluation	173,696	-	-	173,696
Cost	230,245	119,314	56,636	406,195
Total	403,941	119,314	56,636	579,891
Accumulated Depreciation				
At 1 August 2018	100,085	-	51,790	151,875
Charge for year	13,716	-	3,915	17,631
Disposals	-	-	(8,881)	(8,881)
At 31 July 2019	113,801	-	46,824	160,625
Net Book Value				
At 31 July 2019	290,140	119,314	9,812	419,266
At 31 July 2018	302,129	84,629	9,292	396,050

Pending the transfer of the Jordanstown campus to Belfast, the value of the land and buildings at Jordanstown is reviewed annually. The useful economic life of the buildings is revised to reflect the transfer of the campus to Belfast.

12. Fixed Asset Investments	Subsidiaries Companies	Subsidiary Investment in Spinouts	Endowment Fund Investments	Total
Group	£000	£000	£000	£000
At 1 August 2018	-	4,118	14,365	18,483
Additions	-	622	591	1,213
Disposals	-	-	-	-
Revaluation	-	3,127	135	3,262
At 31 July 2019	-	7,867	15,091	22,958
University				
At 1 August 2018	1,502	-	14,365	15,867
Additions	-	-	591	591
Revaluation	-	-	135	135
At 31 July 2019	1,502	-	15,091	16,593
The members of the Council believe that the carrying value of the investments is supported by their underlying net assets.				
13. Debtors	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Amounts falling due within one year				
Trade Debtors	15,894	15,864	14,482	13,899
Amounts owed by Group Undertakings	-	-	-	264
Prepayments and Accrued Income	16,912	16,912	8,124	8,124
	32,806	32,776	22,606	22,287
14. Creditors				
	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Amounts falling due within one year				
Bank Loans	264	264	252	252
Other Loans	5,250	5,250	5,225	5,225
Trade Creditors	20,505	20,505	16,565	16,565
Amounts owed by Group undertakings	-	14	-	-
Taxation and Social Security	5,180	5,180	4,790	4,790
Accruals	11,581	11,572	9,327	9,309
Deferred Capital Grants	3,757	3,757	3,492	3,492
Finance Lease Creditor	414	414	414	414
	46,951	46,956	40,065	40,047

Notes to the Financial Statements
(continued)

Notes to the Financial Statements

15. Creditors	Group 2019	University 2019	Group 2018	University 2018
	£000	£000	£000	£000
Amounts falling due after more than one year				
Bank Loans	3,060	3,060	3,324	3,324
Other Loans	63,000	63,000	68,250	68,250
Deferred Capital Grants	82,819	82,819	85,693	85,693
Finance Lease Creditor	83	83	497	497
	148,962	148,962	157,764	157,764
Bank Loans				
Amounts falling due:				
Less than one Year (Note 14)	264	264	252	252
Between one and two years	281	281	252	252
Between two and five years	940	940	890	890
Greater than five years	1,839	1,839	2,182	2,182
	3,324	3,324	3,576	3,576
Other Loans				
Amounts falling due:				
Less than one Year (Note 14)	5,250	5,250	5,225	5,225
Between one and two years	5,250	5,250	5,250	5,250
Between two and five years	15,750	15,750	15,750	15,750
Greater than five years	42,000	42,000	47,250	47,250
	68,250	68,250	73,475	73,475
Finance Lease Creditor				
Amounts falling due:				
Less than one Year (Note 14)	414	414	414	414
Between one and two years	41	41	413	413
Between two and five years	42	42	84	84
	497	497	911	911

Included in the loans are the following:-

Lender	Amount £000	Repayable	Interest Rate %
First Trust Bank Loan	3,324	2004-2029	5.475%
Strategic Investment Board Loan	32,500	2018-2031	1.6%
Strategic Investment Board Loan	35,750	2018-2031	0%
Finance Lease Hewlett Packard	372	2018-2020	0%
Finance Lease Dell	125	2017-2022	11.7%

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

16. Provisions and Liabilities	Obligation to Fund deficit on USS Pension	Defined Benefit Obligations (Note 21)	Total Provision
Group and University	£000	£000	£000
At 1 August 2018	20,171	25,416	45,587
Charged in year	38,482	4,054	42,536
Acturial gain	-	17,448	17,448
At 31 July 2019	58,653	46,918	105,571

USS Deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 21.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased

from £20.2 million to £58.7 million. £38.5 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 7 in respect of significant pension costs /gains. More details on the 2017 actuarial valuation are set out in note 21.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 21. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £34.5m, a decrease of £24.1, from the current year end provision.

Notes to the Financial Statements
(continued)

Sensitivity Analysis

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The following sensitivity analysis outlines the potential impact on the revised provision under different scenarios.

Approximate impact	
0.5% pa decrease in discount rate	£964k increase
0.5% pa increase in salary inflation over duration	£950k increase
0.5% pa increase in salary inflation year 1 only	£ 168k increase
0.5% increase in staff changes over duration	£974k increase
0.5% increase in staff changes year 1 only	£ 172k increase
1% increase in deficit contributions	£345k increase

17. Endowment Reserves	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2019 Total	2018 Total
	£000	£000	£000	£000	£000	£000
Group and University						
Balances at 1 August						
Capital	390	11,256	11,646	3,813	15,459	9,165
Accumulated						
Income/(Expenditure)	43	670	713	(1,807)	(1,094)	(162)
	433	11,926	12,359	2,006	14,365	9,003
New Endowments	-	28	28	203	231	5,530
Transfer						
Investment Income	17	472	489	77	566	297
Expenditure	-	(123)	(123)	(83)	(206)	(1,229)
	17	349	366	(6)	360	(932)
Increase in market value of investments	1	109	110	25	135	764
At 31 July	451	12,412	12,863	2,228	15,091	14,365
Represented by						
Capital	391	11,393	11,784	4,041	15,825	15,459
Accumulated income and expenditure	60	1,019	1,079	(1,813)	(734)	(1,094)
	451	12,412	12,863	2,228	15,091	14,365

Analysis by Type of Purpose:

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2019 Total	2018 Total
	£000	£000	£000	£000	2019 £000	2018 £000
Lectureships	-	3,950	3,950	-	3,950	3,847
Scholarships & bursaries	-	211	211	511	722	670
Research support	-	-	-	1,681	1,681	6,583
Prize funds	-	8,287	8,287	-	8,287	2,832
General	451	-	451	-	451	433
	451	12,448	12,899	2,192	15,091	14,365

Analysis by Asset:

	2019 £000	2018 £000
Current and non current asset investments	15,091	14,365
18. Capital Commitments		
	2019	2018
Group and University		
	£000	£000
Commitments contracted at 31 July	153,331	153,510
Authorised but not contracted at 31 July	60,093	9,960
	213,424	163,470
Outstanding commitments include £208.6 million which relate to the development of the Greater Belfast Development.		

19. Contingent Assets

In relation to the Greater Belfast development the University has an ongoing mediation process with a number of contractors in relation to the completion of capital works. The University believes that it is probable that the outcome of these will be successful and their exposure will be recovered. Due to commercial sensitives of the mediation process the University does not believe it appropriate for any further disclosure on the matter.

The University has lodged a claim on a performance bond, in relation to works carried out by a contractor. The University believes that it is probable the claim will be recovered. Due to the commercial sensitives of the claim process the University does not believe it appropriate for any further disclosure on the matter.

20. Contingent Liabilities

The University Council has reviewed legal proceedings outstanding at the year end and does not consider that there are any cases where there is the possibility of a liability falling due to the University. Therefore, in accordance with Section 21 of FRS 102 ‘Provisions and Contingencies’, no disclosure is required in the Financial Statements.

Notes to the Financial Statements
(continued)

21. Net Pension Liability

The University participates in two pension schemes. The schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund (NILGOSC). The schemes are defined benefit schemes, which are externally funded. The assets of each scheme are held in a separate trustee-administered fund. It is not possible to identify the institution’s share of the underlying assets and liabilities of the scheme in USS as required by Section 28 of FRS 102 ‘Employee 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 Pension Scheme

The University participates in the Universities Superannuation Scheme (USS). The scheme is a hybrid scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee administered fund. Because of the mutual nature of the scheme, the scheme’s assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions’ employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 ‘Employee benefits’, the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

Pension Costs

The total cost charged to the Statement of Comprehensive Income is £52.170m (2018: £9.894m).

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at 31 March 2017 (“the valuation date”), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was underway but not yet completed.

Since the institution cannot identify its share of the schemes assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60 billion and the value of the scheme’s technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Discount rate (forward rates)	<ul style="list-style-type: none">Years 1-10 CPI -0.53% reducing linearly to CPI -1.32%Years 11-20 CPI +2.56% reducing linearly to CPI +1.7% by year 21Years 21+ CPI +1.7%
Pension income (CPI)	<ul style="list-style-type: none">Term dependent rates in line with the difference between the Fixed Interest and Index linked yield curves less1.3% pa

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on updated analysis of the Scheme’s experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017 Valuation	
Mortality base table	<u>Pre-retirement:</u> 71% of AMCOO (duration 0) for males and 112% of AFCOO (duration 0) for females <u>Post retirement:</u> 96.5% of SAPS S1NMA “light” for males and 101.3% of RFV00 for females	
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% for females	
	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

The funding position of the scheme has since been updated on an FRS102 basis.

Existing benefits	2019	2018
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

Key assumptions used are:	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

Notes to the Financial Statements
(continued)

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £20.2 million to £58.7 million as set out in note 21. £38.5 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 7 in respect of significant pension costs/gains.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been

agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £34.5m, a decrease of £24.1m from the current year end provision and a lower charge of the Statement of Comprehensive Income of £24.1m.

NILGOSC Pension Scheme

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 102.

A valuation of the fund was carried out at 31 March 2016 and updated to 31 July 2019 by a qualified independent actuary.

Balance Sheet	At 31 July 2019	At 31 July 2018
	£000	£000
Present value of scheme liabilities	(248,302)	(216,825)
Fair value of scheme assets	201,384	191,409
Net pension liability	(46,918)	(25,416)
Movements in present value of defined benefit obligation	At 31 July 2019	At 31 July 2018
	£000	£000
At the beginning of the year	(216,825)	(214,116)
Current service cost	(4,303)	(4,375)
Member contributions	(826)	(813)
Interest cost	(6,004)	(5,507)
Benefits paid	5,676	5,481
Past service cost	(2,148)	(55)
Actuarial gains/(losses)	(23,872)	2,560
At the end of the year	(248,302)	(216,825)

Movement in fair value of plan assets	At 31 July 2019	At 31 July 2018
	£000	£000
At the beginning of the year	191,409	174,309
Expected return on assets	5,335	4,507
Employer contributions	3,066	2,707
Member contributions	826	813
Benefits paid	(5,676)	(5,481)
Actuarial gains	6,424	14,554
At the end of the year	201,384	191,409
Expense recognised in the income and expenditure accounts	At 31 July 2019	At 31 July 2018
	£000	£000
Current service cost	4,303	4,375
Interest on defined benefit pension plan obligation	6,004	5,507
Expected return on defined benefit pension plan assets	(5,335)	(4,507)
Past service cost	2,148	55
Total	7,120	5,430

The expense is recognised in the following line items in the Statement of Comprehensive Income:

	At 31 July 2019	At 31 July 2018
	£000	£000
Staff costs	6,451	4,430
Interest payable	669	1,000
	7,120	5,430
Amounts recognised in Other Comprehensive Income	At 31 July 2019	At 31 July 2018
	£000	£000
Asset gains arising during the period	6,424	14,554
Liability gains/(loss) arising during the period	(23,872)	2,560
Total amount recognised in Other Comprehensive Income	(17,448)	17,114

Notes to the Financial Statements
(continued)

Cumulative actuarial losses recognised as Other Comprehensive Income are £9.289m (2018: £26.737m).

The fair value of the plan assets were as follows:-	At 31 July 2019 Fair Value	At 31 July 2018 Fair Value
	£000	£000
Equities	80,956	116,951
Bonds	82,366	43,833
Property	21,750	19,524
Cash	9,465	7,656
Other	6,847	3,445
	201,384	191,409
Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:-	At 31 July 2019	At 31 July 2018
Discount rate	2.1%	2.8%
RPI inflation	3.3%	3.2%
CPI inflation	2.3%	2.1%
Pension increases	2.3%	2.1%
Pension accounts revaluation rate	2.3%	2.1%
Salary increases	3.8%	3.6%
Mortality	Males	Females
Current pensioners	2019 2018	22.3 years 23.3 years 25.9 years
Future pensioners	2019 2018	24.0 years 25.5 years 28.2 years
The total pension cost for the University was:	Group 2019	Group 2018
	£000	£000
Charge to staff cost - USS	52,170	9,894
Charge to staff cost - NILGOSC	6,179	4,125
Total pension cost (see Note 7)	58,349	14,019

The University expects to contribute approximately £2.998m to its defined benefit plans in the next financial year.

22. Student Support Funds	Group 2019	Group 2018
	£000	£000
Balance carried forward	3	3
Funding Council Grants	1,344	1,104
Disbursed to Students	(1,252)	(1,104)
Balance Underspent at 31 July	95	3

Department for the Economy (DfE) Student Support grants are available solely for students: the University acts only as a paying agent.

The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

23. Subsidiary Company Information

There is one company which is a wholly owned subsidiary company of the University:

- Innovation Ulster Limited

This company has been fully consolidated in the Financial Statements.

The company is controlled by the University.

The company is registered and operates in Northern Ireland and has a registered address of Ulster University, TEIC Building, Jordanstown Campus, Newtownabbey, County Antrim, N Ireland, BT37 0QB

Innovation Ulster Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities.

24. Joint Venture Information

The University has three joint ventures. Branch Campus (London and Birmingham) Limited is a joint venture between Ulster University and QAHE (Ulst) Limited for the principal purpose of providing services in support of the provision of degree courses to domestic and international students at campuses in London and Birmingham.

Ulster Equity Partnership is a limited partnership with Ulster

University, Invest NI and TechStart NI for the principal purpose of carrying on the business of an investor and in particular to identify, research, negotiate, make or monitor the progress of and sell, realise, exchange or distribute equity or equity-related investments in connection with providing seed capital for the development of post – research post – proof of concept spin-out/in companies from Ulster University including from the technology sectors related to the Ulster University research base.

ABC Research & Innovation Limited is a company limited by guarantee with Ulster University, Derry City Council and the Western Trust as equal partners. The principal activity of the company is to develop an Academia Business Clinical Research Innovation facility.

The results of Branch Campus (London & Birmingham) Limited, Ulster Equity Partnership and ABC Research and Innovation Limited are not consolidated in the Group Financial Statements on the grounds of materiality.

Through Innovation Ulster Limited (IUL), a wholly owned subsidiary, the University has a joint venture with NICOM LLP. NICOM LLP was incorporated in 2011 to promote collaborative research in advanced composites. It is a joint venture between IUL and Queens Composites Limited, a wholly owned subsidiary of Queen’s University, Belfast. The results of NICOM LLP are not consolidated in the Group Financial Statements on the grounds of materiality.

Notes to the Financial Statements (continued)

25. Other Investments

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

Investment with holding under 25%

- 7.47% CDS New Ventures Limited
- 4.44% Crescent Capital II LLP
- 8.37% Performa Sports Limited
- 2.4% Datactics Limited
- 4.83% Axial 3D Limited
- 7.48% SISAF Limited
- 14.3% Neuroconcise Limited
- 5.66% Humain Limited
- 17.98% Get Invited Limited

26. Related Party Transactions

Due to the nature of the University’s operations and the composition of the University’s Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest.

All transactions involving organisations in which a member of the Council may have an interest are conducted at arm’s length and in accordance with the University’s financial regulations and normal procurement procedures. The University has taken advantage of the exemptions contained in section 33, FRS 102 ‘Related Party Transactions’ not to disclose transactions with subsidiaries as all of the voting rights are controlled within the Group.

27. Ultimate Controlling Party

There is no one ultimate controlling party.

28. Events After The Reporting Period

a. USS Pension Scheme

As set out in Note 21 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £24.1 m in the provision for the Obligation to fund the deficit on the USS pension which would instead be £34.5m. This adjustment is reflected in the University’s Financial Statements for the year ended 31 July 2020.

b. Covid 19 Impact

Following the balance sheet date, the Covid 19 pandemic has spread rapidly across the world impacting the UK and global economies. Since the year-end 31 July 2020 the University has seen robust student recruitment despite the Covid 19 pandemic. Tuition fee Income is above forecast with an increase in home students offset against a decline in international students. It has had an impact on the University in terms of trading income, namely Residences, Catering and Sports Facilities income. Overall the University forecasts to operate within its funding envelope. The Covid 19 pandemic is assessed to be a non-adjusting subsequent event and therefore its effect has not been reflected in the financial statements.

c. New Loan Agreement

The University entered into a revised loan agreement from the Strategic Investment Board in October 2020 to assist the funding of the Greater Belfast Development. This was agreed in October 2020 for an additional £126m, with a term of 30 years. The University has drawn down the first instalment of £61 m. Security against the University Estate has been given as part of the conditions of the loan.

Investments with holdings of greater than 25%:-

Status	Active	Active	Inactive	Active	Active	Active
Name	Actionsense Limited	Axis Composites Limited	Vifkon Limited	Jenarron Therapeutics Limited	Solaform Limited	Efectis UK/Ireland Limited
Country of Incorporation	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland
Principal Activity	Secure digital water marking technology	Design and manufacture of 3D woven carbon fibre preforms	Fire and blast proof concrete products	Putty like material applied and removed to wounds	Solar water heater	Fire Testing
% Shares Held and type	23.33%	28.02%	30%	33.62%	45.63%	33%
Convertible Loan Stock	N/A	N/A	N/A	N/A	N/A	N/A
Turnover	N/A	N/A	N/A	N/A	N/A	N/A
Profit or Loss Before Tax	N/A	N/A	N/A	N/A	N/A	N/A
Net Assets	(£147,007)	£9,828	(£115,014)	(£82,922)	(£192,342)	(£206,346)
Financial Year End	31 May 2018	28 February 2018	30 June 2018	30 September 2018	31 July 2018	31 December 2018

During the year the company invested £446,828 in Enbarr Limited, an investment fund managed by Imprimatur Capital.

