

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED

**31ST JULY 2008**



# University of Ulster

*FINANCIAL STATEMENTS  
FOR THE YEAR TO 31 JULY 2008  
ISSN 0307-496X*



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

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# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Treasurer's Report

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### SCOPE OF THE FINANCIAL STATEMENTS

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

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

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

### RESULTS FOR THE YEAR

The University recorded a surplus for the year of £13.1m on a historical cost basis. This is the basis on which the University's outturn is compared against other Universities. On a revaluation of assets basis the surplus for the year was £9.6m. This is the basis on which the University's outturn is reported.

The University's total income was £187m, an increase of 7% on the previous year.

Funding Council block grants for teaching received from the Department for Employment and Learning (DEL) represent the main source of income to the University being 47% of income. Funding Council grant increased 3% from the prior year as a result of an inflationary increase.

Income from academic fees and support grants increased by £6.3m (21%) reflecting the ongoing impact from the introduction of variable tuition fees.

Research income in the accounts shows an increase of £2.1m compared to the previous year. This improvement reflects the increase in externally funded activity following the completion of the University's submissions to the Research Assessment Exercise which in the previous year had resulted in a reduction in activity.

Other operating income has increased in line with inflation.

Staff costs increased by £5.5m when compared with the previous year. This reflects the impact of the pay award and the full adoption of the single pay spine as a result of the implementation of the National Framework Agreement. In addition, in line with the requirements of Financial Reporting Standard 17: Retirement Benefits, an additional provision of £0.2m has been made in the income and expenditure account. This accounting standard requires the University to recognise on the Balance Sheet the deficit on its pension schemes, when the institution's share of the pension scheme's assets/liabilities can be appropriately identified. The Balance Sheet adjustment records the recognition of a potential liability of £20m and this has been recorded in the pension reserve note. The detailed impact of applying FRS 17 is highlighted in Note 30 to the Accounts.

### OTHER OPERATING EXPENSES

While these have increased in line with inflation, if the payment of student support bursaries and schools are excluded there has only been an effective 1% increase in the University's underlying cost. This reflects significant cost control over activity undertaken within the institution during the last financial year.

### LIQUIDITY AND CASH FLOW

The Cash Flow Statement for the year shows an increase in cash reserves of £2.5m. This improved cash flow position is mainly due to cash inflow from operating activities being greater than the net capital expenditure after receipt of Government grants. This compares to a cash inflow of £9m in 2006/2007.

### INVESTMENT PERFORMANCE

The University's principal financial investment comprises of short term money market deposits, endowment funds and a mix of long term loans to the University's trading subsidiaries. In line with the revised Statement of Recommended

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Treasurer's Report - Continued

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Accounting Practice for Further and Higher Education, a thorough review of endowments was undertaken during the year. This has resulted in the reclassification of endowment assets between permanent restricted/unrestricted and expendable funds. The detailed disclosure notes are shown on note 18 on page 33. Overall the University endowment asset investments were valued at £3.8m at 31 July 2008. This represents a decrease of £0.3m (7%) which reflects the impact on the fund of the increased volatility of the stock market.

During the year as a result of an ongoing review of the University subsidiary company activity a decision was taken to close both UU Bibliotech Limited and UU Services Limited through a Members' Voluntary Liquidation. In addition, following a review of the financial performance of Greenshoots Newry Limited it has been decided to fully provide against the investment in this company.

### CAPITAL AND MAJOR MAINTENANCE PROJECTS

Capital expenditure in the year totalled £25m against which capital grants of £12.2m were received. Of this expenditure approximately £4m related to expenditure on equipment for use in both Faculties and Departments. The remaining £21m was invested in the redevelopment of the University's Estate. The largest projects completed in 2008 were the High Performance Centre at Jordanstown, the completion of the phase 2 development of the Belfast Campus, the LRC at Coleraine and the purchase of Metropole House in Belfast. There were a significant number of major projects completed in this year with the value of year end work in progress being £1.2m which represents only 6% of total committed capital spend.

The major capital projects were:-



**High Performance Centre at Jordanstown  
£2,977K**



**Phase 2 Development of Belfast campus  
£5,723K**



**Learning Resource Centre at Coleraine  
£2,020K**

### NET ASSETS

The group net assets were £226m at 31 July 2008.

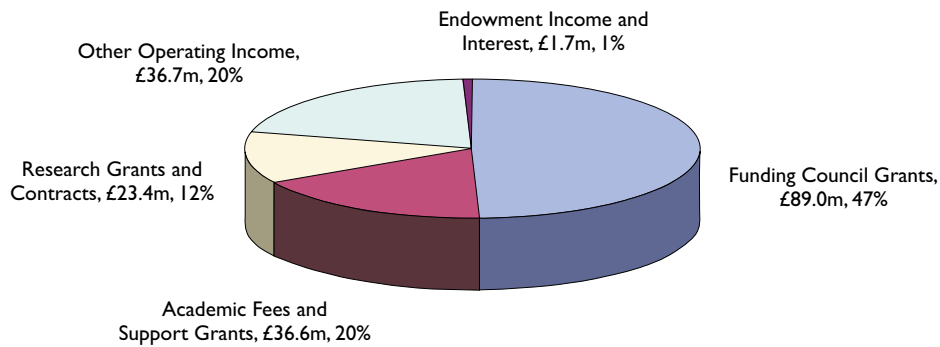
I have detailed below a graphical analysis of the major items of Income and Expenditure.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Treasurer's Report - Continued

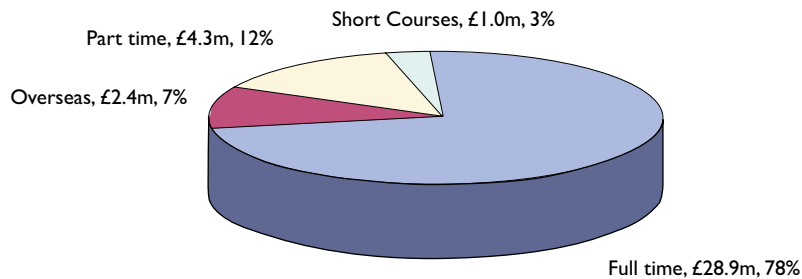
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### Total Income (£M and %) by Source



*The only significant change is that the proportion of Funding Council Grants has fallen by 2% while Academic Fees and Support Grants have risen.*

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



*A review comparing results to 2007 shows that proportion of full time fees has increased by 6%, overseas fee activity by 1% with a 5% reduction in part time fee activity and 1% on short course activity.*

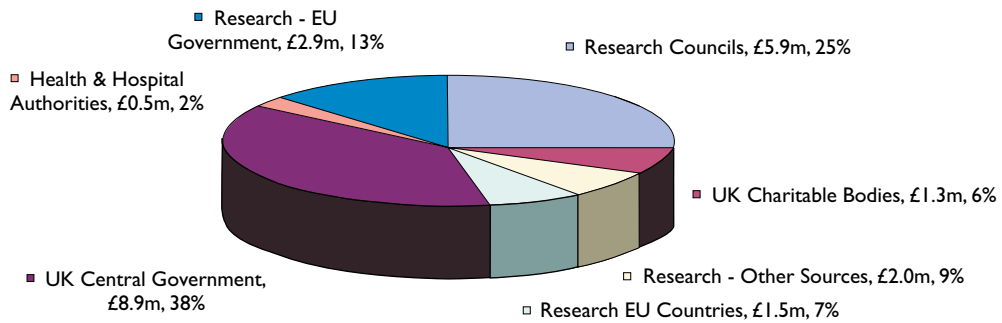


# UNIVERSITY OF ULSTER GROUP ACCOUNTS

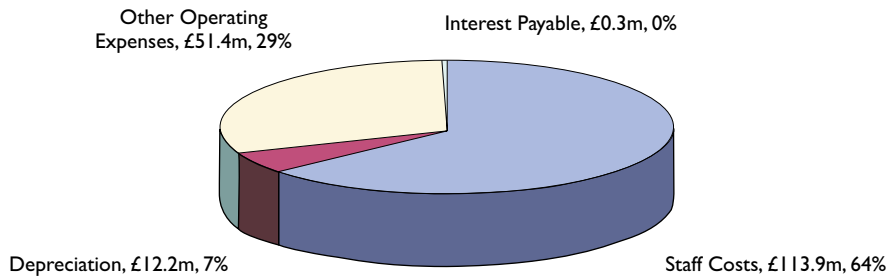
## Treasurer's Report - Continued

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



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



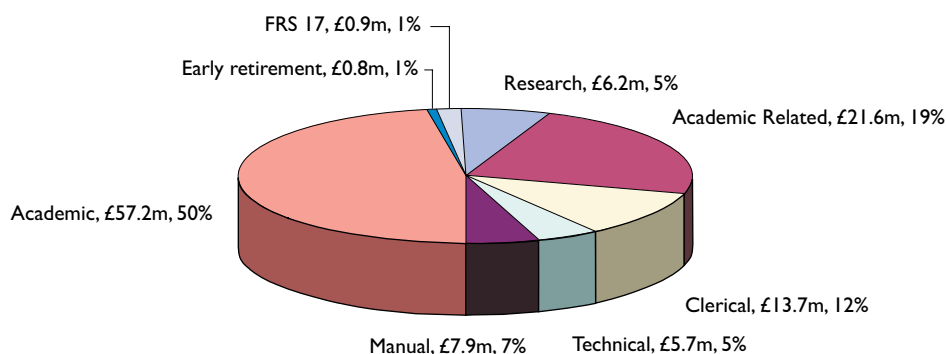
*There is no change in proportion of expenditure between 2007 and 2008*

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Treasurer's Report - Continued

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



#### INTERNAL AUDITORS

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

#### FINANCIAL MANAGEMENT

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

The financial results for year ended 31 July 08 are in line with the approved Finance strategy goals.

#### FUTURE DEVELOPMENTS

In response to the needs of today's students, the University has been undertaking a major review of its facilities at the Jordanstown campus, most of which was built in the 1970s. This master planning exercise has been completed and the results of this will form the future development plans for this campus over the next ten years. The University continues to develop its professional courses with the introduction of Professional Legal Studies at the Magee campus and phase 2 accreditation of the Pharmacy programme at the Coleraine campus. It is anticipated that this course will be accredited over the next couple of years following the graduation of the first cohort of students. The University has completed its Teaching and Learning Strategy for 2008/09 to 2012/13 and the delivery of the goals of this Strategy are central to its teaching and learning provision over the next five years. The University has completed its submissions to the Research Assessment Exercise and at this stage it has no reason to believe that the strategic goals that it set itself with regards its performance in this exercise, will not be delivered. The University continues to closely monitor the pressures on its wage bill and in particular, is monitoring the costs associated with membership of final salary pension schemes for employees and the performance of the USS and NILGOSC schemes and the contribution rates that are required to ensure that these schemes are fully funded.

#### CONCLUSION

The annual results show a surplus of £13.1m on an historical cost basis which was in excess of the University's Corporate Plan target. The ongoing challenge for the University is to maintain its current sources of income while at the same time developing new markets and reducing our dependence on Funding Council grants. The Group had

# **UNIVERSITY OF ULSTER GROUP ACCOUNTS**

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

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a net cash inflow from operating activity of £15m against which £13m was committed in support of Capital Projects from operating reserves. The Group's retained profit at £61m shows an increase of £13.4m against the previous year, net assets of £226m [£219m, 2007] and net cash of £7m [£4.2m, 2007]. The University, as part of its financial strategy, plans to build up this cash reserve to facilitate the ambitious capital investment strategy proposed within the Jordanstown Masterplan.

**ROSEMARY PETERS-GALLAGHER**  
**HONORARY TREASURER**

**21 November 2008**

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Corporate Governance

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### CORPORATE GOVERNANCE STATEMENT

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

The University endeavours to 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. Council has adopted a Statement of Primary Responsibilities in line with the CUC's Governance Code of Practice.

The University is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1984. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, the latest version of which was approved by the Privy Council in 2007.

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

- **The Council** is the governing body, 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.

At 31 July 2008 the Council had a membership of thirty with a majority of appointed members from outside the University (described as lay members), from whom its Chairman and its Deputy Chairman must be drawn. The Chairman and Deputy Chairman hold positions as Pro-Chancellors of the University. An Honorary Treasurer is also appointed from amongst the lay members of the Council. Also included in Council are members elected by the staff of the University and the student body. None of the lay members receive any payment, apart from the reimbursement of expenses, for the work that they do for the University.

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

During 2007/08, the Council reviewed the University's Statutes in the context of government deregulation of Privy Council control over university governance. Substantial changes to the statutory instruments were agreed by special resolutions of the Council and subsequently received Privy Council approval. These changes included revision of the composition of the Court which was finalised following wide consultation with University stakeholders including the organisations represented on the former Court. While this led to a reduction in the size of the Court, the majority of its members continue to be 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 continues to include representatives of the staff of the University (both academic and non-academic) and the student body.

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Department for Employment and Learning (DEL), as advised by the Higher Education Funding Council for England (HEFCE), the Vice-Chancellor is the designated Chief Accounting Officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the Northern Ireland Assembly.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Corporate Governance - Continued

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The Council met six times during 2007/08. Certain functions of the Council are delegated to its committees. At 31 July 2008, the Committees of Council comprised: General Purposes and Finance Committee; Policy and Governance Committee; Audit Committee; Remuneration Committee; Estates and Information Technology Committee; and Development, Communication and Marketing Committee (the latter being a joint committee with Senate). The Nominations Committee is as a sub-committee of Policy and Governance Committee.

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

The **General Purposes and Finance Committee**, *inter alia*, recommends to the Council the University's annual revenue and capital budgets and monitors performance in relation to the approved budget. The Committee also has oversight of matters pertaining to human resources including health and safety and the Students' Union.

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

The **Audit Committee** 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. It also received and considered reports and advice from the Funding Council as they affect the University's business and monitor adherence to the regulatory requirements. Whilst Senior Management attend meetings of Audit Committee as necessary, they are not members of the Committee, and the Committee meets both the external auditors and the internal auditors on their own for independent discussions at least once a year.

In 2007/08 the Members of the Audit Committee were:

Mrs R Peters-Gallagher (Chair)  
Mr N Birthistle  
Mrs A Logue  
Mr G Mallon  
Professor D McCloy

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

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

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

As reported in 2006/07, the Council engaged an independent, external consultant to review and advise on the effectiveness of the Council, its structure and processes. In Autumn 2007 the Council received the report and subsequently adopted an action plan and implementation timeframe for the implementation of agreed actions emanating from the review. Additionally the new Nominations Sub-Committee was convened to consider and make recommendations on the role, responsibilities, structure and composition of the Council and to make arrangements for the appointment of a new Council to be in place by October 2008. Recommendations for a Council of seventeen members comprising a lay majority of thirteen were approved by special resolutions of the Council and subsequently approved by the Privy Council for commencement in October 2008.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Corporate Governance - Continued

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

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

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Internal Control

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### STATEMENT OF INTERNAL CONTROL

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

The Council is of the view that there is an ongoing process for identifying the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Those procedures have been in place for the year ended 31 July 2008.

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;
- A Corporate Risk Register which incorporates the key risks at institutional level, is maintained;
- The Senior Management Group, the University's designated Risk Management Committee, formally reviews and assesses corporate risks bi-annually;
- All faculties and departments, as part of their planning, maintain and review bi-annually their risk registers and provide, annually, signed stewardship statements confirming their adherence to the risk management policy and process;
- A report on risk management is submitted to the Council annually in November;
- Risk management is a standing item on the agenda of the Audit Committee and the Committee regularly receives reports from the independent Internal Auditors on the adequacy and effectiveness of the University's systems of internal control with recommendations, as appropriate, for improvements;
- The University's Corporate Plan 2006/07 – 2010/11, adopted by the Council in June 2006 sets the framework of strategic aims and objectives against which risks are assessed and performance is monitored and reported;
- A Value for Money (VFM) Steering Group initiates and oversees the conduct of VFM studies. It reports to the Audit Committee and to other Council Committees as appropriate, and ensures the implementation of approved recommendations.

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

- The introduction of a streamlined, integrated corporate monitoring and reporting methodology, the Integrated Corporate Programme, combining the University's key annual activities and key performance indicators with corporate risk management and assessment. This process will similarly be adopted by the faculties;
- The creation of a central web-based repository for all institutional risk management materials to aid, *inter alia*, review and reporting on embedded risk management, information sharing and dissemination of good practice;
- The independent internal audit service has reviewed risk assurance and has provided an adequate level of assurance. The recommendations of the auditors for enhancements to existing processes have been considered by Management and generally endorsed;
- Market testing for the provision of internal audit services from 2008/09.

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 2007/08 was based. The internal audit service operates to standards defined in the HEFCE Accountability and Audit Code of Practice and submits regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal controls, together with recommendations for improvement.

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Responsibilities of the University's Council

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### RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL

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

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

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

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

The Council has taken reasonable steps to:

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

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

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

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



# **UNIVERSITY OF ULSTER GROUP ACCOUNTS**

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

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### **INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF ULSTER**

We have audited the Group and University financial statements (the "financial statements") of the University of Ulster for the year ended 31 July 2008 which comprise the primary statements such as the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### **RESPECTIVE RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL AND AUDITORS**

The University's Council responsibilities for preparing the Treasurer's Report and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 11.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Department for Employment and Learning. We also report to you whether in our opinion the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

### **BASIS OF OPINION**

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

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

### **OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31 July 2008 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Department for Employment and Learning, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2008 have been applied for the purposes for which they were received; and

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

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- in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Department for Employment and Learning.

KPMG  
*Chartered Accountants*  
*Registered Auditor*  
*Stokes House*  
*College Square East*  
*BELFAST*

*21 November 2008*

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Principal Accounting Policies

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### 1. Accounting convention

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

### 2. Consolidation

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

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

### 3. Recognition of income

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

### 4. Pension schemes

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

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

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

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

The expected return on the pension scheme’s assets during the year and the increase in the scheme’s liabilities due to the unwinding of the discount during the year are shown as financing costs in the income and expenditure account.

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

### 5. Foreign currencies

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

### 6. Leases

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Principal Accounting Policies - Continued

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### **7. Land and buildings**

The University has adopted the transitional arrangements under FRS15; Tangible Fixed Assets and is retaining the carrying value of land and buildings at the 30 June 1999 valuation figure (as amended to reflect any impairment in value). The valuation of land and buildings is undertaken every five years with any impairment in value recognized in the year. The last valuation was carried out at 31 July 2005 by Gerald Eve valuers. The basis of valuation used was depreciated replacement cost. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives as determined by the University's valuers, on average 40 years.

### **8. Assets Under Construction**

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

### **9. Equipment**

Equipment, including software and related software development costs, costing less than £10,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment including software and related development costs are capitalized. Capitalized equipment (other than research grant equipment) is stated at cost and depreciated over its expected useful life, assumed to be four years.

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

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

### **10. Library assets**

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

### **11. Deferred capital grants**

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

### **12. Goodwill**

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

### **13. Negative Goodwill**

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

### **14. Investments**

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

### **15. Stocks**

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

### **16. Provision for bad debts**

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Statement of Principal Accounting Policies - Continued

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### 17. Maintenance of premises

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

### 18. Taxation status

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

### 19. Cash flows and liquid resources

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

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

### 20. Endowment Funds

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

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

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

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

### 21. Comparatives

The prior year comparatives have been restated to appropriately reflect research debtor and creditor balances. The effect of this has been to decrease debtor and trade creditors by £3,260k

### 22. Subsidiary Accounting Policies

The subsidiaries of the University follow the accounting policies of the University. However in UUSR Limited the buildings were revalued as at 31 July 2008. The revaluation of these buildings is eliminated on consolidation in the Group accounts.

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Consolidated Income and Expenditure Account**  
**for the Year ended 31 July 2008**

		<b>Group 2008</b>	<b>Group 2007</b>
		<b>£000</b>	<b>£000</b>
<b>Income - continuing operations</b>	<b>Note</b>		
Funding Council Grants .....	1	88,996	86,221
Academic Fees and Support Grants .....	2	36,644	30,356
Research Grants and Contracts .....	3	23,358	21,283
Other Operating Income .....	4	36,710	35,665
Endowment Income and Interest Receivable .....	5	1,699	861
<b>Total Income</b> .....		<b><u>187,407</u></b>	<b><u>174,386</u></b>
<b>Expenditure - continuing operations</b>			
Staff Costs .....	6	113,875	108,427
Depreciation .....	11	12,222	12,586
Other Operating Expenses .....	7	51,396	49,568
Interest Payable .....	8	305	392
<b>Total Expenditure</b> .....		<b><u>177,798</u></b>	<b><u>170,973</u></b>
<b>Surplus after depreciation of assets at valuation before and after tax</b> .....		<b><u>9,609</u></b>	<b><u>3,413</u></b>
(Surplus)/deficit transferred to accumulated income in endowment funds .....		(12)	7
<b>Surplus retained within Income and Expenditure Reserve</b> .....		<b><u>9,597</u></b>	<b><u>3,420</u></b>

**Note of Historical Cost Surpluses and Deficits**

Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount .....		3,499	3,499
<b>Historical cost surplus before and after tax</b> .....		<b><u>13,096</u></b>	<b><u>6,919</u></b>

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

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Balance Sheet as at 31 July 2008**

	Group 2008	University 2008	Group 2007	University 2007
Note	£000	£000	£000	£000
<b>Fixed Assets</b>				
Intangible Assets:				
Negative Goodwill .....	10	(3,841)	(3,841)	(3,964)
Tangible Assets .....	11	256,580	255,829	243,466
Investments .....	12	2,117	4,572	1,900
		<u>254,856</u>	<u>256,560</u>	<u>241,402</u>
				<u>238,643</u>
Endowment Asset Investments .....	13	3,762	3,762	4,088
				<u>4,088</u>
<b>Current Assets</b>				
Debtors .....	14	13,232	14,275	14,998
Short Term Deposits .....		12,675	12,519	9,747
		<u>25,907</u>	<u>26,794</u>	<u>24,745</u>
				<u>27,678</u>
Creditors: Amounts Falling Due Within One Year .....	15	(32,969)	(33,077)	(32,102)
		<u>(7,062)</u>	<u>(6,283)</u>	<u>(7,357)</u>
				<u>(2,525)</u>
<b>Net Current Liabilities</b> .....				
<b>Total Assets Less Current Liabilities</b> ...		<b>251,556</b>	<b>254,039</b>	<b>238,133</b>
				<b>240,206</b>
Creditors: Amounts Falling Due After More Than One Year .....	16	(5,345)	(5,954)	(5,484)
		<u>(5,345)</u>	<u>(5,954)</u>	<u>(5,484)</u>
				<u>(6,129)</u>
<b>Net Assets excluding Pension Liability</b> .....		<b>246,211</b>	<b>248,085</b>	<b>232,649</b>
				<b>234,077</b>
Net Pension Liability .....	30	(20,464)	(20,464)	(13,253)
		<u>(20,464)</u>	<u>(20,464)</u>	<u>(13,253)</u>
				<u>(13,253)</u>
<b>Net Assets including Pension Liability</b> .....		<b>225,747</b>	<b>227,621</b>	<b>219,396</b>
				<b>220,824</b>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Balance Sheet as at 31 July 2008 - Continued**

	Note	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
Deferred Capital Grants .....	17	80,344	77,344	76,242	73,187
<b>Endowment Fund</b>					
Expendable .....	18	2,841	2,841	3,067	3,067
Permanent .....	18	921	921	1,021	1,021
		<b>3,762</b>	<b>3,762</b>	<b>4,088</b>	<b>4,088</b>
<b>Reserves</b>					
Revaluation Reserve .....	19	100,814	100,433	104,400	103,932
Pension Reserve .....	20	(20,464)	(20,464)	(13,253)	(13,253)
Income and Expenditure Account .....	21	61,291	66,546	47,919	52,870
<b>Total Reserves</b> .....		<b>141,641</b>	<b>146,515</b>	<b>139,066</b>	<b>143,549</b>
<b>Total Funds</b> .....		<b>225,747</b>	<b>227,621</b>	<b>219,396</b>	<b>220,824</b>

The Financial Statements on pages 14 to 44 were approved by the Council on 21 November 2008 and signed on its behalf by:

**Rosemary Peters-Gallagher**                      Honorary Treasurer

**P W Hope**    Director of Finance

**Professor R R Barnett**                              Vice Chancellor and Chief Accounting Officer



**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Consolidated Cash Flow Statement for the Year Ended 31 July 2008**

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	Note	Group 2008 £000	Group 2007 £000
<b>Net Cash Inflow from Operating Activities</b> .....	24	15,013	20,726
Returns on Investments and Servicing of Finance .....	25	817	279
Capital Expenditure and Financial Investment .....	26	<u>(13,064)</u>	<u>(11,932)</u>
<b>Cash Inflow before Use of Liquid Resources and Financing</b> .....		2,766	9,073
Management of Liquid Resources .....	27	(3,222)	(7,363)
Financing.....	28	<u>(198)</u>	<u>(1,601)</u>
<b>(Decrease)/Increase in Cash</b> .....	29	<u><b>(654)</b></u>	<u><b>109</b></u>

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

	Note	Group 2008 £000	Group 2007 £000
(Decrease)/Increase in Cash in the year .....		(654)	109
Increase in Short Term Deposits .....	27	2,928	7,319
Decrease in bank loans after one year.....	28	<u>198</u>	<u>1,601</u>
Change in Net Cash .....		2,472	9,029
Net Cash/(Debt) at 1 August .....		<u>4,218</u>	<u>(4,811)</u>
Net Cash at 31 July .....	29	<u><b>6,690</b></u>	<u><b>4,218</b></u>

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

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	Note	Group 2008 £000	Group 2007 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax.....		9,597	3,420
Actuarial (loss)/gain in respect of pension schemes .....	20	(6,935)	12,795
(Depreciation)/Appreciation of endowment asset investments .....	18	(370)	250
Net additions from endowment asset investments.....	18	32	559
Endowment income retained/(released) for year .....	18	12	(6)
Unrealised (losses)/gains on investments .....	19	(87)	373
<b>Total recognised gains and losses relating to the period .....</b>		<b><u>2,249</u></b>	<b><u>17,391</u></b>
<b>Reconciliation of movement in reserves and endowments</b>			
Opening reserves and endowments .....		143,154	125,763
Total recognised gains for the year .....		<u>2,249</u>	<u>17,391</u>
Closing reserves and endowments .....		<b><u>145,403</u></b>	<b><u>143,154</u></b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts

Note	<b>Group 2008 £000</b>	<b>Group 2007 £000</b>
<b>1 Funding Council Grants</b>		
Recurrent Grant .....	86,555	83,936
Specific Grants		
Special Initiatives .....	297	294
Other .....	565	661
Deferred Capital Grants Released in Year (Note 17)		
Buildings .....	1,031	978
Equipment .....	548	352
	<b>88,996</b>	<b>86,221</b>
	<b>Group 2008 £000</b>	<b>Group 2007 £000</b>
<b>2 Academic Fees and Support Grants</b>		
Full-time students .....	28,862	22,847
Full-time students charged overseas fees .....	2,404	2,297
Part-time fees .....	4,350	4,268
Short Course Fees .....	1,028	944
	<b>36,644</b>	<b>30,356</b>
	<b>Group 2008 £000</b>	<b>Group 2007 £000</b>
<b>3 Research Grants and Contracts</b>		
Research Councils .....	5,934	4,911
UK Charities .....	1,250	1,015
EU Government .....	2,880	2,963
UK Central Government .....	8,921	8,354
Overseas (Non-EU) .....	154	126
Health and Hospital Authorities .....	465	495
Other Sources .....	3,754	3,419
	<b>23,358</b>	<b>21,283</b>
	<b>Group 2008 £000</b>	<b>Group 2007 £000</b>
<b>4 Other Operating Income</b>		
Residences, Catering and Conferences .....	5,266	5,114
Other Services Rendered .....	6,525	6,189
Other Income .....	11,845	12,953
Allied Health Professions Training .....	13,074	11,409
	<b>36,710</b>	<b>35,665</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

		<b>Group 2008</b>	<b>Group 2007</b>
		<b>£000</b>	<b>£000</b>
<b>Note</b>			
<b>5</b>	<b>Endowment Income and Interest Receivable</b>		
	Income from Expendable Endowments .....	12	14
	Income from Permanent Endowments .....	131	141
	Income from Short Term Investments .....	979	515
	Net return on pension assets (Note 30) .....	577	191
		<b>1,699</b>	<b>861</b>
		<b>Group 2008</b>	<b>Group 2007</b>
		<b>£000</b>	<b>£000</b>
<b>6</b>	<b>Staff Costs</b>		
	Wages and Salaries.....	93,893	88,732
	Social Security Costs .....	7,554	7,197
	Other Pension Costs (Note 30) .....	12,428	12,498
		<b>113,875</b>	<b>108,427</b>
	Emoluments of the Vice-Chancellor .....		
	Salary .....	174	160
	Benefits .....	24	27
	Pension contributions to USS .....	27	25
	Excluding the Vice-Chancellor, remuneration of other Higher Paid Staff, including employer's pension contributions was in the following bands:-		
	£100,000 - £109,999 .....	5	2
	£110,000 - £119,999 .....	11	8
	The average weekly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:-		
	Academic .....	1,200	1,221
	Technical .....	222	229
	Administrative.....	466	448
	Other including Clerical and Manual.....	1,017	1,068
		<b>2,905</b>	<b>2,966</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

7 Other Operating Expenses	<b>Group 2008</b>	<b>Group 2007</b>
	<b>£000</b>	<b>£000</b>
Residences, Catering and Conferences operating expenses .....	2,586	2,565
Consumables and laboratory expenditure .....	2,878	2,911
Equipment not capitalised .....	2,791	1,848
Books and periodicals .....	2,800	3,774
Fellowships, scholarships and prizes .....	164	208
Rates .....	2,265	2,883
Heat, light, water and power .....	3,572	3,343
Long term maintenance .....	4,405	3,407
Grants to University of Ulster Students' Union .....	1,087	1,027
External Auditors' remuneration .....	60	64
External Auditors' remuneration in respect of non-audit services ....	84	75
Internal Auditors' remuneration .....	129	155
Printing and stationery .....	1,191	1,472
Travel, subsistence and hospitality .....	5,675	5,630
Miscellaneous academic support .....	1,865	2,047
Telephone and postage .....	1,161	1,153
Legal and professional fees .....	6,927	6,362
Advertising and publicity .....	1,251	1,149
Student Support .....	9,443	8,137
Other expenses .....	1,062	1,358
	<b>51,396</b>	<b>49,568</b>
8 Interest Payable	<b>Group 2008</b>	<b>Group 2007</b>
	<b>£000</b>	<b>£000</b>
Repayable within 5 years not by instalments .....	—	82
Loans not wholly repayable within five years .....	305	310
	<b>305</b>	<b>392</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### 9 Analysis of 2008 Expenditure by Activity

	Staff Costs	Depreciation	Other Operating Expenses	Interest	Total
	£000	£000	£000	£000	£000
Academic Departments .....	67,111	648	6,074	—	73,833
Academic Services .....	10,453	1,224	7,442	—	19,119
Research Grants & Contracts .....	7,072	2,459	9,841	—	19,372
Residences, Catering & Conferences .....	3,750	533	3,239	—	7,522
Premises .....	6,885	6,784	7,178	305	21,152
Administration .....	12,218	574	11,334	—	24,126
Other Expenses .....	6,386	—	6,288	—	12,674
	<u>113,875</u>	<u>12,222</u>	<u>51,396</u>	<u>305</u>	<u>177,798</u>

**£000**

The depreciation charged has been funded by:-

Release from Deferred Capital Grants .....	2,103
Release from Research Grants and Contracts .....	3,320
Release from Revaluation Reserve (Note 19) .....	3,499
General income .....	3,300
	<u>12,222</u>

### 10 Negative Goodwill

	Group 2008	University 2008	Group 2007	University 2007
	£000	£000	£000	£000
<b>Cost (or valuation)</b>				
At 1 August .....	(4,748)	(4,751)	(4,748)	(4,751)
<b>Amortisation</b>				
At 1 August .....	784	787	661	664
Charged in year .....	123	123	123	123
At 31 July .....	<u>907</u>	<u>910</u>	<u>784</u>	<u>787</u>
<b>Net Book Value</b>				
At 31 July .....	<u>(3,841)</u>	<u>(3,841)</u>	<u>(3,964)</u>	<u>(3,964)</u>

At the year end, the Group and the University had negative goodwill of £3.841m (2007, £3,964m).

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### 11 Tangible Assets (Group)

	<b>Freehold Land &amp; Buildings</b>	<b>Construction In Progress</b>	<b>Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Valuation or cost</b>				
At 1 August 2007				
Valuation .....	131,617	—	—	131,617
Cost .....	129,598	20,190	39,403	189,191
Additions at Cost.....	4,569	16,732	4,040	25,341
Transfer CIP .....	35,681	(35,681)	—	—
Disposals .....	—	—	(10)	(10)
At 31 July 2008				
Valuation .....	131,617	—	—	131,617
Cost .....	169,848	1,241	43,433	214,522
.....	<b>301,465</b>	<b>1,241</b>	<b>43,433</b>	<b>346,139</b>
<b>Depreciation</b>				
At 1 August 2007 .....				
At 1 August 2007 .....	44,632	—	32,710	77,342
Charge for Year .....	7,757	—	4,465	12,222
Disposals .....	—	—	(5)	(5)
At 31 July 2008 .....	<b>52,389</b>	<b>—</b>	<b>37,170</b>	<b>89,559</b>
<b>Net Book Value</b>				
At 31 July 2008 .....	<b>249,076</b>	<b>1,241</b>	<b>6,263</b>	<b>256,580</b>
At 31 July 2007 .....	<b>216,583</b>	<b>20,190</b>	<b>6,693</b>	<b>243,466</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### 11 Tangible Assets (University)

	<b>Freehold Land &amp; Buildings</b>	<b>Construction In Progress</b>	<b>Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Valuation or cost</b>				
At 1 August 2007				
Valuation .....	131,617	—	—	<b>131,617</b>
Cost .....	123,320	20,189	39,523	<b>183,032</b>
Additions at Cost.....	9,115	16,732	3,912	<b>29,759</b>
Transfer CIP .....	35,680	(35,680)	—	—
At 31 July 2008				
Valuation .....	131,617	—	—	<b>131,617</b>
Cost .....	168,115	1,241	43,435	<b>212,791</b>
.....	<b>299,732</b>	<b>1,241</b>	<b>43,435</b>	<b>344,408</b>
<b>Depreciation</b>				
At 1 August 2007.....				
	43,740	—	32,994	<b>76,734</b>
Charge for Year .....	7,480	—	4,365	<b>11,845</b>
At 31 July 2008 .....	<b>51,220</b>	—	<b>37,359</b>	<b>88,579</b>
<b>Net Book Value</b>				
At 31 July 2008 .....				
	<b>248,512</b>	<b>1,241</b>	<b>6,076</b>	<b>255,829</b>
At 31 July 2007 .....	<b>211,197</b>	<b>20,189</b>	<b>6,529</b>	<b>237,915</b>



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

	Group 2008	University 2008	Group 2007	University 2007
	£000	£000	£000	£000
<b>12 Investments</b>				
Investment in University Challenge Fund...	250	250	250	250
Investment in UUTECH Limited .....	1,867	—	1,530	—
Investment in UUSR Limited.....	—	414	—	414
Investment in UU Bibliotech Limited .....	—	2,778	—	2,778
Investment in UU Services Limited .....	—	100	—	100
Investment in UU Tech Limited .....	—	1,030	—	1,030
Investment in Greenshoots-Newry Ltd .....	—	—	120	120
	<b>2,117</b>	<b>4,572</b>	<b>1,900</b>	<b>4,692</b>

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

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

UU Tech investment movement during the year:

	Cost	Revaluation	Valuation
	£000	£000	£000
At 1 August.....	1,111	419	1,530
Investments made at cost.....	294	—	294
Provision for impairment in value.....	130	(87)	43
<b>At 31 July.....</b>	<b>1,535</b>	<b>332</b>	<b>1,867</b>

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

UU Bibliotech Limited is a wholly owned subsidiary incorporated in Northern Ireland which provided library services to the University. The Company ceased to trade in 2007, however, there has been no impairment to the investment as the value of net assets exceeded the carrying value of the investment. The Company has been placed into Member's Voluntary Liquidation post year end.

UU Services Limited is a wholly owned subsidiary incorporated in Northern Ireland which provided food services in the Jordanstown and Magee Campuses. The Company ceased to trade at 31 July 2007, however, there has been no impairment to the investment as the value of net assets exceeded the carrying value of the investment. The Company has been placed into Member's Voluntary Liquidation post year end.

Greenshoots-Newry Ltd Technology and Innovation Centre is a partnership with Newry & Kilkeel Institute of Further and Higher Education to provide business incubation and technology transfer support to the local business community. The movement on the Greenshoots-Newry investment has resulted from the provision made during the year.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

	<b>Group and University 2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>13 Endowment Asset Investments</b>		
Balance at 1 August .....	4,088	3,285
Additions .....	732	1,316
Disposals.....	(724)	(872)
Increase in cash balances held at fund managers .....	36	109
Net appreciation on disposal and/or revaluation .....	(370)	250
Balance at 31 July .....	<b>3,762</b>	<b>4,088</b>
Investments held at the end of the year are detailed as follows:		
Securities .....	3,565	3,927
Cash at bank held for endowment funds .....	197	161
Total Endowment Asset Investments.....	<b>3,762</b>	<b>4,088</b>

The figures for 2007 are restated to reflect the most up-to-date guidance on accounting treatment contained within the Higher Education SORP (Statement of Recommended Practice).

	<b>Group 2008</b>	<b>University 2008</b>	<b>Group 2007</b>	<b>University 2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>14 Debtors</b>				
Amounts falling due within one year				
Debtors .....	11,083	10,483	13,908	13,344
Amounts owed by group undertakings:				
Subsidiary undertakings.....	—	1,846	—	4,572
Prepayments and accrued income .....	2,149	1,946	1,090	977
	<b>13,232</b>	<b>14,275</b>	<b>14,998</b>	<b>18,893</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

15	<b>Creditors: Amounts Falling Due within One Year</b>	<b>Group 2008</b>	<b>University 2008</b>	<b>Group 2007</b>	<b>University 2007</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	Bank loans and overdraft.....	837	3,335	206	206
	Trade creditors.....	23,021	21,325	23,896	22,262
	Other taxation and social security .....	4,073	4,073	3,734	3,734
	Accruals .....	5,038	4,344	4,266	4,001
		<b><u>32,969</u></b>	<b><u>33,077</u></b>	<b><u>32,102</u></b>	<b><u>30,203</u></b>
16	<b>Creditors: Amounts Falling Due after more than One Year</b>	<b>Group 2008</b>	<b>University 2008</b>	<b>Group 2007</b>	<b>University 2007</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	Bank loans .....	5,345	5,345	5,484	5,484
	Amounts owed by group undertakings				
	Subsidiary undertakings .....	—	609	—	645
		<b><u>5,345</u></b>	<b><u>5,954</u></b>	<b><u>5,484</u></b>	<b><u>6,129</u></b>
		<b>Group 2008</b>	<b>University 2008</b>	<b>Group 2007</b>	<b>University 2007</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	Bank loans and overdrafts				
	Amounts falling due:				
	Less than one year (note 15).....	837	3,335	206	206
	Between one and two years .....	154	154	164	164
	Between two and five years .....	518	518	489	489
	Greater than five years.....	4,673	4,673	4,831	4,831
		<b><u>6,182</u></b>	<b><u>8,680</u></b>	<b><u>5,690</u></b>	<b><u>5,690</u></b>

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

17 Deferred Capital Grants - Group	Department for Employment and Learning	Other Grants	2008 Total	2007 Total
	£000	£000	£000	£000
At 1 August				
Buildings .....	37,749	36,240	73,989	63,237
Equipment .....	1,383	870	2,253	1,405
<b>Total .....</b>	<b>39,132</b>	<b>37,110</b>	<b>76,242</b>	<b>64,642</b>
Cash Received				
Buildings .....	4,179	2,703	6,882	13,057
Equipment .....	633	2,010	2,643	3,234
<b>Total .....</b>	<b>4,812</b>	<b>4,713</b>	<b>9,525</b>	<b>16,291</b>
Released to Income & Expenditure				
Buildings .....	1,031	1,378	2,409	2,305
Equipment .....	548	2,466	3,014	2,386
<b>Total .....</b>	<b>1,579</b>	<b>3,844</b>	<b>5,423</b>	<b>4,691</b>
At 31 July				
Buildings .....	40,897	37,565	78,462	73,989
Equipment .....	1,468	414	1,882	2,253
<b>Total at 31 July .....</b>	<b>42,365</b>	<b>37,979</b>	<b>80,344</b>	<b>76,242</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

17 Deferred Capital Grants - University	Department for Employment and Learning	Other Grants	2008 Total	2007 Total
	£000	£000	£000	£000
At 1 August				
Buildings .....	37,750	33,197	70,947	53,848
Equipment .....	1,383	857	2,240	1,379
<b>Total .....</b>	<b>39,133</b>	<b>34,054</b>	<b>73,187</b>	<b>55,227</b>
Cash Received				
Buildings .....	4,178	2,703	6,881	19,228
Equipment .....	632	1,912	2,544	3,235
<b>Total .....</b>	<b>4,810</b>	<b>4,615</b>	<b>9,425</b>	<b>22,463</b>
Released to Income & Expenditure				
Buildings .....	1,031	1,230	2,261	2,129
Equipment .....	548	2,459	3,007	2,374
<b>Total .....</b>	<b>1,579</b>	<b>3,689</b>	<b>5,268</b>	<b>4,503</b>
At 31 July				
Buildings .....	40,897	34,670	75,567	70,947
Equipment .....	1,467	310	1,777	2,240
<b>Total at 31 July .....</b>	<b>42,364</b>	<b>34,980</b>	<b>77,344</b>	<b>73,187</b>

**UNIVERSITY OF ULSTER GROUP ACCOUNTS**  
**Notes to the Accounts - Continued**

**18 Endowments**

	<b>Unrestricted Permanent</b>	<b>Restricted Permanent</b>	<b>Total Permanent</b>	<b>Restricted Expendable</b>	<b>2008 Total</b>	<b>2007 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balances at 1 August						
Capital	1,462	1,535	2,997	1,133	<b>4,130</b>	3,336
Accumulated Income	(26)	96	70	(112)	<b>(42)</b>	(51)
	<u>1,436</u>	<u>1,631</u>	<u>3,067</u>	<u>1,021</u>	<u><b>4,088</b></u>	<u>3,285</u>
New Endowments	—	31	31	1	<b>32</b>	560
Investment Income	50	58	108	35	<b>143</b>	155
Expenditure	(11)	(43)	(54)	(77)	<b>(131)</b>	(162)
	<u>39</u>	<u>15</u>	<u>54</u>	<u>(42)</u>	<u><b>12</b></u>	<u>(7)</u>
(Decrease)/Increase in market value of investments	(166)	(145)	(311)	(59)	<b>(370)</b>	250
<b>At 31 July</b>	<u><b>1,309</b></u>	<u><b>1,532</b></u>	<u><b>2,841</b></u>	<u><b>921</b></u>	<u><b>3,762</b></u>	<u><b>4,088</b></u>
Represented by						
Capital	1,296	1,241	2,717	1,075	<b>3,792</b>	4,130
Accumulated income	13	111	124	(154)	<b>(30)</b>	(42)
	<u><b>1,309</b></u>	<u><b>1,532</b></u>	<u><b>2,841</b></u>	<u><b>921</b></u>	<u><b>3,762</b></u>	<u><b>4,088</b></u>

The figures for 2007 are restated to reflect the most up-to-date guidance on accounting treatment contained within the Higher Education SORP (Statement of Recommended Practice). In order to derive the split between capital and accumulated income above, the University has used records dating back to 2003, the earliest date that the relevant records were available.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

19 Revaluation Reserve	Group 2008 £000	University 2008 £000	Group 2007 £000	University 2007 £000
Gross Revaluation surplus				
At 1 August .....	140,761	134,303	140,388	134,303
(Devalued)/Revalued in Year.....	(87)	—	373	—
	<u>140,674</u>	<u>134,303</u>	<u>140,761</u>	<u>134,303</u>
Contribution to Depreciation				
At 1 August .....	36,361	30,371	32,862	26,872
Released in Year.....	3,499	3,499	3,499	3,499
	<u>39,860</u>	<u>33,870</u>	<u>36,361</u>	<u>30,371</u>
Net Revaluation Surplus				
At 1 August .....	100,400	103,932	107,526	107,431
At 31 July .....	<u>100,814</u>	<u>100,433</u>	<u>104,400</u>	<u>103,932</u>
20 Pension Reserve			Group and University 2008 £000	Group and University 2007 £000
Balance at 1 August .....			(13,253)	(24,385)
Transfer to Income and Expenditure Account Reserve (Note 21)*			(276)	(1,663)
Actuarial (loss)/profit in respect of pension reserve (Note 30) .....			(6,935)	12,795
Balance at 31 July.....			<u>(20,464)</u>	<u>(13,253)</u>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

21	<b>Income and Expenditure Account Reserve</b>	<b>Group 2008</b>	<b>University 2008</b>	<b>Group 2007</b>	<b>University 2007</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	Balance at 1 August .....	47,919	52,870	39,337	45,070
	Surplus after depreciation of assets at valuation, before and after tax.....	9,597	9,901	3,420	2,638
	Release from Revaluation Reserve.....	3,499	3,499	3,499	3,499
	Transfer from Pension Reserve (Note 20)*	276	276	1,663	1,663
	Balance at 31 July.....	<u>61,291</u>	<u>66,546</u>	<u>47,919</u>	<u>52,870</u>

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

22	<b>Capital Commitments</b>	<b>Group and University 2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
	Commitments contracted at 31 July	3,730	12,928
	Authorised but not contracted at 31 July	3,212	3,460
		<u>6,942</u>	<u>16,388</u>

### 23 Contingent Liabilities

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



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

	<b>Group 2008</b>	<b>Restated Group 2007</b>
	<b>£000</b>	<b>£000</b>
<b>24 Reconciliation of Consolidated Operating Surplus to Net Cash Inflows from Operating Activities</b>		
Surplus after depreciation of assets at valuation before tax .....	9,597	3,420
Depreciation (Note 11) .....	12,222	12,586
Amortisation of Goodwill (Note 10) .....	(123)	(123)
Deferred Capital Grants Released to Income (Note 17).....	(5,423)	(4,691)
Investment Income (Note 5) .....	(979)	(515)
Endowment Income .....	(143)	(155)
Interest Payable .....	305	392
Decrease in Stocks.....	—	371
(Increase)/Decrease in Debtors.....	(957)	1,065
Increase in Creditors.....	236	6,720
Pension Costs Less Contributions Payable .....	276	1,663
Write-off of Investments.....	120	—
Revaluation of Investments .....	(130)	—
Endowment Fund Transfer .....	12	(7)
<b>Net Cash Inflow from Operating Activities .....</b>	<b>15,013</b>	<b>20,726</b>
 <b>25 Returns on Investments and Servicing of Finance</b>	 <b>Group 2008</b>	 <b>Group 2007</b>
	<b>£000</b>	<b>£000</b>
Income from Endowments .....	143	156
Income from Short Term Investments (Note 5).....	979	515
Interest Paid (Note 8).....	(305)	(392)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>817</b>	<b>279</b>
 <b>26 Capital Expenditure and Financial Investment</b>	 <b>Group 2008</b>	 <b>Group 2007</b>
	<b>£000</b>	<b>£000</b>
Tangible Assets Acquired (Note 11) .....	(25,336)	(26,042)
Endowment Funds Invested .....	(8)	(444)
Receipts from Sales of Fixed Assets .....	—	1,110
Deferred Capital Grants Received (Note 17) .....	12,248	12,885
Endowments Received .....	32	559
<b>Net cash outflow from capital expenditure and final investment</b>	<b>(13,064)</b>	<b>(11,932)</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

<b>27</b>	<b>Management of Liquid Resources</b>	<b>Group 2008</b>	<b>Group 2007</b>
		<b>£000</b>	<b>£000</b>
	(Addition) to deposits .....	(2,928)	(7,319)
	Purchase of investments .....	(294)	(44)
	<b>Net cash (outflow) from management of liquid resources</b>	<b>(3,222)</b>	<b>(7,363)</b>
<b>28</b>	<b>Financing</b>	<b>Group 2008</b>	<b>Group Total</b>
		<b>£000</b>	<b>£000</b>
	Balance at 1 August 2007 .....	5,690	7,291
	Loan Repayments .....	(198)	(1,601)
	<b>Balance at 31 July 2008</b> .....	<b>5,492</b>	<b>5,690</b>
<b>29</b>	<b>Analysis of Changes in Net Cash</b>	<b>Cash Flow</b>	<b>At 31 July 2008</b>
		<b>£000</b>	<b>£000</b>
	<b>Cash at Bank and in Hand</b>		
	Endowment Assets .....	36	197
	Bank Overdraft .....	(690)	(690)
		<b>161</b>	<b>(493)</b>
	 Short Term Deposits .....	 2,928	 12,675
	Bank Loans .....	(5,690)	(5,492)
		<b>4,057</b>	<b>7,183</b>
	 <b>Total</b> .....	 <b>2,472</b>	 <b>6,690</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

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### 30 Pension Schemes

The University participates in four pension schemes. The two principal schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund (NILGOSC). A small number of employees belong to two other schemes, the Teachers Superannuation Scheme (TSS) and Health and Personal Social Services Superannuation Scheme (HPSS). All of these schemes are defined benefit schemes, which are externally funded and contracted out of the State Second Pension. The assets of each scheme are held in a separate trustee-administered fund. It is not possible to identify institutions share of the underlying assets and liabilities of the scheme in USS, TSS and HPSS as required by FRS17 "Retirement Benefits" and as a result the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

#### USS Scheme

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

The last actuarial valuations of the USS scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions and the assumed rates of mortality.

In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:-

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:-

Males:	19.8 years
Females:	22.8 years

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

Since 31 March 2005 the funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (ie the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

The University contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the Trustee company, on the advice of the actuary, decided to maintain the University's contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:-

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 billion

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the view of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of the covenant of the employer enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

### NILGOSC Fund

The University is able to identify its share of the underlying assets and liabilities of the NILGOSC scheme and accordingly present the following information required by FRS17:

A valuation of the fund was carried out at 31 March 2007 and updated to 31 July 2008 by a qualified independent actuary.

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

<b>Balance Sheet</b>	<b>At 31 July 2008</b>	<b>At 31 July 2007</b>	<b>At 31 July 2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of scheme liabilities .....	(105,293)	(102,565)	(104,695)
Fair value of scheme assets .....	84,855	89,384	80,310
Present value of unfunded liabilities .....	(26)	(72)	—
<b>Net pension liability</b> .....	<b>(20,464)</b>	<b>(13,253)</b>	<b>(24,385)</b>
<b>Movements in present value of defined benefit obligation</b>			
		<b>At 31 July 2008</b>	<b>At 31 July 2007</b>
		<b>£000</b>	<b>£000</b>
At beginning of the year .....		(102,637)	(104,695)
Current Service Cost .....		(3,129)	(3,795)
Member contributions .....		(1,059)	(1,043)
Past Service Cost .....		—	(21)
Impact of settlements and curtailments .....		(170)	(10)
Interest cost .....		(5,985)	(5,393)
Benefits paid .....		3,234	2,787
Actuarial gains .....		4,427	9,533
<b>At end of year</b> .....		<b>(105,319)</b>	<b>(102,637)</b>
<b>Movements in fair value of plan assets</b>			
		<b>At 31 July 2008</b>	<b>At 31 July 2007</b>
		<b>£000</b>	<b>£000</b>
At beginning of the year .....		89,384	80,311
Expected return on assets .....		6,562	5,584
Employer contributions .....		2,444	1,968
Member contributions .....		1,059	1,043
Benefits paid .....		(3,232)	(2,784)
Actuarial (losses)/gains .....		(11,362)	3,262
<b>At end of year</b> .....		<b>84,855</b>	<b>89,384</b>
<b>Expense recognised in the income and expenditure accounts</b>			
		<b>At 31 July 2008</b>	<b>At 31 July 2007</b>
		<b>£000</b>	<b>£000</b>
Current service cost .....		3,129	3,875
Timing difference relating to employer contribution .....		18	—
Past service cost .....		—	21
Curtailments and settlements .....		170	10
Interest on defined benefit pension plan obligation .....		5,985	5,393
Expected return on defined benefit pension plan assets .....		(6,562)	(5,584)
<b>Total</b> .....		<b>2,740</b>	<b>3,715</b>

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

The expense is recognised in the following line items in the income and expenditure account:

	At 31 July 2008	At 31 July 2007
	£000	£000
Staff costs (see page 42) .....	3,317	3,906
Endowment and interest receivable (note 5) .....	(577)	(191)
	<b>2,740</b>	<b>3,715</b>

The total amount recognised in the statement of the total recognised gains and losses in respect of actuarial loss is £6,935k (2007: £12,795k - gain).

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 are subsequently included by prior year adjustment under paragraph 96 of FRS17, are £2.662m (2007 : £9.597m).

The fair value of the plan assets and the return on those assets were as follows:-

	At 31 July 2008	At 31 July 2007
	Fair Value	Fair Value
	£000	£000
Equities .....	64,946	65,945
Bonds .....	11,462	14,402
Property .....	6,790	7,435
Cash .....	1,657	1,602
<b>Actual return on plan assets</b> .....	<b>84,855</b>	<b>89,384</b>

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

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:-

	At 31 July 2008	At 31 July 2007	At 31 July 2006
Inflation rate	3.8%	3.3%	3.1%
Rate of increase in pensionable shares	5.3%	4.8%	4.6%
Rate of pension increase	3.8%	3.3%	3.1%
Discount rate	6.7%	5.8%	5.1%

### Mortality

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

### Commutation

An allowance is included for 50% of future retirements to elect additional tax-free cash up to HMRC limits.

History of Experience Gains and Losses	At 31 July 2008	At 31 July 2007	At 31 July 2006	At 31 July 2005
	£000/%	£000/%	£000/%	£000/%
Difference between the expected and actual return on scheme assets:				
Amount	(11,362)	3,262	4,904	7,100
Percentage of scheme assets	(13.4)%	3.8%	6.1%	10.0%
Experience gains and losses on scheme liabilities:				
Amount	190	(79)	1	(51)
Percentage of the present value of scheme liabilities	0.2%	(0.1)%	0.0%	(0.5)%
Total amount recognised in statement of total recognised gains and losses:				
Amount	(6,935)	12,795	933	(4,131)
Percentage of the present value of scheme liabilities	(6.6)%	12.5%	0.9%	(4.4)%

The University expects to contribute approximately £2.659m to its defined benefit plans in the next financial year.

The total pension cost for the University was:	Group 2008	Group 2007
	£000	£000
Contributions to USS.....	9,088	8,572
Charge to staff cost - NILGOSC (see page 41).....	3,317	3,906
Contribution to TSS.....	15	18
Contribution to HPSS.....	8	2
<b>Total Pension Cost (Note 6).....</b>	<b>12,428</b>	<b>12,498</b>

31 Student Support Funds	Group 2008	Group 2007
	£000	£000
Balance Carried Forward.....	98	20
Funding Council Grants.....	884	884
Disbursed to Students.....	(941)	(806)
<b>Balance Underspent at 31 July.....</b>	<b>41</b>	<b>98</b>

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

# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

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### 32 Subsidiary Company Information

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

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

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

The companies are all registered and operate in Northern Ireland. UU Health Limited provides education and training for Nursing and Midwifery and Allied Health Professions. UUTECH Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities. UUSRP Limited (University of Ulster Science Research Park) is a property management and development company for technology transfer. UU Services Limited and UU Bibliotech Limited ceased to trade in July 2007 and were dormant for the year.

As the subsidiary companies are 100% owned by the University of Ulster, it has taken advantage of the exemption available not to disclose its transactions with other members of the Group headed by the University of Ulster.

There is a cross guarantee in place between the University of Ulster, UU Health Limited, UUSRP Limited, UU Bibliotech Limited and UU Services Limited with the Bank of Ireland for banking services. This is limited to the available overdraft facility of £5 million.

### 33 Joint Venture Information

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

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

### 34 Other Investments

The University holds 33% of the issued ordinary share capital of the University Challenge Fund. In addition, through UUTECH Limited, its wholly owned subsidiary, the University holds 17% of the issued share capital in CDC Limited, 7.65% of Datactics Limited, 44.4% of Diabetica Limited, 9.3% of Sensor Technology and Devices (ST&D), 4.4% of Crescent Capital II LP, 20% of Sophia Search Limited, 50% in EFMB, 5.7% of Axis Three Limited and 2.5% of Gendel Limited. The University does not exercise significant control in these entities and therefore accounts for them as investments.



# UNIVERSITY OF ULSTER GROUP ACCOUNTS

## Notes to the Accounts - Continued

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The results of Diabetica Limited for the last financial year is:-

<b>Diabetica Limited</b>	
<b>£000</b>	
Loss for the last financial year .....	(96)
Aggregate amount of capital and reserves at the end of the last financial year .....	142

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

	<b>2008</b>	<b>2007</b>
	<i>%</i>	<i>%</i>
<b>Eyesyphx Ltd</b>	<b>13.8%</b>	13.8%
<b>Bitt Ware Inc (acquirer of EZ-DSP Ltd)</b>	<b>1.7%</b>	1.7%
<b>8 over 8</b>	—	0.8%
<b>Propertyfriend.com</b>	—	16.7%

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

### 35 Related Party Transactions

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



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