



FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST JULY 2009

University of Ulster

*FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2009
ISSN 0307-496X*

UNIVERSITY OF ULSTER GROUP ACCOUNTS

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UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review

This report presents the financial results for the University and its subsidiary undertakings for the year ended 31 July 2009 and provides details of the key achievements of the University in the year as well as noting the challenges and pressures of the environment within which it operates.

SCOPE OF THE FINANCIAL STATEMENTS

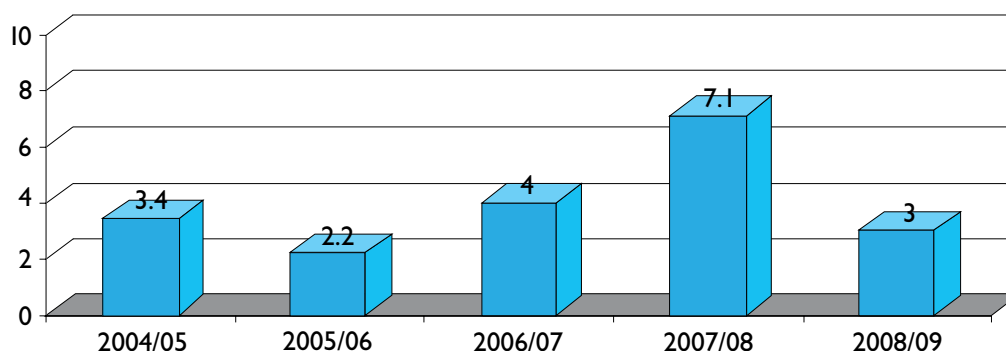
The financial statements, presented to the University Council, have been prepared on a consolidated basis and include the results of the University and its subsidiary companies as set out within note 32.

RESULTS FOR THE YEAR

Total income for the year increased by 7.6% to £201.6m. Total expenditure for the year increased by 13.4% to £201.5m, giving a surplus after depreciation of assets at valuation of £81k. After accounting for the revaluation reserve release of £5.9m the University reported a surplus of £6m which equates to 3%, against the Finance Strategy target of 1.95%. The financial statements for 31 July 2009 include a number of “one off” adjustments relating to the transfer of activities from Portrush, the “write off” of residences at the Jordanstown campus to facilitate the Residences Development undertaken by a private sector provider for 346 additional bed spaces and an additional FRS 17 adjustment relating to the NILGOSC pension scheme. The impact of these is shown below:-

	2008-09	2007-08
	£k	£k
Surplus on Operating Activities	5,795	13,372
FRS 17 Adjustment.....	(2,347)	(276)
Revaluation Release Land and Buildings.....	2,568	—
	6,016	13,096
Historical Cost Surplus.....		

Underlying Surplus (%)



UNIVERSITY OF ULSTER GROUP ACCOUNTS

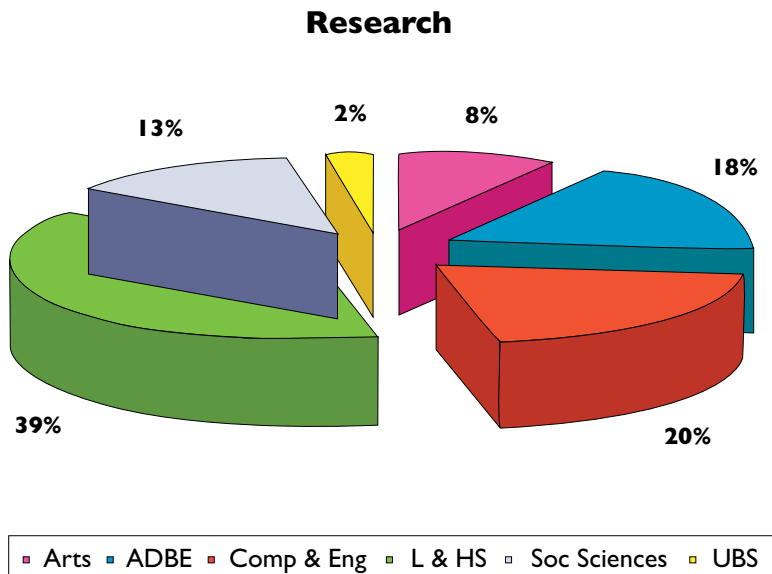
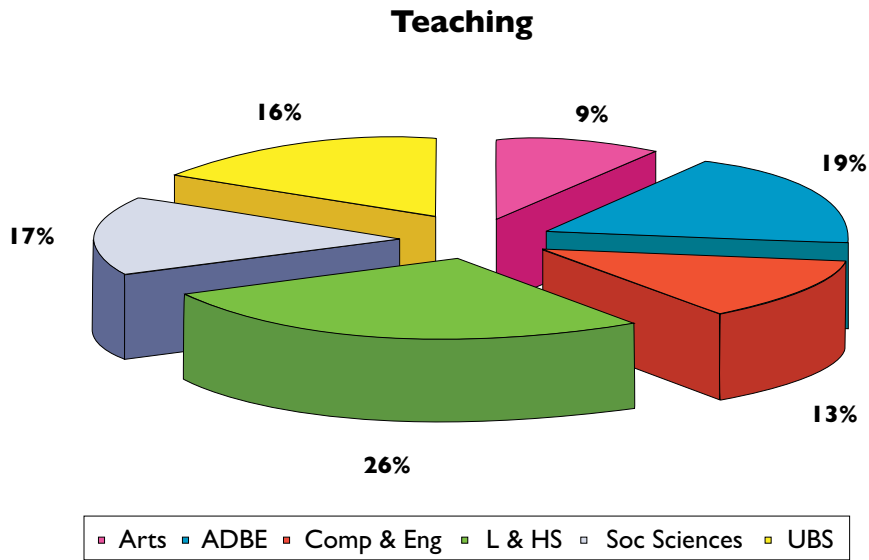
Operating and Financial Review - Continued

REVIEW OF INCOME

The University's teaching and research activity is operated through six Faculties, namely the:-

- Faculty of Arts
- Faculty of Art, Design and Built Environment
- Faculty of Computing and Engineering
- Faculty of Life and Health Sciences
- Faculty of Social Sciences
- Ulster Business School

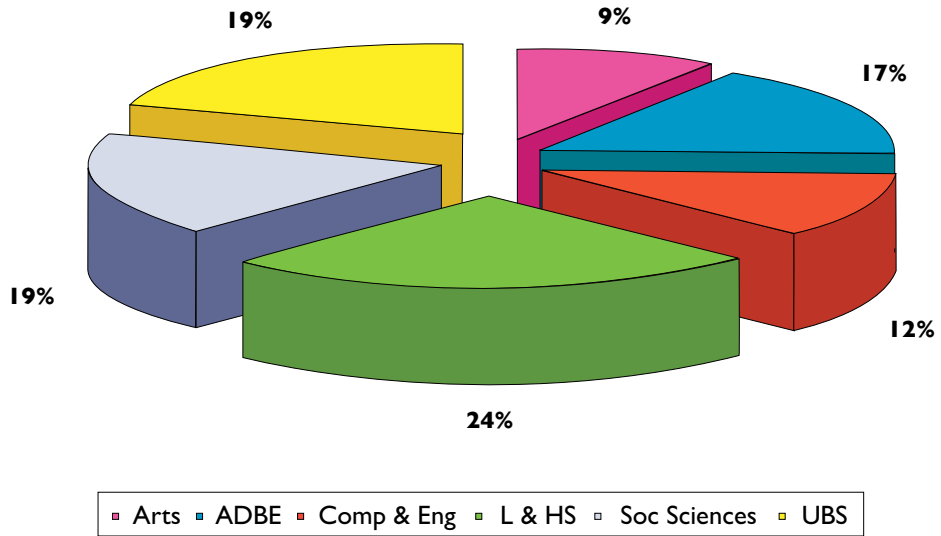
The split of Teaching and Research Income is highlighted below:-



UNIVERSITY OF ULSTER GROUP ACCOUNTS

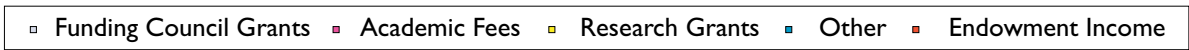
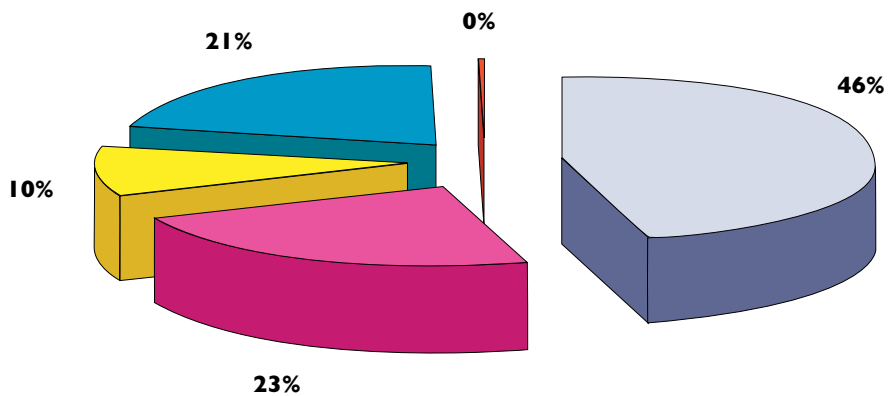
Operating and Financial Review - Continued

The proportion of students by Faculty is:-



INCOME GROWTH AND DIVERSIFICATION

The University's income is divided into five areas; the relative proportions of which are shown in the diagram below:-



UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

The University's total income in 2008/09 grew by 5.5% (excluding negative goodwill adjustment) compared to an increase of 7.5% in the previous year.

The growth by funding source is detailed below:-

Funding Council Grants	3.4%
Academic Fees and Support Grants	24.4%
Research Grants and Contracts	(11.8%)
Other Operating Income	5.7%
Endowment Income and Interest Receivable	(61.6%)

The main change in academic fees and support grants is accounted for by a £7.4m (25.8%) increase in full time student fees, reflecting the third year since the introduction of variable student fees, £1.1m (45%) increase in full time overseas fees and £0.4m (9.7%) increase in part time fees.

The reduction in Research Grants and Contracts income arises from a reduction in European Union activity which is accounted for by the end of the Framework 6 programme and delays in commencing the Framework 7 programme and a reduction in UK Government funding which relates to the completion of a number of Support Programmes for University Research (SPUR) funded programmes.

EXPENDITURE GROWTH

Adjusting for the transfer of the land and buildings at the Jordanstown Campus to facilitate the Residences Development and the FRS 17 adjustments, total expenditure increased by 10.6%. This growth is detailed below:-

Staff Costs	6.4%
Depreciation	23.6%
Other Expenses	16.6%
Interest Payable	29.8%

While the average number of staff employed by the University fell by 2% the average salary cost rose from £38,906 in 2008 to £42,243 in 2009, an increase of 8.6%. Staff cost to income ratio at 60.8% (excluding FRS 17) remains higher than the Corporate Plan target of 60%.

The increase in depreciation is in line with the increase in capital additions reported in the financial statements to 31 July 2008. The increase in Other Operating Expenses of £8.5m is primarily accounted for by additional maintenance work at £3.9m (in line with the Estates Strategy) and Student Support of £2.2m, relating to the increase in tuition fees as defined by the University's Access Agreement.

LIQUIDITY AND CASHFLOW

The University's Finance Strategy aims to generate a cash surplus of £10m from Operating Activity to support investment in capital works. For the year ended 31 July 2009 net cash of £10.9m was generated, the University invested £31.3m in capital asset additions with £9.6m received from government sources in support of these investments. The funding of capital investments from cash reserves is in line with the approved Finance Strategy. As a consequence, the University's short term cash deposits were reduced from £12.7m to £1.1m. The decision to fund capital investments in this way means that the University's liquidity ratio (current assets to annual expenditure excluding depreciation) at 0.6%, is low. However, the University's gearing ratio (total long term debt to income) at 2.6% is also low compared to sector norms.

It is the University's view that with net assets of £204m the University would be able to access short term borrowing facilities and indeed at the year end approved facilities of £10m were available.

CAPITAL INVESTMENTS

The last twelve months have seen significant investment by the University in delivering its approved Estates Strategy and in particular in the delivery of the Greater Belfast Campus development plans. The major areas of spend are detailed below:-

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

Acquisition of Land and Buildings in Greater Belfast	£19.4m
Equipment	£5.3m
Pharmacy Facility	£1.6m
Wind Turbine	£1.2m
Centre for Intelligence Systems	£0.9m

FUTURE STRATEGY

During the 2008/09 year the University announced two significant initiatives aimed at positioning the University to meet the challenges over the next 25 years.

Firstly, the University revealed proposals for significant development of the Belfast Campus with the transfer of the majority of activity from the Jordanstown campus and the development of the Jordanstown Campus as a campus for sport in line with the University's mission to be the leading University for sport on the island of Ireland. A Project Steering Group has been formed to facilitate the planning and delivery of this development over the next seven years. At the same time the University sought support from the Department for Employment and Learning for the targeted expansion of student numbers at Magee, principally based on Science, Technology, Engineering and Maths (STEM) subjects. This targeted expansion is for 1,000 full time undergraduate (these additional MaSN students will require DEL approval) and 1,000 non-MaSN students. A Project Steering Group has been formed to further develop this strategy.

Finally, work has been completed at the SAAD Pharmacy building and the first intake of Pharmacy students has commenced at the Coleraine Campus.

RISKS FOR THE COMING PERIOD

The active management of risk is embedded in the University's management control processes. The main risks for the future period relate to the challenging economic environment:-

- Pressure on government financing;
- Constraints on the growth of tuition fees for home and EU students and uncertainty over the future setting of fees;
- Increased competition for overseas and part time students;
- Uncertainty over future funding levels for external research projects;
- Implications for Ulster arising from the Research Excellence Framework;
- Pressure on cost base particularly pay inflation and the cost of pensions.

These sector issues will need to be addressed if the University is to deliver its vision as set out in the Corporate Plan and the significant development plans for Greater Belfast and Magee.

SOCIAL AND ENVIRONMENT

The University is dedicated to the advancement of knowledge, learning and understanding in the service of society. It seeks to make a positive impact on both its human and its physical environment at a local, regional and international level.

The University continues to actively pursue its Widening Participation strategy as outlined in its Corporate Plan 2006/07 to 2010/11 and continues to be ranked in the top ten Widening Access institutions in the Times Higher survey of 2008/09.

The University, through its Physical Resources department, also continues to manage the University's estate in an environmentally sustainable manner and benchmarks its performance through the Estates Management Statistics against the rest of the sector. During the year as part of its focus on environmental sustainability the University commissioned a wind turbine on its Coleraine campus which will generate 25% of the electricity needs for this campus. In addition, the University entered into a waste management contract which aims to ensure that 75% of the University's waste is being recycled.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

CONCLUSION

The financial outturn is in excess of the Corporate Plan targets and it is pleasing to note that the University continues to generate sufficient cash reserves to support its significant capital investment plans. However, long term sustainability will require the University to generate increasing levels of surplus if it is to realise its strategic ambitions for the development of its greater Belfast and North West campuses. This will need to be achieved in an increasingly uncertain economic environment and the impact of this on future funding support for the University. In line with all Higher Education Institutions, the greatest financial pressure on the University is the pressure on employee wages and benefits, as well as the need to invest in technology and infrastructure. Unlike other sectors where technology can be used to lower costs by serving as a substitute for labour, in higher education investment in technology, particularly in teaching and research laboratories, tends to increase costs as the University attempts to meet the educational and research needs of its customers. A particular pressure point is the increasing pension costs which are rising faster than government support.

While the University is actively engaged in planning to meet these future challenges it is pleasing to note that the University in 2008/09 achieved its Corporate Plan targets.

ROSEMARY PETERS-GALLAGHER
HONORARY TREASURER

27 November 2009

UNIVERSITY OF ULSTER GROUP ACCOUNTS

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 financial statements understand how the principles have been applied.

The University endeavours to structure its governance arrangements and conduct its business in accordance with seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which is provided by the Committee of University Chairs (CUC) from time to time. In line with the CUC's Governance Code of Practice, Council has adopted a Statement of Primary Responsibilities which is set out on pages 10 and 11.

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.

The period of office of the Council terminated on 30 September 2008 and, during the 2007/08 academic year, the Nominations Committee reviewed the role, composition and process for appointment of the Council. In 2007, the Council had also commissioned an independent, external consultant who reported in autumn 2007 on his review of the effectiveness of the Council, its structure and processes. Following consideration of the recommendations arising from these reviews, the Council agreed by special resolution to recommend to the Privy Council that it be reconstituted. The Privy Council approved the resolutions and associated amendments to statutory instruments and, from 1 October 2008, the Council has had a membership of 17 (previously 30). The majority of members continue to be appointed from outside the University 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 external members of the Council. The Vice-Chancellor and the Students' Union President are ex-officio members and also included are four members of the staff of the University appointed by the Council on the recommendation of the Nominations Committee. None of the 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 majority of members are drawn from external organisations representative of the wider corporate, academic and societal interests of the University. Twenty-five of these members are nominated by the Council with the same number being nominated by the Senate. Membership also includes representatives of the staff of the University (both academic and non-academic) and the student body. The Court normally meets once a year to receive the annual report and financial statements of the University. It is also responsible, on the nomination of the Council, for the appointment of the Chancellor, the Pro-Chancellors and the Honorary Treasurer. In addition, major changes to the constitution of the University require the approval of the Court before they can be submitted to the Privy Council.

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

The Council met five times during 2008/09. Certain functions of the Council are delegated to its committees. Following its reconstitution, the Council also reviewed the roles and composition of Committees of Council and with effect from 1 October 2008, the Committees comprised: Resources Committee; Strategy and Governance Committee; Audit Committee; Remuneration Committee; and Communications and External Affairs Committee (the latter includes members of Senate). The Nominations Committee is as a sub-committee of Strategy 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 **Resources 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, estate strategy and the information technology strategy.

The **Strategy and Governance Committee** reviews and makes recommendations to the Council on all matters pertaining to the instruments, articles, structures and effectiveness of institutional and subsidiary company governance; and on policy and legislative matters including risk management policy and strategy. The **Nominations Committee** is responsible to the Strategy 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 six 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 2008/09 the Members of the Audit Committee were:

Mr Gerry Mallon (Chair)
Mr John Hunter
Professor Don McCloy
Mr John McDaid
Dr Anne Marie Telford

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 **Communications and External Affairs Committee** has oversight of the development fund-raising strategy, internal and external communication strategies and public relations and the marketing strategy for the range of the University's activities.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors, Provosts, Deans of Faculties and Directors of Administrative Departments all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor. The executive structure of the University is represented by the Senior Management Group (SMG) which comprises the Vice-Chancellor, Pro-Vice-Chancellors, Provosts, Deans of Faculty and Administrative Directors and 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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance Statement - Continued

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

University of Ulster Council

Statement of Primary Responsibilities

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

University of Ulster Council Statement of Primary Responsibilities

STRATEGY	STEWARDSHIP	GOVERNANCE
<p>To be the employing authority for all staff in the University and to be responsible for the establishment of a human resources strategy, ensuring the University has non-discriminatory systems in place to provide diversity and equality of opportunity for staff, students and applicants as well as setting clear direction for leadership and staff development.</p> <p>To establish such other strategies, including financial, estates and ICT, as are necessary to the achievement of the University's strategic aims.</p> <p>To appoint the head of the University as Vice-Chancellor and accounting officer, and to put in place suitable arrangements for monitoring his/her performance.</p>	<p>To act as trustee for property, legacy, endowment, bequest or gift in support of the work and welfare of the University.</p> <p>To ensure the University's long-term sustainability.</p>	<p>To safeguard the good name and values of the University.</p> <p>To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal and regulatory obligations, including those arising from contracts and other legal commitments made in the University's name.</p> <p>To delegate authority to the head of the University, as Vice-Chancellor and accounting officer, for the academic, corporate, financial, estate and human resource management of the University and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the University.</p>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Internal Control

As the governing body of the University of Ulster, we, the Council, have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which we are responsible in accordance with the responsibilities assigned to the governing body in the Charter and Statutes and the Financial Memorandum with 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 2009.

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 five 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;
- The Council reviews bi-annually progress on the implementation of the Integrated Corporate Programme which combines the University's key annual activities and key performance indicators with corporate risk management and assessment;
- A report on risk management is submitted to the Council annually in November;
- The Audit Committee receives reports from the independent Internal Auditors on the adequacy and effectiveness of the University's systems of internal control with recommendations, as appropriate, for improvements;
- 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:

- In Spring 2009, the Senior Management Group undertook a comprehensive, zero-based review and reassessment of its corporate risks facilitated by the Internal Audit Service. The Corporate Risk Register was substantially amended and was considered and approved by the Council;
- The Council and The Senate met in Spring 2009 to jointly consider the University's strategy and development plans and associated risks and opportunities
- Following market testing for the provision of internal audit services for 2008/09 KPMG were appointed as Internal Auditors from 1 October 2008.
- The Council is concerned at weaknesses identified by the auditors with regard to the Information Technology control environment. Clear timescales to address these control weaknesses have been provided by management and at each meeting of Audit Committee progress is reported on the actions taken to address these control weaknesses and the Council expects management to address these issues in line with the agreed timescale.
- The internal audit service has reviewed risk assurance and has provided a satisfactory level of assurance. The recommendations of the auditors for enhancements to existing processes have been considered by Management and generally endorsed.

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Responsibilities of the University's Council

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.

RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL

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

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

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

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

The Council has taken reasonable steps to:

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

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

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

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Independent Auditor's Report

TO THE COUNCIL OF THE UNIVERSITY OF ULSTER

We have audited the group financial statements ('the financial statements') of the University of Ulster for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

The Council's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England (HEFCE), the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice), are set out in the Responsibilities of the University's Council.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the University's Council, in accordance with the Charter and Statutes of the University. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's Charter and 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 information given in the Operating and Financial Review is consistent with those financial statements. In addition we report to you if, in our opinion, the University has not kept adequate accounting records, if financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Corporate Governance statement and the Responsibilities of the University's Council.

We also review the statement of internal control, and comment if the statement is inconsistent with our knowledge of the University and Group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum. 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Independent Auditor's Report - Continued

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2009, and of the Group's income and expenditure, recognised gains and losses and cash flows 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, and United Kingdom Generally Accepted Accounting Practice;
- in all material respects, income from the Department for Employment and Learning, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and
- in all material respects, income has been applied in accordance with the University's Charter and Statutes and where appropriate in accordance with the Financial Memorandum with the Department for Employment and Learning.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Belfast

27 November 2009

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies

1. Accounting convention

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

2. Consolidation

The consolidated Financial Statements include the University and its subsidiary undertakings. The results of the subsidiary companies are included in the consolidated Income and Expenditure Account from the date of acquisition or up to the date of disposal. 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

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 capitalized 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. Deferred capital grants

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

11. Goodwill

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

12. Negative Goodwill

Negative goodwill relates to assets inherited from the 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.

13. Investments

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

14. Stocks

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

15. Provision for bad debts

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

16. 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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

17. 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.

18. 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.

19. 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.

20. Subsidiary Accounting Policies

The subsidiaries of the University follow the accounting policies of the University. However in UUSRPLimited 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 2009

	Note	Group 2009 £000	Group 2008 £000
Income - continuing operations			
Funding Council Grants	1	91,997	88,996
Academic Fees and Support Grants	2	45,723	36,644
Research Grants and Contracts	3	20,594	23,358
Other Operating Income	4	42,653	36,710
Endowment Income and Interest Receivable	5	653	1,699
Total Income		201,620	187,407
Expenditure - continuing operations			
Staff Costs	6	121,712	113,875
Depreciation	11	15,106	12,222
Other Operating Expenses	7	63,419	51,396
Interest Payable	8	1,302	305
Total Expenditure		201,539	177,798
Surplus after depreciation of assets at valuation before and after tax		81	9,609
Deficit/(Surplus) transferred to accumulated income in endowment funds		25	(12)
Surplus retained within Income and Expenditure Reserve		106	9,597

Note of Historical Cost Surpluses and Deficits

Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	5,910	3,499
Historical cost surplus before and after tax	6,016	13,096

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2009

	Group 2009	University 2009	Group 2008	University 2008
Note	£000	£000	£000	£000
Fixed Assets				
Intangible Assets:				
Negative Goodwill	10	—	(3,841)	(3,841)
Tangible Assets	11	269,007	256,580	255,829
Investments	12	2,523	2,117	4,572
		<u>271,530</u>	<u>254,856</u>	<u>256,560</u>
Endowment Asset Investments	13	3,276	3,762	3,762
Current Assets				
Debtors	14	14,385	13,232	14,275
Short Term Deposits		1,112	12,675	12,519
		<u>15,497</u>	<u>25,907</u>	<u>26,794</u>
Creditors: Amounts Falling Due Within One Year	15	(32,111)	(32,969)	(33,077)
Net Current Liabilities		<u>(16,614)</u>	<u>(7,062)</u>	<u>(6,283)</u>
Total Assets Less Current Liabilities		258,192	251,556	254,039
Creditors: Amounts Falling Due After More Than One Year	16	(5,191)	(5,345)	(5,954)
Net Assets excluding Pension Liability		253,001	246,211	248,085
Net Pension Liability	20	(49,462)	(20,464)	(20,464)
Net Assets including Pension Liability		<u>203,539</u>	<u>225,747</u>	<u>227,621</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2009 - Continued

	Note	Group 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
Deferred Capital Grants	17	84,725	81,888	80,344	77,344
Endowment Fund					
Permanent	18	2,568	2,568	2,841	2,841
Expendable	18	708	708	921	921
		3,276	3,276	3,762	3,762
Reserves					
Revaluation Reserve	19	95,346	94,672	100,814	100,433
Pension Reserve	20	(49,462)	(49,462)	(20,464)	(20,464)
Income and Expenditure Account	21	69,654	74,950	61,291	66,546
Total Reserves		115,538	120,160	141,641	146,515
Total Funds		203,539	205,324	225,747	227,621

The Financial Statements on pages 16 to 47 were approved by the Council on 27 November 2009 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 2009

	Note	Group 2009 £000	Group 2008 £000
Net Cash Inflow from Operating Activities	24	10,983	15,013
Returns on Investments and Servicing of Finance	25	257	817
Capital Expenditure and Financial Investment	26	<u>(21,940)</u>	<u>(13,064)</u>
Cash (Outflow)/Inflow before Use of Liquid Resources and Financing		(10,700)	2,766
Management of Liquid Resources	27	11,287	(3,222)
Financing.....	28	<u>(147)</u>	<u>(198)</u>
Increase/(Decrease) in Cash	29	<u>440</u>	<u>(654)</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Group 2009 £000	Group 2008 £000
Increase/(Decrease) in Cash in the year		440	(654)
(Decrease)/Increase in Short Term Deposits.....	27	(11,563)	2,928
Decrease in bank loans after one year.....	28	<u>147</u>	<u>198</u>
Change in Net Cash		(10,976)	2,472
Net Cash at 1 August.....		<u>6,690</u>	<u>4,218</u>
Net Cash at 31 July	29	<u>(4,286)</u>	<u>6,690</u>

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

	Note	Group 2009 £000	Group 2008 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax.....		106	9,597
Actuarial (loss) in respect of pension schemes	20	(26,651)	(6,935)
(Depreciation) of endowment asset investments	18	(482)	(370)
Net additions from endowment asset investments.....	18	21	32
Endowment income (released) /retained for year	18	(25)	12
Unrealised gains/(losses) on investments	19	442	(87)
Total recognised gains and losses relating to the period		<u>(26,589)</u>	<u>2,249</u>
Reconciliation of movement in reserves and endowments			
Opening reserves and endowments		145,403	143,154
Total recognised (losses)/gains for the year		<u>(26,589)</u>	<u>2,249</u>
Closing reserves and endowments		<u>118,814</u>	<u>145,403</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts

Note	Group 2009	Group 2008
	£000	£000
1 Funding Council Grants		
Recurrent Grant	88,713	86,555
Specific Grants		
Special Initiatives	297	297
Other	—	565
Deferred Capital Grants Released in Year (Note 17)		
Buildings	2,287	1,031
Equipment	700	548
	91,997	88,996
	Group 2009	Group 2008
	£000	£000
2 Academic Fees and Support Grants		
Full-time students.....	36,318	28,862
Full-time students charged overseas fees.....	3,490	2,404
Part-time fees	4,771	4,350
Short Course Fees	1,144	1,028
	45,723	36,644
	Group 2009	Group 2008
	£000	£000
3 Research Grants and Contracts		
Research Councils.....	6,036	5,934
UK Charities	1,583	1,250
EU Government	1,917	2,880
UK Central Government	7,432	8,921
Overseas (Non-EU)	285	154
Health and Hospital Authorities	411	465
Other Sources	2,930	3,754
	20,594	23,358
	Group 2009	Group 2008
	£000	£000
4 Other Operating Income		
Residences, Catering and Conferences	4,185	5,266
Other Services Rendered.....	7,362	6,525
Other Income	17,536	11,845
Allied Health Professions Training	13,570	13,074
	42,653	36,710

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Note	Group 2009 £000	Group 2008 £000
5 Endowment Income and Interest Receivable		
Income from Expendable Endowments	12	12
Income from Permanent Endowments	128	131
Income from Short Term Investments	513	979
Net return on pension assets (Note 30)	—	577
	653	1,699
	Group 2009 £000	Group 2008 £000
6 Staff Costs		
Wages and Salaries.....	99,724	93,893
Social Security Costs	7,955	7,554
Other Pension Costs (Note 30)	14,033	12,428
	121,712	113,875
Emoluments of the Vice-Chancellor		
Salary	190	174
Benefits	24	24
Pension contributions to USS	29	27
Excluding the Vice-Chancellor, remuneration of other Higher Paid Staff, including employer's pension contributions was in the following bands:-		
	Group 2009 Number	Group 2008 Number
£100,000 - £109,999	4	3
£110,000 - £119,999.....	3	8
£120,000 - £129,999	5	—
£130,000 - £139,999	2	—
The average weekly number of persons (including senior post-holders) employed by the University during the year, expressed as full-time equivalents, was:-		
Academic	1,181	1,200
Technical	208	222
Administrative.....	486	466
Other including Clerical and Manual.....	973	1,017
	2,848	2,905

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

7 Other Operating Expenses	Group 2009	Group 2008
	£000	£000
Residences, Catering and Conferences	1,851	2,586
Consumables and laboratory expenditure	3,543	2,878
Equipment not capitalized.....	2,594	2,791
Books and periodicals	3,021	2,800
Fellowships, scholarships and prizes	229	164
Rates.....	2,834	2,265
Heat, light, water and power	3,948	3,572
Long term maintenance.....	8,350	4,405
Grants to University of Ulster Students' Union	1,103	1,087
External Auditors' remuneration	60	60
External Auditors' remuneration in respect of non-audit services	73	84
Internal Auditors' remuneration	63	129
Printing and stationery	1,317	1,191
Travel, subsistence and hospitality	5,545	5,675
Miscellaneous academic support	1,580	1,865
Telephone and postage	1,225	1,161
Legal and professional fees.....	7,442	6,927
Advertising and publicity.....	1,405	1,251
Student Support.....	11,611	9,443
Other expenses	5,625	1,062
	63,419	51,396
8 Interest Payable	Group 2009	Group 2008
	£000	£000
Net payable on pension assets.....	906	—
Loans not wholly repayable within five years	396	305
	1,302	305

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

9 Analysis of 2009 Expenditure by Activity

	Staff Costs	Depreciation	Other Operating Expenses	Interest	Total
	£000	£000	£000	£000	£000
Academic Departments	72,510	892	6,773	—	80,175
Academic Services	11,546	1,483	7,203	—	20,232
Research Grants & Contracts	6,606	660	9,876	—	17,142
Residences, Catering & Conferences	3,033	550	3,030	—	6,613
Premises	7,171	10,341	12,059	396	29,967
Administration	13,451	1,180	14,416	—	29,047
Other Expenses	7,395	—	10,062	906	18,363
	<u>121,712</u>	<u>15,106</u>	<u>63,419</u>	<u>1,302</u>	<u>201,539</u>

£000

The depreciation charged has been funded by:-

Release from Deferred Capital Grants	3,647
Release from Research Grants and Contracts	1,583
Release from Revaluation Reserve (Note 19)	5,910
General income	3,966
	<u>15,106</u>

10 Negative Goodwill

	Group 2009	University 2009	Group 2008	University 2008
	£000	£000	£000	£000
Cost (or valuation)				
At 1 August	(4,748)	(4,751)	(4,748)	(4,751)
Amortisation				
At 1 August	907	910	784	787
Charged in year	3,841	3,841	123	123
At 31 July	<u>4,748</u>	<u>4,751</u>	<u>907</u>	<u>910</u>
Net Book Value				
At 31 July	<u>—</u>	<u>—</u>	<u>(3,841)</u>	<u>(3,841)</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

11 Tangible Assets (Group)

	Freehold Land & Buildings	Construction In Progress	Equipment	Total
	£000	£000	£000	£000
Valuation or cost				
At 1 August 2008				
Valuation	131,617	—	—	131,617
Cost	169,848	1,241	43,433	214,522
Additions at Cost.....	19,987	6,057	5,364	31,408
Transfer CIP	6,568	(6,568)	—	—
Disposals	(5,880)	—	(720)	(6,600)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009				
Valuation	127,943	—	—	127,943
Cost	194,197	730	48,077	243,004
	<hr/>	<hr/>	<hr/>	<hr/>
	322,140	730	48,077	370,947
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2008.....				
At 1 August 2008.....	52,389	—	37,170	89,559
Charge for Year	12,279	—	2,827	15,106
Disposals	(2,087)	—	(638)	(2,725)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2009	62,581	—	39,359	101,940
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 July 2009	259,559	730	8,718	269,007
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	249,076	1,241	6,263	256,580
	<hr/>	<hr/>	<hr/>	<hr/>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Accounts - Continued

11 Tangible Assets (University)

	Freehold Land & Buildings	Construction In Progress	Equipment	Total
	£000	£000	£000	£000
Valuation or cost				
At 1 August 2008				
Valuation	131,617	—	—	131,617
Cost	168,115	1,241	43,435	212,791
Additions at Cost.....	27,257	6,057	5,347	38,661
Transfer CIP	6,568	(6,568)	—	—
Disposals	(5,526)	—	—	(5,526)
At 31 July 2009				
Valuation	127,943	—	—	127,943
Cost	200,088	730	48,782	249,600
	328,031	730	48,782	377,543
Depreciation				
At 1 August 2008.....				
Valuation	51,220	—	37,359	88,579
Charge for Year	11,924	—	2,796	14,720
Disposals	(1,732)	—	—	(1,732)
At 31 July 2009				
	61,412	—	40,155	101,567
Net Book Value				
At 31 July 2009				
	266,619	730	8,627	275,976
At 31 July 2008				
	248,512	1,241	6,076	255,829

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

	Group 2009	University 2009	Group 2008	University 2008
	£000	£000	£000	£000
12 Investments				
Investment in University Challenge Fund...	250	250	250	250
Investment in UUTECH Limited	2,273	—	1,867	—
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
	2,523	4,572	2,117	4,572

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.....	1,535	332	1,867
Investments made at cost.....	277	—	277
Provision for impairment in value.....	(313)	442	129
At 31 July.....	1,499	774	2,273

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. The Company ceased to trade on 31 July 2009.

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.

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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

	Group and University 2009	2008
	£000	£000
13 Endowment Asset Investments		
Balance at 1 August	3,762	4,088
Additions	797	732
Disposals.....	(552)	(724)
Increase in cash balances held at fund managers	(249)	36
Net appreciation on disposal and/or revaluation	(482)	(370)
Balance at 31 July	3,276	3,762
Investments held at the end of the year are detailed as follows:		
Securities	3,329	3,565
Cash at bank held for endowment funds	(53)	197
Total Endowment Asset Investments.....	3,276	3,762

The figures for 2008 are restated to reflect the most up-to-date guidance on accounting treatment contained within the Higher Education SORP (Statement of Recommended Practice).

	Group 2009	University 2009	Group 2008	University 2008
	£000	£000	£000	£000
Amounts falling due within one year				
Debtors.....	12,822	11,981	11,083	10,483
Amounts owed by group undertakings:				
Subsidiary undertakings.....	—	—	—	1,846
Prepayments and accrued income	1,563	1,106	2,149	1,946
	14,385	13,087	13,232	14,275

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

15	Creditors: Amounts Falling Due within One Year	Group 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
	Bank loans and overdrafts	154	3,354	837	3,335
	Amounts owed to group undertakings				
	subsidiary undertakings	—	3,109	—	—
	Trade creditors	23,164	21,868	23,021	21,325
	Other taxation and social security	4,297	4,097	4,073	4,073
	Accruals	4,046	3,897	5,038	4,344
		32,111	36,325	32,969	33,077
16	Creditors: Amounts Falling Due after more than One Year	Group 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
	Bank loans	5,191	5,191	5,345	5,345
	Amounts owed by group undertakings				
	Subsidiary undertakings	—	609	—	609
		5,191	5,800	5,345	5,954
	Bank loans and overdrafts				
	Amounts falling due:				
	Less than one year (note 15).....	154	3,354	837	3,335
	Between one and two years	154	154	154	154
	Between two and five years	518	518	518	518
	Greater than five years	4,519	4,519	4,673	4,673
		5,345	8,545	6,182	8,680

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	2009 Total	2008 Total
	£000	£000	£000	£000
At 1 August				
Buildings	40,897	37,565	78,462	73,989
Equipment	1,468	414	1,882	2,253
Total	42,365	37,979	80,344	76,242
Cash Received				
Buildings	7,208	758	7,966	6,882
Equipment	36	1,609	1,645	2,643
Total	7,244	2,367	9,611	9,525
Released to Income & Expenditure				
Buildings	2,287	1,552	3,839	2,409
Equipment	700	691	1,391	3,014
Total	2,987	2,243	5,230	5,423
At 31 July				
Buildings	45,818	36,771	82,589	78,462
Equipment	804	1,332	2,136	1,882
Total at 31 July	46,622	38,103	84,725	80,344

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

17 Deferred Capital Grants - University	Department for Employment and Learning	Other Grants	2009 Total	2008 Total
	£000	£000	£000	£000
At 1 August				
Buildings	40,897	34,670	75,567	70,947
Equipment	1,467	310	1,777	2,240
Total	42,364	34,980	77,344	73,187
Cash Received				
Buildings	7,208	758	7,966	6,881
Equipment	36	1,593	1,629	2,544
Total	7,244	2,351	9,595	9,425
Released to Income & Expenditure				
Buildings	2,287	1,404	3,691	2,261
Equipment	700	660	1,360	3,007
Total	2,987	2,064	5,051	5,268
At 31 July				
Buildings	45,818	34,024	79,842	75,567
Equipment	803	1,243	2,046	1,777
Total at 31 July	46,621	35,267	81,888	77,344

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

18 Endowments

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2009 Total	2008 Total
	£000	£000	£000	£000	£000	£000
Balances at 1 August						
Capital	1,296	1,421	2,717	1,075	3,792	4,130
Accumulated Income	13	111	124	(154)	(30)	(42)
	<u>1,309</u>	<u>1,532</u>	<u>2,841</u>	<u>921</u>	<u>3,762</u>	<u>4,088</u>
New Endowments	—	21	21	—	21	32
Investment Income	49	57	106	34	140	143
Expenditure	(9)	(27)	(36)	(129)	(165)	(131)
	<u>40</u>	<u>30</u>	<u>70</u>	<u>(95)</u>	<u>(25)</u>	<u>12</u>
(Decrease) in market value of investments	(168)	(196)	(364)	(118)	(482)	(370)
At 31 July	<u>1,181</u>	<u>1,387</u>	<u>2,568</u>	<u>708</u>	<u>3,276</u>	<u>3,762</u>
Represented by						
Capital	1,200	1,410	2,610	719	3,329	3,792
Accumulated income	(19)	(23)	(42)	(11)	(53)	(30)
	<u>1,181</u>	<u>1,387</u>	<u>2,568</u>	<u>708</u>	<u>3,276</u>	<u>3,762</u>

The figures for 2008 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 2009 £000	University 2009 £000	Group 2008 £000	University 2008 £000
Gross Revaluation surplus				
At 1 August	140,674	134,303	140,761	134,303
(Devalued)/Revalued in Year.....	442	—	(87)	—
	<u>141,116</u>	<u>134,303</u>	<u>140,674</u>	<u>134,303</u>
Contribution to Depreciation				
At 1 August	39,860	33,870	36,361	30,371
Released in Year.....	5,910	5,761	3,499	3,499
	<u>45,770</u>	<u>39,631</u>	<u>39,860</u>	<u>33,870</u>
Net Revaluation Surplus				
At 1 August	100,814	100,433	100,400	103,932
At 31 July	<u>95,346</u>	<u>94,672</u>	<u>100,814</u>	<u>100,433</u>
20 Pension Reserve			Group and University 2009 £000	Group and University 2008 £000
Balance at 1 August			(20,464)	(13,253)
Transfer to Income and Expenditure Account Reserve (Note 21)*			(2,347)	(276)
Actuarial (loss) in respect of pension reserve (Note 30)			(26,651)	(6,935)
Balance at 31 July.....			<u>(49,462)</u>	<u>(20,464)</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

21	Income and Expenditure Account Reserve	Group 2009	University 2009	Group 2008	University 2008
		£000	£000	£000	£000
	Balance at 1 August	61,291	66,546	47,919	52,870
	Surplus after depreciation of assets at valuation, before and after tax.....	106	296	9,597	9,901
	Release from Revaluation Reserve.....	5,910	5,761	3,499	3,499
	Transfer from Pension Reserve (Note 20)*	2,347	2,347	276	276
	Balance at 31 July.....	69,654	74,950	61,291	66,546

* This represents the Income Statement movement on the pension scheme

22	Capital Commitments	Group and University 2009	2008
		£000	£000
	Commitments contracted at 31 July	3,672	3,730
	Authorised but not contracted at 31 July	720	3,212
		4,392	6,942

23 Contingent Liabilities

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

	Group 2009	Group 2008
	£000	£000
24 Reconciliation of Consolidated Operating Surplus to Net Cash Inflows from Operating Activities		
Surplus after depreciation of assets at valuation before tax	106	9,597
Depreciation	18,900	12,222
Amortisation of Goodwill (Note 10)	(3,841)	(123)
Deferred Capital Grants Released to Income (Note 17).....	(5,230)	(5,423)
Investment Income (Note 5).....	(513)	(979)
Endowment Income.....	(140)	(143)
Interest Payable	396	305
(Increase) in Debtors	(1,154)	(957)
(Decrease)/Increase in Creditors	(176)	236
Pension Costs Less Contributions Payable	2,347	276
Write-off of Investments.....	—	120
Revaluation of Investments	313	(130)
Endowment Fund Transfer	(25)	12
Net Cash Inflow from Operating Activities	10,983	15,013
25 Returns on Investments and Servicing of Finance		
	Group 2009	Group 2008
	£000	£000
Income from Endowments	140	143
Income from Short Term Investments (Note 5).....	513	979
Interest Paid (Note 8).....	(396)	(305)
Net cash inflow from returns on investments and servicing of finance	257	817
26 Capital Expenditure and Financial Investment		
	Group 2009	Group 2008
	£000	£000
Tangible Assets Acquired (Note 11)	(31,327)	(25,336)
Endowment Funds Invested	(245)	(8)
Deferred Capital Grants Received (Note 17)	9,611	12,248
Endowments Received	21	32
Net cash outflow from capital expenditure and financial investment	(21,940)	(13,064)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

27	Management of Liquid Resources	Group 2009	Group 2008
		£000	£000
	Withdrawal from/(Addition) to deposits	11,563	(2,928)
	Purchase of investments	(276)	(294)
	Net cash inflow/(outflow) from management of liquid resources	11,287	(3,222)
28	Financing	Group 2009	Group 2008
		£000	£000
	Balance at 1 August 2008	5,492	5,690
	Loan Repayments	(147)	(198)
	Balance at 31 July 2009	5,345	5,492
29	Analysis of Changes in Net Cash	Cash Flow	At 31 July 2009
		£000	£000
	Cash at Bank and in Hand		
	Endowment Assets	197	(53)
	Bank Overdraft	(690)	—
		(493)	(53)
	Short Term Deposits	12,675	1,112
	Bank Loans	(5,492)	(5,345)
		7,183	(4,233)
	Total	6,690	(4,286)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

30 Pension Schemes

The University participates in four pension schemes. The two principal schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund (NILGOSC). A small number of employees belong to two other schemes, the Teachers Superannuation Scheme (TSS) and the 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 the institution's 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 trustees 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.

Because of the mutual nature of the scheme, the institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

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 (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:-

Male members' mortality PA92 MC YoB tables – rated down 1 year

Female members' mortality PA92 MC YoB tables – no age rating

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

Males (females) currently aged 65 22.8 (24.8) years

Males (females) currently aged 45 24.0 (25.9) years

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% 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. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discounted on the valuation date) the assets would have been approximately 79% 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, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset out performance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years and the salary growth assumption built into the cost of future accrual is based on more stable, historic salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008, global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impact on the salary and pension increase assumptions).

On the FRS17 basis, using an AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set on the next page:

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 £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

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 fund 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 views 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 covenant of the employers enable 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 at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2009, USS had over 130,000 active members and the institution had 1,883 active members participating in the scheme.

NILGOSC Fund

The University is able to identify its share of the underlying assets and liabilities of the NILGOSC scheme and accordingly present the following information required by FRS 17:

A valuation of the fund was carried out at 31 March 2007 and updated to 31 July 2009 by a qualified independent actuary.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Balance Sheet	At 31 July 2009	At 31 July 2008	At 31 July 2007
	£000	£000	£000
Present value of scheme liabilities	(128,280)	(105,293)	(102,565)
Fair value of scheme assets	78,845	84,855	89,384
Present value of unfunded liabilities	(27)	(26)	(72)
Net pension liability	(49,462)	(20,464)	(13,253)
Movements in present value of defined benefit obligation		At 31 July 2009	At 31 July 2008
		£000	£000
At beginning of the year		(105,319)	(102,637)
Current Service Cost.....		(2,906)	(3,129)
Member contributions		(1,094)	(1,059)
Past Service Costs.....		(1,274)	—
Impact of settlements and curtailments		(253)	(170)
Interest cost.....		(7,137)	(5,985)
Benefits paid		3,078	3,234
Actuarial (losses)/gains		(13,402)	4,427
At end of year		(128,307)	(105,319)
Movements in fair value of plan assets		At 31 July 2009	At 31 July 2008
		£000	£000
At beginning of the year		84,855	89,384
Expected return on assets		6,231	6,562
Employer contributions		2,990	2,444
Member contributions		1,094	1,059
Benefits paid		(3,076)	(3,232)
Actuarial (losses).....		(13,249)	(11,362)
At end of year		78,845	84,855
Expense recognised in the income and expenditure accounts		At 31 July 2009	At 31 July 2008
		£000	£000
Current service cost		2,906	3,129
Timing difference relating to employer contribution		—	18
Past service cost.....		1,274	—
Curtailments and settlements.....		253	170
Interest on defined benefit pension plan obligation.....		7,137	5,985
Expected return on defined benefit pension plan assets		(6,231)	(6,562)
Total		5,339	2,740

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 2009	At 31 July 2008
	£000	£000
Staff costs (see page 45)	4,235	3,317
Endowment and interest receivable (note 5)	—	(577)
Interest payable.....	906	—
	<u>5,141</u>	<u>2,740</u>

The total amount recognised in the statement of the total recognised gains and losses in respect of actuarial loss is £26,651k (2008: £6,935k - loss).

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 (£23.989m), (2008: £2.662m).

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

	At 31 July 2009 Fair Value	At 31 July 2008 Fair Value
	£000	£000
Equities	61,499	64,946
Bonds	9,461	11,462
Property	4,731	6,790
Cash	3,154	1,657
Actual return on plan assets	<u>78,845</u>	<u>84,855</u>

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 2009	At 31 July 2008
Inflation/pension increase rate	3.7%	3.8%
Salary increase rate	5.2%	5.3%
Expected return on results	6.9%	7.3%
Discount rate	6.0%	6.7%

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 2009	At 31 July 2008	At 31 July 2007	At 31 July 2006	At 31 July 2005
	£000/%	£000/%	£000/%	£000/%	£000/%
Difference between the expected and actual return on scheme assets:					
Amount	(13,249)	(11,362)	3,262	4,904	7,100
Percentage of scheme assets	(16.8)%	(13.4)%	3.8%	6.1%	10.0%
Experience gains and losses on scheme liabilities:					
Amount	1	190	(79)	1	(51)
Percentage of the present value of scheme liabilities	0.0%	0.2%	(0.1)%	0.0%	(0.5)%
Total amount recognised in statement of total recognised gains and losses:					
Amount	(26,651)	(6,935)	12,795	933	(4,131)
Percentage of the present value of scheme liabilities	(20.8)%	(6.6)%	12.5%	0.9%	(4.4)%

The University expects to contribute approximately £3,058m to its defined benefit plans in the next financial year.

The total pension cost for the University was:	Group 2009	Group 2008
	£000	£000
Contributions to USS.....	9,774	9,088
Charge to staff cost - NILGOSC (see page 44).....	4,235	3,317
Contribution to TSS.....	6	15
Contribution to HPSS.....	18	8
Total Pension Cost (Note 6).....	14,033	12,428

31 Student Support Funds	Group 2009	Group 2008
	£000	£000
Balance Carried Forward.....	41	98
Funding Council Grants.....	884	884
Disbursed to Students.....	(882)	(941)
Balance Underspent at 31 July.....	43	41

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

32 Subsidiary Company Information

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

- UU Health Limited
- UUTECH Limited
- UUSR 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. UUSR Limited (University of Ulster Science Research Park) ceased to trade on 31 July 2009 and was a property management and development company for technology transfer. UU Services Limited and UU Bibliotech Limited ceased to trade in July 2007, were placed into Members' Voluntary Liquidation 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, UUSR 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 share capital of the University Challenge Fund.

In addition, through UU Tech Limited, its wholly owned subsidiary, the University has the following holdings:-

- 3.8% of SISAF Limited
- 6.8% of Datactics Limited
- 9.3% of Sensor Technology & Devices Limited (renamed Intelsens Ltd)
- 4.4% of Crescent Capital II LLP
- 2.7% of Axis 3 Limited
- 2.5% of Gendel Limited
- 13.1% of Eyesyfx Limited
- 1.7% of Bitt Ware Inc

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

The University has holdings of greater than 15% in the following companies:-

Name	CDC	Sophia Search Limited
Country of Incorporation	Northern Ireland	Northern Ireland
Principal Activity	Software development	Unique Enterprise Services Tool
% Shares Held	17%	20%
Turnover	£256k	£18k
Net Assets	(£84)k	(£28)k

The University has holdings of greater than 25% in the following companies:-

Name	Diabetica Limited	EFMB	Flex Language Services Limited
Country of Incorporation	Northern Ireland	Northern Ireland	Northern Ireland
Principal Activity	Research and development of products for treatment of diabetes and obesity	Biosorption Technology	Language Translation Services
% Shares Held	44.4%	50%	100%
Turnover	£257k	Nil	£416k
Profit Before Tax	£170k	£7k	£32k
Net Assets	£309k	(£40)k	£33k

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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