

University of Ulster

*FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2001*

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CONTENTS	Page
Treasurer's Report	1-2
Corporate Governance	3
Responsibilities of the University's Council	4
Report of the Auditors	5
Statement of Principal Accounting Policies	6-7
Income and Expenditure Account	8
Balance Sheet	9-10
Cash Flow Statement	11
Statement of Total Recognised Gains and Losses	12
Notes to the Accounts	13-29

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report

SCOPE OF THE FINANCIAL STATEMENTS

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

- INCORE Limited
- UUTECH Limited
- UUSRP Limited
- UU Bibliotech Limited
- UUOnline.com Limited

In addition, the University has formed a joint venture company, SEV Limited with Belfast Institute of Further and Higher Education (BIFHE) which is involved in the development of the Springvale campus.

In the remainder of this report, references to "the University" are deemed to include the activities of the subsidiary companies and the joint venture with BIFHE.

RESULTS FOR THE YEAR

The University recorded a deficit for the year of £3.3 M on a historical cost basis. On a revaluation of assets basis the deficit for the year was £6.9M.

The University's total income was £112M, an increase of 3% on the previous year.

Funding Council block grants for teaching received from the Department for Employment and Learning (DEL) were inflated by only 1.5% being an increase of 2.5% for inflation and a decrease of 1.0% for efficiency gains as imposed by Government policy across the UK Higher Education sector. However, block grants for research were increased by 1.9% to £10.5M and the growth in student numbers generated an additional £1.1M of Funding Council income. A further £0.4M was received as part of Government's initiative to improve access to third level education for students from socially disadvantaged backgrounds. The combined effect of these factors was to increase Funding Council income by 3.5%.

Income from Academic fees and support grants increased by 6% due, in the main, to an inflationary increase in fee rates (2.4%) and a further increase in FTE (full time equivalents) student numbers (2.6%).

The emphasis which University management has been placing on research activity is reflected in a 20.0% increase in income from research grants and contracts. Whilst the income reported in the accounts is £11.7M, the research contracts which were awarded to the University during the year totalled £28.8M, including £7.2M awarded for the Centre for Molecular Biosciences and £1.5M for the Academy for Irish Cultural Heritages. Both of these awards have been provided under the auspices of the SPUR programme (Support Programme for University Research). In addition, the University has attracted a further £8.7M contribution to the Centre for Molecular Biosciences and the Academy for Irish Cultural Heritages from Atlantic Philanthropies.

Staff costs increased by £4.5M or 6.2% when compared with the previous year. The main factors affecting this growth in staff costs are inflationary pay awards 3%, incremental drift 1%, early retirement payments 1% and an increase in staff numbers 1%.

Other operating costs remained in line with the previous year.

LIQUIDITY AND CASH FLOW

The Cash Flow Statement for the year shows a cash outflow of £8.9M, the main component of which was net capital expenditure of £9.4M and £0.5M relating to a surplus on operating activity. As compared to a deficit of £1.9M in 1999/2000.

The cash outflow of £8.9M for the year reduced the University's liquidity position from a net £3.7M on deposit to £5.2M of borrowings.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Treasurer's Report - Continued

INVESTMENT PERFORMANCE

The University's Endowment Asset Investments were valued at £2.9M at 31 July 2001, a decrease of £0.4M in the year, mainly attributable to a decrease in the market value of Endowment Assets rather than disposal of investments.

Income from Short Term Deposits decreased by £0.6M as a result of a reduction in the average level of deposits held and lower average interest rates during the year.

CAPITAL AND MAJOR MAINTENANCE PROJECTS

Gross capital expenditure in the year totalled £16.8M and this was offset by receipt of capital grants of £7.3M. Twenty per cent of the gross expenditure was invested in equipment, mostly IT related, for use in both Faculties and Departments. The remaining 80% was invested in the Estate. The largest projects were the Learning Resource Centre and Commercial Block at Jordanstown and the commencement of the Learning Resource Centre at Magee, commencement of the Fire Sert building at Jordanstown and completion of the Science Park buildings at Coleraine and Magee.

NET ASSETS

The University's Net Assets increased by £5M to £172M at 31 July 2001.

INTERNAL AUDITORS

Deloitte and Touche continue to carry out this function.

FINANCIAL MANAGEMENT

The University is currently undertaking a review of financial reporting. The University will consist of six profit centres - the Faculties. Faculty income and expenditure accounts will in future reflect all Faculty income and direct costs plus an appropriate share of central overheads. The new structure will be effective from 1 January 2002.

FUTURE DEVELOPMENTS

The University has agreed to merge the Northern Ireland Hotel and Catering College within the University as and from 1 August 2002. The effect of this will be an additional 300 FTEs generating an income of £1.2M per annum. The University has agreed with the Department of Health, Social Services and Public Safety to provide nursing training at its Magee campus. Initially the numbers involved will be 100 building up to 570 in Year 3. The income stream generated in Year 3 will be £3.2M.

CONCLUSION

The annual results represent an increased deficit compared with last year. However, the University's cash outflow on operating activities has been reduced compared with the previous year. The University's retained profit remains in excess of £20M with net assets of £172M and very limited borrowings. The University continues to operate in a difficult financial environment with a real value reduction in Government funding and the increased costs associated with the collection of student fees.

G D B HARKNESS, MA FCA
HONORARY TREASURER

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance

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

The Council, the University's Governing Body, is responsible for the institution's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Council is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the period 1 August 2000 to 31 July 2001. This process is regularly reviewed by the Council and accords with the internal control guidance for directors on the Combined Code as amended by the British Universities Finance and Directors Group.

The Council met on eight occasions between October and June during the financial year. The revised Standing Orders of the Council indicate that the Council shall meet on at least six occasions per year. Seven meetings are scheduled for the year 2001-2002.

Included among the Council committees are the General Purposes and Finance Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee all of which have a lay majority. The University also has a Strategic Planning Working Group reporting to the University's Planning Committee, which is a committee of the Senate, the body responsible for the institution's academic affairs.

The General Purposes and Finance committee, inter alia, recommends to the Governing Body the University's annual revenue and capital budgets and monitors performance in relation to the approved budget.

The Nominations Committee has delegated responsibility for the appointment and re-appointment of lay persons to the Governing Body. Appointed members hold office for a period of four years and are eligible for re-appointment for one further period of four years.

The Remuneration Committee determines the remuneration of the most senior staff, including the Vice-Chancellor.

The Audit Committee meets four times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation. It also receives and considers reports from the Funding Council as they effect 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 may meet both the External Auditors and the Internal Auditors on their own for independent discussions.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

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 DEL (Department of Employment and Learning) 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 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

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

We have audited the financial statements on pages 6 to 29 which have been prepared under the historical cost convention, (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 6 to 7.

Respective Responsibilities of the University's Council and the auditors

The University's Council is responsible for preparing the Financial Statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Code of Audit Practice issued by the Higher Education Funding Council for England and our profession's ethical guidance.

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 on Accounting in Further and Higher Education Institutions. We also report to you whether, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Department for Employment and Learning (DEL).

We also report to you if, in our opinion, the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the Financial Statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Treasurer's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

Basis of opinion

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

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

Opinion

In our opinion:

- the Financial Statements give a true and fair view of the state of the affairs of the University at 31 July 2001 and of the excess of expenditure over income and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- 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 for the purposes for which they were received;
- in all material respects, income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Department for Employment and Learning.

KPMG
Chartered Accountants
Registered Auditors
Belfast

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, UUTECH Limited, INCORE Limited, UU Bibliotech Limited and UUSRP Limited. They do not include its subsidiary UU Online.com Limited on the grounds of its immateriality. The results of the subsidiary companies are included in the consolidated Income and Expenditure Account from the date of acquisition or up to the date of disposal. Intra-Group sales and profits are eliminated fully on consolidation.

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

3. Recognition of Income

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

4. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Scheme (NILGOS). The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. 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. In line with the transition arrangements for FRS 17, it is not possible to identify the University's share of the under-lying assets and liabilities of these schemes, and hence contributions to the schemes are accounted for as if they were a defined contribution scheme. The cost recognised within the deficit for the year in the income and expenditure account being equal to the contribution payable to the scheme for the year. A small number of staff remain in other pension schemes.

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.

7. Land and Buildings

Land and Buildings are stated at valuation except for those buildings purchased since the last valuation date which are stated at cost. The basis of valuation is depreciated replacement cost. The valuation on 30 June 1999 was performed by the Valuation and Lands Agency. The University has adopted the transitional arrangements under FRS15; Tangible Fixed Assets and has decided to retain the carrying value of land and

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

buildings at the 30 June 1999 valuation figure (as amended to reflect any impairment in value). The valuation of land and buildings by the Valuation Land Agency will continue to be undertaken every five years with any impairment in value recognised in the year. 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 Valuation and Lands Agency. Depreciation is not charged in the year of acquisition.

8. Equipment

Equipment, including software, costing less than £5,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment (other than research grant equipment) is stated at cost and depreciated over its expected useful life, assumed to be four years. Depreciation is not charged in the year of acquisition.

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

9. Library Assets

Library assets were revalued during the year at depreciated replacement cost. Depreciation is charged straight line over the useful life of the assets, which is assumed to be four years.

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. Investments

Endowment Asset Investments are included in the Balance Sheet at market value.

12. Stocks

Stocks are valued at the lower of cost and net realisable value.

13. Provision for Bad Debts

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

14. Maintenance of Premises

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

15. Taxation Status

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Income and Expenditure Account for the
Year ended 31 July 2001

		Group 2001	Group 2000
		£000	£000
Income - continuing operations	Note		
Funding Council Grants	1	64,683	62,474
Academic Fees and Support Grants	2	22,112	20,847
Research Grants and Contracts	3	11,745	9,782
Other Operating Income	4	12,705	14,187
Endowment Income and Interest Receivable	5	523	1,154
Total Income		<u>111,768</u>	<u>108,444</u>
Expenditure - continuing operations			
Staff Costs	6	76,778	72,262
Depreciation	10	6,305	6,128
Other Operating Expenses	7	35,037	34,838
Interest Payable	8	589	253
Total Expenditure		<u>118,709</u>	<u>113,481</u>
Deficit after depreciation of assets at valuation, Before and after tax		<u>(6,941)</u>	<u>(5,037)</u>

Note of Historical Cost Surpluses and Deficits

Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		3,614	3,912
Historical cost deficit before and after tax		<u>(3,327)</u>	<u>(1,125)</u>

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Balance Sheet as at 31 July 2001

	Notes	Group 2001 £000	University 2001 £000	Group 2000 £000	University 2000 £000
Fixed Assets					
Tangible Assets	10	176,056	163,948	159,556	159,312
Investments	11	255	6,970	255	250
		<u>176,311</u>	<u>170,918</u>	<u>159,811</u>	<u>159,562</u>
Endowment Asset Investments	12	2,919	2,919	3,325	3,325
Current Assets					
Stocks		349	349	321	321
Debtors	13	11,815	14,415	13,423	13,356
Short Term Deposits		7,085	5,219	15,003	14,843
		<u>19,249</u>	<u>19,983</u>	<u>28,747</u>	<u>28,520</u>
Creditors: Amounts Falling Due Within One Year	14	(24,722)	(23,032)	(22,938)	(22,717)
Net Current (Liabilities)/Assets		<u>(5,473)</u>	<u>(3,049)</u>	<u>5,809</u>	<u>5,803</u>
Total Assets Less Current Liabilities....		173,757	170,788	168,945	168,690
Creditors: Amounts Falling Due After More Than One Year	15	(1,008)	(1,008)	(1,013)	(1,013)
Provisions for Liabilities and Charges	16	(521)	(521)	(484)	(484)
Net Assets		<u>172,228</u>	<u>169,259</u>	<u>167,448</u>	<u>167,193</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2001 - Continued

	Notes	Group 2001 £000	University 2001 £000	Group 2000 £000	University 2000 £000
Deferred Capital Grants	17	15,231	11,802	9,094	8,854
Endowments					
Specific	18	2,047	2,047	2,266	2,266
General	18	872	872	1,059	1,059
		2,919	2,919	3,325	3,325
Reserves					
Revaluation Reserve	19	133,722	127,732	131,346	131,346
Income and Expenditure Account	20	20,356	26,806	23,683	23,668
Total Reserves		154,078	154,538	155,029	155,014
TOTAL		172,228	169,259	167,448	167,193

The Financial Statements on pages 6 to 29 were approved by the Council on 14th December 2001 and signed on its behalf by:

G D B Harkness MA FCA

Honorary Treasurer

M M Ryan

Director of Finance

Professor P G McKenna

Vice-Chancellor and Chief Accounting Officer

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Cash Flow Statement for the Year ended 31 July 2001

	Note	Group 2001 £000	Group 2000 £000
Net Cash Inflow/(Outflow) from Operating Activities	23	469	(1,900)
Returns on Investments and Servicing of Finance	24	12	986
Capital Expenditure and Financial Investment	25	(9,381)	(4,562)
Cash Outflow before Use of Liquid Resources and Financing		(8,900)	(5,476)
Management of Liquid Resources	26	7,918	(250)
Financing	27	(21)	(29)
Decrease in Cash	28	(1,003)	(5,755)

Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt)

	Note	Group 2001 £000	Group 2000 £000
Decrease in Cash in the Period		(1,003)	(5,755)
Decrease in Short Term Deposits		(7,918)	—
Repayment of capital element of finance lease	28	21	29
Change in Net Funds	28	(8,900)	(5,726)
Net Funds at 1 August	28	3,709	9,435
Net (Debt)/Funds at 31 July	28	(5,191)	3,709

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

	Note	Group 2001 £000	Group 2000 £000
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(6,941)	(5,037)
Unrealised surplus on revaluation of fixed assets		5,990	—
Impairment of fixed assets		—	(1,566)
 (Decrease)/Appreciation of Endowment Asset			
Investments	18	(484)	120
Endowment Income retained for year	18	78	69
Total Recognised Losses relating to the period		<u>(1,357)</u>	<u>(6,414)</u>
 Reconciliation of movement in reserves and Endowments			
Opening reserves and endowments		158,354	164,768
Total Recognised losses for the year		(1,357)	(6,414)
Closing reserves and endowments		<u>156,997</u>	<u>158,354</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts

Note	Group 2001	Group 2000
	£000	£000
1 Funding Council Grants		
Recurrent Grant*	62,133	60,006
Specific Grants		
Special Initiatives	2,097	1,725
Other	—	—
Deferred Capital Grants Released in Year (Note 17)		
Buildings	244	190
Equipment	209	553
	64,683	62,474
* Includes a developmental element of Research Grant which is part funded through the EU's European Regional Development Fund.		
2 Academic Fees and Support Grants		
Full-time students	15,470	14,642
Full-time students charged overseas fees	1,495	1,463
Part-time fees	3,245	3,157
Research Training Support Grants	68	89
Short Course Fees	1,834	1,496
	22,112	20,847
3 Research Grants and Contracts		
Research Grants	2,112	1,894
Research Contracts	9,633	7,888
	11,745	9,782

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts - Continued

Note	Group 2001 £000	Group 2000 £000
4 Other Operating Income		
Residences, Catering and Conferences	3,669	3,704
Other Services Rendered	3,325	3,323
Health Authorities	—	391
Other Income	5,711	6,769
	12,705	14,187
5 Endowment Income and Interest Receivable		
Transferred from Specific Endowments (Note 18)	31	19
Income from General Endowment Asset Investments (Note 18)	43	41
Income from Short Term Investments	449	1,094
	523	1,154
6 Staff Costs		
Wages and Salaries	64,502	61,648
Social Security Costs	4,789	4,631
Other Pension Costs (Note 29)	7,487	5,794
Release of Restructuring Provision	—	189
	76,778	72,262
Emoluments of the Vice-Chancellor	133	126

The University's pension contributions to USS in respect of the Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £17,416 (1999/00 - £13,193).

	Group 2001 Number	Group 2000 Number
Remuneration of other Higher Paid Staff, including employer's pension contributions.		
£50,000-£59,999	106	80
£60,000-£69,999	26	25
£70,000-£79,999	11	8
£80,000-£89,999	6	5

The average weekly number of persons (including senior post-holders) employed by the University during the period, expressed as full-time equivalents, was:-

Academic	1,138	1,108
Technical	214	214
Administrative	362	356
Other including Clerical and Manual	1,058	1,086
	2,772	2,764

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

Note		Group 2001 £000	Group 2000 £000			
7	Other Operating Expenses					
	Residences, catering and conferences operating expenses	1,940	2,147			
	Consumables and laboratory expenditure	3,024	2,836			
	Equipment not capitalised	2,147	3,232			
	Books and periodicals	2,007	1,813			
	Fellowships, scholarships and prizes	96	302			
	Rates	2,260	2,218			
	Heat, light, water and power	1,806	1,823			
	Long term maintenance	2,301	2,341			
	Grants to University of Ulster Students' Union	893	866			
	Auditors' remuneration	43	35			
	Auditors' remuneration in respect of non-audit services	80	110			
	Printing and stationery	1,576	1,449			
	Travel, subsistence and hospitality	4,191	4,412			
	Miscellaneous academic support	2,726	2,896			
	Telephone and postage	1,406	1,343			
	Legal and professional fees	3,829	3,162			
	Advertising and publicity	1,088	1,079			
	Student Support	2,352	1,723			
	Other expenses	1,272	1,051			
		35,037	34,838			
8	Interest Payable					
	Repayable within 5 years not by instalments	515	179			
	Loans not wholly repayable within five years	74	74			
		589	253			
9	Analysis of 2001 Expenditure by Activity					
		Staff Costs £000	Depreciation £000	Other Operating Expenses £000	Interest £000	Total £000
	Academic Departments	44,637	567	7,641	—	52,845
	Academic Services	7,264	368	3,838	—	11,470
	Research Grants & Contracts	5,116	694	5,136	—	10,946
	Residences, Catering & Conferences	1,432	146	1,956	—	3,534
	Premises	5,567	4,376	7,714	—	17,657
	Administration	8,041	110	2,823	—	10,974
	Other Expenses	4,721	44	5,929	589	11,283
		76,778	6,305	35,037	589	118,709
			£000			
	The depreciation charged has been funded by:					
	Release from Deferred Capital Grants (Note 17)		1,145			
	Release from Research Grants and Contracts		687			
	Release from Revaluation Reserve (Note 19)		3,614			
	General income		859			
			6,305			

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

10 Tangible Assets (Group)

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Library £000	Total £000
Valuation or cost					
At 1 August 2000					
Valuation	134,303	—	—	—	134,303
Cost	22,414	3,548	14,954	—	40,916
Additions at Cost	199	14,279	2,337	—	16,815
Surplus on revaluation	—	—	—	5,990	5,990
Transfer WIP	303	(303)	—	—	—
	157,219	17,524	17,291	5,990	198,024
At 31 July 2001					
Valuation	134,303	—	—	5,990	140,293
Cost	22,916	17,524	17,291	—	57,731
	157,219	17,524	17,291	5,990	198,024
Depreciation					
At 1 August 2000	4,769	—	10,894	—	15,663
Charge for Year	4,375	—	1,930	—	6,305
Disposal at 31 July 2001	—	—	—	—	—
	9,144	—	12,824	—	21,968
Net Book Value					
At 31 July 2001	148,075	17,524	4,467	5,990	176,056
At 31 July 2000	151,948	3,548	4,060	—	159,556

The University's library books, journals, periodicals and associated equipment were revalued on the depreciated replacement cost basis at 31 July 2001 and were subsequently sold to UU Bibliotech Limited at the revalued amount. The valuation was undertaken by the University's head librarian and was certified as appropriate by the Director of Information Services at Queen's University, Belfast.

The items had been carried at £Nil value and were valued at £5,990K. The revaluation was incorporated into the financial statements and the resulting revaluation surplus taken to the consolidated revaluation reserve.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

10 Tangible Assets (University)

	Freehold Land & Buildings £000	Construction In Progress £000	Equipment £000	Library £000	Total £000
Valuation or cost					
At 1 August 2000					
Valuation	134,303	—	—	—	134,303
Cost	22,127	3,548	14,931	—	40,606
Additions at Cost	199	8,477	2,251	—	10,927
Revaluation	—	—	—	5,990	5,990
Disposals at Valuation	—	—	—	(5,990)	(5,990)
Transfer WIP	303	(303)	—	—	—
	<u>156,932</u>	<u>11,722</u>	<u>17,182</u>	<u>—</u>	<u>185,836</u>
At 31 July 2001					
Valuation	134,303	—	—	—	134,303
Cost	22,629	11,722	17,182	—	51,533
	<u>156,932</u>	<u>11,722</u>	<u>17,182</u>	<u>—</u>	<u>185,836</u>
Depreciation					
At 1 August 2000	4,724	—	10,873	—	15,597
Charge for Year	4,363	—	1,928	—	6,291
At 31 July 2001	<u>9,087</u>	<u>—</u>	<u>12,801</u>	<u>—</u>	<u>21,888</u>
Net Book Value					
At 31 July 2001	<u>147,845</u>	<u>11,722</u>	<u>4,381</u>	<u>—</u>	<u>163,948</u>
At 31 July 2000	<u>151,706</u>	<u>3,548</u>	<u>4,058</u>	<u>—</u>	<u>159,312</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

Note	Group 2001 £000	Univ 2001 £000	Group 2000 £000	Univ 2000 £000
11 Investments				
Investment in University Challenge Fund	250	250	250	250
Investment in UUTech Limited	5	—	5	—
Investment in UUSR Limited	—	730	—	—
Investment in UU Bibliotech Limited	—	5,990	—	—
	255	6,970	255	250
Investment in joint venture				
Share of Gross Assets	1,378	—	—	—
Share of Gross Liabilities	(1,378)	—	—	—
	255	6,970	255	250

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 company which manages the commercial use of the University's intellectual property.

UU Bibliotech Limited is a wholly owned company providing library services to the University.

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

SEV Limited is a joint venture with the Belfast Institute of Higher and Further Education, which is involved in the development of property on the Springvale Campus.

	Group 2001 £000	University 2000 £000
12 Endowment Asset Investments		
Balance at 1 August: at cost	2,952	2,778
at valuation	3,325	3,136
Additions	1,504	1,889
Disposals	(1,656)	(1,661)
Net Depreciation on Disposal and/or Revaluation	(254)	(39)
Balance at 31 July at valuation	2,919	3,325

Investments held at the end of the year are detailed as follows:

Fixed Interest Stocks	558	582
UK Equities	1,111	1,347
Bank Balances	128	60
Balanced Portfolio	1,122	1,336
Total Endowment Asset Investments at valuation	2,919	3,325
Total Endowment Asset Investments at cost	2,868	2,952

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

	Group 2001 £000	University 2001 £000	Group 2000 £000	University 2000 £000
13 Debtors				
Amounts falling due within one year				
Debtors	10,902	10,148	9,831	9,755
Amounts owed by group undertakings				
Subsidiary undertakings	—	3,407	—	49
Prepayments and accrued income	913	860	3,592	3,552
	11,815	14,415	13,423	13,356
	Group 2001 £000	University 2001 £000	Group 2000 £000	University 2000 £000
14 Creditors: Amounts Falling Due within One Year				
Bank loans and overdrafts	11,392	9,383	10,321	10,318
Obligations under finance leases	4	4	20	20
Trade creditors	7,506	7,153	8,230	8,099
Other taxation and social security	1,498	1,498	1,654	1,654
Accruals	4,322	4,994	2,713	2,626
	24,722	23,032	22,938	22,717
	Group 2001 £000	University 2001 £000	Group 2000 £000	University 2000 £000
15 Creditors: Amounts Falling Due after more than One Year				
Bank loans	1,000	1,000	1,000	1,000
Obligations under finance leases - Between one and five years	8	8	13	13
	1,008	1,008	1,013	1,013
	Group 2001 £000	University 2001 £000	Group 2000 £000	University 2000 £000
			Group and University 2001 £000	2000 £000
16 Provision for future pension liabilities				
At 1 August			484	872
Utilised in Year			(29)	(388)
Transfer to Income & Expenditure Account			66	—
At 31 July.....			521	484

The provision related to the future provision of retirement benefits to certain employees. The calculation of the provision incorporates an assessment of the life expectancy of the individuals concerned. It is anticipated that £28k of this provision will be paid within the next financial year.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

17 Deferred Capital Grants

	Department for Employment & Learning £000	Group and University		2000 Total £000
		Other Grants £000	2001 Total £000	
At 1 August				
Buildings	3,955	4,538	8,493	5,414
Equipment	209	392	601	1,536
Total	4,164	4,930	9,094	6,950
Cash Received				
Buildings	1,350	5,425	6,775	3,269
Equipment	—	507	507	324
Total	1,350	5,932	7,282	3,593
Released to Income and Expenditure				
Buildings (Notes 1 & 9)	183	61	244	190
Equipment (Notes 1 & 9)	209	692	901	1,259
Total	392	753	1,145	1,449
At 31 July				
Buildings	5,122	9,902	15,024	8,493
Equipment	—	207	207	601
Total	5,122	10,109	15,231	9,094

18 Endowments

	Specific £000	General £000	Group and University	
			2001 Total £000	2000 Total £000
At 1 August	2,266	1,059	3,325	3,136
Additions	—	—	—	—
(Decrease)/Appreciation of Endowment				
- Asset Investments	(297)	(187)	(484)	120
Income for Year	109	43	152	129
Transferred to Income and Expenditure Account (Note 5)	(31)	(43)	(74)	(60)
At 31 July 2001	2,047	872	2,919	3,325

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

	Group 2001 £000	University 2001 £000	Group 2000 £000	University 2000 £000
19 Revaluation Reserve				
Gross Revaluation surplus				
At 1 August.....	134,303	134,303	135,869	135,869
Revalued in Year	5,990	5,990	—	—
Release on Disposal	—	(5,990)	—	—
Impairment	—	—	(1,566)	(1,566)
	140,293	134,303	134,303	134,303
 Contribution to Depreciation				
At 1 August.....	2,957	2,957	(955)	(955)
Released in year	3,614	3,614	3,912	3,912
	6,571	6,571	2,957	2,957
 Net Revaluation Surplus				
At 1 August.....	131,346	131,346	136,824	136,824
At 31 July	133,722	127,732	131,346	131,346
	Group 2001 £000	University 2001 £000	Group 2000 £000	University 2000 £000
20 Income and Expenditure Account Reserve				
Balance at 1 August	23,683	23,668	24,808	24,782
Deficit after depreciation of assets at valuation, before and after tax	(6,941)	(6,466)	(5,037)	(5,026)
Release from Revaluation Reserve	3,614	3,614	3,912	3,912
Release on Disposal of Assets	—	5,990	—	—
Balance at 31 July	20,356	26,806	23,683	23,668

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

Note		Group and University	
21	Capital Commitments	2001	2000
		£000	£000
	Commitments contracted at 31 July	14,079	9,027
	Authorised but not contracted at 31 July	140	1,800
		14,219	10,827

22 **Contingent Liabilities**

The University Council consider that as a result of 16 separate legal proceedings outstanding at the year end, there is a potential contingent liability in the amount of £195,000. No valuable security has been provided by the University in respect of this contingent liability.

23 **Reconciliation of Consolidated Operating Deficit to Net Cash Inflow/(Outflow) from Operating Activities**

	Group	Group
	2001	2000
	£000	£000
Deficit after depreciation of assets at valuation before tax	(6,941)	(5,037)
Depreciation (Note 10)	6,305	6,128
Deferred Capital Grants Released to Income (Note 17)	(1,145)	(1,449)
Investment Income (Note 5)	(523)	(1,154)
(Loss)/Profit on Sale of Endowment Assets	(162)	88
Loss on Investment	—	50
Interest Payable	589	253
Increase in Stocks	(28)	(31)
Increase/(Decrease) in Debtors	1,608	(1,293)
Increase in Creditors	729	933
Increase/(Decrease) in Provisions	37	(388)
Net Cash Inflow/(Outflow) from Operating Activities	469	(1,900)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

24 Returns on Investments and Servicing of Finance

	Group 2001 £000	Group 2000 £000
Income from Endowments (Note 18)	152	129
Income from Short Term Investments (Note 5)	449	1,110
Interest Paid (Note 8)	(589)	(253)
	12	986
Net Cash Inflow from returns on investments and servicing of finance	12	986

25 Capital Expenditure and Financial Investment

	Group 2001 £000	Group 2000 £000
Tangible Assets Acquired (Note 10)	(16,815)	(7,927)
Endowment Asset Investments Acquired (Note 12)	(1,504)	(1,889)
	(18,319)	(9,816)
Total Fixed and Endowment Asset Investments Acquired	(18,319)	(9,816)
Receipts from Sale of Fixed Assets	—	—
Receipts from Sale of Endowment Assets (Note 12)	1,656	1,661
Deferred Capital Grants Received (Note 17)	7,282	3,593
	(9,381)	(4,562)
Net Cash Outflow from capital expenditure and financial investment	(9,381)	(4,562)

26 Management of Liquid Resources

	Group 2001 £000	Group 2000 £000
Withdrawals from deposits	7,918	(250)
Purchase of investments	—	—
	7,918	(250)
Net Cash Inflow/(Outflow) from management of liquid resources	7,918	(250)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

27 Analysis of Changes in Financing During the Year

	Mortgages & Loans £000	Finance Leases £000	Group Total £000
Balance at 31 July 2000	1,000	33	1,033
Capital Repayments	—	(21)	(21)
	1,000	12	1,012
Balances at 31 July 2001	1,000	12	1,012

28 Analysis of Changes in Net Funds

	At 1 August 2000 £000	Cash Flows £000	Other 31 July 2001 £000
Cash at Bank and in Hand			
Endowment Assets	60	68	128
Bank Overdraft	(10,321)	(1,071)	(11,392)
	(10,261)	(1,003)	(11,264)
Short Term Deposits	15,003	(7,918)	7,085
Debt due after one year	(33)	21	(12)
Bank Loans due after one year	(1,000)	—	(1,000)
	13,970	(7,897)	6,073
Total	3,709	(8,900)	(5,191)

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

29 Pension Schemes

The University participates in four pension schemes. The two principal schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Government Officers Superannuation Scheme (NILGOS). A small number of employees belong to two other schemes, the Teachers Superannuation Scheme (TSS) and Health and Personal Social Services Superannuation Scheme (HPSS). All of these schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of each scheme are held in a separate trustee-administered fund. It is not possible to identify each institutions, share of the underlying assets and liabilities of the scheme and hence contributions to the schemes are accounted for as if they were a defined contribution scheme. The cost recognised within the deficit for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The last actuarial valuations of the USS scheme was at 31 March 1999 and the NILGOS scheme at 31 March 1998. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions.

USS Scheme

It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.6% per annum and pensions would increase by 2.6% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 5.5% per annum including an additional investment return assumption of 1% per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £18,870 million (including an estimated £55 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £17,427 million leaving a surplus of assets of £1,443 million. The assets therefore were sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The University contribution rate required for future service benefits along at the date of the valuation was 16.3% of salaries but it was agreed that the University contribution rate will be maintained at 14% of salaries. To fund this reduction of 2.3% for the period of 11 years from the date of valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £561 million of the surplus. It was also agreed, following the valuation, that £201 million of the surplus would be used to fund certain benefit improvements. This left a past service surplus of £681 million to be carried forward.

Surplus or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due as as 31 March 2002 when the above rates will be reviewed.

NILGOS Scheme

It was assumed that the valuation rate of interest would be 8.5% per annum, salary increases would be 6% per annum and pensions would increase by 4.5% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would 4% per annum, salary increases would be 1.5% per annum in excess of inflation (with additional allowances for aged related increases) and pensions would increase inline with inflation. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £1,586 million and the value of the past service liabilities was £1,257 million leaving a surplus of assets of £329 million. The assets therefore were sufficient to cover 126% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The University contribution rate required for future service benefits along at the date of the valuation was 4.6% of salaries.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

29 Pension Schemes - contd.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2002 when the above rates will be reviewed.

	Group 2001 £000	Group 2000 £000
The total pension cost for the University was:-		
Contributions to USS	6,839	5,181
Contributions to NILGOS	617	580
Contributions to TSS	29	33
Contribution to HPSS	2	—
Total Pension Cost (Note 6)	7,487	5,794

30 Access Funds

	Group and University Group 2001 £000	Group 2000 £000
Balance Carried Forward	12	—
Funding Council Grants	897	762
Disbursed to Students	(901)	(750)
Balance Underspent at 31 July	8	12

DEL access 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

31 **Subsidiary Company Information**

There are five companies which are limited by guarantee and are controlled by the University and are therefore subsidiary companies of the University:-

- INCORE Limited
- UUTECH Limited
- UU Bibliotech Limited
- UUSRP Limited
- UU Online.com Limited

The companies are all registered and operate in Northern Ireland. INCORE Limited (Initiative on Conflict Resolution and Ethnicity) is a major international research and training centre set up in partnership with the United Nations University. UUTECH Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities. UU Bibliotech Limited is a company established to provide library services to the University. UUSRP Limited (University of Ulster Science Research Park) commenced trading during the year and is property management and development company for technology transfer. UU.Online.com Limited is a dormant company.

All companies are 100% owned by the University.

32 **Associate Company Information**

The University has an associate interest in the University Challenge Fund with a holding of 33% of the issued ordinary share capital. In addition through UUTECH Limited its wholly owned subsidiary, the University has an associate interest in Xentox Limited and CDC Limited. UUTECH Limited owns 25% of the issued ordinary share capital in each of these businesses.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

33 Joint Venture Information

The University has a joint venture with ICL Ireland Limited in Synergy Centres Limited, a company limited by guarantee. Its principal place of business is located at Springvale Business Park, Belfast.

The University has a joint venture with IRTU, Queens University of Belfast and Loughry College in Manufacturing Technology Partnership (MTP) Limited, a company limited by guarantee. Its principal place of business is located at Springvale Business Park, Belfast.

The University has a joint venture with the Belfast Institute of Higher and Further Education in SEV Limited, a company limited by guarantee. Its principal place of business is located at the University of Ulster, Belfast Campus.

	Synergy Centre Ltd Year Ended 31 December 2000 £000	MTP Ltd Year Ended 31 December 2000 £000	SEV Ltd Year Ended 31 July 2001 £000
Profit for the year	249	3	—
Services supplied by the University	11	12	—
Services received by the University	20	5	—
Amount owed to the University at the Balance Sheet date	11	3	—
Amount owed by the University at the Balance Sheet date	—	—	—
Capital and Reserves as at year end	371	87	—

The nature of the services supplied by the University to MTP Limited relates to secondment of University staff.

The nature of the service received by the University from Synergy Centres Limited relates to development of distance learning materials. With respect to MTP Limited, the payment made by the University relates to its share of partner contributions.

Of these joint venture companies only SEV Limited has been included in the consolidated financial statements. MTP Limited and Synergy Centres Limited have been excluded on the grounds of immateriality.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Accounts — Continued

34 Other Investments

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

Gendel	9%
Mineit	11%
8over8	0.6%
Sensory Technologies & Devices Ltd	10%
Binary Meetings Ltd	18%
Heartsine Technologies	12%
Propertyfriend.com	13%
Pathcom Biotech Ltd	14%

Due to the immateriality of these entities they are not included in the consolidated financial statements.

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 31 to 33 above, no transactions were identified which require to be disclosed under Financial Reporting Standard 8, 'Related Party Disclosures'.