




Annual Report and Financial Statements for the year to 31 July 2014

Registered with The Charity Commission for Northern Ireland NIC 100166

UNIVERSITY OF ULSTER GROUP ACCOUNTS



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UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review

THE UNIVERSITY

The University is an independent educational charity registered with the Charity Commission for Northern Ireland. Our legal status derives from a Royal Charter granted in 1984.

As our name conveys, the University of Ulster (Ulster) is a university of its locality: Northern Ireland. The Ulster community, located across our four campuses in Belfast, Coleraine, Jordanstown and Magee in Derry/Londonderry, is strongly committed to inclusive economic, social and cultural transformation and the advancement of Northern Ireland (NI) globally. The strength, quality and success of our teaching provision, our widening access and participation initiatives, our graduates, our research and innovation, and the commitment of our staff are widely acknowledged. In particular, we value our ability to combine the shaping and delivery of our core academic provision by building close and productive links across the economy and society both locally and internationally.

It is against this background that we have set out the context for our Corporate Plan 2011/12 to 2015/16 – to focus and deepen our contribution to the economic, social and cultural development of NI and its global standing.

CORPORATE STRATEGY

The University's Corporate Plan 2011/12 to 2015/16 sets out two corporate goals under the following headings:

- Excellent, accessible teaching and learning
- Focused research, excellence and innovation

These are facilitated by one enabling goal:

- A well led, healthy working and learning environment,

which aims to support the delivery of the University's vision of leading in the provision of professional education for professional life - <http://www.ulster.ac.uk/corporateplan>

The Corporate Plan was developed in the knowledge that we are embarking on a phase of considerable uncertainty and change in Higher Education across the United Kingdom with the differentiation in the students' fees regime, increased global competition and more challenging public finances. Against this challenging backdrop, the University's Corporate Plan however provides us with a strong strategic focus for the future, a framework for further developing a high quality, world – renowned higher education institution capable of focusing and deepening our contribution to the economic, social and cultural development of NI and its global standing. Our Plan is not about standing still, it is about agility, flexibility, ambition and success.

We manage all our affairs and our resources prudently through robust annual business planning and associated risk management strategies. The activities associated with the overarching Corporate Plan, form the basis of our annual business plan. This business plan defines priorities for the year against which achievement in the delivery of our objectives and key success indicators is monitored and reported.

The Greater Belfast Development (GBD) plan will see the transfer of students and staff from Jordanstown to Belfast with most of the existing Jordanstown activity being moved into the city. By 2018 15,000 students and staff will be studying and working in the exciting Cathedral Quarter of Belfast.

2012/13 saw the commencement of the first phase of the GBD project with the construction of the new York Street building progressing well. This will facilitate the transfer of activity from our existing Orpheus Building in 2015 so that major construction of the new build can commence soon after. In addition, the Interpoint building has been demolished to facilitate the commencement of the basement work for the new build. This work is scheduled to be completed in November 2014.

The Jordanstown campus will remain part of our estate and will continue to house our excellent sports facilities, forming the hub of all sports-related team and individual activities, together with student residences and specialist research facilities. The University and our Planning Consultants continue to liaise with DoE Planning and subject to satisfactory acceptance of the additional supplementary information an outline planning consideration is anticipated to occur in the autumn/early winter of 2014.

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Operating and Financial Review - Continued

With regard to the North West development plans, our Coleraine and Magee campuses play a vital role in the economic, social and cultural development of the North West region.

The first phase of the Coleraine rationalisation project has been completed with the development of new Students' Union facilities as an integral part of the University's central building. The second phase of the Coleraine development is on schedule with work commenced on a new learning and teaching block adjacent to our central building. Planning permission and funding has been provided for the third phase of the development, the construction of the Arts building adjacent to the Life & Health Sciences block. This work commenced in the current year.

Our development plans for Magee are based upon expanding and developing, delivering and sustaining high-quality, regionally relevant provision with an emphasis on professional education for professional life. Planning approval has been granted for the new learning and teaching block at Magee and a business case to justify this new building has been submitted to the Department for Employment and Learning (DEL) to seek capital funding.

REVIEW OF OPERATIONS

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

The financial results of the Group for the year show a historical surplus of £19.7m, a margin of 9.9%, and net cash of £62.3m all of which were in line with our plan to build sufficient reserves in support of the campus developments and to ensure our long term cash holdings are closer to sector benchmark figures.

INCOME AND EXPENDITURE ACCOUNTS

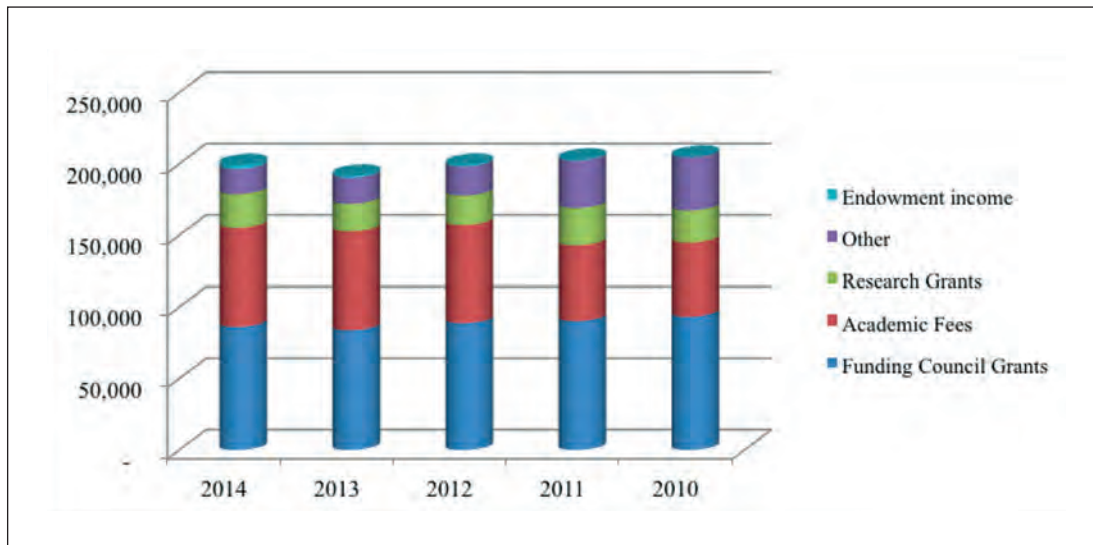
Total income rose by 3.9% to £199m while expenditure (net of depreciation) remained static, reflecting the University's continued drive towards effecting and maintaining efficiencies gained in recent years. The main movement is as a result of an additional depreciation charge which represents the acceleration of the write off of the value of the Jordanstown estate prior to the disposal post 2018.

The Consolidated Income and Expenditure account shows:-	2014	2013
	£000	£000
Income	199,217	191,723
Expenditure	(185,060)	(180,477)
Surplus (Deficit) Transferred to Endowment Fund	-	(1)
Operating Surplus	14,157	11,245
Revaluation Reserve Return	5,566	3,187
Historical Cost Surplus	19,723	14,432

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Operating and Financial Review - Continued

The University's income comes from a number of sources as shown below.

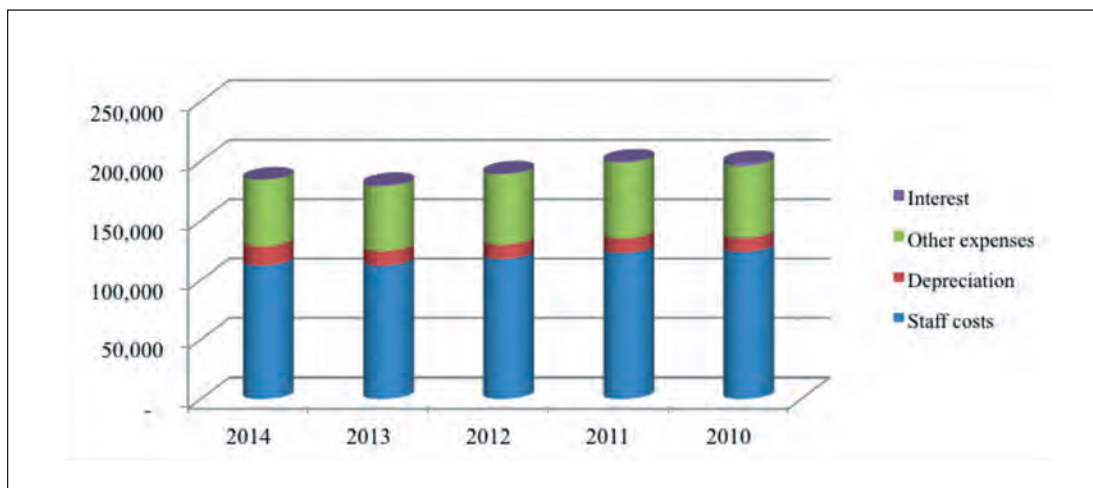


Funding Council Grants increased by 2.8% or £2.4m as a result of additional in-year initiatives granted by DEL.

Tuition fee and educational contracts income is largely in line with prior years. This reflects the completion of the uplift in student fees and commensurate reduction in block grant funding.

Research Grant income rose by 18.2% or £4.3m. The University has seen increases in Research Council, UK Charities, EU government and UK central government sources of funding in the past twelve months.

The University's expenditure is split into four categories:-



Overall expenditure is in line with that recorded in the year to 31 July 2013. During 2013/14 we have continued to identify areas of activity which can be delivered more cost effectively or where divestment is appropriate as a means of managing our on-going cost base. The staff cost to income ratio of 56.4%, is a further 2.2% reduction from the previous year as Ulster staff costs become closer to the sector average.

The large increase in the depreciation charge in year reflects the accelerated write off the Jordanstown campus buildings, which are scheduled to be vacated in 2018, with the move to York Street.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

BALANCE SHEET AS AT 31 JULY 2014

This year saw a further increase in Group net assets, up to £283m, from £262m at the year ended 31 July 2013. Similarly reserves increased by £19.8m to £185m.

Group cash and short term investments totalled £92m as at 31 July 2014. This is an increase of 65% over last year and reflects the draw down of £25m of Financial Transaction Capital funding provided by the Strategic Investment Board (SIB) in support of the Greater Belfast Development as well as a planned increase in cash reserves to support the development of the estates and support other infrastructure developments.

Fixed assets movement for this year amounts to £0.8m, including additions of £17.5m. £4.1m of this relates to equipment, £0.5m of land and buildings, and £12.8m of work in progress/assets under construction; including £8.6m due to the ongoing development of the Greater Belfast project, and £3.0m for the rationalisation of the Coleraine estate.

The defined pension liability decreased to £30.6m from £36.9m last year. Further comment in respect of same is noted later in this report.

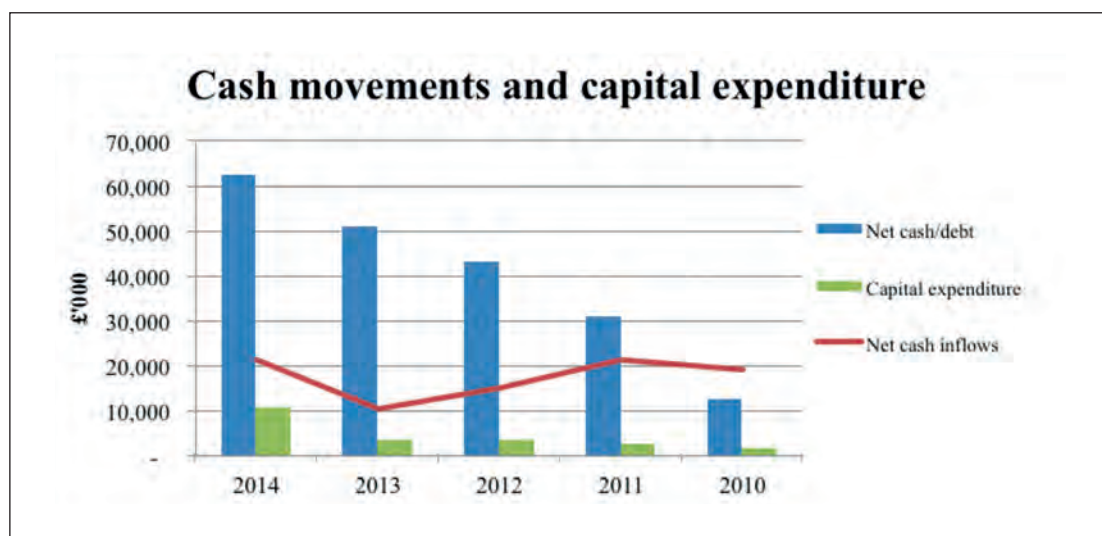
Net current assets increased by £34.4m, reflecting the increased cash and investments, to a year end position of £71.3m.

CASH FLOW FOR THE YEAR TO 31 JULY 2014

The University's Finance Strategy aims to generate a cash surplus of £10m per annum from Operating Activity to support investment in capital works, improve the University's overall liquidity and create a cash reserve fund to support the Greater Belfast Development plans.

Cash balances continue to improve due to delays in capital project spend together with lower than projected recurrent spend amongst the faculties and departments. It should be noted that this is a temporary increase in cash to fund future investments.

For the year ended 31 July 2014 the net cash flow from operating activities was £21.0m. The University invested £17.5m in capital asset additions with £6.9m having been received from government sources in support of these investments. In addition, the £25m loan facility referred to earlier, provided through the SIB as part of the Finance Transactions Capital Fund was received ahead of spend. As a consequence, the University's short term cash deposits and investments increased from £55.7m last year to £91.9m at 31 July 2014. The University's liquidity ratio (current assets to annual expenditure excluding depreciation) at 62.8% (up from 41.2% in 2013) reflects the planned accumulation of cash reserves.



FINANCIAL STRATEGY

Through the financial strategy the University aims to achieve sustainable overall finances, while providing continued funding to support the University's Estates Strategy, which includes the redevelopment of Greater Belfast, the Magee Development plan, the consolidation of the physical estate on the Coleraine campus and investment in Information Technology. The University's level of capital investment is determined from a HEFCE and DEL commissioned JM

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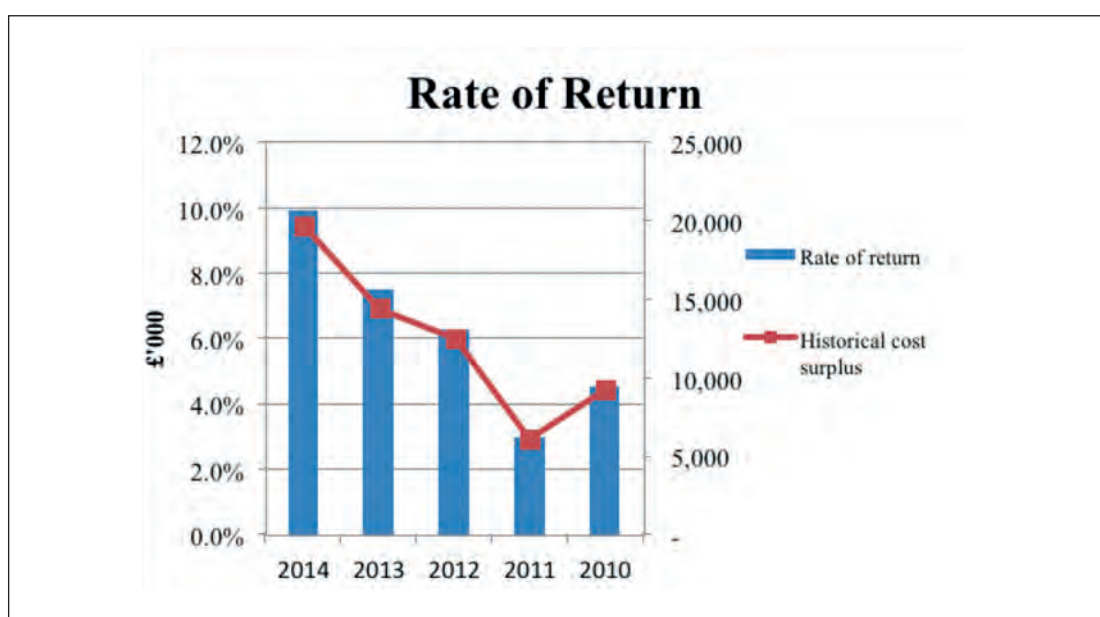
Operating and Financial Review - Continued

Consulting Report “Future Needs for Capital Funding in HE”, which recommended that in order to maintain a sustainable estate HEIs should invest 4.75% of the insurance replacement value of the estate annually.

The University’s approved Finance Strategy is as follows:-

- To ensure the financial viability of the University.
- To achieve an annual cash surplus of 1% of total income to build up and maintain cash reserves.
- Any borrowings will not exceed that approved in the Business Plan for the Greater Belfast Development and any other projects that may arise which are confirmed as self-funding.
- To support the development of activities that generate income for growth.
- To achieve an annual operational surplus averaging 4.5% of income over a rolling 4 year period.

The University continues to operate in accordance with the defined strategy.



TREASURY POLICY AND PERFORMANCE

The University operates a series of policies designed to manage treasury risks including liquidity risk, exchange rate risk and credit and counterparty risk. These policies are contained in the Treasury Management Code of Practice prepared in accordance with HEFCE guidelines. Resources Committee continues to review the policies designed to manage liquidity and credit rating risk.

The investment policy of the University provides that deposits are made on the basis of the short and long term ratings assigned by Moody’s and Standard & Poors global rating agencies of the financial institution which the proposed investment is to be made. Deposit limits with one financial institution range from £1million to £25 million depending on the deposit rate and credit rating.

HM REVENUE AND CUSTOMS – REAL TIME INFORMATION

During the year, the introduction of Real Time Information (RTI) represented the biggest change in payroll processing since the introduction of PAYE in 1944 and requires a Full Payment Submission (FPS) to be made to HM Revenue and Customs (HMRC) for each payroll that is processed.

University of Ulster payroll systems were updated so that the agreed HMRC RTI go live date of September 2013 was achieved with the successful submission of employer alignment submissions to match the records of the University with those of HMRC. All subsequent RTI filing requirements have been met.

PENSION SCHEMES

The University participates in three pension schemes. The two principal schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund

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Operating and Financial Review - Continued

(NILGOSC). A small number of employees belong to one other scheme, 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 and HPSS as required by Financial Reporting Standard 17 (FRS 17) "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.

The USS scheme is unable to identify our share of the underlying assets and is therefore exempt from detailed reporting in the accounts in accordance with the relevant standard FRS17. The latest triennial actuarial valuation of the scheme was at 31 March 2011. At the valuation date the value of assets in the scheme was £32.4bn and the value of liabilities using the schemes technical provision was £35.3bn, a deficit of £2.9bn.

The USS trustees are currently carrying out a formal valuation of the scheme's assets and liabilities as 31 March 2014, and it is anticipated that the trustees will report a substantial deficit of £7.2bn equivalent to a funding level of 85%. This is an estimated position based on the unadjusted 2011 assumptions.

The trustee board is required to review and consult with employers contributing to the scheme following each actuarial valuation and it is likely that when the 2014 actuarial valuation is complete the previous recovery plan will need to be updated. As part of this process a financial management plan has been created which documents the trustee integrated approach to the scheme funding and sets out how the trustees intend to manage this scheme from a financial point of view.

The trustee's primary responsibility is to ensure that there are sufficient funds available to pay the pensions promised. The trustee has been preparing for this valuation for some time and discussions are taking place with the scheme's stakeholders represented by Universities UK (as the representative body of scheme employers) and the University and College Union (as the representative body of scheme members) about the nature of the responses required to address the current funding challenges.

It is important to stress that accrued pension rights are protected in law and remain secure, being backed by the robust covenant of the scheme's participating employers.

A financial management plan documents the trustee's integrated approach to scheme funding; it sets out how the trustee intends to manage the scheme from a financial point of view. This integrated approach brings together three principal strands, namely (i) employer covenant, (ii) investment strategy, and (iii) funding strategy and the setting of assumptions, into a single holistic plan. This approach is emerging best practice as set out by the Pensions Regulator. The full extent of the type of changes required will not be known until the formal valuation results are available, when the trustee will be able to confirm the extent of the scheme deficit, the costs of future service benefits, and therefore what the overall contribution requirements will be.

The NILGOSC scheme, against which the University is able to show its share of the underlying assets/liability, shows a FRS17 liability of £30.6m for the University of Ulster; down from £36.9m at the previous year end. This results in a £2.7m charge to the Income and Expenditure account of which £4.0m is charged against staff costs and £1.4m is credited to interest receivable.

RISK FOR THE COMING PERIOD

The Senior Executive Team (SET) has considered the enterprise performance metrics (Institutional Sustainability Indicators [ISIs] and Operational Indicators [OIs]) that are used to monitor the institution's performance during the 2013/14 academic year. These ISIs are approved and monitored by Council with the Organisational Development Committee having delegated authority to approve and monitor OSIs.

Senior Management also discussed and identified a number of Corporate Risks, based on the source of the risk related to the performance metrics. It was proposed that the number of Corporate Risks would therefore be reduced from 18 in 2012/13 to 9 for adoption in 2013/14. The 2013/14 Corporate Risk Register was approved by SET and Audit Committee.

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The Corporate Risks are listed below.

RISK CODE	CORPORATE RISK 2013/14
CR-LT1	Lack of focus on activities that support the University's core aims and pursuance of activities which threaten the maintenance of standards.
CR-LT2	Failure to undertake due diligence and effective management and administration of partnership activity.
CR-RO1	Lack of connectedness with grant-awarding, decision-making bodies and proactively in horizon-scanning.
CR-RO2	Lack of consistency across the Research Institutes in terms of developing a culture of successful grant application and succession planning.
CR-F1	Failure to deliver our approved Corporate Financial Plan arising from the failure to deliver our core business strategies, ie: Learning and Teaching and Research & Innovation.
CR-OD1	Failure to develop an Organisational Development Strategy and implementation plan on a timely basis.
CR-EI1	Failure to maintain appropriate capital investment strategy.
CR-C1	Failure to develop an effective public affairs and communication policy and implementation plan on a timely basis with an aim to monitoring and influencing changing government policies.
CR-C2	Failure to develop effective internal two-way communications and hence a lack of ownership by staff.

To provide assurance that any previous risks still posing a threat to the University would continue to be monitored a suite of **Operational** Risks were introduced. These are monitored throughout the year. Fourteen Operational Risks were initially identified with a further Operational Risk relating to Organisational Development subsequently identified.

The Operational Risks are listed below.

RISK CODE	OPERATIONAL RISKS 2013/14
OR-LT1	Failure to recruit, support and retain a diverse range of students.
OR-LT2	Inability to recruit and retain staff committed to the delivery of excellence in teaching and learning.
OR-LT3	Reduced opportunities for work-based and work-related learning.
OR-LT4	Diminished opportunities for graduate and post-graduate level employment.
OR-LT5	Lack of focus on quality and standards in recruiting international students hence threatening our highly trusted sponsor status and compliance to the regulatory environment.
OR-RO1	Failure to identify and support effectively innovation and knowledge transfer opportunities that have the potential to contribute positively to economic and societal development.

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RISK CODE	OPERATIONAL RISKS 2013/14
OR-RO2	Failure to identify a pipeline of activity across the University's Faculties and appropriate routes for commercialisation/job creation.
OR-OD1	Failure to deliver on core University objectives due to a lack of innovation and entrepreneurial behaviour in the conduct of University Business.
OR-EI1	Inadequate physical and environmental infrastructure across all campuses to support core business delivery, development and enhancement.
OR-I1	Inability to compete effectively in the international market.
OR-WA1	Failure to maintain the University's position as a sector leader for Widening Access.
OR-IT1	Inadequate IT infrastructure across all campuses to support core business delivery, development and enhancement.
OR-DF1	Failure to achieve fundraising targets in support of other University activities as specified in the Ulster Fundraising Plan.
OR-C1	Failure to protect and enhance the University's profile and reputation.
OR-MG1	Ineffective/failure of governance and leadership in setting strategic direction, oversight and in decision-making and delivery.

As part of the University's Risk Management processes, SET, as the designated risk management team, conducted a six-monthly review of the Corporate and Operational Risk Registers and assessed whether the risks, controls and assessment of likelihood and impact remain appropriate. A year-end review of the Corporate and Operational Risks was considered by SET and the Audit Committee.

In the current financial year and reflecting uncertainty in the level of future funding, two new Strategic Risks have been added.

STRT-01	In light of the ongoing political instability, failure to effectively protect the level of public funding for 3 rd level education.
STRT-11	Failure to respond/adapt to the rapidly changing environment which could impact on the delivery of the University's core business.

STUDENTS

Student numbers increased slightly from a total enrolment of 31,856 in 2012/13 to 32,072 in 2013/14. This includes students based at partner colleges and institutions. The distribution of students in 2013/14 was as follows:

	2013/14	2012/13	2011/12
Full time students	16,676	16,303	16,299
Full time overseas students	2,271	2,441	1,738
Part time students	7,990	7,999	8,220
Students at recognised institutions	5,135	5,113	5,016
Total	32,072	31,856	31,273

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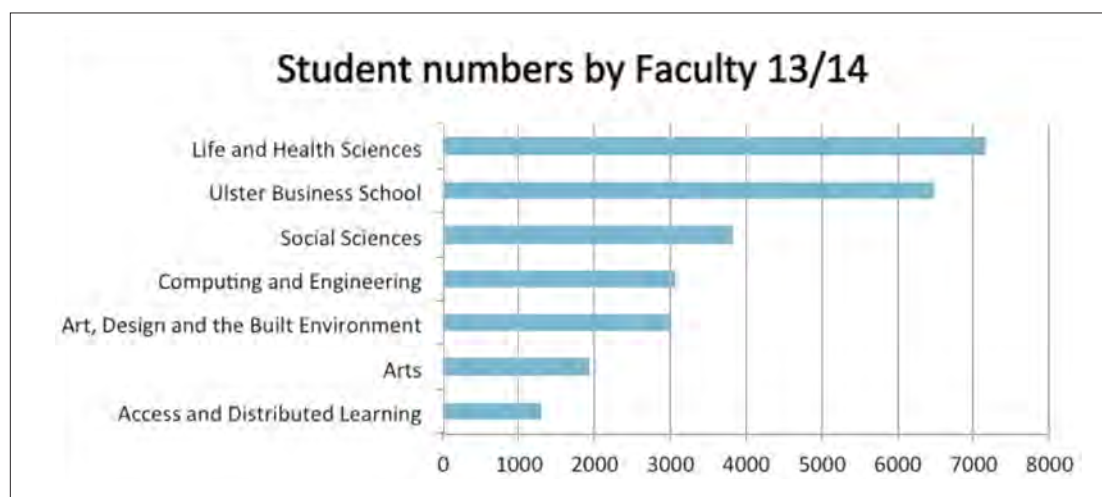
In terms of domicile, the undergraduate student population, over the past three years has been as follows:

	2013/14	2012/13	2011/12
UK	27,470	26,645	25,782
EU	2,078	2,438	2,977
Non EU	2,524	2,773	2,514
Total	32,072	31,856	31,273

STUDENTS BY SUBJECT AREA

The University continues to offer a very wide range of subject mix with business, computing and subjects allied to Life and Health Sciences being the most popular. There has also been growth in the areas of creative arts and engineering.

The graph below illustrates the range and scale of the student population by faculty:



STUDENT INVOLVEMENT

The University has a number of mechanisms in place to facilitate communication with students and it makes extensive use of email and the internet/social media to disseminate information and receive feedback, not least through partnership with the Students' Union.

The Students' Union President is a member of the University Council and a number of Students' Union representatives are members of a variety of University committees including Resources Committee, Library, Information & Student Services Administration Committee, Disbursement Committee, and Organisational Development Committee.

The University and Students' Union Forum meets five times throughout the academic year to discuss matters of mutual concern and is jointly chaired by the Students' Union President and the Pro Vice Chancellor (Academic Planning, Partnerships and International Affairs). Membership of the Forum includes the seven elected student officers, UUSU General Manager, Vice Chancellor, University Provosts as well as representatives from Student Support, Facilities Services and Corporate Communications. The Forum minutes are then presented to the SET by the Students' Union President.

The 2013/14 academic year saw the inaugural UUSU Learning and Teaching Awards where teaching staff nominated by the student body were recognised for their excellence. The 2014/15 academic year will see the opening of the newly refurbished Block E on the Coleraine campus which will include the Students' Union, Student Support and International Office. A shared Reception area will mean these three key areas of the student experience are easily accessible for the students on campus.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

INTERNATIONALISATION

The academic year 2013/14 witnessed several key milestones for the International Department. A number of international market visits took place throughout the year, which included China, Argentina, Chile and the USA. These visits involved a combination of meetings with current and potential partner institutions, international recruitment agents and attendance at recruitment fairs.

The University has also seen significant improvement during this period in forming and progressing international partnerships. In 2013/14 a total of 72 agreements including 12 Memoranda of Understanding, 27 Articulation agreements and 16 Student Exchange/Study Abroad agreements were facilitated.

Important areas where substantial work has been undertaken include a review of Study Abroad recruitment and agreements, the introduction of a new process and contract for appointing and monitoring international recruitment agents, consolidation of Erasmus recruitment and bi-lateral agreements ahead of the new Erasmus Plus programme and the consolidation of international recruitment and partnership information.

A significant development during the year was the opening of the Confucius Institute.

RESEARCH ACTIVITY

The University's research is characterised by its capacity to shape lives and society, delivering economic, social or cultural benefit from research of the highest quality. The University submitted a total of 500 (headcount) staff to REF2014 in November 2013 and the results are to be published in December 2014. The results of the previous exercise in 2008 demonstrated the quality of the University's research, highlighting that the University had jumped eighteen places from 63 to 45, placing it in the top third of UK universities. Twenty one of the twenty five units of assessments returned had research that was world leading and 85% of the research outputs were of an international quality. It is anticipated that the outcomes of REF2014 will consolidate and improve the University's research position and further increase its percentage of Quality Related (QR) funding.

There follows some examples of our internationally excellent and world leading research:

- **Built Environment Research Institute (BERI)** – Research is carried out in areas such as hydrogen technologies, fire dynamics, renewable energy, biomass and bio-energy, regeneration processes and property planning. This addresses questions central to global, national, regional and local economies.
- **Computer Science Research Institute (CSRI)** – The Smart Environments' Research Group focuses on sensor-based technologies with applications in assistive technologies for healthcare. The Artificial Intelligence group researches pattern recognition and semantic reasoning with applications in intelligent document analysis, ambient assisted living and security.
- **Environmental Sciences Research Institute (ESRI)** – Pure and applied researchers investigate a range of earth systems, with an emphasis on those with societal relevance. This includes work on natural hazards such as earthquakes, tsunamis, climate change as well as human and physical influences in ecological, freshwater, coastal and maritime systems.
- **Engineering Research Institute (ERI)** – High impact research is undertaken in advanced materials, patient monitoring analytics, medical devices such as defibrillators and connected health wearable devices, tissue engineering, nano-materials, coatings, healthcare sensor systems, photocatalysis, composites and metal forming. The new industry driven Connected Health Innovation Centre (CHIC) and the Northern Ireland Advanced Composites and Engineering Centre (NIACE) are both sustaining and growing the strong technology-transfer capability within the ERI which has led to seven highly successful global spin-outs and numerous industry/clinical collaborations.
- **Biomedical Sciences Research Institute (BSRI)** – Undertakes cutting edge research on the prevention, diagnosis and treatment of degenerative and infectious diseases including cancer, diabetes, heart disease, blindness, osteoporosis and arthritis. The Institute focuses on translating their research for patient and societal benefit with a significant focus on clinical translation of research especially in the area of personalised medicine.

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- **Transitional Justice Institute (TJI)** – Conducts national, comparative and international action-oriented research with impact on projects including gender based violence in conflict and post-conflict settings, the Belfast Guidelines on Amnesty and Accountability, the Northern Ireland Bill of Rights debate, and the Transitional Justice Grassroots Toolkit. TJI works with key national and international stakeholders (e.g. UN Women, USAID, and the Council of Europe).
- **Institution for Research in Social Sciences (IRiSS)** – Our research focuses on the systems and processes of NI governance in comparative UK and Republic of Ireland contexts; particular issues associated with UK devolution in the fields of health and social care; policing and justice; women and young offenders, and custody; the politics of Northern Ireland and dealing with the past; education in divided societies; and multilingualism. IRiSS serves as a forum for promoting the results of this work engaging with policy makers and those involved with service delivery in the public and voluntary sectors on a regular and sustained basis leading to real world impacts.

The successful research base reinforces the positive impact our work is having on the economic, social and cultural life of Northern Ireland and beyond and our researchers continue to capture funding from a broad range of prestigious peer-reviewed sources including the Research Councils, EU, charities and health authorities.

INNOVATION & TECHNOLOGY TRANSFER

Innovation Ulster Limited is the University of Ulster's wholly - owned knowledge venturing company. The University's Office of Innovation works in partnership with staff and students of the University of Ulster to engage business, encourage fresh thinking, protect, and realise economic impact from our Intellectual Assets. In 2013/14 the office has:

- spun out 3 companies – Vifkon Ltd, Solaform Ltd and Get Invited,
- licensed 5 technologies into businesses,
- engaged in more than 300 business interventions,
- completed our 150th Knowledge Transfer Partnership,
- engaged in £1.7m of consultancy,
- helped to secure a £3.5m EU Support programme Honeycomb – Creative Works which supports creative industries and which has over 650 registered participants.

The Higher Education Business and Community Interaction (HE-BCI) survey data illustrates the success of the University in business and community interactions in the past year. DEL's investment of £4.2m through the Higher Education Innovation Fund III was significant in enabling this, as was the University's own investment in knowledge transfer activities, its infrastructure and the investment of strategic partners such as Invest NI, Technology Strategy Board, and DEL through complementary programmes. *The University is constantly striving to engage and inspire the wider economy and have a culture of openness to all. This will ensure that it will have a role in shaping the future of the economy locally and internationally.*

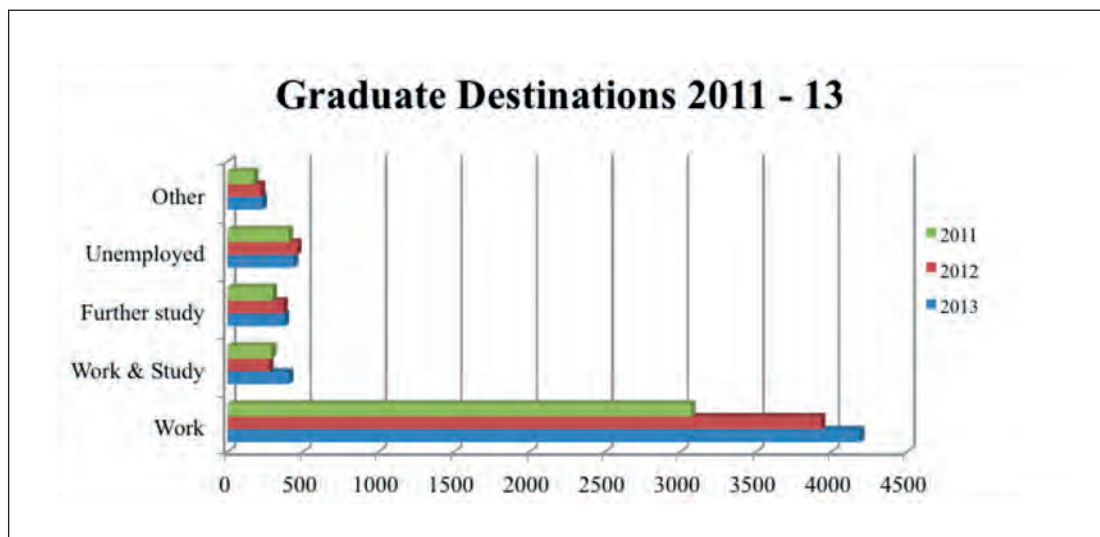
DESTINATION OF LEAVERS

The Employability and Marketing Departments conducts the Destination of Leavers from Higher Education (DLHE) survey biennially on behalf of the Higher Education Statistics Agency (HESA). The population surveyed is designated by HESA and includes both full-time and part-time leavers on both undergraduate and postgraduate programmes. The survey provides a snapshot of student destinations six months after graduation with those students graduating in the summer being surveyed in the January following their graduation, while those graduating at Christmas are surveyed in the following April.

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The statistics presented below refer to the 2012/13 academic year and give a ‘snapshot’ of graduate destinations six months after leaving their course.



The destination of all University of Ulster leavers for 2013 was employment 74 %, work and study 7.2%, further study 6.7% and seeking work 7.8%. Overall 88% of all Ulster leavers were working, studying or a combination of both six months following graduation.

The vast majority (82%) of leavers, reported as being in employment, were employed within Northern Ireland.

SUSTAINABILITY AND ENVIRONMENT

The Physical Resources Department has primary responsibility for University energy management and environmental sustainability. An Environmental Sustainability Performance Report is issued to Senior Management each year.

Significant achievements in 2013/14 were:-

- Retained ‘First Class’ award position in the 2013 UK HE Sector Green League table;
- Retained ‘Quintile 1’ status in the annual ARENA Network environmental benchmarking survey. The survey is organised by Business in the Community Northern Ireland and measures the environmental management and performance of Northern Ireland’s leading 200 companies, government departments, local councils, health trusts and the education sectors;
- Continued to implement an Operations Energy Efficiency Planning process to engage key Faculties and Support Departments in energy efficiency;
- Made on-going campus energy efficiency improvements through upgrades to insulation and lighting, and enhanced controls on heating and cooling plant to reduce energy consumption;
- Recruited a Network of Environmental Champions from across Faculties and Departments to further embed environmental sustainability within the University’s operations; and
- Reduced the University’s electricity usage for the 4th successive year through operational and infrastructural improvements resulting in total savings in excess of £0.5m.

PERFORMANCE OF THE UNIVERSITY OF ULSTER ESTATE

As part of the HESA Estates management Statistics (EMS) project Ulster, like all UK HEIs, is required to make annual returns of estates information to a common framework and set of agreed definitions. From these returns approximately two hundred performance ratios or Key Estate Ratios (KERs) have been derived.

The 2012/13 EMS KERs demonstrate that Ulster’s estate continues to operate on an effective and efficient basis.

The statistics also demonstrate that the estate is operating on a satisfactory basis in terms of space management and efficiently in terms of estate, energy, project & facilities management costs.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

PUBLIC BENEFIT

The University is registered with the Charities Commission for Northern Ireland. The Public Benefit statement of the University is as follows:-

The purpose of the University is to preserve, advance and disseminate knowledge and culture through teaching, scholarship and research and to make available the results of such research and to promote wisdom and understanding by the example and influence of corporate life.

We disseminate such knowledge and culture through teaching, scholarship and research. With regard to teaching, we have developed high quality, flexible, student centred progression of study that is intellectually challenging and provides our students with opportunities to develop their knowledge skills and competence to:-

- gain stimulating and fulfilling employment,
- to contribute to the advancement of their chosen profession, and
- to enable those graduates who have the ability to seek to undertake advanced study and/or research in their chosen subject.

With regard to research, the University aims to advance knowledge by achieving international excellence in our chosen areas of research and to transfer knowledge in support of economic, social and cultural development through:-

- the achievement of high quality research outputs,
- developing other interdisciplinary and collaborative research,
- the translation of knowledge into intellectual assets and using this knowledge to enrich the teaching and learning experience of our students.

The achievement of this purpose does not lead to any harm.

The beneficiaries of the University are the community in Northern Ireland and elsewhere.

The current distinctiveness of the University within the HE Sector places it within a small group of HEIs that are research engaged and business focused, and have significant commercialisation of research, major knowledge transfer relationships, and breadth of diversity in the student population.

The University holds that higher education should be accessible to all who have the ability and potential to benefit. The University's commitments are then articulated through the Widening Access and Participation Strategy and through the regulatory Access Agreement.

The two-year Access Agreement commits the University to expenditure of 20% of annual additional fee income on access measures. In this connection and in line with DELNI's regional strategy, 'Access to Success', Ulster will continue to diversify its access measures across financial support, targeted outreach and supporting the success of its students.

In a new departure for 2013/14, financial support now extends beyond bursaries through the Widening Access and Participation Fund. The fund reduces the financial hurdles for qualifying Ulster students to undertake employability and international study opportunities. For our wider communities, fee waivers apply for modular learning to help transition those in need back to learning within the sector.

In outreach the University is second to none in the range and impact of its activities, a few of which are highlighted here.

Step-Up - the University's flagship educational outreach programme for Derry/Londonderry and Belfast. Step-Up provides learning opportunities in science for talented young people from schools in areas where participation is least likely. This is an area of success which the University is committed to expanding and begun work on establishing a Step-Up Virtual Academy so that more pupils, more schools and more subjects can benefit.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Operating and Financial Review - Continued

Tutoring in Schools - places Ulster students as voluntary tutors-cum-ambassadors alongside teachers. The programme provides the student tutor with a worthwhile experience on a project close to their expertise whilst simultaneously acting as a role model for the pupils and promoting higher education as a realistic and aspirational option.

A wide range of community and schools outreach projects are coordinated across all faculties with governance in place to ensure appropriate targeting of the organisations and the people most in need as well as evaluating the impact.

For the community these have included – ‘Science Shop’: curriculum-aligned undergraduate projects delivering research and operational and business improvements to third sector organisations; Ulster Sports Outreach: an extensive programme using sport to re-engage young people with education.

For schools these have included – ‘LASER’ Languages as a Social Enrichment Resource, Seminars in the City, Widening Access through Computing Apps.

For those needing special support – Fostering Aspiration: financial, living and mentoring support for aspiring young people from a care background.

Increasingly, Ulster is working with partners where our missions converge. In 2013/14 a new partnership was established with the Prince’s Trust.

CONCLUSION

The University continues to operate within the approved Finance Strategy targets which aim to deliver an operating surplus sufficient to support a sustainable investment strategy in both the University’s Physical Resources and Information Technology facilities.

While the University faces considerable challenges in maintaining its level of income over future years, the University achieved its rate of return target in 2013/14 and has developed robust financial planning targets over the next 4 years to continue to operate in a financially sustainable manner and to implement the proposals in the strategy. Should however, further cuts in the block grant transpire, the University will need to commence a radical restructuring of its activities in order to absorb any shortfall in future funding. This will be necessary given that over the past three years the University has had funding reduced by over £10m and at present funding per student per year is significantly below that provided to students in England and Scotland against whom we compete and indeed below funding levels for higher education students in further education colleges in Northern Ireland. The current uncertainty in funding will be closely monitored in the coming months and years.

The sector continues to face difficult economic conditions however, these accounting statements demonstrate the commitment to achieve the financial targets set by Council and to continue to operate in a financially sustainable manner.

Ms Rosemary Peters-Gallagher, OBE
Honorary Treasurer

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance Statement

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 the UK Corporate Governance Code (2010) as issued by the Financial Reporting Council (FRC). Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University endeavours to structure its governance arrangements and conduct its business in accordance with seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which is provided by the Committee of University Chairs (CUC) from time to time. In line with the CUC's Governance Code of Practice Council has adopted a Statement of Primary Responsibilities which is included on pages 20 to 21.

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

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

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

The Council has a membership of seventeen (see below) the majority of whom are appointed from outside the University and 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. With the exception of the Vice Chancellor whose emoluments are disclosed in note 6 none of the members receive any payment, apart from the reimbursement of expenses, for the work that they do for the University in their role as members of the Council.

The Council of the University was reconstituted with effect from 1 October 2012, with a number of members remaining in office. Members during 2013/14 are listed below.

Ex Officio members:

Mr G Mallon	Pro-Chancellor and Chairman
Dr J Harbison, CB	Pro-Chancellor
Ms R Peters-Gallagher, OBE	Honorary Treasurer
Professor RR Barnett	Vice-Chancellor
Mr Mark Bell	President of the Students' Union

Appointed Members:

Mrs M Clark
Mr J Hunter, CB
Mrs R Laird, CBE
Dr A M Telford
Mr L Nellis
Mr A Langan
Mrs H Quigley
Ms J O'Connor (resigned November 2013)

Elected staff members:

Mr P Quinn (retired April 2014)
Dr B Mason
Mr B Magee
Professor N Black

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance Statement

- **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 bodies are nominated by the Council with the same number being nominated by the Senate. Membership also includes representatives of the staff of the University (both academic and non-academic) and the student body. The Court normally meets once a year to receive the annual report and accounts of the University. It is also responsible, on the nomination of the Council, for the appointment of the Chancellor, the Pro-Chancellors and the Honorary Treasurer. In addition, major changes to the constitution of the University require the approval of the Court before they can be submitted to the Privy Council.

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

The Council met six times during 2013/14, including a joint meeting with the University's Senate. Certain functions of the Council are delegated to its committees. During 2013/14 the Committees comprised: Resources Committee; Organisational Development Committee; Audit Committee and Remuneration Committee. The Nominations Committee is a sub-committee of the Organisational Development 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 for the University group and monitors performance in relation to the approved budget. The Committee also has oversight of matters pertaining to the estate strategy and the information technology strategy. It also approves the annual budget for the Students' Union.

The **Organisational Development 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; human resources; and on organisational development and legislative matters. It also has oversight of the development fund-raising strategy; internal and external communication strategies and public relations; the marketing strategy for the range of the University's activities; Students' Union and matters relating to the Students' Union.

The **Nominations Sub-Committee** is responsible for reviewing the processes for and recommending the appointment and re-appointment of members to the Council.

The **Audit Committee** met five times during the year, with the University's internal auditors in attendance. The University's external auditors also attend all meetings of the Committee. The Committee considered detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation timescales. It also received and considered reports and advice from the Funding Council as they affect the University's business and monitor adherence to the regulatory requirements. Whilst Senior Management attend meetings of Audit Committee as necessary, they are not members of the Committee, and the Committee meets both the external auditors and the internal auditors on their own for independent discussions at least once a year.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Corporate Governance Statement - Continued

In 2013/14 the Members of the Audit Committee were:

Mr J Hunter, CB (Chair)

Mrs H Quigley

Mr L Nellis

Mr A Langan

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.

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, Directors of Administrative Departments and the University Secretary all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor. The executive structure of the University is represented by the Senior Executive Team (SET) which comprises of the Vice-Chancellor, Pro-Vice-Chancellors, Provosts, Deans of Faculty and Administrative Directors which meets monthly. The SET refers matters for decision to Council or Senate (or the relevant committees thereof). The SET is chaired by the Vice-Chancellor.

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

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

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 2014.

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

- The Council met six times in the year to consider the strategic direction and plans of the University and to monitor performance against those plans;
- There is clear definition of the responsibilities of and authority delegated to committees of the Council and the executive;
- A Corporate Risk Register which incorporates the key risks at institutional level, is maintained;
- The Senior Executive Team, 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 Institutional Sustainability Indicators 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 2011/12-2015/16, adopted by the Council in June 2011 sets the framework of strategic aims and objectives against which risks are assessed and performance is monitored and reported.

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

The work of the internal audit service has been informed by an analysis of the operational, business and financial risks to which the University is exposed and upon which internal audit activity for 2013/14 was based. The internal audit service operates to standards defined in the HEFCE Accountability and Audit Code of Practice and submits regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal controls, together with recommendations for improvement.

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

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of the Council's Responsibilities

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

The Council is responsible for ensuring the maintenance of proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that Financial Statements are prepared in accordance with the Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Department for 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 Resources Committee on behalf of the Council;
- a Financial Procedures Manual, detailing financial controls and procedures;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

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

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 - Continued

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 act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.</p>	<p>To safeguard the good name and values of the University.</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 ensure the University's longterm sustainability.</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 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 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

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE UNIVERSITY OF ULSTER

We have audited the financial statements of the group and of University of Ulster ('the financial statements') for the year ended 31 July 2014, which comprise of the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Note of Historical Cost Surpluses and Deficits, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds, the Consolidated Statement of Total Recognised Gains and Losses, and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As explained more fully in the Statement of the Council's Responsibilities set out on pages 24 to 27, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- i. give a true and fair view of the state of the group's and the University's affairs at 31 July 2014, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- iii. have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

OPINION ON OTHER MATTERS PRESCRIBED IN THE HEFCE AUDIT CODE OF PRACTICE ISSUED UNDER THE FURTHER AND HIGHER EDUCATION ACT 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the University's statutes; and
- funds provided by the Department for Employment and Learning have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matter, where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Independent Auditors' Report - Continued

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the group and the University.

Ernst & Young LLP
Statutory Auditor
Belfast

DATE

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006. The maintenance and integrity of the University's website is the responsibility of its Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies

1. Accounting convention

The Financial Statements have been prepared on a going concern basis and in accordance with the Statement of Recommended Practice “Accounting for Further and Higher Education 2007” and in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost convention, as modified by the revaluation of certain land and buildings and endowment asset investments. The accounting policies have been applied consistently throughout the year.

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 FRS 2, its financial statements are not consolidated with the Financial Statements of the University because the University does not control those activities.

The joint venture results of SINI is not consolidated as the University does not share control of the entity. The joint venture results of NICOM LLP and the investment in NIACE Limited are not consolidated in the Financial Statements on the grounds of materiality.

3. Recognition of income

Income from specific endowments and donations, research grants and contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

All income from short-term deposits and general endowment asset investments is credited to the Income and Expenditure Account on a receivable basis. All income from other sources is credited to the Income and Expenditure Account on an accruals 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.

The USS scheme is a defined benefit scheme but it is not possible to identify the University’s share of underlying assets and liabilities in the USS scheme. As such, contributions made to the scheme are treated as if it were a defined contribution scheme and charged to the 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 a liability on the balance sheets.

The amount charged to the Income and Expenditure Account 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.

A small number of University employees are members of one other scheme the Health and Personal Social Services Superannuation Scheme (HPSS). This is a defined benefit scheme but it is not possible to identify the University’s share of underlying assets and liabilities. As such, contributions are charged in the Income and Expenditure Account in the year in which they become payable.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

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. Freehold land and buildings

The University has adopted the transitional arrangements under FRS 15: 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). For the purposes of identifying any impairment a desktop valuation is performed annually, supported by a periodic formal valuation. Any impairment in value is recognised in the year. The basis of the formal valuation used is depreciated replacement cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated on a straight line basis over their expected useful lives as determined by the University's valuers, on average 40 years.

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

7. 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.

8. Equipment

Equipment, including software and related software development costs, costing less than £10,000 per individual item or group of related items, is written off in the year of acquisition.

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

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

9. Deferred capital grants

Where tangible 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.

10. Fixed Asset Investments

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

(b) Fixed Asset Investments through Innovation Ulster Limited

From the menu of valuation methodologies cited by the International Private Equity and Venture Capital Valuation Guidelines (Sept 2009 edition) the company values its fixed asset investments (which comprise trade investments) as follows:

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

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

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

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

11. Current Asset Investments

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

12. Stocks

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

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. Provisions

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

15. 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.

16. Taxation status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 CTA 2009 and sections 471, 478, 488 CTA 2010 (formerly S505 of ICTA 1988) or section 256 of the taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. Innovation Ulster Limited, a subsidiary of the University has no charitable status and can therefore be liable to Corporation Tax on chargeable profits. University of Ulster Foundation has charitable status and therefore exempt from corporation tax.

17. Leases

The cost of operating leases is charged to the Income and Expenditure Account as they are accrued.

18. Cash flows and liquid resources

Cash flows comprise of 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 short term deposits and other instruments held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

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:-

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Statement of Principal Accounting Policies - Continued

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.

Restricted 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.

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Income and Expenditure Account
for the Year ended 31 July 2014

	Note	Group 2014 £000	Group 2013 £000
Income			
Funding Body Grants	1	86,323	83,902
Tuition Fees and Education Contracts.....	2	68,990	69,001
Research Grants and Contracts.....	3	23,596	19,299
Other Income	4	17,622	18,167
Endowment and Investment Income	5	2,686	1,354
Total Income		199,217	191,723
Expenditure			
Staff Costs	6	112,447	112,307
Depreciation	10	16,245	12,375
Other Operating Expenses	7	55,971	54,352
Interest and Other Finance Costs.....	8	397	1,443
Total Expenditure		185,060	180,477
Surplus after depreciation of assets at valuation before and after tax		14,157	11,246
(Surplus)/Deficit transferred to accumulated income in endowment funds.....	18	—	(1)
Surplus retained within Income and Expenditure Reserve	21	14,157	11,245

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

Note of Historical Cost Surpluses and Deficits for the Year ended 31 July 2014

Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	19	5,566	3,187
Historical cost surplus before and after tax		19,723	14,432

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2014

	Group 2014	University 2014	Group 2013	University 2013
Note	£000	£000	£000	£000
Fixed Assets				
Tangible Assets.....	10	262,280	268,021	261,037
Investments.....	11	2,870	1,502	3,346
		<u>265,150</u>	<u>269,523</u>	<u>264,383</u>
Total Assets			<u>264,383</u>	<u>268,417</u>
Endowment Assets	12	6,483	6,483	4,764
		<u>6,483</u>	<u>6,483</u>	<u>4,764</u>
Current Assets				
Debtors	13	14,110	14,975	13,480
Investments and short term deposits		68,133	68,133	49,356
Cash at bank and in hand		23,817	23,129	6,344
		<u>106,060</u>	<u>106,237</u>	<u>69,180</u>
Total current assets			<u>69,180</u>	<u>69,732</u>
Creditors: Amounts Falling Due Within One Year.....	14	(34,725)	(34,596)	(32,208)
		<u>(34,725)</u>	<u>(34,596)</u>	<u>(32,208)</u>
Net Current Assets		<u>71,335</u>	<u>71,641</u>	<u>36,972</u>
Total Assets Less Current Liabilities		342,968	347,647	306,119
Creditors: Amounts Falling Due After More Than One Year	16	(29,400)	(29,400)	(4,458)
		<u>(29,400)</u>	<u>(29,400)</u>	<u>(4,458)</u>
Provision for Liabilities	15	—	—	(2,101)
		<u>—</u>	<u>—</u>	<u>(2,101)</u>
Net Assets excluding Pension Liability		313,568	318,247	299,560
Net Pension Liability	30	(30,633)	(30,633)	(36,914)
		<u>(30,633)</u>	<u>(30,633)</u>	<u>(36,914)</u>
Net Assets including Pension Liability		282,935	287,614	262,646
		<u>282,935</u>	<u>287,614</u>	<u>262,646</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Balance Sheet as at 31 July 2014 - Continued

	Note	Group 2014 £000	University 2014 £000	Group 2013 £000	University 2013 £000
Deferred Capital Grants	17	91,400	91,400	92,639	92,639
Endowment Fund					
Permanent	18	5,636	5,636	3,938	3,938
Expendable	18	847	847	826	826
Total Endowments		6,483	6,483	4,764	4,764
Reserves					
Income and Expenditure Account					
Excluding Pension Reserve	21	137,870	144,001	118,579	124,965
Pension Reserve	20	(30,633)	(30,633)	(36,914)	(36,914)
Income and Expenditure Reserve					
Including Pension Reserve		107,237	113,368	81,665	88,051
Revaluation Reserve	19	77,815	76,363	83,578	81,929
Total Reserves		185,052	189,731	165,243	169,980
Total Funds		282,935	287,614	262,646	267,383

The Financial Statements on pages 24 to 56 were approved by the Council on 28 November 2014 and signed on its behalf by:

Ms R Peters-Gallagher, OBE

Honorary Treasurer

Mr P W Hope

Chief Finance and Information Officer

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 2014

	Note	Group 2014 £000	Group 2013 £000
Net Cash Inflow from Operating Activities	24	21,047	10,353
Net Cash Inflow from Returns on Investments and Servicing of Finance	25	875	1,094
Net Cash Outflow from Capital Expenditure	26	<u>(10,533)</u>	<u>(3,443)</u>
Net Cash Inflow before Management of Liquid Resources		11,389	8,004
Management of Liquid Resources	27	(18,871)	(7,801)
Financing.....	28	<u>24,955</u>	<u>(182)</u>
Increase in Cash in the year	29	<u>17,473</u>	<u>21</u>

Reconciliation of Net Cash Flow to Movement in Net Funds

	Note	Group 2014 £000	Group 2013 £000
Increase in Cash in the year		17,473	21
Increase in Short Term Deposits and Investments.....	27	18,777	7,717
(Increase)/Decrease in bank loans	28	<u>(24,955)</u>	<u>182</u>
Change in Net Funds.....		11,295	7,920
Net Funds at 1 August.....		<u>51,052</u>	<u>43,132</u>
Net Funds at 31 July	29	<u>62,347</u>	<u>51,052</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Consolidated Statement of Total Recognised Gains and Losses
For the Year Ended 31 July 2014

	Note	Group 2014 £000	Group 2013 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		14,157	11,245
Unrealised (losses)/gains on investments	19	(197)	103
Endowment income retained/(released) for year	18	—	1
Appreciation of endowment asset investments	18	49	324
Actuarial gain in respect of pension schemes	20	5,849	13,799
Net additions from endowment asset investments.....	18	1,670	102
Impairment on closure of subsidiary.....		—	(44)
Total recognised gains relating to the year		21,528	25,530
Reconciliation of movement in reserves and endowments			
Opening reserves and endowments		170,007	144,477
Total recognised gains for the year		21,528	25,530
Closing reserves and endowments		191,535	170,007

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements

		Group 2014	Group 2013
		£000	£000
Note			
1	Funding Body Grants		
	Recurrent Grant	80,176	79,265
	Specific Grants		
	Special Initiatives	787	—
	Deferred Capital Grants Released in Year (Note 17)		
	Buildings	<u>5,360</u>	<u>4,637</u>
		<u>86,323</u>	<u>83,902</u>
		Group 2014	Group 2013
		£000	£000
2	Tuition Fees and Education Contracts		
	Full-time students.....	48,379	46,595
	Full-time students charged overseas fees.....	2,995	4,580
	Part-time fees	4,794	5,112
	DHSSPS Education Contract.....	11,839	11,798
	Short Course Fees	983	916
		<u>68,990</u>	<u>69,001</u>
		Group 2014	Group 2013
		£000	£000
3	Research Grants and Contracts		
	Research Councils.....	6,652	6,188
	UK Charities	1,365	901
	EU Government	4,684	2,672
	UK Central Government	6,577	4,788
	Overseas (Non-EU)	413	620
	Health and Hospital Authorities	410	454
	Other Sources.....	3,495	3,676
	Included in Research Grants and Contracts Income is £1,466k (2013: £1,317k) in relation to deferred capital grant release	<u>23,596</u>	<u>19,299</u>
		Group 2014	Group 2013
		£000	£000
4	Other Income		
	Residences, Catering and Conferences	2,292	3,586
	Other Services Rendered.....	7,308	7,817
	Other Income	6,633	6,073
	Deferred Grant Release.....	1,389	691
		<u>17,622</u>	<u>18,167</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

		Group 2014	Group 2013
Note		£000	£000
5	Endowment and Investment Income		
	Income from Expendable Endowments	26	25
	Income from Permanent Endowments	127	117
	Income from Short Term Investments	1,119	1,212
	Net Receivable on Pension Assets	1,414	—
		2,686	1,354
		Group 2014	Group 2013
		£000	£000
6	Staff Costs		
	Wages and Salaries	90,580	91,107
	Social Security Costs	6,889	7,043
	Other Pension Costs (Note 30)	14,978	14,157
		112,447	112,307
		Group 2014	Group 2013
		£000	£000
	Emoluments of the Vice-Chancellor		
	Salary	200	183
	Benefits	22	21
	Pension contributions to USS	—	—
		222	194
	Excluding the Vice-Chancellor, remuneration of other Higher Paid Staff, was in the following bands:-	Group 2014	Group 2013
		Number	Number
	£100,000 - £109,999	2	3
	£110,000 - £119,999	4	5
	£120,000 - £129,999	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	1,109	1,079
	Technical	158	169
	Administrative	434	430
	Other including Clerical and Manual	573	783
		2,274	2,461

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

	Group 2014 £000	Group 2013 £000
7 Other Operating Expenses		
Residences, Catering and Conferences.....	777	1,786
Consumables and laboratory expenditure	2,926	2,726
Equipment not capitalised	1,961	1,698
Books and periodicals.....	3,355	3,285
Fellowships, scholarships and prizes.....	407	438
Rates	3,045	3,837
Heat, light, water and power.....	4,327	4,547
Long term maintenance	4,862	8,348
Contracted out services.....	5,896	—
Grants to University of Ulster Students' Union	1,130	1,081
External Auditors' remuneration.....	48	57
External Auditors' remuneration in respect of non-audit services.....	—	21
Internal Auditors' remuneration	82	113
Printing and stationery.....	794	774
Travel, subsistence and hospitality.....	4,945	4,771
Miscellaneous academic support.....	1,057	1,508
Telephone and postage	510	624
Research sub-contracting.....	2,975	1,017
Legal and professional fees	6,397	5,826
Advertising and publicity	680	640
Student Support	7,583	8,150
Restructuring Provision.....	—	1,966
Other expenses.....	2,214	1,139
	55,971	54,352
	Group 2014 £000	Group 2013 £000
8 Interest and Other Finance Costs		
Net payable on pension assets	—	1,183
Loans not wholly repayable within five years.....	397	260
	397	1,443

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

	Staff Costs	Depreciation	Other Operating Expenses	Interest and other Finance Costs	Total
	£000	£000	£000	£000	£000
9 Analysis of 2014 Expenditure by Activity					
Academic Departments	70,937	1,751	7,512	—	80,200
Academic Services	12,957	741	8,074	—	21,772
Research Grants & Contracts	7,805	389	11,152	—	19,346
Residences, Catering & Conferences	1,003	406	2,254	—	3,663
Premises.....	3,574	11,191	13,952	397	29,114
Administration.....	14,167	1,767	8,872	—	24,806
Other Expenses.....	2,004	—	4,155	—	6,159
	<u>112,447</u>	<u>16,245</u>	<u>55,971</u>	<u>397</u>	<u>185,060</u>

£000

The depreciation charged has been funded by:-

Release from Deferred Capital Grants	6,748
Release from Research Grants and Contracts	1,466
Release from Revaluation Reserve (Note 19)	5,566
General Income	2,465
	<u>16,245</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

10 Tangible Assets (Group)

	Freehold Land & Buildings	Assets Under Construction	Equipment	Total
	£000	£000	£000	£000
Valuation or cost				
At 1 August 2013				
Valuation.....	127,808	—	—	127,808
Cost.....	209,808	10,235	43,489	263,532
Additions at Cost.....	578	12,795	4,135	17,508
Transfer CIP.....	3,078	(3,078)	—	—
Disposals.....	—	—	(919)	(919)
At 31 July 2014				
Valuation.....	127,808	—	—	127,808
Cost.....	213,464	19,952	46,705	280,121
Total.....	<u>341,272</u>	<u>19,952</u>	<u>46,705</u>	<u>407,929</u>
Accumulated Depreciation				
At 1 August 2013				
Charge for Year.....	92,852	—	37,451	130,303
Disposals.....	12,874	—	3,371	16,245
Disposals.....	—	—	(899)	(899)
At 31 July 2014	<u>105,726</u>	<u>—</u>	<u>39,923</u>	<u>145,649</u>
Net Book Value				
At 31 July 2014.....	<u>235,546</u>	<u>19,952</u>	<u>6,782</u>	<u>262,280</u>
At 31 July 2013	<u>244,764</u>	<u>10,235</u>	<u>6,038</u>	<u>261,037</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

10 Tangible Assets (University)

	Freehold Land & Buildings	Assets Under Construction	Equipment	Total
	£000	£000	£000	£000
Valuation or cost				
At 1 August 2013				
Valuation.....	127,808	—	—	127,808
Cost	216,943	10,235	44,154	271,332
Additions at Cost.....	578	12,795	4,135	17,508
Transfer CIP.....	3,078	(3,078)	—	—
Disposals.....	—	—	(919)	(919)
At 31 July 2014				
Valuation.....	127,808	—	—	127,808
Cost	220,599	19,952	47,370	287,921
Total.....	348,407	19,952	47,370	415,729
Accumulated Depreciation				
At 1 August 2013				
Valuation.....	93,636	—	38,117	131,753
Charge for Year	13,483	—	3,371	16,854
Disposals.....	—	—	(899)	(899)
At 31 July 2014.....	107,119	—	40,589	147,708
Net Book Value				
At 31 July 2014.....	241,288	19,952	6,781	268,021
At 31 July 2013	251,115	10,235	6,037	267,387

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

11 Fixed Asset Investments

	Group 2014	University 2014	Group 2013	University 2013
	£000	£000	£000	£000
Investment through Innovation Ulster Limited	2,870	—	3,346	—
Investment in Innovation Ulster Limited	<u>—</u>	<u>1,502</u>	<u>—</u>	<u>1,030</u>
	2,870	1,502	3,346	1,030

Innovation Ulster Limited is a wholly owned subsidiary incorporated in Northern Ireland which manages the commercial use of the University's intellectual property. Further details have been given in note 32.

Innovation Ulster Limited investment movement during the year:-

	Cost	Revaluation	Valuation
	£000	£000	£000
At 1 August 2013.....	1,745	1,601	3,346
Investments made at cost.....	172	—	172
Investments realised	(78)	—	(78)
Revaluation.....	—	142	142
Provision for impairment in value.....	<u>(372)</u>	<u>(340)</u>	<u>(712)</u>
At 31 July 2014.....	<u>1,467</u>	<u>1,403</u>	<u>2,870</u>

The members of the Council believe that the carrying value of the investments is supported by their underlying net assets.

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

12 Endowment Assets

	Group and University 2014	2013
	£000	£000
Balance at 1 August	4,764	4,337
New endowments	1,670	102
Increase in market value of investments	49	324
Income generated less expenditure.....	—	1
	6,483	4,764
Balance at 31 July	6,483	4,764
Investments held at the end of the year are detailed as follows:		
Securities	6,483	4,764
Total Endowment Assets.....	6,483	4,764

13 Debtors

	Group 2014	University 2014	Group 2013	University 2013
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	12,689	12,375	10,204	9,717
Amounts owed by group undertakings	—	1,182	—	2,172
Prepayments and accrued income	1,421	1,418	2,340	2,333
	14,110	14,975	12,544	14,222
Sub Total	14,110	14,975	12,544	14,222
 Amounts falling due after more than one year				
Trade debtors	—	—	936	936
	14,110	14,975	13,480	15,158
Total	14,110	14,975	13,480	15,158

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

14 Creditors: Amounts Falling Due within One Year

	Group 2014	University 2014	Group 2013	University 2013
	£000	£000	£000	£000
Bank loans	203	203	190	190
Trade creditors	20,041	19,973	22,259	22,135
Taxation and social security	3,793	3,793	3,884	3,884
Accruals	10,688	10,627	5,875	5,848
	<u>34,725</u>	<u>34,596</u>	<u>32,208</u>	<u>32,057</u>

15 Provisions for Liabilities

	Group and University 2014	Group and University 2013
	£000	£000
At 1 August	2,101	3,759
Charged to the Income and Expenditure Utilisation	—	2,101
	<u>(2,101)</u>	<u>(3,759)</u>
At 31 July	—	2,101

The provision is in respect of costs of redundancy and early retirement costs.

16 Creditors: Amounts Falling Due after more than One Year

	Group 2014	University 2014	Group 2013	University 2013
	£000	£000	£000	£000
Bank Loans	29,400	29,400	4,458	4,458

	Group 2014	University 2014	Group 2013	University 2013
	£000	£000	£000	£000
Bank Loans				
Amounts falling due:				
Less than one year (Note 14)	203	203	190	190
Between one and two years	213	213	203	203
Between two and five years	717	717	678	678
Greater than five years	28,470	28,470	3,577	3,577
	<u>29,603</u>	<u>29,603</u>	<u>4,648</u>	<u>4,648</u>

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

All bank loans greater than 5 years are repayable by instalments. Commercial terms and rates of interest payable have been negotiated.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

17 Deferred Capital Grants - Group and University

	Department for Employment and Learning	Other Grants	2014 Total	2013 Total
	£000	£000	£000	£000
At 1 August				
Buildings	60,556	31,890	92,446	91,709
Equipment	—	193	193	312
Total	60,556	32,083	92,639	92,021
Cash Received				
Buildings	5,862	(193)	5,669	6,918
Equipment	14	1,292	1,306	345
Total	5,876	1,099	6,975	7,263
Released to Income & Expenditure				
Buildings	5,476	2,328	7,804	6,181
Equipment	—	410	410	464
Total	5,476	2,738	8,214	6,645
At 31 July				
Buildings	60,942	29,369	90,311	92,446
Equipment	14	1,075	1,089	193
Total at 31 July	60,956	30,444	91,400	92,639

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

**18 Endowments -
Group and University**

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2014 Total	2013 Total
	£000	£000	£000	£000	£000	£000
Balances at 1 August						
Capital	736	2,760	3,496	1,293	4,789	4,364
Accumulated income/ expenditure	(4)	446	442	(467)	(25)	(27)
	<u>732</u>	<u>3,206</u>	<u>3,938</u>	<u>826</u>	<u>4,764</u>	<u>4,337</u>
New Endowments	—	1,592	1,592	79	1,670	102
Transfer	(379)	379	—	—	—	—
Investment Income	10	117	127	26	153	142
Expenditure	—	(59)	(59)	(94)	(153)	(141)
	<u>(369)</u>	<u>437</u>	<u>68</u>	<u>(68)</u>	<u>—</u>	<u>1</u>
Increase/(Decrease) in market value of investments	1	37	38	10	49	324
At 31 July	<u>364</u>	<u>5,272</u>	<u>5,636</u>	<u>847</u>	<u>6,483</u>	<u>4,764</u>
Represented by						
Capital	358	4,768	5,126	1,382	6,508	4,789
Accumulated income and expenditure	6	504	510	(535)	(25)	(25)
	<u>364</u>	<u>5,272</u>	<u>5,636</u>	<u>847</u>	<u>6,483</u>	<u>4,764</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

19 Revaluation Reserve

	Group 2014	University 2014	Group 2013	University 2013
	£000	£000	£000	£000
Gross Revaluation surplus				
At 1 August.....	141,942	134,303	141,839	134,303
Revalued in Year	<u>(197)</u>	<u>—</u>	<u>103</u>	<u>—</u>
	141,745	134,303	141,942	134,303
Contribution to Depreciation				
At 1 August.....	58,364	52,374	55,177	49,187
Released in Year	<u>5,566</u>	<u>5,566</u>	<u>3,187</u>	<u>3,187</u>
	63,930	57,940	58,364	52,374
Net Revaluation Surplus				
At 1 August.....	<u>83,578</u>	<u>81,929</u>	<u>86,662</u>	<u>85,116</u>
At 31 July.....	<u>77,815</u>	<u>76,363</u>	<u>83,578</u>	<u>81,929</u>

20 Pension Reserve

	Group and University	
	2014	2013
	£000	£000
Balance at 1 August.....	(36,914)	(49,330)
Transfer to Income and Expenditure Account Reserve (Note 21)	432	(1,383)
Actuarial gain in respect of pension reserve (Note 30).....	<u>5,849</u>	<u>13,799</u>
Balance at 31 July.....	<u>(30,633)</u>	<u>(36,914)</u>

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

21 Income and Expenditure Account Reserve

	Group 2014	University 2014	Group 2013	University 2013
	£000	£000	£000	£000
Balance at 1 August.....	118,579	124,965	102,808	109,463
Surplus after depreciation of assets at valuation, before and after tax.....	14,157	13,902	11,245	11,140
Release from Revaluation Reserve (Note 19)	5,566	5,566	3,187	3,187
Transfer from Pension Reserve (Note 20)*	(432)	(432)	1,383	1,383
Impairment on Closure	—	—	(44)	(208)
Balance at 31 July.....	<u>137,870</u>	<u>144,001</u>	<u>118,579</u>	<u>124,965</u>

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

22 Capital Commitments

	Group 2014	Group 2013
	£000	£000
Commitments contracted at 31 July	35,723	11,264
Authorised but not contracted at 31 July	<u>211,521</u>	<u>1,516</u>
	<u>247,244</u>	<u>12,780</u>

Outstanding commitments include £235.8 million which relate to the development of the Greater Belfast Campus.

23 Contingent Liabilities

The University Council has reviewed legal proceedings outstanding at the year end and does not consider that there are any cases where there is the possibility of a liability falling due to the University. Therefore, in accordance with 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 Financial Statements - Continued

24 Reconciliation of Consolidated Operating Surplus to Net Cash Inflows from Operating Activities

	Group 2014	Group 2013
	£000	£000
Surplus after depreciation of assets at valuation before tax	14,157	11,245
Depreciation	16,245	12,375
Loss on disposal of fixed assets.....	20	5
Deferred Capital Grants Released to Income (Note 17).....	(8,214)	(6,645)
Investment Income (Note 5).....	(1,119)	(1,212)
Endowment Income.....	(153)	(142)
Interest Payable	397	260
(Increase)/Decrease in Debtors.....	(630)	367
Increase/(Decrease) in Creditors	403	(7,189)
Pension Costs Less Contributions Payable	(432)	1,383
Revaluation of Investments	373	52
Endowment Fund Transfer	—	(102)
Impairment on closure	—	(44)
	21,047	10,353

25 Returns on Investments and Servicing of Finance

	Group 2014	Group 2013
	£000	£000
Income from Endowments	153	142
Income from Short Term Investments (Note 5)	1,119	1,212
Interest Paid (Note 8).....	(397)	(260)
	875	1,094

26 Capital Expenditure

	Group 2014	Group 2013
	£000	£000
Tangible Assets Acquired (Note 10)	(17,508)	(10,808)
Deferred Capital Grants Received (Note 17)	6,975	7,263
New Endowments Received.....	1,670	102
Payments to acquire endowment asset investments	(1,670)	—
	(10,533)	(3,443)

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

27 Management of Liquid Resources

	Group 2014	Group 2013
	£000	£000
Movement in Endowment Assets.....	—	21
Addition to deposits.....	(18,777)	(7,717)
Purchase of investments	(94)	(105)
	<hr/>	<hr/>
Net Cash Outflow from Management of Liquid Resources	(18,871)	(7,801)

28 Financing

	Group 2014	Group 2013
	£000	£000
Balance at 1 August.....	4,648	4,830
Loan Repayments	(190)	(182)
Loan Advances	25,145	—
	<hr/>	<hr/>
	24,955	(182)
	<hr/>	<hr/>
Balance at 31 July	29,603	4,648

29 Analysis of Changes in Net Cash

	At 1 August 2013	Cash Flow	At 31 July 2014
	£000	£000	£000
Cash at Bank and in Hand	6,344	17,473	23,817
Short Term Deposits.....	49,356	18,777	68,133
Debt due within one year	(190)	(13)	(203)
Debt due after one year.....	(4,458)	(24,942)	(29,400)
	<hr/>	<hr/>	<hr/>
	(4,648)	(24,955)	(29,603)
	<hr/>	<hr/>	<hr/>
Total	51,052	11,295	62,347

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

30 Net Pension Liability

The University participates in three 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 one other scheme, 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 and HPSS as required by FRS 17 "Retirement Benefits" and as a result the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

USS Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee 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 and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of their estimate of the funding level at 31 March 2014 are also included in this note.

The triennial 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 (ie 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 historically 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 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and 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 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables – No age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down 1 year

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 CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

Males (females) currently aged 65 23.7 (25.6) years

Males (females) currently aged 45 25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% 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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial will take place as at March 2014 and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure, however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2013. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilt basis at that date was approximately 61%.

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 requirement. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

<i>Assumption</i>	<i>Change in Assumption</i>	<i>Impact on Shortfall</i>
Investment return (Valuation rate of interest)	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

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 but the allowance for promotional salary increases was not as high. 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 was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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

The trustee’s role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme’s liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee’s funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. The investment approach is innovative and responsible

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the institution had 1,576 active members participating in the scheme.

The total pension cost for the institution was £11,131,746 (2013: £10,807,751). The contribution rate payable by the institution was 16% of pensionable salaries.

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 2013 and updated to 31 July 2014 by a qualified independent actuary.

	At 31 July 2014	At 31 July 2013
	£000	£000
Balance Sheet		
Present value of scheme liabilities	(165,339)	(165,268)
Fair value of scheme assets	134,724	128,374
Present value of unfunded liabilities	(18)	(20)
Net pension liability	(30,633)	(36,914)
	At 31 July 2014	At 31 July 2013
	£000	£000
Movements in present value of defined benefit obligation		
At beginning of the year	(165,288)	(156,905)
Current service cost	(3,814)	(4,036)
Member contributions	(909)	(1,028)
Impact of settlements and curtailments	—	700
Interest cost	(7,455)	(6,435)
Benefits paid	4,239	5,160
Unfunded benefits	—	1
Past service cost	(272)	(189)
Actuarial gains/(losses)	8,142	(2,556)
At end of year	(165,357)	(165,288)

UNIVERSITY OF ULSTER GROUP ACCOUNTS
Notes to the Financial Statements - Continued

	At 31 July 2014	At 31 July 2013
	£000	£000
Movements in fair value of plan assets		
At beginning of the year	128,374	107,575
Expected return on assets	8,869	5,252
Employer contributions	3,104	3,324
Member contributions	909	1,028
Benefits paid	(4,239)	(5,160)
Actuarial (losses)/gains	(2,293)	16,355
At end of year	134,724	128,374

	At 31 July 2014	At 31 July 2013
	£000	£000
Expense recognised in the income and expenditure accounts		
Current service cost	3,814	4,036
Interest on defined benefit pension plan obligation	7,455	6,435
Expected return on defined benefit pension plan assets	(8,869)	(5,252)
Losses on curtailments and settlements	—	(701)
Past service cost	272	189
Total	2,672	4,707

	At 31 July 2014	At 31 July 2013
	£000	£000
The expense is recognised in the following line items in the income and expenditure account:		
Staff costs	4,086	3,524
Interest payable	(1,414)	1,183
Total	2,672	4,707

The total amount recognised in the statement of the total recognised gains and losses in respect of actuarial gain is £5,849k (2013 gain: £13,799k).

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 £(1,117)k, (2013 : (£4,732k)).

	At 31 July 2014	At 31 July 2013
	Fair Value	Fair Value
	£000	£000
The fair value of the plan assets and the return on those assets were as follows:-		
Equities	100,100	96,923
Bonds	16,032	15,662
Property	15,359	10,013
Cash	3,233	5,648
Other	—	128
Actual return on plan assets	134,724	128,374

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

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.

	At 31 July 2014	At 31 July 2013
Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:-		
Inflation/pension increase rate	2.2%	2.7%
Salary increase rate	3.7%	5.1%
Expected return on results	6.8%	6.9%
Discount rate	4.1%	4.5%

Mortality

Life expectancy is based on the standard SAPS Normal Health All Amounts (SINFA) and PMA92 tables, with improvements from 2007 in line with the medium cohort and a 1% p.a. underpin. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	24.6 years
Future pensioners	24.3 years	26.9 years

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

	At 31 July 2014	At 31 July 2013	At 31 July 2012	At 31 July 2011	At 31 July 2010	At 31 July 2009
	£000/%	£000/%	£000/%	£000/%	£000/%	£000/%
History of Experience Gains and Losses						
Difference between the expected and actual return on scheme assets:						
Amount	(2,293)	16,355	(3,755)	3,556	9,826	(13,249)
Percentage of scheme assets	(1.7%)	12.7%	(3.5%)	3.3%	10.3%	(16.8%)
Experience gains and losses on scheme liabilities:						
Amount	(335)	0	(1,485)	7,975	9	1
Percentage of the present value of scheme liabilities	(0.2%)	0.0%	0.9%	5.9%	0.0%	0.0%
Total amount recognised in statement of total recognised gains and losses:						
Amount	5,849	13,799	(17,722)	8,840	14,340	(26,651)
Percentage of the present value of scheme liabilities	3.5%	8.3%	(11.3%)	6.5%	10.7%	(20.8%)

The University expects to contribute approximately £2.969m to its defined benefit plans in the next financial year.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

	Group 2014	Group 2013
	£000	£000
The total pension cost for the University was:-		
Contributions to USS.....	11,132	10,808
Charge to staff cost - NILGOSC	3,841	3,344
Contribution to HPSS	5	5
	14,978	14,157
	Group 2014	Group 2013
	£000	£000
31 Student Support Funds		
Balance Carried Forward.....	28	607
Funding Council Grants	1,745	1,333
Disbursed to Students	(1,759)	(1,912)
	14	28

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

32 Subsidiary Company Information

There are two companies which are wholly owned subsidiary companies of the University:

- Innovation Ulster Limited; and
- University of Ulster Foundation.

The above companies have been fully consolidated in the Financial Statements.

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

The companies are all registered and operate in Northern Ireland. Innovation Ulster Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities. University of Ulster Foundation is a charity established to support the University's mission, vision and strategic aims. University of Ulster Foundation has ceased trading on 31 July 2014.

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

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 it as such, in accordance with FRS 9: Associates and Joint Ventures.

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

34 Other Investments

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

- 7.97% of Intelsens Limited
- 4.44% of Crescent Capital II LLP
- 1.7% of Bitt Ware Inc
- 8.98% Performa Sports
- 7.45% Sophia Search Limited
- 1.16% Heartsine Limited
- 10.18% Carritech Research Limited
- 0.67% 8 over 8
- Loan £10,000 in InLifeSize Limited
- 6% Datactics Limited

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

Name	Get Invited
Country of Incorporation	Northern Ireland
Principal Activity	Ticketing Service
% Shares Held	17.98%
Turnover	N/A
Net Liabilities	N/A
Year End	N/A

UNIVERSITY OF ULSTER GROUP ACCOUNTS

Notes to the Financial Statements - Continued

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

Name	Diabetica Limited	EyespyFX	Hidinimage Limited	Axis Composites Limited	Surf-Spec Limited	Jenarron Therapeutics Limited	Vifkon	Solaform
Country of Incorporation	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland
Principal Activity	Research & development of products for treatment of diabetes and obesity	Applications for mobile devices, eg webcams	Secure digital water marking technology	Design and manufacture of 3D woven carbon fibre preforms	Developer of "made to specification" surfaces	Putty like material applied to removed to wounds	Fire and blast proof concrete products	Solar water heater
% Shares Held and type	44.4%	27.32%	38.5%	28%	25%	49%	30%	28%
Convertible Loan Stock	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Turnover	£Nil	£Nil	£269	£126,019	N/A	N/A	N/A	N/A
Profit or Loss Before Tax	£0	£0	(£76,470)	(£110)	N/A	N/A	N/A	N/A
Net Assets	£659	£6,570	(£61,987)	£27,030	N/A	N/A	N/A	N/A
Financial Year End	30 September 2013	31 October 2013	31 May 2013	28 February 2014	28 February 2014	31 March 2013	N/A	N/A

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 arm's length and in accordance with the University's financial regulations and normal procurement procedures. The University has taken advantage of the exemptions contained in FRS 8 "Related Party Transactions" not to disclose transactions with subsidiaries as all of the voting rights are controlled within the Group.

36 Ultimate Controlling Party

There is no one ultimate controlling party.

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