

Consolidated
Financial Statements 2017–2018



QUEEN'S
UNIVERSITY
BELFAST

SHAPING
A BETTER
WORLD
SINCE 1845

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OPERATING AND FINANCIAL REVIEW

OVERVIEW

Today, Queen’s is one of the leading universities in the UK and Ireland, with a distinguished heritage and history. Ranked 180 in the world*, with an annual turnover in excess of £350m and some 23,000 students, Queen’s is one of the region’s largest employers with 4,000 staff. Queen’s plays a unique leadership role in Northern Ireland contributing £1.9 billion to the UK economy and supporting over 9,250 full-time jobs.

As a member of the Russell Group of UK research-intensive universities, Queen’s combines excellence in research and education with a student-centred ethos. The unique and positive impact of Queen’s - locally and globally - is well recognised and evidenced through our key achievements. It is because of these successes that we are able to plan with even more ambition for the future.

The University is poised for considerable success and growth in the next decade under the leadership of Professor Ian Greer who was appointed to the role of President and Vice-Chancellor on 1 August 2018. Professor Greer is committed to ensuring Queen’s continues to be a world-class global University with regional impact.

Our strategic ambitions as a world-class international University that supports outstanding students and staff, working in world-class facilities, conducting leading-edge education and research, focused on the needs of society are articulated within our Corporate Plan 2016-21.

Through our education and research we play a leading role in preparing tomorrow’s leaders, public servants and entrepreneurs, and in growing Northern Ireland’s global reputation, whilst delivering significant local impact. Queen’s is a dynamic and diverse institution with over 600 international staff, and 2,000 international students from over 70 countries, engaged in a variety of roles across the campus. We have over 150,000 alumni in more than 120 countries. Our graduates are role models at home, and ambassadors for Northern Ireland abroad.

Among our alumni, we number two Nobel Laureates – the politician David Trimble and the late poet, Seamus Heaney, both of whom served as members of staff. We are also proud of our Queen’s graduate John Stewart Bell, widely regarded as one of the most influential scientists of the twentieth century.

Global networks are critical to the future success of the University and Queen’s collaborates with many partners across international borders. Amongst its dynamic partnerships are academic links with leading institutions in China, India, Malaysia and the Americas. Queen’s has established the China Medical University-Queen’s Joint College (CQC), a joint arrangement to deliver cutting-edge education in Pharmaceutical Sciences, based in Shenyang. Queen’s is also working, in partnership with Dubai Healthcare City (DHCC), the world’s largest healthcare free zone, to develop the Mohammed Bin Rashid University of Medicine and Health Sciences (MBR-UMS) and its College of Medicine.

Making a global impact through excellence in research and innovation, across a range of disciplines, is central to what we do at Queen’s. From new treatments for life-threatening diseases to protecting the lives and livelihoods of some of the poorest people on the planet, the University’s research impacts on society around the globe.



**QUEEN’S CONTRIBUTES
£1.9 BILLION TO THE
UK ECONOMY**
(LONDON ECONOMICS REPORT 2018)

*QS World University Rankings 2019

The Institute for Global Food Security has gained a worldwide reputation for research in several areas of food safety, including uncovering high levels of toxic arsenic in rice, the staple diet of half the world's population.

The Queen's-led programme for the improvement of cancer services in Northern Ireland has resulted in the creation of a comprehensive Cancer Centre and significantly improved rates of cancer survival. In the arts, the Seamus Heaney Centre for Poetry, home to many leading contemporary poets, underpins the University's reputation as a world literary force.

Queen's has established four Global Research Institutes (GRIs) which bring researchers from different disciplines together on a scale that enables them to tackle major societal challenges.

These are:

- The Institute of Electronics, Communications and Information Technology;
- The Senator George J. Mitchell Institute for Global Peace, Security, and Justice;
- The Institute for Health Sciences; and
- The Institute for Global Food Security.

Together with six Pioneer Research Programmes, the GRIs involve interdisciplinary collaboration among researchers across the University, as well as with partners in other institutions and from outside the academic world, regionally and globally.



CONSOLIDATED INCOME REVIEW

The consolidated financial statements reflect the results of the Group as a whole and include the University’s subsidiaries i.e. QUBIS Limited, Queen’s Overseas Recruitment Limited, NIACE Limited and Queen’s Composites Limited and its share of its joint ventures i.e. INTO Queen’s LLP and NI Composites O & M LLP. Further details are included at Notes 16 and 30 of the Financial Statements.

SUMMARY OF OPERATIONAL SURPLUS POSITION

	2017-18 £m	2016-17 £m
Income	358.2	338.3
Expenditure	(338.2)	(326.2)
Surplus before other gains and losses	20.0	12.1
Gain on disposal of fixed assets and investments	2.1	0.9
Operational surplus before tax and movement in fair value	22.1	13.0

2017-18 was a successful year for the University, with a surplus of £22.1m before tax and movement in fair value. However, a significant element of this surplus is of a non recurrent nature due to the high level of vacant posts in 2017-18 as we continue to aim to recruit, retain and develop the best global talent.

Given the level of surplus generated, the University is in a position to invest further in the delivery of our strategic priorities as set out in our Corporate Plan, make a real contribution to the Belfast City Regional Deal and in Widening Participation activities to ensure that those who have the ability to benefit from higher education have an opportunity to do so.

An unrealised gain of £22.8m on our investments and investment properties was generated. Of this total, some £14.1m relates to an increase in the market value of the Group’s shareholding in Kainos Group plc.

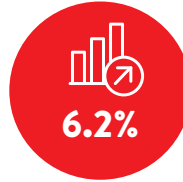
The net assets position also remained strong at £565.8m, an increase of £93.3m from the prior year. Financial sustainability continues to underpin the delivery of the Corporate Plan 2016-2021. Effective governance and strong financial performance is critical to the success of Queen’s and we are well positioned to meet the challenges facing the sector which include a structural funding deficit; the export of NI school leavers to GB; pension deficits; and Brexit.

A summary of the key financial highlights for 2017-18 is set out in the adjacent page.

FINANCIAL HIGHLIGHTS

2017-18

2017-18 was a successful year for the University, with an operating surplus of £22.1m



Surplus is 6.2%

Surplus as a percentage of income increased from 3.9% in 2016-17 to 6.2% (Note 1)



Growth in Income from Non-Government Sources

Income from non-government sources has increased year on year by 8% (Note 2)



Income from Research Grants and Contracts

Income from research grants and contracts, increased year on year by 15%



International Student Income

International student fee income (full and part-time) increased by £6.2m (24%) during 2017-18



Staff Costs % of Income

Staff costs represent 54% of income which is in line with the position for 2016-17



Expenditure in Core Estate

Expenditure on core estate represents 4.9% of the Insurable Replacement Value. This compares to 4% in 2016-17

Notes

1. Surplus is prior to the fair value gain on investments and the actuarial adjustment in respect of the Retirement Benefits Plan (RBP).
2. Non-Government income sources exclude recurrent funding from the Department for the Economy (DfE) in respect of teaching, research and specific grants including the Postgraduate Award Scheme.

INCOME

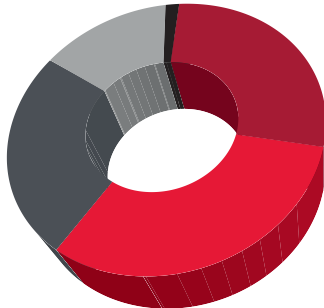


Chart 1
Income Analysis

● GOVERNMENT GRANTS	28%
● TUITION FEES AND EDUCATION CONTRACTS	30%
● RESEARCH GRANTS AND CONTRACTS	26%
● OTHER INCOME	15%
● INVESTMENT INCOME, DONATIONS AND ENDOWMENTS	1%

Total income for the year was £358.2m, representing an increase of £19.9m (6%). The main components of this income are shown in Chart 1.

Funding from Government was broadly in line with that received in 2016-17.

Income from tuition fees and education contracts increased by £10.8m (11%). Of this total, international tuition fee income increased by £6.2m or 24%.

In total, research income increased in year by £12.0m, reflecting ongoing success in the implementation of our Research Strategy and in excess of the Corporate Plan target for the year.

EXPENDITURE

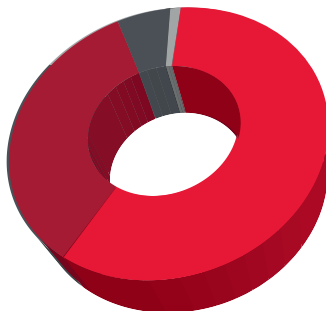


Chart 2
Expenditure Analysis

● STAFF COSTS	57%
● OTHER OPERATING EXPENSES	36%
● DEPRECIATION	6%
● INTEREST AND OTHER FINANCE COSTS	1%

Total expenditure for the year was £338.2m, representing an increase of £12.0m (4%). The main components of expenditure are shown in Chart 2.

Staff costs increased by £12.3m (7%) mainly as a result of the annual pay award, a full year of the apprenticeship levy, incremental progression and research grant and contract activities.

Queen's staff costs represented 54% of income in 2017-18, compared to the average for the Peer Group of 52% in 2016-17 and the average number of staff increased from 3,710 to 3,949.

Other operating expenditure increased by £4.9m (4%), largely due to increased expenditure on equipment and equipment maintenance; utilities; and collaborative research payments.

Depreciation costs decreased year on year by £5.0m. This reduction was due to the inclusion, in the prior year, of accelerated depreciation relating to the Students' Union building following Senate's decision to develop the site to create a new Student Centre which will transform the provision of student services.



GAIN ON DISPOSAL OF FIXED ASSETS AND INVESTMENTS

In 2017-18, a gain of £2.1m was realised mainly as a result of the disposal of an element of the Group's remaining shareholding in Kainos Group plc.

The comparable figure for 2016-17 of £0.9m related to the gain following disposals of the University's shares in the Investment Fund and the Group's holdings in TruCorp Limited.

FAIR VALUE GAIN ON INVESTMENTS AND INVESTMENT PROPERTY

The fair value gain on the Group's assets and investments at 31 July 2018 resulted in an unrealised benefit of £22.8m within the SOCI. Of this total, £14.1m related to the increase in the market value of the Group's holding in Kainos Group plc. The balance relates, in the main, to an increase in the market value of the General Investment Fund.

ACTUARIAL ADJUSTMENT IN RESPECT OF PENSION SCHEMES

The funding position of the Retirement Benefits Plan (RBP) Pension Scheme, as measured in line with accounting requirements, has improved from a deficit of £94.0m at 31 July 2017, to a deficit of £49.4m at 31 July 2018.

Under FRS 102, the SOCI reflects the resulting adjustment of £48.4m for the year.

BALANCE SHEET

The University had total consolidated net assets of £565.8m as at 31 July 2018. This reflects the significant investment in the capital programme over the last decade, the strong liquidity position of the University, and its effective working capital management processes, in particular, the robust control of debtors.

The total level of realised unrestricted reserves is £234.5m, which are ringfenced by Faculties and Professional Services to support delivery of the Corporate Plan 2016-2021 and the capital development programme.

TREASURY MANAGEMENT/ CASH FLOW

The University has a comprehensive Treasury Policy in place. The policy is regularly reviewed by the Investment Committee to ensure that risk is minimised and, during the banking and financial sector uncertainty of recent years, this has proved to be robust.

CAPITAL AND LONG TERM MAINTENANCE

Queen's vibrant campus continues to be transformed, expanding an environment that stimulates, enables and supports world-class education and research.

In this year's Times Higher Education (THE) Student Experience Survey, Queen's was ranked No 2 in the UK for high quality facilities.

Over the past decade Queen's has invested in excess of £400m in its campus generating 7,000 construction-related jobs and contributing £2bn into the wider economy.

Significant capital expenditure has continued across the entire University in terms of new build and major refurbishment of the existing estate. The total projected cost of authorised building projects is currently in the region of £218m. These projects will maintain the momentum of the capital development programme, investing in world-class infrastructure for students and staff.

A key part of this investment is student accommodation for which our students have given us a 91% satisfactory rating. The Elms BT1 and Elms BT2 developments, in the heart of the city, have been completed, providing 1,237 bedrooms in studios and clustered apartments.

During 2017-18, significant progress was made on a number of other transformational projects including the Biological Sciences Building at Chlorine Gardens. This will be the new hub for the School of Biological Sciences and our Institute for Global Food Security and it will be key to the development of life sciences and agri-food sectors in Northern Ireland.

During the year, important conservation and restoration work was carried out to the iconic Lanyon Building, the showpiece of Queen's and there was an extensive upgrade of the Queen's Film Theatre which celebrates its 50th Anniversary.



OUR CONTRIBUTION
TO THE ECONOMY
REPRESENTS AN
ECONOMIC BENEFIT TO
COST RATIO OF **6 TO 1**
(LONDON ECONOMICS REPORT 2018)



REPORT ON INVESTMENT PERFORMANCE AND COMMITMENT TO RESPONSIBLE INVESTMENT

INVESTMENT PERFORMANCE

The notes to the accounts set out full details of the two University Investment Funds.

The University Investment Fund is administered under the terms set out in the Queen's University (Trust Scheme) Order (Northern Ireland) 1982, and includes endowment funds donated and bequeathed to the University for specific purposes. The fund is actively managed by Schroders/Cazenove Capital Management and at 31 July 2018 was valued at £60.7m. Investment by endowment fundholders in the fund is by share purchase, and with 6,714,439 shares issued, the value of a share was £8.99. This was an increase of 2.5% on the valuation of £8.77 the previous year. The total income distributed by the fund to endowments was 29p per share, an increase of 1p or 3.6% on the previous year's distribution of 28p, and amounted in total to £2.0m.

The General Investment Fund is for the longer term investment of University funds and is passively managed by Legal & General Investment Management. At 31 July 2018, the fund was valued at £84.2m, an increase of £6.5m, or 8.4%, on the previous year's valuation of £77.7m.

Decisions in respect of investments are made on the recommendation of the Investment Committee, guided by the University's Responsible Investment Policy.

RESPONSIBLE INVESTMENT

The Investment Committee meet with Schroders/Cazenove Capital Management and Legal & General Investment Management on a regular basis.

The managers have a clear understanding of the University's Responsible Investment Policy and Environmental, Social, and Governance (ESG) screening and engagements are an integral part of their presentations and regular reporting. They are both signatories to the United Nations Principles of Responsible Investment (UN PRI), and have received A+ ratings from the PRI Association in their annual assessment reports. Both managers have sizeable teams of ESG professionals researching, engaging with companies, and voting at meetings. They produce regular annual and quarterly reports, summarising their activities, copies of which may be viewed on their respective websites.

Schroders/Cazenove Capital Management have been leaders in the area of Responsible Investing for 20 years and provide ESG client solutions for £47 billion in ethically screened mandates. Their team of twelve dedicated ESG professionals have conducted research, and carried out over 1,000 engagements in 2017, across 50 countries globally. This has been integrated into their work on managing climate risk and their reports can be viewed on their webpage:

<https://www.schroders.com/en/strategic-capabilities/sustainability/insights/>

Legal & General use their scale of operations, and influence, to ensure that companies integrate environmental, social and governance issues into their everyday thinking, in order to develop resilient longer-term strategies, taking into consideration all of their stakeholders. They also encourage markets and regulators to create an environment in which good management of ESG factors is valued and supported. Their CEO, Mark Zinkula and Head of Sustainability and Responsible Investment, Meryam Omi, are both members of the Climate Change Government Taskforce, and they have committed to product development in this area by the launch of 'The Future World Fund'. This has been developed to provide a mainstream way, to invest and take account of the financial risks of climate change within investment portfolios. It is their belief that ESG issues are an important part of long-term risk management, and therefore a fundamental element of their clients' fiduciary duty.

A summary of Legal & General's activities on behalf of clients, particularly in the area of climate change, and the associated financial risks are detailed on their webpage: www.lgim.com/uk/en/

These activities demonstrate the Investment Committee's commitment to Responsible Investment and its incorporation into the long-term management and investment arrangements for the University's Investment Funds.

PENSION SCHEMES

The University is a participating employer in two separate defined benefit pension schemes, the Retirement Benefits Plan (RBP), which is available to staff in posts graded 1-5, and the Universities Superannuation Scheme (USS), which is available to staff at grade 6 and above.

The RBP funding position is calculated annually for accounting purposes, in accordance with FRS 102, and a full Actuarial Valuation is undertaken triennially by the Scheme Actuary.

As set out in note 22 of the Financial Statements, the RBP funding position under FRS 102 shows a deficit of £49.4m at 31 July 2018 (£94.0m at 31 July 2017). The significant improvement in the funding position reflects a number of factors including: updated financial and demographic assumptions which underpin the calculation; lower pension liabilities identified by the 2017 Actuarial Valuation; and a gain on investments.

The Actuarial Valuation of the RBP at 31 March 2017, was completed in September 2017 and a recovery plan was agreed between the Trustees and the University.

USS is the principal pension scheme provided in the Higher Education sector and, with 198,000 active members, 360 participating employers, and assets of some £60bn, is one of the largest pension schemes in the UK.

FRS 102 requires each institution to recognise a liability for its share of the USS funding deficit, based on its commitment to the recovery plan agreed as part of the outworkings of the most recent Actuarial Valuation. As set out in note 23 of the Financial Statements, the University's obligation to the USS recovery plan as at 31 July 2018, is £35.2m (£35.7m at 31 July 2017).

The Actuarial Valuation of USS at 31 March 2017 was due to be submitted to the Pensions Regulator by 30 June 2018, but remains outstanding due to ongoing debate regarding the basis of the Valuation and the impact of the identified funding deficit of £7.5bn. To address the deficit, without a proposal for benefit change, the USS Trustees have outlined a requirement to increase contribution levels from 26% currently (employer 18% and member 8%) to 36.6% (employer 24.9% and member 11.7%). These proposed increases are

currently the focus of a statutory consultation between USS participating employers and members.

Progressing in parallel with the efforts of the USS Trustee to conclude the Valuation is the work of the Joint Expert Panel (JEP), which was established in May 2018 following an agreement between the employer representative, Universities UK (UUK), and the member representative, Universities and Colleges Union (UCU), to review the basis for the 2017 USS Valuation assumptions and associated tests. The JEP Report was issued in September 2018, and UUK are currently consulting with employers in relation to the JEP recommendations which, if adopted by the USS Trustee, would maintain current pension benefits with a lower level of contribution increases than those being proposed by the USS Trustees.

Pensions is one of the most significant risks facing the HE sector at this time.



HIGHER EDUCATION FUNDING POSITION

The level of government funding for teaching and research remains a major concern for the University, with continuing uncertainty presenting significant risks to the future sustainability of the sector.

Northern Ireland is the only region in the UK which has reduced government investment in HE in recent years. Between 2009-10 and 2017-18, annual block grant allocations from government to the NI universities reduced by £34m - this equates to some 16% in cash terms and 28% in real terms.

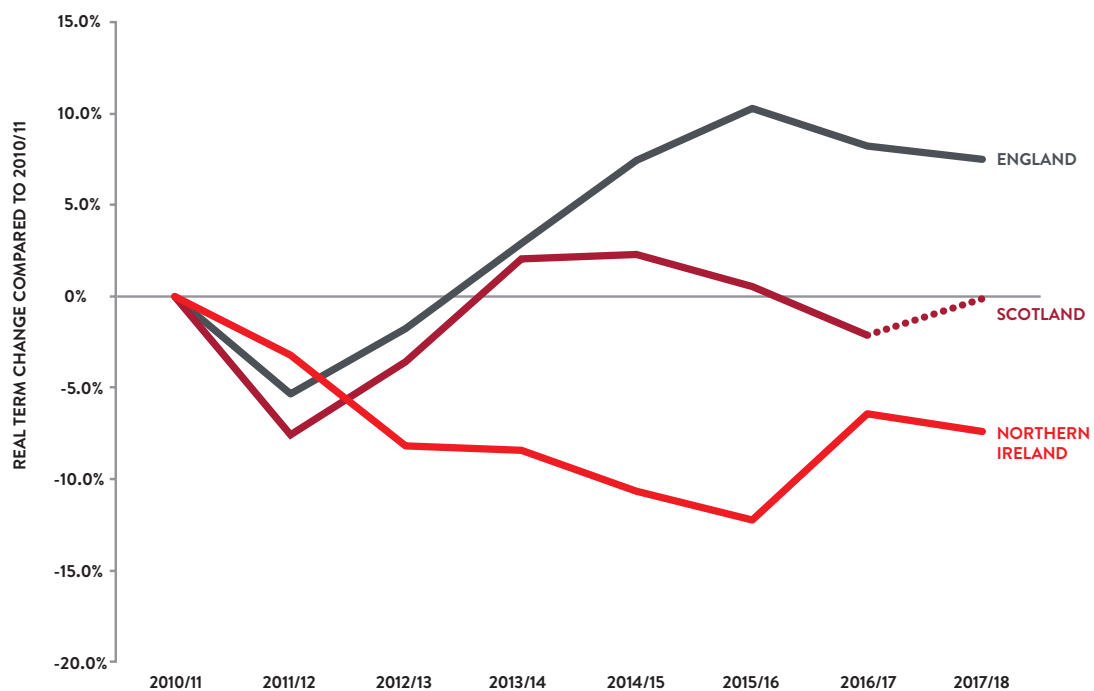
The impact of these funding reductions required the universities to substantially reduce local undergraduate intake and for Queen's this will amount to 1,010 fewer places in the period to 2018-19. On 9 March 2016, the then Minister for Employment and Learning released "Securing a Sustainable Solution for Higher Education in Northern Ireland: An Options Paper". The paper highlighted that student reductions came at a time when forecasts indicated a clear under-supply of degree level skills in the Northern Ireland workforce. The options paper also emphasised the structural funding deficit in HE in NI which is currently of the order of £54m.

These funding cuts create a significant competitive disadvantage for the University against comparative UK institutions. In real terms, the funding per student has decreased by 7.4% from 2010-11, whilst in comparison, the funding per student in England has increased over the same period. The funding gap between NI and England is of the order of 15%, and this additional funding has enabled our competitors to invest significantly in enhancing the student experience, through both additional staff and new infrastructure.

This differential in funding is illustrated in Figure 1.

Figure 1: Comparison of Funding for Teaching per Student fte across the UK*

* Source: Universities UK (UUK)





THE PUBLIC PURSE BENEFITS BY AN AVERAGE OF £101,000 PER EACH OF OUR 3,800 FULL-TIME UNDERGRADUATES
(LONDON ECONOMICS REPORT 2018)

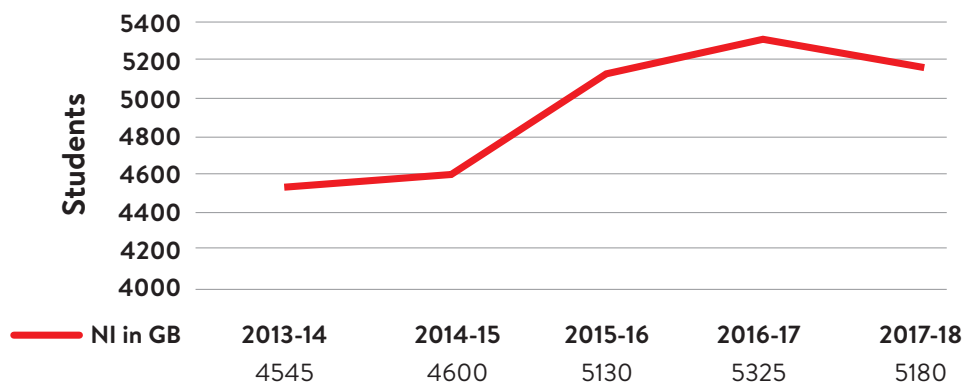
Currently, NI exports 35% of its school leavers to GB, having invested in the development of this human capital to the age of 18-19. This outflow is significantly greater than the reciprocal inflow of GB students. By comparison, the Republic of Ireland exports 6% of its school leavers to GB. NI is the only region of the UK that significantly exports home grown talent, with over 5,000 students leaving NI per annum to access HE.

Figure 2 provides full details for the last five years. This is an alarming situation and this net outflow of talent will inevitably undermine any new Executive’s ability to deliver on the

priorities within the draft Programme for Government (PfG) and the Industrial Strategy. For 2018-19, core government funding for teaching and research was held at 2017-18 levels, representing a further real terms reduction of 3.6%. In July 2018, DfE presented the University with a pessimistic assessment of the potential funding outcome for 2019-20 and asked the sector to scenario plan for a further budget cut of 5%. In response, the University has emphasised that budget cuts will result in further reductions in student places, exacerbating an already serious situation.

Queen’s is fully supportive of implementing a budget that underpins the draft PfG and is committed to working with partners in government to deliver better outcomes for all of our citizens. The growth of a sustainable knowledge economy requires investment in skills, research and innovation to create wealth. Further disinvestment in HE is wholly incompatible with the Executive’s ambitions set out in the draft PfG and the Industrial Strategy.

Figure 2: NI Student Exported to Great Britain (UCAS entrants)



CORPORATE PLAN

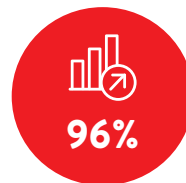
2016-21

The Corporate Plan provides a roadmap for Queen's to build on its position as an internationally recognised University, conducting leading edge education and research, focused on the needs of society. The Plan is underpinned by the University's Core Values and focuses on three strategic priority areas - Education and Students; Research; and Innovation and Impact. These priorities are supported by three key enablers - People and Culture; Infrastructure; and Funding and Governance.

It is recognised that the Corporate Plan was launched at a time of significant challenge to higher education in Northern Ireland. Substantial reductions in Government funding, coupled with the uncertainty associated with the decision by the UK to withdraw from the European Union, makes forward planning extremely difficult. The University will, however, continue to approach these challenges with ambition, confidence and integrity.



21 Queen's subjects in the top 20 for UK universities
(Times and Sunday Times Good University Guide 2019)



96% of our graduates are in employment or further study six months after graduation
(HESA Destination of Leavers from Higher Education Survey, 2016-17)

CORE VALUES

INTEGRITY

CONNECTED

AMBITION

RESPECT

EXCELLENCE



INTEGRITY

We act honestly, ethically and transparently in all we do

CONNECTED

We are active collaborators, recognising that we can achieve more together

AMBITION

We are forward-thinking with a strong desire to be the best

RESPECT

We trust, value and empower each other

EXCELLENCE

We strive to do our best at all times

EDUCATION AND STUDENTS

Queen’s will deliver high quality leading edge education, through world-class staff, focused on the needs of society. We will provide an educational experience that is research-led and enriches our students intellectually, socially and culturally. We will develop our students to be confident, resilient, creative, critical thinkers and problem solvers, with strong employability skills, prepared for leadership and citizenship in a global society.

For 2017-18 entry, overall demand for undergraduate places at Queen’s was down 2%, which is slightly lower than the national average decrease of 4%. The reduced demand was primarily from NI / EU students and the University continued with the planned reduction of 1,010 undergraduate places, which it commenced in 2015-16 as a consequence of reductions in government funding.

The International Student Recruitment Strategy continues to deliver growth, with the 2017-18 recruitment at 2,367, an increase of 17% on the prior year, but below the target of 2,518. International fee income increased by 24% compared to the prior year.

The proportion of postgraduate students has increased from 24% to 28%. A new DfE postgraduate tuition fee loan scheme was introduced for 2017-18 and this has proved attractive to students, helping to boost numbers by 20%. Continuing to develop flagship PGT programmes that attract high numbers of quality students remains a priority.



OUR TEACHING AND LEARNING, GENERATES OVER £400 MILLION IN TAX INCOME FOR THE EXCHEQUER AND £400 MILLION IN EARNINGS FOR OUR GRADUATES
(LONDON ECONOMICS REPORT 2018)



RESEARCH

Queen’s will be distinguished by its academic strengths and recognised globally for the social, economic and cultural benefit it delivers through its research. To achieve this, we will work to create an inspiring research environment for our students and staff that nurtures talent and rewards outstanding leadership and excellence.

Progress continues on the implementation of our Research Strategy with income from research grants and contracts increasing by 15.1% or £12.1m to £91.7m in 2017-18 as set out in Chart 3.

This growth is a result of increased levels of research grants and contracts awarded to the University in recent years, sourced mainly from Research Councils (UKRI) and other Central Government sources, including the European Union.

Whilst research income has increased in 2017-18, there was a decrease in the total value of research grants and contracts awarded compared to recent years as set out in Chart 4.

It is recognised that the level of awards will vary year-on-year due to factors such as availability of funding opportunities, the outcome of competitions and timing of awards. However, action is being taken to ensure that the University maximises its potential to secure research funding and continue to deliver research income in line with our Research Strategy.

Chart 3: Income from Research Grants and Contracts

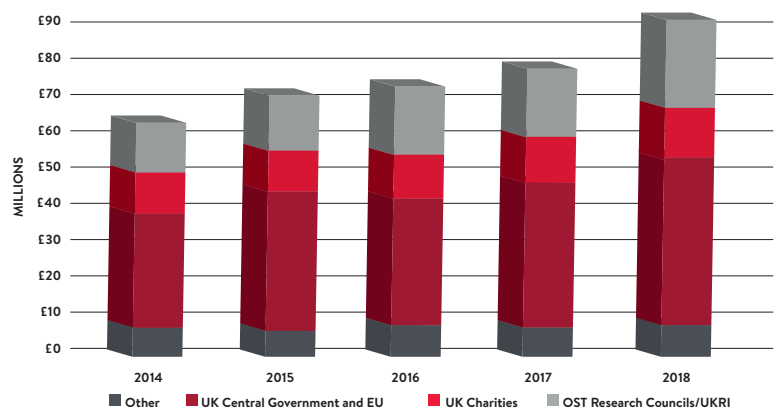
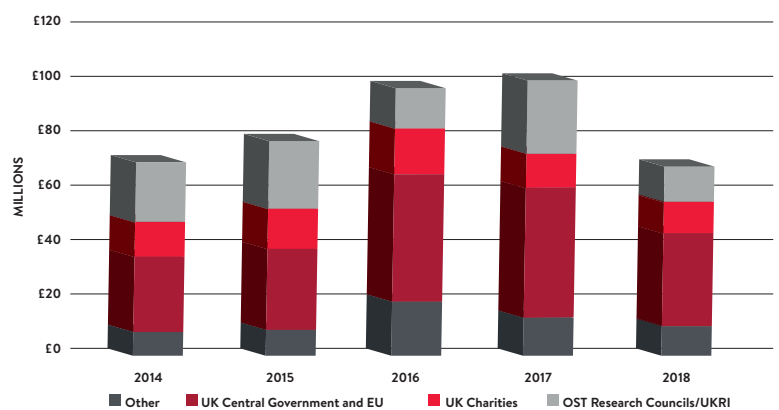


Chart 4: Value of Research Grants and Contracts Awarded



KEY RESEARCH HIGHLIGHTS FOR 2017-18

- Total research income increased significantly from £79.6m to £91.7m.
- Increased citation scores in the QS global rankings from 51.6 (2018 rankings) to 62.3 (2019).
- Strong global connectivity reflected by high levels of international research co-authorship. In 2017 (most recent annual data), 60.5% of all outputs recorded in Scopus were published with an author from outside the UK. This represents the 2nd highest level of international co-authorship across all Russell Group universities.
- Precision Medicine Centre of Excellence (PMC) – an award of £5.8m from Invest NI highlights how Queen’s is playing a substantial role in personalised and precision medicine with the potential, not only to deliver for our patients, but also to contribute to the economic and social fabric of our society.
- Arts and Humanities Research Council (AHRC) Northern Bridge Consortium – AHRC has reaffirmed its commitment to doctoral training in Northern Ireland with a substantial new investment into this consortium; up to 335 PhD

students will be based at Queen’s as well as at the other consortium members Durham, Newcastle, Northumbria, Sunderland, Teesside and Ulster universities. The Northern Bridge Consortium was ranked 2nd overall by the AHRC, achieving the maximum score in the assessment process which demonstrates the strengths of the research environment of the partners.

- European Research Council ‘SUPERSTARS’ project - the award of €1.8m will explore fundamental aspects of the occurrence of Type Ia Supernovae, the explosive stellar deaths of small, dense stars (white dwarfs). These play a vital role in chemical enrichment, galaxy feedback, stellar evolution, and were instrumental in the discovery of dark energy. Many aspects of their formation remain a mystery and this project will produce essential observations and measurements, key to our further understanding.



THROUGH OUR RESEARCH

EVERY £1M INVESTED IN RESEARCH ACTIVITY AT QUEEN’S GENERATES AN ADDITIONAL **£3.9 MILLION** ACROSS THE UK ECONOMY (LONDON ECONOMICS REPORT 2018)

INNOVATION AND IMPACT

Queen’s will enhance and expand its impact on wider society – regionally, nationally and globally – through innovative education and research, and through collaboration with a diverse range of partners.

In 2017-18, Queen’s continued to build on its reputation as a research intensive University with a large Knowledge Exchange (KE) portfolio that includes a significant Intellectual Property component. This is recognised in 2018 in an independent report prepared for the Department for Business, Energy and Industrial Strategy (BEIS) with Queen’s grouped as a top-tier research intensive University with IP activity, together with the Universities of Oxford and Cambridge and the Institute of Cancer Research.

Through its high-quality research, innovation and KE activities, Queen’s is an important driver for the Northern Ireland economy in the creation of new KE businesses, that have the capacity to survive, stimulate investment, create jobs and generate wealth. Queen’s role in driving innovation and knowledge exchange is particularly important in Northern Ireland, where currently firms engaging in innovation activity rank among the lowest in the UK.

KEY INNOVATION AND IMPACT HIGHLIGHTS FOR 2017-18:

- In the top 4 investment Universities in the UK with £85.9m in external investment raised through spin out companies
- Outstanding level of floatations with 3 from 50 active spin-out companies.
- 2nd highest University in the UK for the number of jobs created from spin-out companies with 1,881.
- 3rd in the UK for Intellectual Property income of £8.5m.





RISK AND UNCERTAINTY

The University adopts an open, proactive and receptive approach to identifying and managing risks.

A comprehensive Risk Management framework, defined in the University's Risk Management Policy, assists the identification of the key risks inherent in the delivery of the University's Corporate Plan 2016-2021. The Risk Management process within the University is structured to monitor the

risks proactively and respond quickly to issues as they arise. The process is overseen by the Audit Committee in order to gain the necessary assurances on the efficacy of the framework and relay them to Senate.

In addition to the significant risk surrounding the deficit on the USS pension scheme, the key risks to the achievement of the strategic objectives are detailed overleaf.

Risk Area	Risk Management
<p>Recruitment and retention of key staff Failure to recruit and retain high quality staff leading to a failure to deliver key strategic targets.</p>	<p>During 2017-18, the University adopted a new Resourcing Strategy aimed at enhancing the search for talent in an increasingly competitive global market. The key deliverables include a redesign of the appointments process, the establishment of a dedicated recruitment team and the implementation of innovative technological solutions to enhance the recruitment process.</p>
<p>Financial sustainability Failure to address financial pressures, in particular, the significantly reduced public sector investment in Higher Education in Northern Ireland (NI).</p>	<p>In line with the Corporate Plan 2016-2021, the University has a number of plans and strategies in place to diversify its income base including increases in research income and tuition fee income from postgraduate and international students. Working with a new Executive to secure a sustainable funding model for Higher Education in NI remains a fundamental objective.</p>
<p>International student recruitment Failure to recruit high quality international students to support the Corporate Plan 2016-2021.</p>	<p>The University has developed an International Student Recruitment Strategy and an accompanying integrated action plan, which is being progressed with regular monitoring and updating as appropriate. Measures include the establishment of specialised in-market teams, the development of a specific US strategy and a progressive digital marketing strategy.</p>
<p>Failure to secure sufficient capital funding Failure to secure sufficient capital funding resulting in a loss of competitiveness and reduced student experience.</p>	<p>The University has developed a comprehensive capital planning process which aligns with the Corporate Plan 2016-2021 and prioritises key capital investment. The University continues to liaise with the Department for the Economy to highlight capital funding issues and explore other funding sources as appropriate.</p>
<p>Impact of the UK's exit from the EU Failure to manage the impact of the UK's decision to leave the EU.</p>	<p>The University has established a senior working group to review the implications of the UK's exit from the EU on the University, and the HE sector as a whole, and has initiated a range of activities aimed at mitigating the impact in key areas including:</p> <ul style="list-style-type: none"> • the recruitment and retention of staff • student recruitment and mobility • research collaborations and network activities <p>The position continues to be closely monitored.</p>
<p>Research income and awards Failure to increase competitive, high quality research funding streams to support the University's strategic priorities.</p>	<p>The University has developed a comprehensive Research Strategy 2016-2021 which encompasses a number of initiatives, including the formation of Global Research Institutes, to increase research income by 2021. In light of research award performance in 2017-18 a working group has also been established to review the position and share good practice in this field.</p>

CONCLUSION

The University achieved a satisfactory financial performance in 2017-18, and continued to invest in our students and core activities whilst contributing £1.9bn to the UK Economy.

Whilst the University exceeded its approved break-even strategy for 2017-18, this was mainly as a result of the non-recurrent savings from vacant posts.

The surplus generated will be invested to support the delivery of our strategic priorities as set out in our Corporate Plan, make a real contribution to the Belfast City Regional Deal and in Widening Participation activities.

It is recognised that there are a number of significant challenges facing the HE Sector which will have an impact on its longer term sustainability.

A new Executive must urgently address the structural deficit of £54m which exists in the Higher Education sector and the export of home grown talent, to ensure the ongoing availability of skilled graduates required for sustainable economic growth.

The growth of a sustainable knowledge economy requires investment in skills, research and innovation to create wealth.

Financial sustainability continues to underpin the implementation of integrated plans to realise the ambition of the 2016-2021 Corporate Plan. Effective governance and strong financial performance is critical to the success of Queen's and it is well positioned to meet the challenges facing the sector.



PUBLIC BENEFIT STATEMENT



PUBLIC BENEFIT STATEMENT

The University is registered with the Charities Commission for Northern Ireland, and through Senate, is aware of its responsibilities, as a charity, to act for the public benefit across all of its activities.

The Corporate Plan 2016-2021, which will drive the growth of the University, emphasises the importance of our impact on society, across our range of activities, and the requirement for positive engagement with the business and wider community. To support this role, the University launched our Social Charter during 2017-18.

The Charter shines a light on the significant contribution made by our students and staff, and the positive impact we have on our society. It provides the platform for demonstrating the innovation, discovery and creativity of our staff and students, and the regional, national and global impact of their work.

The principles of the Social Charter are to:

- Commit to providing leadership locally and globally.
- Commit to promoting a positive impact on society through our research and education.
- Commit to equality and social justice.

Queen's is also a signatory of the Manifesto for Public Engagement, a UK based initiative, which seeks to support a culture change in the sector by supporting universities to increase the quality and impact of their public engagement activity to make a vital, strategic and valued contribution to 21st century society.

In addition to supporting 19 Social Signature Charter Projects, the Social Charter has provided the framework for the Queen's University Policy Engagement Lecture Series. This Series, honours the Charter's commitment to engage civic conversations, knowledge exchange and intercultural dialogue. It attracts speakers, such as political leaders, Brexit economists and public figures to discuss, debate and have an open dialogue on a range of today's most pressing issues.

We are playing a vital leadership role through public engagement and events. One of the most significant was 'Building Peace: The Belfast/ Good Friday Agreement Twenty years On' organised by our Global Research Institute, the Senator George J. Mitchell Institute for Global Peace, Security and Justice.



EDUCATION AND STUDENTS

The University is committed to ensuring that those who have the ability to benefit from higher education have an opportunity to do so. To achieve this goal, widening participation is fully integrated in the culture and working practices of the University.

An updated Widening Access and Participation Plan (WAPP) for 2018-19 was approved and sets out Queen's commitment to a range of access and attainment measures including:

- Additional outreach to schools and the community.
- The Queen's Junior and Senior Academies for pupils attending post primary schools.
- Financial and on-course support.
- Employability and further study initiatives.

The University's widening access programme has an excellent record with 29% of undergraduate students from disadvantaged areas. It has a PATHWAY programme which provides a route for talented young people from Northern Ireland who have the ability to study at Queen's but may require additional support and encouragement to reach their full potential.

The University also provides additional financial support to students from households with lower incomes. Such students are eligible for assistance from the University's bursary scheme, with 3,200 students receiving some element of bursary payment. In total, in 2017-18, the University invested £3.6m in Widening Participation activities.

Queen's is committed to equality of opportunity for all students, and has developed a wide range of services to facilitate students with disabilities as an integral part of the Queen's community.

DURING 2017-18 WE ENGAGED WITH A DELEGATION OF UK DIPLOMATS AND INTERNATIONAL SCHOOL PRINCIPALS KEEN TO LEARN MORE ABOUT THE BENEFITS OF A SHARED EDUCATION APPROACH

RESEARCH

Excellence in research and innovation, and making a positive global impact, are central to Queen’s Research Strategy. Queen’s is currently 9th in the world for international research collaborations.

Queen’s research continues to change the lives of individuals and society and some examples of this impact are listed below:

- Researchers within the Global Institute for Food Security are tracking and preventing the contamination of crops, animal feeds and foods across the world. They are helping to detect fraud along the supply chain and develop advanced food provenance systems, which improve the quality of crops and the health of farm animals and their resistance to disease. In 2018, the Institute hosted the inaugural Belfast Summit on Global Food Integrity which attracted over 600 delegates from 47 countries to the Waterfront Hall in Belfast over four days.
- Researchers at the Centre of Excellence for Public Health Northern Ireland have undertaken groundbreaking research into complex public health issues such as obesity and health inequalities. The Centre has already made an impact by actively involving the policy makers, practitioners and the public in all stages of their research, in projects like the evaluation of the Connswater Community Greenway in Belfast, in schools-based trials and in the way they disseminate their results in easily understood language.
- Research carried out at Queen’s has led to the creation of a robust wireless communications system that can function in the event of an earthquake, tsunami or hurricane. We have designed an integrated heterogeneous wireless system (IHWS), which is robust in disaster scenarios, coping with issues such as physical destruction of telecommunication networks, lack of power supply and network congestion. The system also provides early warning of natural disasters by detecting water level, vibration and wind. In cities, the IWHS can detect increases in dust, temperature, noise and carbon dioxide levels.
- Informed by years of internationally-recognised research excellence, ‘Queen’s on Brexit’ brings together leading academics from the University who can provide an authoritative voice on the Brexit process, the many policy areas affected by Brexit, and the subsequent impact on Northern Ireland, the island of Ireland, the UK and the EU-27. Queen’s research and analysis on Brexit is informing and challenging negotiating teams in the UK and Europe, and is playing a key role in informing the public, particularly in Northern Ireland, about the short and long-term consequences of Brexit.
- The Centre for Evidence and Social Innovation (CESI) is improving the lives of children, families and communities by working in partnership to create robust evidence to find innovative solutions to key social problems. The Centre has developed partnerships with a diverse range of non-governmental organisations, government departments and agencies and voluntary and community groups. By involving key stakeholders in all aspects of the Centre’s work - from the identification of priority areas for research through to the design, interpretation and communication of research findings – CESI seeks to ensure that research is relevant and has significant and demonstrable impact.



INNOVATION AND IMPACT

Queen's is committed to the creation of a successful and sustainable knowledge economy.

We are expanding our impact on wider society through the growth of important partnerships at home and around the world.

We are developing projects with Ulster University (UU) in Digital, Creative Industries, Advanced Manufacturing and Health to invigorate the local economy as part of the Belfast Region City Deal. In conjunction with UU and local industry, we are also part of a £13m creative collaboration, Future Screens NI, funded by the Arts and Humanities Research Council, that will help to secure the success of the creative industries in Northern Ireland and aims to create 3,000 jobs.

Some of our most enduring global partnerships are in China. The first cohort of pharmaceutical students graduated from the China Queen's College, which was established in 2014 at the China Medical University in Shenyang.

We also celebrated the 20th anniversary of the Joint Foundation Programme with Shenzhen University, which prepares 50 students each year for undergraduate studies at Queen's.

In December 2017, the third UK-China Regional Leaders Summit took place, during which delegates visited our Institute for Global Food Security whose founder, Professor Chris Elliott, heads the EU China-Safe programme, one of the largest food security projects in the world.

Other developments during the year included:

- A new alliance with the Agri-Food and Biosciences Institute (AFBI) to pool expertise, facilities and knowledge for the benefit of the local and global food industry.
- The opening of a £7.5m advanced manufacturing technology facility, a significant collaboration involving Queen's, the UK Government and Northern Ireland Industry.
- Our Centre for Secure Information Technologies (CSIT) was selected by the Department for Digital, Culture, Media and Sport (DCMS) to partner with Plexal and Deloitte to create a £13.5m cyber innovation centre in London, helping to secure the UK's position as global leader in cyber security. CSIT also opened a millimetre-wave research lab in collaboration with the US company Keysight Technologies which manufactures electronics test and measurement equipment and software.
- Our academics from the School of History, Anthropology, Philosophy and Politics were part of an international team of historians contributing to the Cambridge History of Ireland, a four-volume series involving the work of 103 people from 39 countries.

Queen's is one of the four highest-performing universities for intellectual property (IP) commercialisation with a total of £13.2m IP and equity income. During the year, we became a key player in the £8m expansion of ICURE, the Innovation to Commercialisation of University Research pilot programme

that now includes Northern Ireland, Scotland and the North of England.

We have also retained our position as the UK's leading Knowledge Transfer Partnership (KTP) provider.

The success of QUBIS, our commercialisation arm, in creating successful spin-out companies continued in 2017-2018. A total of 4 new companies were created – Sonrai Analytics, GES Technologies, miCare Technologies and Oleocycle - taking the portfolio of active companies to 37.

Our new Centre of Excellence in Precision Medicine is currently working with another spin-out, **PathXL**, to develop TissueMark, pioneering new technology to analyse cancerous cells. Tissue samples are scanned and stored in computer files which are available for instant analysis or review.

Another former Queen's spin-out, **Fusion Antibodies**, is now listed on the Alternative Investment Market (AIM). It has become the third company from the QUBIS portfolio to be floated on the London Stock Exchange, following **Kainos Group** and **Andor Technology**.



THE ENVIRONMENT

To date, Queen's has made annual energy savings of £1.6m whilst reducing carbon emissions by over 10,310 tonnes.

The University is committed to living within its environmental limits, whilst continuously improving performance, without compromising the ability of future generations to meet their needs. This is achieved through strong leadership, good governance and the responsible use of science and technology. In support of these principles, the University is endeavouring to:

- Develop a culture of environmental stewardship and a sense of awareness amongst students and staff including active involvement in the sector wide Green Impact scheme.
- Seek to continually improve our environmental performance beyond simple legislative requirement.
- Use our knowledge and understanding of the environment to further the aims of sustainable development.
- Analyse and evaluate problems from an environmental perspective and develop practical sustainable solutions.
- Demonstrate leadership in the sustainable management of the environment.
- Promote environmental awareness and responsibility amongst all staff, students and suppliers.



Queen's has developed a comprehensive Carbon Management Plan, supported by a range of projects including procurement, Green ICT, energy efficiency, waste minimisation and travel.

LOCAL COMMUNITY

The University is involved in a wide range of programmes, in partnership with the local community, and liaises with key internal and external stakeholders to promote community cohesion.

Queen’s encourages students to reflect on their role as citizens, and future leaders, through our curricular programmes. Our degree pathways all feature elements of citizenship provision and facilitate the development of communication, leadership, teamwork and creativity.

The Students’ Union delivered nine initiatives during May 2018, as part of Development Weeks, aimed at enhancing enterprise skills, leadership skills and providing volunteering opportunities. A total of 315 students took part in the activities which included Inspiring Leaders Masterclass, a Women in Leadership workshop, a conservation project on HMS Caroline, a Summer Volunteering Showcase, a Miracle Way Spring Planting Workshop and an event with British Red Cross.

The Students’ Union runs a Volunteer SU programme which allocates student volunteers to a network of over 400 charities and community groups. During 2017-18, 6,169 Queen’s students actively engaged in volunteering activities, with a further 4,403 students engaged in volunteering awareness activities and events. Of these, 437 students engaged with external stakeholder groups and 303 students signed up to Millennium Volunteers with 128 x ‘50 hour awards’, 27 x ‘100 hour’ awards’ and 17 x ‘200 hour awards’ having been awarded to students.

In addition, there have been 18 Homework Clubs supported across the city in 2017-18, to improve the educational attainment and raise the aspirations of children and young people living in inner-city Belfast. This initiative also involves members of the refugee and asylum-seeker community.

Queen’s is home to Northern Ireland’s only art house cinema in the Queen’s Film Theatre (QFT), as well as the award winning Naughton Gallery. The Seamus Heaney Centre for Poetry reinforces the University’s reputation as a world literary force, whilst the Brian Friel Centre for Theatre Research provides a world-class studio theatre for performing arts students.

Queen’s Sport recognises the importance of promoting healthy lifestyle, is committed to improving health and wellbeing in the local community, and has over 11,000 public, staff and student members. During the year Queen’s Sport successfully delivered a range of sporting events, positively enhancing the University’s reputation in the local community, including:

- The Park Run which continues to attract up to 300 runners from the local community on a weekly basis and operates 52 weeks of the year.
- The Deep RiverRock Queen’s 5k Race - an annual event in the city calendar. This year the Race attracted 850 runners in the 5k race and a further 115 runners in a 3k warm up race. Over 40 student volunteers were involved in the planning and delivery of the race.

Our position as a leader in equality and diversity was further confirmed in this year’s Athena Swan Awards. During the year, four of our Schools celebrated the renewal of Swan awards – School of Psychology (Gold), and Schools of Nursing and Midwifery, Chemistry and Chemical Engineering and Maths and Physics (Silver).



CORPORATE GOVERNANCE

The following statement is given to assist readers of the financial statements to obtain an understanding of the governance procedures applied by the Senate of the University.

The University is an autonomous body established under the Irish Universities Act 1908. In common with all public bodies it operates within a strong framework of regulation. Not only does the University comply with all mandatory requirements, but it also strives to operate that guidance which represents best practice. The University has adopted the Higher Education Code of Governance published by the Committee of University Chairs in December 2014 and revised in June 2018. The Code sets out current best practice for the corporate governance of higher education institutions. The University seeks to comply fully with the key recommendations made in the Code.

SUMMARY OF THE UNIVERSITY'S STRUCTURE OF CORPORATE GOVERNANCE

The University's Senate comprises lay and academic persons appointed under the Statutes of the University, the majority of whom are non-executive. The current members are listed as follows:

Pro-Chancellors	Mr S Prenter Dr S Kingon
President and Vice-Chancellor	Professor Ian Greer (from 1 August 2018)
Acting President and Vice-Chancellor	Professor James McElnay (to 31 July 2018)
Honorary Treasurer	Ms O Corr
President, Students' Union	Mr S McCrystall (to 30 June 2018) Mr C Veighey (from 1 July 2018)
Other members	Professor D Fitzsimons Professor P McKeown Dr F Schuppert Dr V Altglas Mr K Flanagan Mrs O Roberts Mr E McMullan Ms B Arthurs Mr R Bailie Mr A Doran Ms E Graham Mr K Jess Ms M Matchett Ms A McGregor Mr A Raja Ms M Regan Mr A Shannon Ms P Slevin

CORPORATE GOVERNANCE

The role of the Chair of Senate is separate from the role of the University's Vice-Chancellor as Chief Executive. Senate is responsible for the ongoing strategic direction of the University, the management and administration of its revenue and property and the general conduct of its affairs. Senate works with the Executive Officers to set the institutional mission and strategy, and the Executive Officers ensure that steps are taken to deliver the institutional goals, and that there are effective systems of control and risk management in place. Senate approves all major developments and receives regular reports on the day-to-day activities of the University and its subsidiary companies. Senate meets at least four times a year and is supported by several committees, including a Planning and Finance Committee, a Nominations Committee, a Standing Committee, a Remuneration Committee and an Audit Committee. All of these committees are formally constituted with terms of reference and are comprised mainly of lay members of Senate.

Planning and Finance Committee

The Planning and Finance Committee supervises all matters relating to the finance and accounts of the University, the investment of its funds, the receipt of its income and the expenditure thereof, and the management of trust funds. The Committee also advises Senate on the raising and financing of loans. The Planning and Finance Committee report to each meeting of Senate.

Nominations Committee

The Nominations Committee seeks out and recommends new lay members for co-option to Senate.

Standing Committee

The Standing Committee considers and approves recommendations in respect of University appointments and ensures the promotion of all aspects of equality and diversity across the University.

Remuneration Committee

The Remuneration Committee reviews and determines the salaries and conditions of service of the senior officers of the University annually in line with the senior salaries scheme. The scheme treats all senior staff remuneration, including that of the Vice-Chancellor, in a consistent manner, and progression is linked to corporate and individual performance. A wide range of benchmark data is utilised, and a number of wider societal factors are also taken into account, including the overall funding environment, affordability and government policy.

The current membership of the Remuneration Committee consists of four independent members of Senate, namely Dr S Kingon (Chair), Mr S Prenter, Ms O Corr and Ms M Regan (from January 2018). The terms of reference are as outlined below:

- (a) To determine and review annually, on behalf of Senate, the salaries and employment terms and conditions of the Senior Management Group and Senior Academic Managers.
- (b) To keep under review the senior salaries scheme, taking due account of wider developments within both higher education and the wider economy.
- (c) To oversee severance arrangements for members of the Senior Management Group and Senior Academic Managers.
- (d) To consider and advise on any matters concerning the terms of appointment and conditions of service of any senior officers defined in (a) above when referred to it by the President and Vice-Chancellor or the Pro-Chancellors.
- (e) To consider, endorse and monitor performance against the approved key objectives of the Senior Management Group.
- (f) To provide an annual report for consideration and approval by Senate.
- (g) To promote the University's responsibilities for equality and diversity by ensuring that relevant issues are given full consideration in all matters relating to the remuneration of all staff falling within the remit of the Committee.

Senate has welcomed the new Committee of University Chairs' (CUC) Higher Education Senior Staff Remuneration Code. The Code sets out a framework through which Higher Education Institutions can demonstrate that they are being managed in the best interests of their key stakeholders, including staff and students. In this context, Senate has endorsed a number of updates to its current practices in response to evolving best practice across the sector.

Audit Committee

The current membership of the Audit Committee consists of three independent non-executive members of Senate and two co-optees. There were a number of changes in membership during the year due to a reconstitution of Senate. The members during the year were as follows:

Mr E Bell (Chair to 31 December 2017)
Mr K Jess (Chair from 1 January 2018)
Ms S Fleming (to December 2017)
Mrs A Henderson (to August 2017)
Dr M Wardlow (to December 2017)
Ms A McGregor (from January 2018)
Mr E McMullan (from January 2018)
Miss H Kirkpatrick
Mr N Coburn (from May 2018)

The terms of reference are as outlined below:

- (a) To appoint/re-appoint the University's External Auditors through a formal recruitment process. To reaffirm that appointment, each year through the contracted period, through a recommendation to Senate. The Audit committee may also remove the External Auditors before the end of their term if serious shortcomings are identified.
- (b) To report to Senate on the appointment of the External Auditors, the audit fee, the provision of any non-audit services by the External Auditors, and any questions of resignation or dismissal of the External Auditors.
- (c) To discuss with the External Auditors, before the audit begins, the nature and scope of the audit.
- (d) To discuss with the External Auditors problems and reservations arising from the interim and final audits, including a review of the External Auditors' report to the Audit Committee, incorporating management responses, and any other matters the External Auditors may wish to discuss (in the absence of management where necessary).

CORPORATE GOVERNANCE

- (e) To appoint/re-appoint the University's Internal Auditors through a formal recruitment process. The Audit Committee may also remove the Internal Auditors before the end of their term if serious shortcomings are identified.
- (f) To report to Senate on the appointment and terms of engagement of the Internal Audit service, the audit fee, the provision of any non-audit services by the Internal Auditors, and any questions of resignation or dismissal of the Internal Auditors.
- (g) To review the Internal Auditor's audit risk assessment, strategy and programme; consider major findings of Internal Audit investigations and management's response and promote co-ordination between the Internal and External Auditors. The Committee will ensure that the resources made available for Internal Audit are sufficient to meet the institution's needs (or make a recommendation to Senate, as appropriate).
- (h) To keep under review the effectiveness of the University's risk management, control and governance arrangements and, in particular, to review the External Auditor's Report to the Audit Committee, the Internal Auditors' annual report and related management responses. The Committee shall make recommendations to relevant committees, or to the Vice-Chancellor, to ensure that measures are taken to deal effectively with matters raised in audit reports.
- (i) To monitor the implementation of agreed audit-based recommendations, through the Internal Audit – Status of Recommendations report.
- (j) To ensure that all significant losses have been properly investigated and that the Internal and External Auditors and, where appropriate, the Department for the Economy (DfE), have been informed.
- (k) To consider, approve and oversee the implementation of the Institution's policies on Fraud and Whistleblowing, including being notified of any action taken under these policies.
- (l) To provide ongoing assurance to Senate, in respect of the management and quality assurance of data.
- (m) To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- (n) To consider and approve the University's Register of Interests Policy, the Policy on the Acceptance of Gifts, Gratuities and Hospitality and the University's arrangements to ensure compliance with the Bribery Act 2010.
- (o) To receive any relevant report from the Northern Ireland Audit Office, the National Audit Office, the Office for Students, or any other body which fulfils a recognised audit function in respect of the University or related institutions, funded in full, or in part, from public funds.
- (p) To monitor, annually, the performance and effectiveness of the External and Internal Auditors, including any matters affecting their objectivity.
- (q) To consider the draft annual financial statements, in the presence of the External Auditors, ensuring that sufficient consideration has been given to all relevant matters, that there is compliance with relevant legislation, DfE's accounts directions and accounting standards, and that there are no major disagreements between the External Auditors and the Planning and Finance Committee and/or the Director of Finance over accounting policies.
- (r) In the event of the merger or dissolution of the Institution, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.
- (s) To report, on a regular basis, to Senate and to compile an annual report which, following consideration by Senate, will be sent to DfE - this annual report shall include an opinion on the adequacy and effectiveness of the University's arrangements for risk management, internal control, governance and value for money.
- (t) The Committee is authorised by Senate to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise, if it considers this necessary, normally in consultation with the Registrar and Chief Operating Officer and/or the Chair of Senate. However, it may not incur direct expenditure, in this respect, in excess of £10,000, without the prior approval of Senate.

The University has implemented a process for identifying, assessing and managing the University's significant risks in line with the relevant DfE Accounts Direction. The University has also adopted the Higher Education Code of Governance published by the Committee of University Chairs in December 2014 (as revised in June 2018). A Risk Management Committee has been established, and the process of embedding risk management at Faculty/ Professional Services level, in both the planning processes and operational arrangements of the University, is well developed. This process is regularly reviewed by the Audit Committee, on behalf of Senate, to ensure that a sound system of internal control, covering all risks, is in place.

STATEMENT ON INTERNAL CONTROL

As the governing body of Queen's University Belfast, Senate has responsibility for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible. This responsibility has been assigned to Senate in accordance with the University's Charter and Statutes, and the Financial Memorandum.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives. To that extent it can therefore only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify 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. This process has been in place for the year ended 31 July 2018 and up to the date of approval of these financial statements, and accords in full with DfE guidance.

CORPORATE GOVERNANCE

As the governing body, Senate has responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- (a) Senate meets at regular intervals (at least four times a year) to consider the strategies and plans of the University.
- (b) Senate receives regular reports from the Chair of the Audit Committee concerning internal control, and also require regular reports from managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects.
- (c) Senate has established a Risk Management Committee to oversee risk management.
- (d) The Audit Committee receives regular reports from the Internal Auditors which include their independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- (e) Programmes of facilitated workshops have been held in Faculties and Professional Services to identify new and emerging risks and to ensure the adequacy of counter measures. Faculties and Professional Services are responsible for identifying, evaluating and managing their significant risks.
- (f) A programme of risk awareness training is ongoing and risk management is integrated within the University's business planning process.
- (g) A system of key performance and risk indicators has been developed.
- (h) A robust risk prioritisation methodology, based on risk ranking and cost-benefit analysis, has been established.
- (i) A Corporate Risk Register is maintained and regularly reviewed and updated with responsibility for the management of each risk embedded within the management structure of the University.
- (j) All information used for both operational and financial reporting purposes is captured and processed accurately, and to an appropriate quality standard, particularly where it is used by third parties or relied on by other parts of government.
- (k) Reports are received, as appropriate, from budget holders, department heads and project managers on internal control activities.

Senate's review of the effectiveness of the system of internal control is undertaken, on an annual basis, with reference to DfE's Accounts Direction. It is Senate's view that the University has an effective risk management process in place and that the Corporate Risk Register is being managed on an active basis with specific action plans in place to address all risks. This view is informed by the work of the University's Internal Auditors who operate to standards defined in the UK Public Sector Internal Audit Standards (PSIAS).

Senate's review of the effectiveness of the system of internal control is also informed by the work of the senior officers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their report to the Audit Committee.

As a result of Senate's overall review of the effectiveness of the system of internal control, including risk management, it is content that no significant weaknesses have been identified. This has been confirmed by the assurance given to the University's Accounting Officer by the Internal Auditors, in their Annual Statement of Assurance.

RESPONSIBILITIES OF SENATE IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Senate is responsible for preparing the consolidated financial statements in accordance with the requirements of the Financial Memorandum issued by the former Department for Employment and Learning (DEL) and applicable law and regulations.

It is required to prepare Group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Financial Memorandum further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, which is in accordance with the requirements of the Department for the Economy's (DfE) Accounts Direction to higher education institutions. Senate is required to prepare financial statements which give a true and fair view of the state of affairs of the Group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the Group and parent University financial statements, Senate is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Assess the Group's and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless it intends to liquidate the Group, or the parent University, or to cease operations, or have no realistic alternative but to do so.

Senate is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy, at any time, the financial position of the parent University and enable it to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. Senate is responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and it has general responsibility for taking such steps as are reasonably open to it, to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Senate is also responsible under the Financial Memorandum for:

- Ensuring that funds from the DfE, and other funding bodies, are used only for the purposes for which they have been given, and in accordance with the Financial Memorandum and any other conditions which DfE may, from time to time, prescribe.
- Ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Securing the economical, efficient and effective management of the University's resources and expenditure.

Senate is responsible for the maintenance and integrity of the financial statements included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE SENATE OF QUEEN'S UNIVERSITY BELFAST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Queen's University Belfast ("the University") for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes, including the Statement of Principal Accounting Policies on pages 39 to 42.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with, UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Department for the Economy (DfE) Accounts Direction to higher education institutions for 2017-18 financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Senate is responsible for the other information, which comprises the Operating and Financial Review, Public Benefit Statement and Corporate Governance Statement. Our

opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Senate responsibilities

As explained more fully in their statement set out on page 36, Senate is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the former Department for Employment and Learning (now DfE) Audit Code of Practice issued under the Further and Higher Education Act 1992.

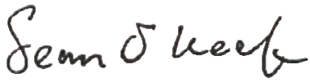
In our opinion, in all material respects:

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

INDEPENDENT AUDITOR'S REPORT TO THE SENATE OF QUEEN'S UNIVERSITY BELFAST

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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



Sean O'Keefe
(Senior Statutory Auditor)
for and on behalf of KPMG,
Statutory Auditor

Chartered Accountants
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

20 November 2018

Notes:

- (a) The maintenance and integrity of Queen's University Belfast's website is the responsibility of the governing body; 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.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

These financial statements have been prepared on a going concern basis in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (as modified by the revaluation of fixed assets on the transition date to FRS 102 of 1 August 2014 and the revaluation of investments).

2. Basis of consolidation

The consolidated financial statements include the University and its wholly owned subsidiaries, QUBIS Limited, Queen's Overseas Recruitment Limited, Queen's Composites Limited and its partially owned subsidiary NIACE Limited. Intra-group transactions are eliminated on consolidation.

Joint ventures are accounted for using the equity method.

3. Income recognition

Sale of goods and services

Income from the sale of goods or services is credited to the Consolidated and University Statements of Comprehensive Income (SOCl), when the goods or services are supplied to the external customers, or the terms of the contract have been satisfied.

Fee income

Fee income is stated gross of any expenditure which is not a discount and credited to the SOCl over the period in which students are studying. Bursaries and scholarships are accounted for gross, as expenditure, and not deducted from income.

Investment income

Investment income is credited to the SOCl on a receivable basis.

Government revenue grants

Government revenue grants including the Department for the Economy (DfE) block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors, and allocated between creditors due within one year and due after more than one year, as appropriate.

Non-government grants

Grants (including research grants) from non-government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met, is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income, when the University is entitled to the funds. Income is retained within the restricted reserve, until such time that it is utilised in line with such restrictions, at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income is recognised in income in the year in which it arises. Appreciation of endowments, including gains/losses relating to disposals within the Investment Fund, is recorded as fair value gains/losses on investments in the year in which they arise. These items are shown as either restricted or unrestricted income according to the terms applied to the individual endowment fund. There are four main types of donations and endowments identified within reserves:

- Restricted donations - the donor has specified that the donation must be used for a particular objective.
- Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.

- Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

Capital grants from government sources are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds, subject to any performance related conditions being met.

4. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Retirement Benefits Plan of Queen's University Belfast (RBP). The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

The USS is a multi-employer scheme. It is not possible to identify the assets and liabilities relating to University members due to the mutual nature of the scheme; therefore, this scheme is accounted for as a defined contribution retirement benefit scheme. As a result, obligations for contributions to the USS scheme are recognised as an expense in the income statement in the periods during which services are rendered by employees. A liability is recorded within provisions (note 23) for any contractual commitment to a recovery plan to fund past deficits within the USS scheme.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

4. Accounting for retirement benefits (continued)

Under the RBP scheme, as a defined benefit scheme, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University and Group recognise a liability for its obligations under the RBP plan net of the plan's assets; this liability is included in pension obligations (note 22). This net liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes curtailments and settlements during the period are recognised in the SOCI. Remeasurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

5. Employment benefits

Short term employment benefits such as salaries and compensated absences, are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued, and measured as the additional amount the University expects to pay as a result of the unused entitlement.

6. Foreign currency

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus/(loss) for the year.

7. Interest and other finance costs

Interest payable and similar charges includes interest payable, finance charges, unwinding of the discount on provisions and material net foreign exchange losses that are recognised in the SOCI.

8. Fixed assets

Fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Freehold land and buildings and long leasehold land and buildings were revalued to fair value on the date of transition to the 2015 SORP, and these assets are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. All new land and buildings, completed or purchased, since the date of transition to the 2015 SORP are stated at cost. Costs incurred in relation to land and buildings after initial purchase or construction, and/or valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated, as it is considered to have an indefinite useful life. Freehold and long leasehold buildings are depreciated on a straight line basis over their expected useful lives. For buildings revalued at fair value at transition date, the estimated useful life is that determined as part of the revaluation exercise. For all other buildings the estimated useful life is either 40 or 60 years depending on the category of the building in question.

No depreciation is charged on assets in the course of construction.

Equipment

Equipment, including micro-computers and software, costing less than £25,000 per individual item, or group of related items, is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The capitalised equipment is depreciated on a straight line basis over its expected useful life, as follows:

Motor vehicles and other general equipment	4 years
Equipment acquired for specific research projects	2-3 years

Where assets are donated or acquired with the aid of specific grants or donations they are capitalised and depreciated as outlined above.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

9. Heritage assets

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Works of art and other valuable artefacts, acquired since 1 August 2007, and valued at over £25,000, have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

Heritage assets are not depreciated as their long economic life and high residual value, mean that any depreciation would not be material.

10. Investment properties

Investment property comprises land and buildings held for rental income, or capital appreciation, rather than for use in delivering services.

Investment properties are measured initially at cost, or deemed cost at the date of transition to the 2015 SORP, and subsequently at fair value with movements recognised in the SOCI.

Investment properties are not depreciated.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

11. Investments

Non-current investments in equity instruments are measured initially at fair value, which is normally the transaction price. Subsequent to initial recognition investments, that can be measured reliably, are measured at fair value, with changes in measurement recognised in the SOCI. Realised gains on disposals within the Investment Fund are reinvested within the Fund and recognised within total income for the year and are included within fair value gain on investments and investment property in the SOCI. Realised gains on disposal of equity investments or from the Investment Fund which are realised, are included within gain on disposal of investments within the surplus before tax and fair value gain on investments.

Current asset investments relate to deposits held with banks and building societies in the UK, and are initially recognised at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Investments in associates are held at the fair value. Changes in fair value are recognised through other comprehensive income in the relevant subsidiary accounts. In the consolidated financial statements, changes in fair value are recognised in the SOCI.

Investments in subsidiaries are measured at cost less impairment in the University Balance Sheet.

12. Stock

Stock is held at the lower of cost and net realisable value, and is measured on the basis of a first-in-first-out approach.

13. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are, in practice, available within 24 hours without penalty. Cash equivalents are highly liquid investments, with a term of up to 3 months, which are readily convertible to known amounts of cash with insignificant risk of change in value.

14. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation, whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events, not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. A contingent asset arises where an event has taken place that gives the University a possible asset, whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events, not wholly within the control of the University. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

15. Accounting for joint operations, jointly controlled assets and jointly controlled operations

The University accounts for its share of joint ventures using the equity method. The University accounts for its share of transactions from joint operations and jointly controlled assets in the SOCI.

16. Concessionary loans

Concessionary loans are measured initially at the amounts received and adjusted to reflect any accrued interest and/or repayment of capital.

17. Basic financial instruments

Other debtors/creditors

Trade and other debtors/creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of other debtors.

Interest bearing borrowings

Interest bearing borrowings classified as basic financial instruments, are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method.

18. Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011, and, as such, is a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 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's non-charitable subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

Where appropriate, deferred tax is provided in full on timing differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which there are included in financial statements. Deferred tax assets are recognised to the extent it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

19. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME YEAR ENDED 31 JULY 2018

	Notes	2018		2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Income					
Government grants	1	99,741	99,741	99,622	99,622
Tuition fees, support grants and education contracts	2	108,905	108,905	98,116	98,116
Research grants and contracts	3	91,652	91,652	79,605	79,605
Other income	4	52,706	63,683	52,264	51,575
Investment income	5	3,563	3,548	3,893	3,881
Total income before donations and endowments		356,567	367,529	333,500	332,799
Donations and endowments	6	1,630	1,630	4,849	4,849
Total income		358,197	369,159	338,349	337,648
Expenditure					
Staff costs	7	193,875	193,875	181,602	181,602
Other operating expenses	8	120,619	120,873	115,707	114,737
Depreciation	12	20,738	20,618	25,777	25,657
Interest and other finance costs	9	3,007	3,007	3,150	3,150
Total expenditure	10	338,239	338,373	326,236	325,146
Surplus before other gains/(losses)		19,958	30,786	12,113	12,502
(Loss)/gain on disposal of fixed assets		-	-	(17)	(17)
Gain on disposal of investments		2,174	-	935	544
Surplus before tax and fair value gain on investments		22,132	30,786	13,031	13,029
Fair value gain on investments and investment property	15	22,821	8,189	40,023	14,754
Taxation		-	-	-	-
Surplus for the year		44,953	38,975	53,054	27,783
Actuarial adjustment in respect of pension schemes	33	48,351	48,351	4,259	4,259
Total comprehensive income for the year		93,304	87,326	57,313	32,042
Represented by:					
Endowment comprehensive income for the year		1,659	1,659	8,810	8,810
Restricted comprehensive income for the year		27	27	479	479
Unrestricted comprehensive income for the year		91,627	85,640	48,031	22,753
Attributable to the University		93,313	87,326	57,320	32,042
Attributable to the non-controlling interest		(9)	-	(7)	-
		93,304	87,326	57,313	32,042

Included within the surplus for the year is a loss of (£9k) (2017: (£7k)) relating to the non-controlling interest.

All items of income and expenditure relate to continuing activities.

The Statement of Principal Accounting Policies on pages 39 to 42 and the notes to the accounts on pages 48 to 70 form part of these financial statements.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES

YEAR ENDED 31 JULY 2018

	Income and expenditure reserve			Total excluding non controlling interest	Non controlling interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2016	56,616	278	357,468	414,362	776	415,138
Surplus/(deficit) from the statement of comprehensive income	8,810	605	43,646	53,061	(7)	53,054
Other comprehensive income	-	-	4,259	4,259	-	4,259
Release of restricted funds spent in year	-	(126)	126	-	-	-
Total comprehensive income for the year	8,810	479	48,031	57,320	(7)	57,313
Balance at 1 August 2017	65,426	757	405,499	471,682	769	472,451
Surplus/(deficit) from the statement of comprehensive income	1,742	491	42,729	44,962	(9)	44,953
Other comprehensive income	-	-	48,351	48,351	-	48,351
Transfer between reserves	(83)	-	83	-	-	-
Release of restricted funds spent in year	-	(464)	464	-	-	-
Total comprehensive income for the year	1,659	27	91,627	93,313	(9)	93,304
Balance at 31 July 2018	67,085	784	497,126	564,995	760	565,755

The Statement of Principal Accounting Policies on pages 39 to 42 and the notes to the accounts on pages 48 to 70 form part of these financial statements.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2018

	Income and expenditure reserve			Total excluding non controlling interest	Non controlling interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
University	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2016	56,616	278	320,354	377,248	-	377,248
Surplus from the statement of comprehensive income	8,810	605	18,368	27,783	-	27,783
Other comprehensive income	-	-	4,259	4,259	-	4,259
Release of restricted funds spent in year	-	(126)	126	-	-	-
Total comprehensive income for the year	8,810	479	22,753	32,042	-	32,042
Balance at 1 August 2017	65,426	757	343,107	409,290	-	409,290
Surplus from the statement of comprehensive income	1,742	491	36,742	38,975	-	38,975
Other comprehensive income	-	-	48,351	48,351	-	48,351
Transfer between reserves	(83)	-	83	-	-	-
Release of restricted funds spent in year	-	(464)	464	-	-	-
Total comprehensive income for the year	1,659	27	85,640	87,326	-	87,326
Balance at 31 July 2018	67,085	784	428,747	496,616	-	496,616

The Statement of Principal Accounting Policies on pages 39 to 42 and the notes to the accounts on pages 48 to 70 form part of these financial statements.

CONSOLIDATED AND UNIVERSITY BALANCE SHEETS AS AT 31 JULY 2018

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Non-current assets					
Fixed assets	12	653,675	647,041	593,957	587,203
Heritage assets	13	118	118	118	118
Investment property	14	3,885	3,885	3,700	3,700
Investments	15	208,690	147,210	193,383	138,193
Investments in associates	17	658	-	2,053	-
		867,026	798,254	793,211	729,214
Current assets					
Stock		519	519	526	526
Debtors	18	28,450	29,669	27,349	28,288
Investments	19	168,000	168,000	165,000	165,000
Cash and cash equivalents	26	45,647	38,417	57,347	51,208
		242,616	236,605	250,222	245,022
Less: Creditors: amounts falling due within one year	20	(101,075)	(101,378)	(99,979)	(100,335)
Net current assets		141,541	135,227	150,243	144,687
Total assets less current liabilities		1,008,567	933,481	943,454	873,901
Creditors: amounts falling due after more than one year	21	(355,432)	(351,406)	(337,948)	(333,830)
Provisions					
Pension obligations	22	(49,416)	(49,416)	(94,100)	(94,100)
Other provisions	23	(37,964)	(36,043)	(38,955)	(36,681)
Total net assets		565,755	496,616	472,451	409,290
Restricted reserves					
Income and expenditure reserve - endowment reserve	24	67,085	67,085	65,426	65,426
Income and expenditure reserve - restricted reserve	25	784	784	757	757
Unrestricted reserves					
Income and expenditure reserve - unrestricted reserve:					
Realised reserve		234,483	230,740	153,881	151,669
Unrealised reserve		262,643	198,007	251,618	191,438
		564,995	496,616	471,682	409,290
Non-controlling interest		760	-	769	-
Total reserves		565,755	496,616	472,451	409,290

The Statement of Principal Accounting Policies on pages 39 to 42 and the notes to the accounts on pages 48 to 70 form part of these financial statements.

The financial statements were approved by Senate on 20 November 2018 and were signed on its behalf on that date by:



Ms O. Corr,
Honorary Treasurer



Professor I. Greer,
President and Vice-Chancellor



Mrs A. McLaughlin,
Interim Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JULY 2018

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
Surplus for the year		44,953	53,054
Adjustment for non-cash items			
Depreciation	12	20,738	25,777
Release of deferred capital grants		(14,996)	(12,451)
Gain on disposal of investments		(2,174)	(935)
Fair value gain on investments and investment property	15	(22,821)	(40,023)
Decrease/(increase) in stock		7	(4)
(Increase)/decrease in debtors	18	(1,101)	4,748
Decrease in creditors		(1,258)	(3,535)
Decrease in pension provision	22	(44,684)	(1,132)
Actuarial adjustment to pension provision	33	48,351	4,259
Decrease in other provisions	23	(991)	(42)
Adjustment for investing or financing activities			
Investment income	5	(3,563)	(3,893)
Interest payable	9	-	389
Endowment income	6	(182)	(3,487)
Loss on the sale of fixed assets		-	17
Capital grant income	4	-	(180)
Net cash inflow from operating activities		22,279	22,562
Cash flows from investing activities			
Capital grants receipts		27,796	27,352
Disposal of non-current asset investments		18,270	22,405
Other endowment/investments		(2,371)	13
Investment income		3,563	3,893
Payments made to acquire fixed assets	12	(80,456)	(55,459)
New non-current asset investments	15	(5,002)	(16,678)
New deposits		(3,000)	(32,090)
New associate investments		-	(259)
		(41,200)	(50,823)
Cash flows from financing activities			
Interest paid	9	-	(389)
Endowment cash received		182	3,487
New unsecured loans		8,000	9,381
Repayments of amounts borrowed		(961)	(43,481)
		7,221	(31,002)
Decrease in cash and cash equivalents in the year		(11,700)	(59,263)
Cash and cash equivalents at beginning of the year	26	57,347	116,610
Cash and cash equivalents at end of the year	26	45,647	57,347

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1. Government grants				
Recurrent grant:				
Teaching	50,141	50,141	51,906	51,906
Research	33,897	33,897	32,481	32,481
Other specific grants	4,038	4,038	4,373	4,373
Deferred capital grants released in year	11,665	11,665	10,862	10,862
	99,741	99,741	99,622	99,622

The University received £98.7m (2017: £99.5m) of recurrent grant funding in the year, of which some £14.7m (2017: £15.1m) has been deferred as detailed in note 21.

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
2. Tuition fees, support grants and education contracts				
Full-time students (NI, GB and EU)	56,547	56,547	53,311	53,311
International students	31,541	31,541	25,335	25,335
Part-time fees	4,888	4,888	4,527	4,527
Short courses	1,084	1,084	1,053	1,053
Department of health nursing contract	12,235	12,235	11,595	11,595
Research training, other support grants and other fees	2,610	2,610	2,295	2,295
	108,905	108,905	98,116	98,116

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
3. Research grants and contracts				
Research councils	22,972	22,972	18,766	18,766
Research charities	13,848	13,848	12,882	12,882
UK government and EU	46,376	46,376	40,503	40,503
Other sources	8,456	8,456	7,454	7,454
	91,652	91,652	79,605	79,605

Income from research grants and contracts includes deferred capital grants released in year totalling £2,816k (2017: £981k).

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
4. Other income				
Residences, catering and conferences	12,526	12,526	11,944	11,944
Other services rendered	13,478	13,478	14,008	14,008
Other capital grants	-	-	180	180
Other income	20,610	31,587	20,085	19,396
Contribution to joint appointment salaries (note 7)	6,092	6,092	6,047	6,047
	52,706	63,683	52,264	51,575

Other income and other services rendered include deferred capital grants released in year totalling £443k (2017: £443k). Other income in respect of the University includes gift aid income of £12,394k (2017: £914k) from its subsidiaries.

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
5. Investment income				
Investment income on endowments (note 24)	2,035	2,035	1,755	1,755
Other investment income	1,528	1,513	2,138	2,126
	3,563	3,548	3,893	3,881

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
6. Donations and endowments				
New endowments (note 24)	182	182	3,487	3,487
Donations with restrictions (note 25)	230	230	372	372
Unrestricted donations	1,218	1,218	990	990
	1,630	1,630	4,849	4,849

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
7. Staff costs				
Staff costs:				
Salaries	149,259	149,259	139,224	139,224
Social security costs	13,699	13,699	12,815	12,815
Other pension costs	18,760	18,760	17,741	17,741
Current service cost - RBP pension scheme	7,235	7,235	6,941	6,941
	188,953	188,953	176,721	176,721
Joint appointment salaries (note 4)	6,092	6,092	6,047	6,047
	195,045	195,045	182,768	182,768
Movement on USS provision excluding unwinding of discount	(1,170)	(1,170)	(1,166)	(1,166)
	193,875	193,875	181,602	181,602

Included within staff costs is £4,716k (2017: £4,547k) relating to amounts paid to teaching assistants, temporary lecturers and other temporary staff, who were not employed under contract by the University, and are therefore not included in staff numbers.

	2018	2017
	Consolidated and University	
	£'000	£'000
Emoluments of the Acting Vice-Chancellor:		
Salary	213	25
Pension contributions to USS	7	5
	220	30
Emoluments of the Vice-Chancellor:		
Salary	-	236
Pension contributions to USS	-	41
	-	277
Total emoluments paid	220	307

The Acting Vice-Chancellor was in post from 16 June 2017 to 31 July 2018.

In respect of the Acting Vice-Chancellor an additional £1k (2017: £2k) was also paid as an employer's pension scheme contribution, which represented the employee's contribution relinquished under the University's salary sacrifice scheme. The Acting Vice-Chancellor received no additional benefits (2017: £nil).

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	2018	2017
	Consolidated and University	
	Number	Number
7. Staff costs (continued)		
Remuneration of other higher paid staff, excluding employer's pension contributions but including NHS merit payments and the NHS funded element of joint appointments:		
£100,001 to £110,000	22	28
£110,001 to £120,000	22	23
£120,001 to £130,000	20	15
£130,001 to £140,000	8	6
£140,001 to £150,000	3	5
£150,001 to £160,000	2	3
£160,001 to £170,000	3	2
£170,001 to £180,000	4	3
£180,001 to £190,000	3	4
£190,001 to £200,000	2	2
£200,001 to £210,000	1	-
£210,001 to £220,000	-	1
£220,001 to £230,000	1	-
£230,001 to £240,000	-	1

	2018	2017
	Consolidated and University	
	Number	Number
Staff numbers		
Average staff numbers by major category :		
Academic	1,100	1,053
Research	642	572
Academic related	795	726
Technical and clerical	960	906
Other	452	453
	3,949	3,710

	2018	2017
	Consolidated and University	
	£'000	£'000
Key management personnel		
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs, outlined above, include compensation, consisting of salary, benefits, employer's pension contribution and employer's social security contribution paid to key management personnel.		
Key management personnel compensation	1,697	1,818

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
8. Other operating expenses				
Consumables and laboratory expenditure	12,326	12,326	11,991	11,991
Books and periodicals	5,172	5,172	4,940	4,940
Studentships and bursaries	15,150	15,150	14,918	14,918
Heat, light, water and power	5,666	5,666	5,138	5,138
Repairs and general maintenance	7,036	7,036	7,138	7,138
External auditors' remuneration	66	54	58	47
External auditors' remuneration for non-audit services	131	128	134	127
Rates, insurance and telecommunication expenses	6,197	6,197	6,366	6,366
Hospitality and accommodation services	3,124	3,124	3,095	3,095
Equipment and equipment maintenance	9,593	9,593	7,564	7,564
Postage, photocopying and printing	2,306	2,306	2,245	2,245
Patent fees	524	524	499	499
Collaborative research payments	8,210	8,210	7,246	7,246
Other	45,118	45,387	44,375	43,423
	120,619	120,873	115,707	114,737

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
9. Interest and other finance costs				
Loan interest	–	–	389	389
Unwinding of discount - USS pension deficit plan provision (note 23)	660	660	620	620
Net charge on RBP pension scheme (note 33)	2,347	2,347	2,141	2,141
	3,007	3,007	3,150	3,150

	Consolidated				
	Staff costs	Depreciation	Other operating expenses	Interest payable	Total
	£'000	£'000	£'000	£'000	£'000
10. Analysis of total expenditure by activity					
Academic departments	105,506	2,774	21,205	–	129,485
Academic services	13,765	1,480	11,376	–	26,621
Research grants and contracts	31,671	3,561	38,152	–	73,384
Hospitality and accommodation services	2,821	–	3,124	–	5,945
Premises	6,201	12,893	18,268	–	37,362
Administration	23,577	12	20,412	–	44,001
Other expenses	10,334	18	8,082	3,007	21,441
	193,875	20,738	120,619	3,007	338,239

11. Taxation

There is no taxation charge arising from the operating activities of the Group (2017: £nil)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	Freehold land and buildings	Leasehold land and buildings	Equipment	Assets in the course of construction	Total (excluding heritage assets)	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
12. Fixed assets							
Consolidated							
Cost or deemed cost							
At 1 August 2017	539,457	42,060	31,638	47,809	660,964	118	661,082
Additions	635	-	9,474	70,347	80,456	-	80,456
Transfers	5,625	327	-	(5,952)	-	-	-
Disposals	-	-	(4,132)	-	(4,132)	-	(4,132)
At 31 July 2018	545,717	42,387	36,980	112,204	737,288	118	737,406
Depreciation							
At 1 August 2017	39,872	3,005	24,130	-	67,007	-	67,007
Charge for the year	11,764	1,080	7,894	-	20,738	-	20,738
Disposals	-	-	(4,132)	-	(4,132)	-	(4,132)
At 31 July 2018	51,636	4,085	27,892	-	83,613	-	83,613
Net book value							
At 31 July 2018	494,081	38,302	9,088	112,204	653,675	118	653,793
At 31 July 2017	499,585	39,055	7,508	47,809	593,957	118	594,075
University							
Cost or deemed cost							
At 1 August 2017	539,457	34,946	31,638	47,809	653,850	118	653,968
Additions	635	-	9,474	70,347	80,456	-	80,456
Transfers	5,625	327	-	(5,952)	-	-	-
Disposals	-	-	(4,132)	-	(4,132)	-	(4,132)
At 31 July 2018	545,717	35,273	36,980	112,204	730,174	118	730,292
Depreciation							
At 1 August 2017	39,872	2,645	24,130	-	66,647	-	66,647
Charge for the year	11,764	960	7,894	-	20,618	-	20,618
Disposals	-	-	(4,132)	-	(4,132)	-	(4,132)
At 31 July 2018	51,636	3,605	27,892	-	83,133	-	83,133
Net book value							
At 31 July 2018	494,081	31,668	9,088	112,204	647,041	118	647,159
At 31 July 2017	499,585	32,301	7,508	47,809	587,203	118	587,321

At 31 July 2018, freehold land and buildings included £90.2m (2017: £90.1m) in respect of freehold land that is not depreciated.

A full valuation of the University's freehold and long leasehold land and buildings portfolio was carried out on 1 August 2014 by an independent valuer with an appropriate professional qualification and recent experience in the location and class of property. In line with FRS 102, this valuation was used as the deemed cost for these assets at the date of transition i.e. 1 August 2014.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

13. Heritage assets

Heritage assets with an initial cost or value over £25,000 and acquired after 1 August 2007 are capitalised, since then the University has acquired heritage assets of £118k relating to pieces of sculpture.

The University holds other heritage assets in its main library and throughout the general campus. The special collections service at Queen's provides access to the Library's rare and early printed book, map and manuscript collections, as well as to more modern material relating to Ireland and Ulster in particular. The books, pamphlets, manuscripts, correspondence, photographs and maps are considered to be of lasting research value and include examples of the earliest printed works published between the 16th and early 19th centuries. In order to preserve the material for future readers these collections are housed in a secure and environmentally controlled setting. The University also has an important collection of fine art, silver and sculpture, as well as a build environment which contains some of the best architecture in Ireland. The University has a Curator of Art who manages and develops the collection as well as developing an ambitious programme of educational work.

	Consolidated and University	
	2018	2017
	£'000	£'000
14. Investment property		
Balance at 1 August	3,700	3,700
Net gain from fair value adjustments	185	-
Balance at 31 July	3,885	3,700

A valuation of the investment property was carried out on 1 August 2014 by an independent valuer with an appropriate professional qualification and recent experience in the location and class of property. This valuation is reviewed annually by the University using industry recognised indices and the carrying value of the assets adjusted accordingly.

The University received property rental income of £321k (2017: £321k) in respect of these proprieties for the year ended 31 July 2018.

	Subsidiary companies	Other fixed assets investments	Total
	£'000	£'000	£'000
15. Non-current investments			
Consolidated			
At 1 August 2017	-	193,383	193,383
Additions	-	5,002	5,002
Transfer from investment in associates	-	1,040	1,040
Disposals	-	(16,077)	(16,077)
Appreciation and gains on disposals	-	25,342	25,342
At 31 July 2018	-	208,690	208,690

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	Subsidiary companies	Other fixed assets investments	Total
	£'000	£'000	£'000
15. Non-current investments (continued)			
University			
At 1 August 2017	2,255	135,938	138,193
Additions	–	4,552	4,552
Disposals	–	(5,909)	(5,909)
Appreciation and gains on disposals	–	10,374	10,374
At 31 July 2018	2,255	144,955	147,210

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Other fixed asset investments consist of:				
General Investment Fund	84,234	84,234	77,666	77,666
University Investment Fund:				
UK gilts and fixed asset stocks	4,610	4,610	5,455	5,455
UK equities (listed)	24,195	24,195	26,448	26,448
Overseas investments (listed)	14,639	14,639	12,189	12,189
Other investments	17,277	17,277	14,180	14,180
	60,721	60,721	58,272	58,272
Other investments (Group)	4,042	–	2,498	–
Listed investments (Group)	59,693	–	54,947	–
	208,690	144,955	193,383	135,938

General Investment Fund

The general investment fund consists of UK equities and investment trusts (listed) valued at market value. The equivalent cost as at 31 July 2018 was £46,748k (2017: £46,748k).

University Investment Fund

The University Investment Fund is an investment fund operated on unit trust principles, and administered under the terms of the Queen's University (Trust Scheme) Order (Northern Ireland) 1982. The purpose of the Investment Fund is to provide an investment vehicle for the greater part of the University endowment funds. The investments are shown at market value.

Listed investments (Group)

The Group's listed investments, which are listed on the London Stock Exchange, are stated at market value.

Other investments (Group)

The Group's other investments relate to a subsidiary's investments in 25 other UK unlisted companies.

Fair value gain on investments and investment property

The consolidated fair value gain on investments and investment property of £22,821k (2017: £40,023k) as shown in the SOCI, relates to appreciation of investment property of £185k (2017: £nil), non-current investments of £22,971k (2017: £38,866k) and a fair value loss on investments in associates of £(335)k (2017: £1,157k).

The University's fair value gain on investments and investment property of £8,189k (2017: £14,754k) as shown in the SOCI, relates to appreciation of investment property of £185k (2017: £nil) and non-current investments of £8,004k (2017: £14,754k).

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

16. Investment in joint ventures		
The Group has interests in the following joint ventures:		
INTO Queen's LLP	A Limited Partnership which was incorporated in April 2009 to recruit and provide education to international students. It is a joint venture between Queen's Overseas Recruitment Limited and INTO University Partnerships Limited, a company registered in England. It is based in Belfast.	
NI Composites O&M LLP	A Limited Partnership which was incorporated in 2011 to promote collaborative research in advanced composites. It is a joint venture between Queen's Composites Limited and Innovation Ulster Limited. It is based in Belfast.	
	2018	2017
	£'000	£'000
Interest in joint ventures:		
Statement of comprehensive income and expenditure:		
Revenue	4,080	3,641
Share of deficit before tax	(49)	(165)
Balance Sheet:		
Fixed assets	197	164
Current assets	1,915	1,915
Creditors: amounts due within one year	(4,267)	(4,335)
Creditors: amounts due after one year	(400)	(250)
Share of net liabilities	(2,555)	(2,506)
A provision of £1,921k (2017: £2,274k) has been recognised in relation to the Group's liability in respect of joint ventures.		

	Consolidated and University	
	2018	2017
	£'000	£'000
The University had the following balances with its joint ventures at the year end:		
Amounts owed to the University:		
INTO Queen's LLP	1,942	1,426
NI Composites O&M LLP	220	238
	2,162	1,664
Amounts owed by the University:		
INTO Queen's LLP	112	90
NI Composites O&M LLP	11	27
	123	117
The balances all relate to ongoing trading activity.		

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

17. Investment in associates

Details of the Group's interests in associated undertakings are set out below. Each company is incorporated in Northern Ireland.

	% of equity held 2018	Consolidated		Principle activity
		Valuation	Valuation	
		2018	2017	
		£'000	£'000	
Acksen Limited	25%	35	25	Supply of instruments for monitoring electromagnetic radiation
Marenco Limited	28%	10	10	Marine and environmental consultancy services
Biocolor Limited	20%	112	381	Supply and development of assay kits for tissue laboratories
Examenlab Limited (previously Spermcomet Limited)	21%	67	25	Provision of infertility testing services
ProAxis Limited	24%	-	-	Point care tests for cystic fibrosis and COPD
MOF Technologies Limited	21%	207	414	Novel techniques for the synthesis of MOFs
Xenobics Limited	22%	43	89	Development of antibodies and diagnostic solutions for food safety and authenticity
Cognition Video Limited	50%	-	-	Automatic intelligent video analytics
Phion Therapeutics Limited	25%	-	-	Anionic drug delivery
Continga Limited	33%	-	-	Human health activities
Green Lizard Technologies Limited	24%	184	49	Technological solutions
Sirona Technology Limited	50%	-	-	Scientific, medical and technology development

In addition to these associated interests the Group has shareholdings of less than 20% in 25 unlisted companies all of which are incorporated in the United Kingdom, and which are included at fair value of £4,042k at 31 July 2018 (2017: £2,498k) note 15.

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
18. Debtors				
Amounts falling due within one year:				
Research grant debtors	4,703	4,703	3,342	3,342
Other debtors	7,067	6,782	8,449	7,973
Amounts owed by associates	20	-	19	-
Prepayments and accrued income	16,660	16,650	15,539	15,539
Amounts due from subsidiary companies:				
QUBIS Limited	-	858	-	657
Queen's Overseas Recruitment Limited	-	439	-	439
Queen's Composites Limited	-	4	-	188
NIACE Limited	-	233	-	150
	28,450	29,669	27,349	28,288

19. Current investments

Current investments relate to deposits held with banks and building societies operating in the UK market, and licensed by the Financial Services Authority. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
20. Creditors: amounts falling due within one year				
Research grants received in advance	33,163	33,163	37,289	37,289
Other unsecured loans	1,275	1,275	961	961
Trade creditors	26,281	26,282	24,474	24,477
Social security and other taxation payable	4,543	4,543	4,719	4,719
Accruals and deferred income	21,887	21,811	20,630	20,606
Deferred capital grant income	13,926	13,853	11,906	11,832
Due to subsidiary, QUBIS Limited	-	451	-	451
	101,075	101,378	99,979	100,335

	2018		2017	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
21. Creditors: amounts falling due after more than one year				
Deferred capital grant income	326,011	322,093	315,232	311,242
Other unsecured loans	28,885	28,885	22,160	22,160
Other	536	428	556	428
	355,432	351,406	337,948	333,830
The other unsecured loans are repayable as follows:				
Due between one and two years	1,275	1,275	961	961
Due between two and five years	3,825	3,825	2,883	2,883
Due in five years or more	23,785	23,785	18,316	18,316
	28,885	28,885	22,160	22,160
Other unsecured loans repayable by 2040	12,580	12,580	13,160	13,160
Other unsecured loans repayable by 2042	8,625	8,625	9,000	9,000
Other unsecured loans repayable by 2043	7,680	7,680	-	-
	28,885	28,885	22,160	22,160

The other unsecured loans are concessionary loans. They bear no interest and are repayable by annual instalments.

The deferred capital grant income includes £14.7m (2017: £15.1m) of recurrent government grant which has been deferred.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	Consolidated and University		
	Defined benefit obligations RBP pension	Other pension provision	Total
	£'000	£'000	£'000
22. Pension obligations			
At 1 August 2017	94,039	61	94,100
Movement	(44,684)	-	(44,684)
At 31 July 2018	49,355	61	49,416

Details of the RBP deficit are included at note 33.

	Obligation re USS pension deficit recovery plan	Provision for joint venture losses	Provision for restructuring	Total other provisions
	£'000	£'000	£'000	£'000
23. Other provisions				
Consolidated				
At 1 August 2017	35,701	2,274	980	38,955
Utilised in year	(2,413)	-	(128)	(2,541)
Additions/release	1,243	(353)	-	890
Unwinding of discount (note 9)	660	-	-	660
At 31 July 2018	35,191	1,921	852	37,964
University				
At 1 August 2017	35,701	-	980	36,681
Utilised in year	(2,413)	-	(128)	(2,541)
Additions	1,243	-	-	1,243
Unwinding of discount (note 9)	660	-	-	660
At 31 July 2018	35,191	-	852	36,043

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have made estimates in relation to the number of future employees within the USS scheme and salary payment over the period of the contractual obligation, in assessing the value of this obligation.

The restructuring provision relates to a number of ongoing restructuring reviews.

The provision for joint venture losses relates to the Group's share of the net liabilities of its joint ventures as detailed in note 16.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	Consolidated and University					
	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	Undistributed investment fund income	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000	£'000
24. Endowment reserves						
Balances at 1 August 2017						
Capital	42,184	2,668	16,387	-	61,239	52,988
Accumulated income	2,088	-	1,888	211	4,187	3,628
Transfer	16	-	(16)	-	-	-
	44,288	2,668	18,259	211	65,426	56,616
New endowments (note 6)	143	-	39	-	182	3,487
Investment income (note 5)	1,371	64	499	101	2,035	1,755
Expenditure	(991)	(64)	(855)	-	(1,910)	(1,115)
Transfer to unrestricted reserve	(83)	-	-	-	(83)	-
Increase in market value of investments	1,021	47	367	-	1,435	4,683
Total endowment comprehensive income for the year	1,461	47	50	101	1,659	8,810
At 31 July 2018	45,749	2,715	18,309	312	67,085	65,426
Represented by:						
Capital	43,369	2,715	16,445	-	62,529	61,239
Accumulated income	2,380	-	1,864	312	4,556	4,187
	45,749	2,715	18,309	312	67,085	65,426

	2018 Total	2017 Total
	£'000	£'000
Analysis by type of purpose:		
Chairs and lectureships	8,025	7,832
Scholarships, studentships, medal and prize funds	16,223	15,650
Research, directorate, school or faculty use	31,962	31,475
Public lectures	2,099	2,032
Travel	273	260
Student amenities and associated objects	1,996	1,924
Student assistance	1,628	1,589
Other restricted funds	1,853	1,785
General funds	2,714	2,668
Total endowments	66,773	65,215
Undistributed investment fund income	312	211
	67,085	65,426
There are no endowments with a material deficit balance.		

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YEAR ENDED 31 JULY 2018

	2018 Total	2017 Total
	£'000	£'000
24. Endowment reserves (continued)		
Analysis by asset type held in Investment Fund:		
Investment property	210	210
Non-current asset investments (note 15)	60,721	58,272
Current asset investments	6,129	6,920
Cash and cash equivalents	25	24
	67,085	65,426

	Consolidated and University	
	2018 Total	2017 Total
	£'000	£'000
25. Restricted reserves		
Balance at 1 August 2017	757	278
New restricted income:		
Donations (note 6)	230	372
Other	117	15
Other services rendered	144	218
	491	605
Expenditure	(464)	(126)
Total restricted comprehensive income for the year	27	479
	784	757
Balance at 31 July 2018	784	757

	Consolidated and University	
	2018 Total	2017 Total
	£'000	£'000
Analysis of restricted funds/donations by type of purpose:		
Research support	125	56
General	659	701
	784	757

	Consolidated		
	At 1 August 2017	Cash Flows	At 31 July 2018
	£'000	£'000	£'000
26. Cash and cash equivalents			
Cash and cash equivalents	57,347	(11,700)	45,647
	57,347	(11,700)	45,647

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YEAR ENDED 31 JULY 2018

	Consolidated and University	
	2018	2017
	£'000	£'000
27. Capital and other commitments		
Commitments contracted at 31 July	38,909	88,753
Authorised but not contracted at 31 July	178,696	182,020
	217,605	270,773

The capital commitments include capital projects with anticipated spend in excess of £25m within: health sciences, engineering facilities and student facilities.

28. Contingent liabilities

The University has entered into a limited partnership agreement with Crescent Capital III LLP. The terms of this agreement have resulted in the University having a financial commitment to provide future finance of up to £1m in the Crescent Capital III Fund. As at 31 July 2018 £560k (2017: £460k) had been provided to Crescent Capital III LLP.

29. Events after the reporting period

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. We are working with the trustees of our RBP scheme to understand the extent to which the judgment crystallises additional liabilities for the scheme. The extent to which the judgment will increase the liabilities in the RBP scheme is not possible to identify at this point. For the University's other defined benefit scheme, the USS, the provision included within the financial statements at note 23 will only be impacted to the extent the change in benefits increases cash financing.

30. Subsidiary undertakings

The University, unless otherwise stated, holds the entire share capital of the following limited companies which have been fully consolidated into the financial statements. The companies are all incorporated in Northern Ireland.

QUBIS Limited	Technology transfer company which engages in the commercial exploitation of the academic and research activities of the University by establishing corporate ventures.
Queen's Overseas Recruitment Limited	Promotion and funding of educational courses and the recruitment of students.
Queen's Composites Limited	Promotion of collaborative research in advanced composites.
NIACE Limited	Ownership of the NIACE centre building which is a technology hub to support research in advanced engineering and materials technologies. The University owns and manages 70% of the company which commenced trading in 2012-13.

31. Connected charitable institutions

The Queen's University of Belfast Foundation Limited (the Foundation) is a charitable institution, the principal activity of which is to advance the strategic goals and direction of the University under the direction of the Foundation Board. The Foundation is registered separately with the Charities Commission and is a separate and independent organisation from the University and, therefore, its financial statements are not consolidated within the Group.

The movement in the year on the total funds of the Foundation, as reported in its financial statements, is as follows:

	2018	2017
	£'000	£'000
Opening Fund	3,899	3,518
Income generated	4,152	6,294
Disbursements in year	(3,480)	(5,913)
Closing Fund	4,571	3,899

NOTES TO THE ACCOUNTS

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	Consolidated and University	
	2018	2017
	£'000	£'000
32. Student support funds		
Department for the Economy	1,351	1,351
Interest received	1	2
University contribution	107	71
	1,459	1,424
Disbursed to students	(1,456)	(1,424)
(Over)/underspend in the year	3	-
Opening balance as at 1 August	285	285
Closing balance as at 31 July	288	285

33. Pension schemes

The University participates in two separate defined benefit occupational schemes, each of which is valued triennially by professionally qualified actuaries. The schemes are the Universities Superannuation Scheme (USS) for academic and academic related staff, in which all UK universities participate, and the Retirements Benefits Plan of the Queen's University Belfast (RBP) for non-academic staff. The assets of the schemes are held in trustee-administered funds, and the rates of contribution payable are determined by the trustees on the advice of the actuaries. The pension costs are assessed using the projected unit method.

(i) The Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the SOCI represents the contributions payable to the scheme.

Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised. Details of this provision to recognise this liability are outlined in note 23.

The total cost charged to the SOCI is £18,760k (2017: £17,741k) as shown in note 7. This includes £2,829k (2017: £2,569k) of outstanding contributions at the balance sheet date.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets, therefore, were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	2018	2017
33. Pension schemes (continued)		
Discount rate	2.6%	2.6%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.0%	2.4%
The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:		

	2018	2017
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. Post-retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	98% of SAPS S1NA "light" YOB unadjusted for males. 99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

	2018	2017
	Years	Years
The current life expectancies on retirement at age 65 are:		
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Details of the funding position are as follows:		
Total scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

(ii) Retirement Benefits Plan (RBP)

The latest actuarial valuation of the RBP, for which final results were available as at 31 July 2018, was carried out at 31 March 2017 by a qualified independent actuary. The valuation has been projected forward as at 31 July 2018 using the following assumptions:

	2018	2017
Future salary increase:		
Under 40	3.25%	3.55%
Over 40	2.50%	3.55%
Pension increase	2.25%	2.25%
Pension increase rate in deferment	2.25%	2.25%
Discount rate	2.65%	2.50%
Inflation assumption:		
Retail prices index	3.05%	3.05%
Consumer prices index	2.25%	2.25%

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

		2018	2017
		years	years
33. Pension schemes (continued)			
The weighted average life expectancies on retirement at age 65 used to determine benefit obligations are:			
Member age 65 (current life expectancy)	male	21.5	22.0
	female	23.4	23.9
Member age 40 (life expectancy at 65)	male	23.3	24.2
	female	25.3	26.3

	% of the Plan Assets		
	2018	2017	2016
The split of assets in the scheme were:			
Equities	39.19	37.21	63.14
Bonds and gilts	20.97	19.83	25.08
Corporate bonds	-	-	4.89
Pooled funds	36.48	36.02	-
Property	-	-	6.49
Cash and other	3.36	6.94	0.40

The tables below outline the disclosures for the RBP scheme as recognised in these financial statements:		
	2018	2017
	£'000	£'000
Analysis of the amount shown in the Balance Sheets for the RBP scheme:		
Scheme assets	204,096	189,247
Scheme liabilities	(253,451)	(283,286)
Deficit in the scheme - net pension liability recorded with pension provision (note 22)	(49,355)	(94,039)
Analysis of the amounts shown in the Statements of Comprehensive Income:		
Current service cost	7,235	6,941
Total operating charge (note 7)	7,235	6,941
Analysis of the amount charged to interest payable:		
Interest on liabilities	7,096	6,204
Expected return on assets	(4,749)	(4,063)
Net charge to interest and other finance costs (note 9)	2,347	2,141
Analysis of other comprehensive income:		
Gain on assets	10,317	11,660
Gain/(loss) on liabilities	38,034	(7,401)
Total adjustment to other comprehensive income	48,351	4,259

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

	2018	2017
	£'000	£'000
33. Pension schemes (continued)		
Movement in deficit during the year		
Deficit in scheme at 1 August	(94,039)	(94,557)
Movement in the year:		
Current service cost	(7,235)	(6,941)
Contributions	5,915	5,341
Other finance costs	(2,347)	(2,141)
Actuarial adjustment	48,351	4,259
Deficit in scheme at 31 July	(49,355)	(94,039)

The valuation at 31 July 2018 showed a decrease in the deficit from £94.039m to £49.355m.

	2018	2017
	£'000	£'000
Analysis of the movement in the present value of liabilities		
Present value of liabilities at 1 August	283,286	269,819
Current service cost	7,235	6,941
Interest cost	7,096	6,204
Actuarial (gain)/loss	(38,034)	7,401
Benefits paid	(6,132)	(7,079)
Present value of liabilities at 31 July	253,451	283,286

	2018	2017
	£'000	£'000
Analysis of the movement in the fair value of scheme assets		
Value of assets at 1 August	189,247	175,262
Expected return on plan assets	4,749	4,063
Actuarial gain on plan assets	10,317	11,660
Employer contributions	5,915	5,341
Member contributions	-	-
Benefits paid from plan	(6,132)	(7,079)
Value of assets at 31 July	204,096	189,247

	2018	2017
	£'000	£'000
Actual return on scheme assets		
Expected return on scheme assets	4,749	4,063
Asset gain	10,317	11,660
	15,066	15,723

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YEAR ENDED 31 JULY 2018

33. Pension schemes (continued)	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
History of experience; gains and losses					
Difference between expected and actual return on scheme assets	10,317	11,660	15,109	7,628	(948)
Percentage of scheme assets	5%	6%	9%	5%	-1%
Experienced gains and losses on scheme liabilities	9,379	-	-	(767)	(293)
Percentage of present values of plan liabilities	0%	0%	0%	0%	0%
Actuarial gain/(loss)	48,351	4,259	(25,588)	(14,311)	111

University contributions

Under the current schedule of contributions the University contributes the following:

- 25.2% of pensionable earnings in respect of pensions + active members
- 16.2% of pensionable earnings in respect of other active members; and
- deficit contributions of 2.8% p.a. of total pensionable earnings between 31 March 2017 and 31 October 2030.

34. Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates. Estimates and underlying assumptions are reviewed and revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Valuation of land and buildings

The University applied paragraph 35.10(c) of FRS 102 to measure land and buildings at fair value on the date of transition to FRS 102 and to treat the fair value as the deemed cost. The valuation was provided by an independent valuer with an appropriate professional qualification. This valuation was then taken unadjusted as deemed cost as at 31 July 2014.

Pension obligation – RBP pension

The University obtains a valuation from an external, professionally qualified actuary, who makes decisions on behalf of the University on the financial assumptions used to calculate the net liability of the scheme. These assumptions include the RPI% movements, CPI% increases, salary increases, pension increases, discount rate and the estimate of the duration of employer liabilities. While the University reviews these assumptions in detail, and adopts the assumptions in these financial statements, the actuary, as a pension expert, will provide advice and guidance, and apply their skill and judgement in setting these parameters.

USS deficit recovery program liability

The University is satisfied that the USS scheme meets the definition of a multi-employer scheme, and has therefore, recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approval of these financial statements.

In calculating this provision, the University has used the discount rate commissioned by the British Universities Finance Directors' Group (BUFDG) and University estimates for increases in staff numbers and salary growth percentage.

35. Disclosure of related party transactions and balances

The University's Senate members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of Senate, which is drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of Senate, related Committees or key management personnel may have an interest. All transactions involving organisations in which a member of Senate, related committees or key management personnel may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2018

35. Disclosure of related party transactions and balances (continued)

Included in the Consolidated and University Statements of Comprehensive Income and the Balance Sheets are the following transactions with organisations in which a member of Senate, related committees, a subsidiary or key management personnel have an interest and the value of any element is greater than £5k:

	Debtor	Creditor	Income	Expenditure
	£'000	£'000	£'000	£'000
A&L Goodbody	-	-	6	-
Anderson Spratt Holdings Ltd	-	-	-	233
Belfast HSC Trust	683	439	6,549	4,818
Belfast Metropolitan College	-	-	9	57
British Council	15	12	242	156
Brunel University	-	-	261	-
Catalyst Inc (formerly NISP Holdings)	-	-	11	-
CDS Limited	-	19	20	970
Confederation of British Industry (CBI)	-	-	2	14
Council for the Curriculum, Examination and Assessment (CCEA)	-	-	41	-
Department of Education (NI)	-	-	8	-
Economic and Social Research Council (ESRC)	6	614	2,291	-
Ernst and Young (EY)	2	-	8	-
Exeter University	22	-	62	12
Fostering Network (NI)	-	-	13	-
Friends of the Cancer Centre	75	-	482	-
Imperial College London	22	-	117	173
Kingspan Group Plc	1	-	6	-
Neueda	-	-	11	-
NI Chamber of Commerce and Industry	8	1	22	15
NI Composites O & M LLP	220	11	12	62
NIE Limited	-	-	14	55
Northern Ireland Chest Heart and Stroke Association	10	-	97	14
Northern Ireland Water	-	8	2	609
Phion Therapeutics limited	20	-	-	-
INTO Queen's LLP	1,942	112	1,678	172
Queen's Graduate Association	3	-	10	-
Royal Society	-	-	-	32
Techstart NI QUB Equity Ltd Partnership Advisory Board	-	-	-	249
The McAvoy Group Limited	11	-	40	-
United Dairy Farmers, Dale Farm	1	-	33	1
University of Durham	-	-	36	18
University of Glasgow	11	26	287	310
University of St Andrews	-	-	1	18
Victoria College Belfast	-	-	14	-
Visit Belfast	-	-	-	7
Waterfront and Ulster Hall	-	-	-	40

The income above from Belfast HSC Trust includes £5,443k in relation to the Trust's element of clinical joint appointment posts which are commissioned by the Department of Health and is included in the total joint appointment salaries in note 4 (total £6,092k).

As at 31 July 2018, the University also had £19m in short term deposits in Barclays Bank Plc.

The University received disbursements of £3,480k from the Queen's University of Belfast Foundation in respect of capital and revenue items. The Queen's University of Belfast Foundation is a charitable institution linked to the University and further information is included in note 31.

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YEAR ENDED 31 JULY 2018

36. Jointly controlled operations

In 2014 the University established an educational presence in China, in the form of a Joint College, formed between Queen's and the China Medical University (CMU), one of the foremost medical universities in China. The Joint College is known as 'China Queen's College (CQC)' and is founded on the basis of the PRC Ministry of Education (MoE) 'Cooperation in Running Schools (CIRS)' Regulations first promulgated in 2004.

CQC delivers Queen's degree programmes from purpose-designed buildings provided by CMU on its new campus in the City of Shenyang in Northern China. A number of BSc degrees are offered. All the degree programmes in CQC are taught in compliance with UK Quality Assurance Agency requirements.

A Joint Management Committee (JMC) has oversight of the activities and resources of CQC with key specific terms of reference and reporting lines to ensure good academic and financial governance. Income of £656k (2017: £438k) has been recognised in the Statements of Comprehensive Income in respect of CQC.

37. Financial instruments

Risk management

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified by the Planning and Finance Committee approved Treasury Management Policy. The Treasury Management Policy is in line with best practice and is reviewed, updated, and approved, as appropriate, on a regular basis.

The University's principal financial instruments are cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the University's operations. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. other debtors and creditors.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University.

The University's credit risk arises from deposits held with banks and building societies, investments and debtors. Management of credit risk is a prime objective of the treasury management policy and the credit control policy. At 31 July 2018, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of deposits held with banks and building societies is limited because the counterparties are banks with investment grade credit-ratings assigned by international credit-rating agencies. The University's exposure and the credit-ratings of its counterparties are monitored regularly. The credit exposure is limited by counterparty limits and minimum counterparty credit-ratings set within the treasury management policy.

The fixed asset investments, as outlined in note 15, consist of investment funds and listed investments. The risk is limited as the investment funds are externally managed by professional fund managers, on both an active and passive basis, and performance is monitored regularly by the Investment Committee.

Student and commercial debtors are reviewed on an on-going basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is provided for. The concentration of risk is limited due to the large number of diverse customers across both students and commercial customers.

Liquidity risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities.

Cash flow forecasts form part of the University planning process and are revised regularly during the financial year. Excess funds are invested to maximise the return whilst observing the Treasury Management Policy limits.

Details of the University's long term loans are outlined in note 21 and consist of concessionary loans which have a carrying value of £30,160k (2017: £23,121k) at the year end.

Foreign currency risk

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The University's principal foreign currency exposure is to the Euro. On an annual basis, after satisfying Euro denominated liabilities, the University is left with a surplus of Euros, which are held in a Euro bank account. Surplus Euros are converted at spot rates as required, with the rate being monitored closely to mitigate the risk of adverse exchange rate movements.

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations in value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

Due to the low interest rate environment, most of the University cash deposits at 31 July 2018 are on relatively short term deposits as these offer competitive rates of return, whilst also offering maximum liquidity. Such deposits have limited re-investment risk.

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37. Financial instruments (continued)

Market risk

Market risk is the risk of changes to the fair value of the Group's financial instruments. Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risk.

Decisions in respect of investments are made on the recommendation of the Investment Committee in line with the University's Treasury Policy. The Investment Committee monitors the performance of the University's investments and meets fund managers on a regular basis with the aim of optimising the future long term return, guided by the University's Responsible Investment Policy. The performance of investments held in subsidiaries are monitored by the respective Boards and reported to Planning and Finance Committee.

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This publication is also available in alternative formats on request, including large print, Braille, tape, audio CD and Daisy CD.

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