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**Financial
Statements**
2017/18

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OPERATING AND FINANCIAL REVIEW

Since the development of the Strategic Plan 2015/16, the environment that we are operating in has changed beyond recognition.

Despite these very difficult circumstances Ulster University continues to push boundaries, deliver academic and research excellence and maintain our position as the Civic University for Northern Ireland. Ulster achieved a rise of 67 places in the NSS survey and was awarded a £13m fund from AHRC for Future Screens as one of 9 national creative industry hubs across the UK. These are only a few of the successes that demonstrate the quality and commitment to the academic excellence that is at the heart of our Five and Fifty strategy.

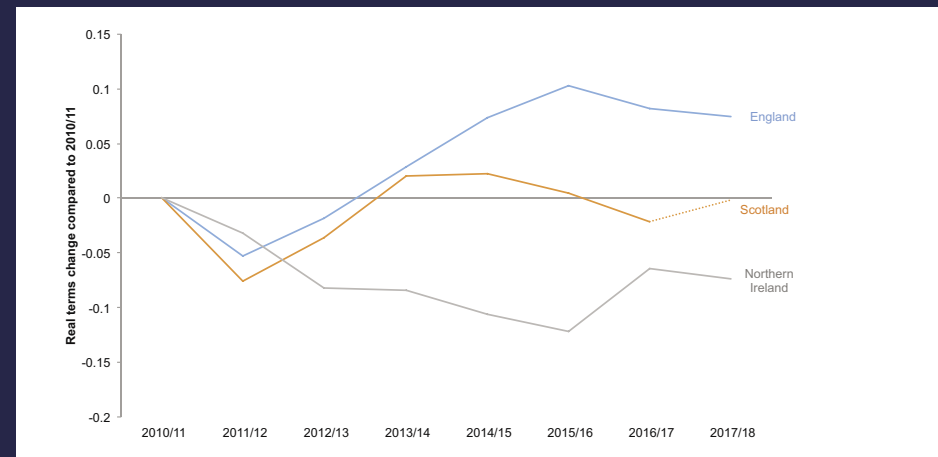
Despite the challenging political and economic environment in which the University operated, it is pleasing that the University has been able to operate in line with the approved finance strategy targets for the last twelve months with a reported surplus before gains and loss of £10.7m against a surplus in the previous year of £13.1m. Included within this surplus was an award of £5m in support of a Chair and Research Fellow in data analytics.

All these achievements have happened despite not having political agreement on a sustainable funding strategy for the sector; the collapse of the devolved administration; stalled political decision making; uncertainty over Brexit and the continued disparity in funding between Ulster University and its UK competitors.

Differential funding is shown in the table below.

Source: Universities UK (UUK)

COMPARISON OF FUNDING FOR TEACHING PER STUDENT FTE ACROSS THE UK



HIGHLIGHTS OF 2018

	2018	2017	↑ Higher ↓ Lower
Staff income ratio %	53.5%	53.8%	↓
Cash spend on fixed assets (£m)	£31m	£40m	↓
Earnings before interest, depreciation and amortisation (EBITDA)	£21m	£33m	↓
% Income from non government sources	26%	21.4%	↑

SCOPE OF THE FINANCIAL STATEMENTS

The financial statements presented to the University's Council have been prepared on a consolidated basis and include the results of Ulster University and its subsidiary company Innovation Ulster Limited. This report should be read with the Annual Review 2018 which provides a detailed summary of activities undertaken by the University in delivering its corporate objectives.

PUBLIC BENEFIT

The University is an independent educational charity whose legal status is derived from a Royal Charter granted in 1984.

Ulster University's charitable purpose is the advancement of education. In setting and reviewing the University's objectives and activities, Council has given due regard to relevant guidance on the reporting of public benefit, in particular, the Charity Commission's supplementary public benefit guidance on the advancement of education. We deliver our charitable purpose for the public benefit, by implementing our corporate plan and delivering on those strategic aims and objectives approved by Council to shape our academic portfolio in response to the demands of students and employers, and to deliver research and innovation that achieves economic and social transformation.

The distinctiveness of the University within the HE sector places it within a small group of HEIs that are research-engaged and business-focused with significant commercialisation of research, major knowledge transfer relationships.

The University's five-year strategic plan 'Five and Fifty' sets the vision and mission of the University, "As Northern Ireland's civic university, Ulster University will deliver outstanding research and teaching that encourages the innovation, leadership and vision needed to help our community thrive".

RESULTS FOR THE YEAR

The Group's financial statements report a surplus of £14.2m (2017: £14.4m), net assets of £309m (2017: £277m) with a cash inflow of £3.6m (2017: outflow £7.3m)

Overall income has increased by 3.3%. This is mainly as a result of an increase in research grants and contracts income, other income and new endowments received of £5.3m.

There is a decrease in funding body grants of 3.6%. The DfE block grant for 17/18 had a 2% reduction on the prior year and there was a reduction in the other DfE grants of £2m due to a one-off maintenance grant received in 16/17. DfE has confirmed a cash neutral budget in 2018/19. At present they can only advise on an annual basis.

The increase in tuition fee income of 2.3% reflects an increase in part-time student fee income of £1m and a small increase in overseas fee income of £0.2m set-off against a fall in short course income of £0.3m.

Research grants and contracts income has increased £1.7m. This is due to an increase in UK government and EU government funding for Interreg projects.

There is an increase in expenditure of 4.8%. Staff costs as a percentage of income for 2017/18 remain constant at 53.5% (2017 53.8%). Other operating expenses increased 14% on the prior year. This is due to increase spend on external research grants in line with an increase in its income source and approved University initiatives.

Over all there is a fall in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) at £20.9m (2017: £32.8m).

Investment in our capital development plans was £31.2m (2017: £40.1m). This mainly comprises of the Belfast campus development £23.4m and the new teaching block at Magee £3.5m and equipment and IT purchases of £4.0m.

Net cash decreased to £37.9m from £47.2m in July 2017.

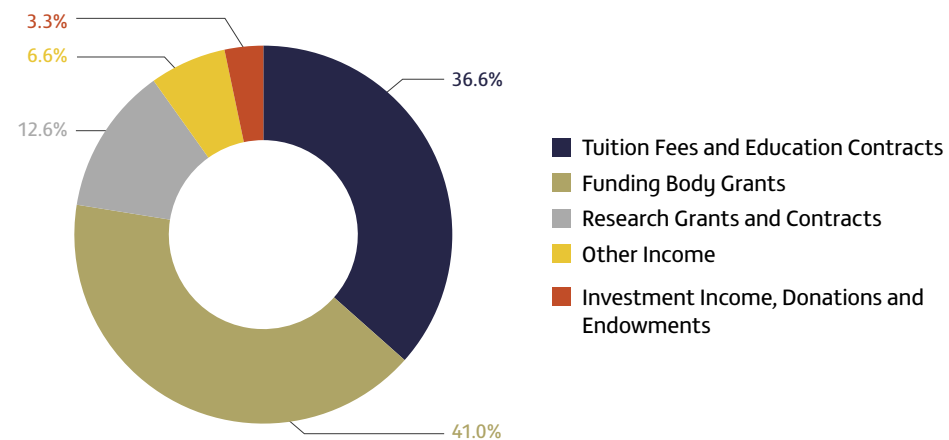
Operating and Financial Review (continued)

ANALYSIS OF RESULTS FOR THE YEAR

The financial year 2017/18 saw an increase in income of £6.7m with 26% funded by non government sources compared to 21.4% in 2017. The non government sources includes £5m of funding to support a Chair and Research Fellow in Data Analytics. Against this, expenditure increased £9.1m mainly due to increased research activity and approved University initiatives as a result of the Five & Fifty strategy.

A number of graphs and tables below provide further analysis of the 2017/18 results.

Table 1 Where the Money Comes from - £209.9m



The percentage composition of income compared to prior year shows a small fall in government funded income. Funding Body Grants income decreased from 43.9% to 42.3%. Tuition Fee and Education Contracts income has increased from 36.9% to 37.8%, Research Grants and Contracts increased from 12.2% to 13.0% and other income increased also from 5.94% to 6.8%.

Table 2 shows the percentage of total income over the previous five years by funding source.

Table 2 Percentage of Total Income 2013/14 to 2017/18

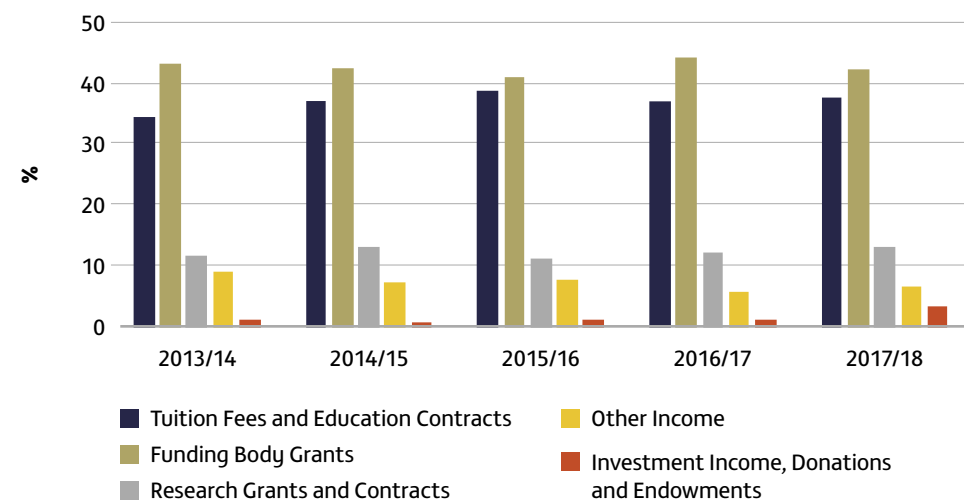


Table 3 shows the breakdown of the University Tuition Fee income by category and reflects the high dependency on full time and Department of Health funding sources.

Table 3 Tuition Fees 2013/14 to 2017/18

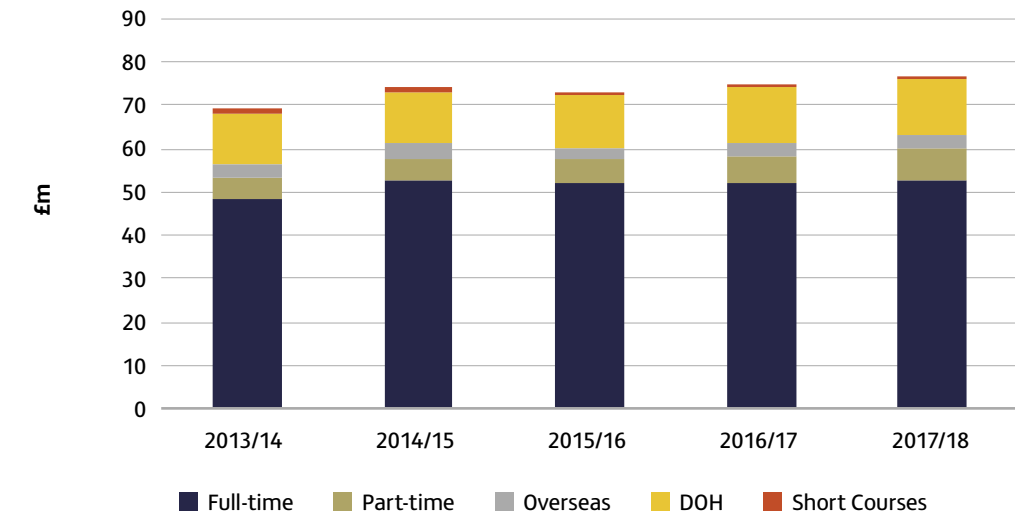
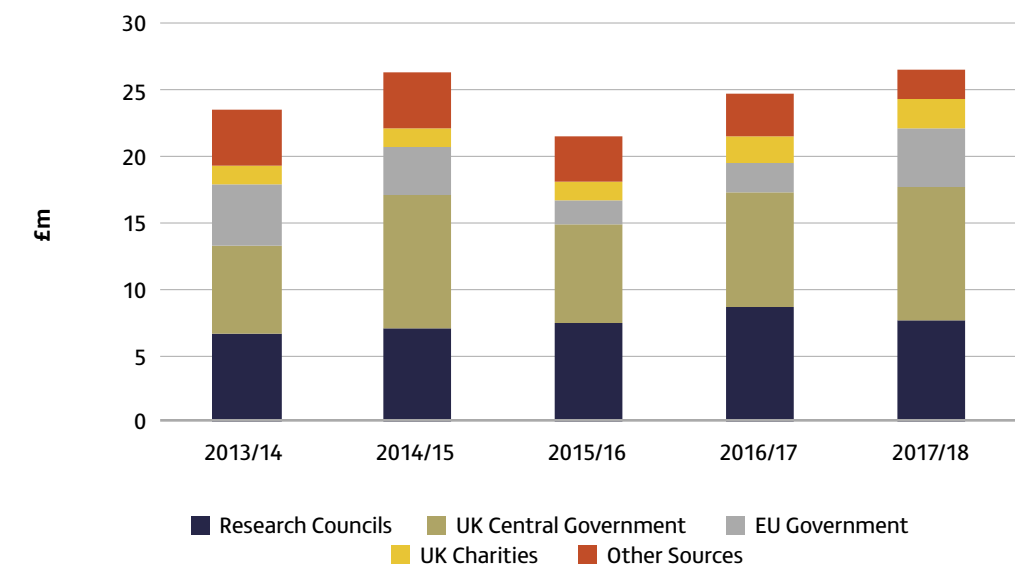


Table 4 shows the mix of research income funding from 2013/14. This reflects the increase UK Government and EU government funded income.

Table 4 Research Grants and Contracts 2013/14 to 2017/18



Operating and Financial Review (continued)

Table 5 shows by activity how Ulster spends its money and table 6 shows expenditure by category.

Table 5 How the University Spends the Money - £199.3m

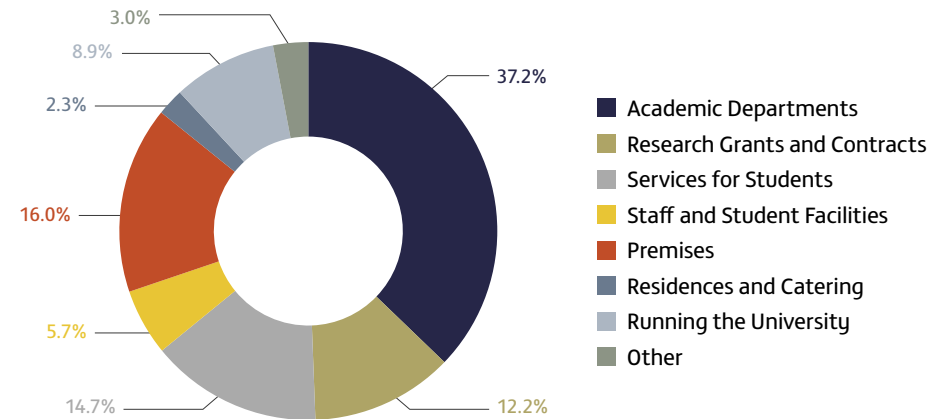
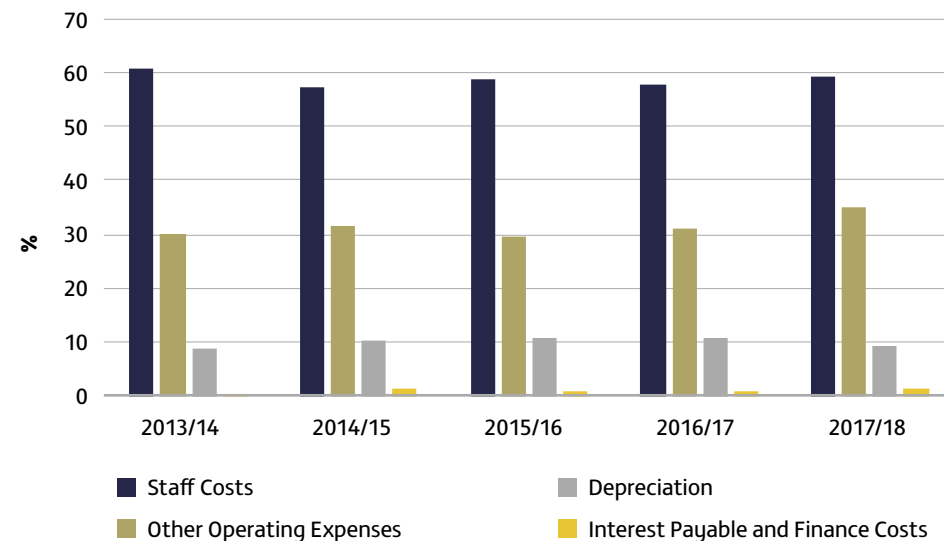
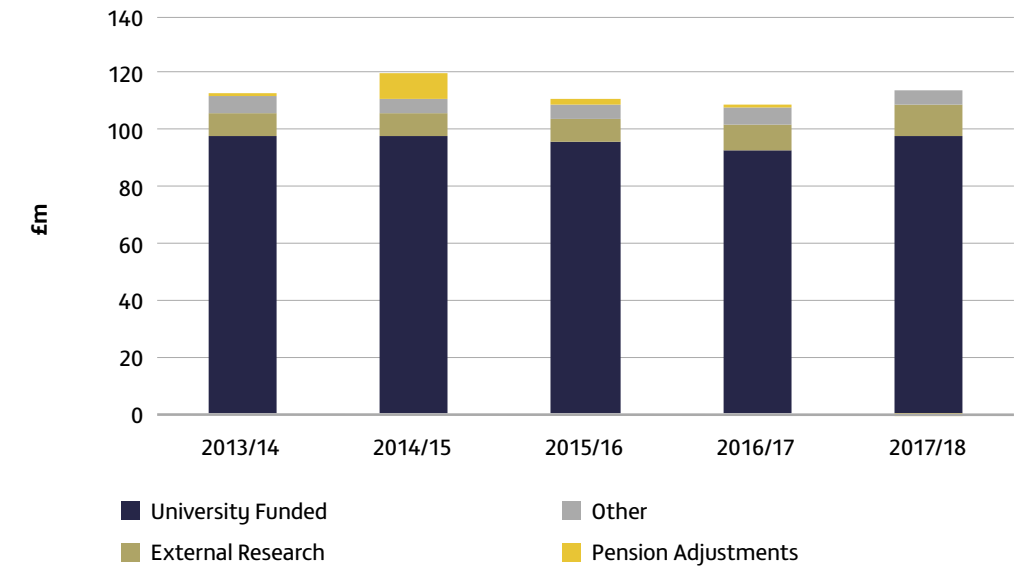


Table 6 Percentage of Expenditure to Total Expenditure 2013/14 to 2017/18



The main expense category is staff costs. Table 7 below shows the degree to which salaries are incurred in support of different funded activity. Staff costs to total income increased 1.1% to 54.0% (52.9% in 16/17). The graph shows University funded salaries have been held constant over the period reflecting the degree to which the funding body grant income has been similarly held.

Table 7 Staff Costs 2013/14 to 2017/18



TREASURY, BORROWINGS AND INVESTMENTS

Net cash decreased by £9.3m during the year. The movement in funds is summarised below:-

	2018	2017	Change
	£m	£m	£m
Investments and short term deposits	94.0	107.2	(13.2)
Cash at bank and in hand	21.0	17.3	3.7
Bank loans	(77.1)	(77.3)	0.2
Net cash	37.9	47.2	(9.3)

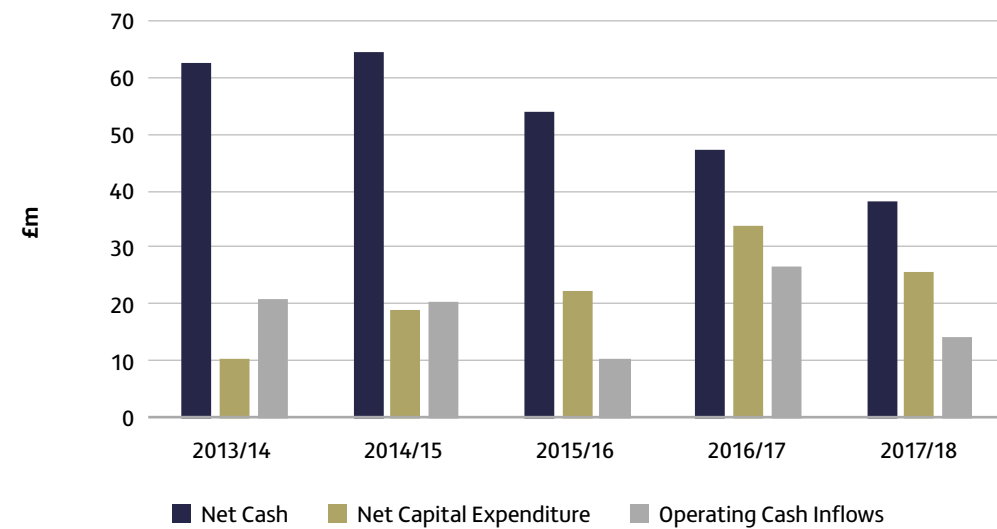
The net cash inflow from operating activities for the year was £13.6m (2017: £26.8m), interest paid totalled £0.8m (2017 £0.8m), and interest received totalled £0.8m (2017 £0.9m). Throughout the year the Group operated with a cash surplus and in line with its banking covenants. All treasury decisions are undertaken within the framework of the University's treasury policy. The underlying principle of this policy is that the University operates a low risk approach in managing its investments and liquidity. All funds are placed with counter parties whose underlying credit rating is monitored against minimum criteria. Furthermore, an upper limit of investment in any one financial institution of £35m applies. The University's Treasury Management policy was approved by General Purposes and Finance Committee in April 2015.

Endowment assets at the year-end were £14.4m, an increase of £5.4m due to a large donation for the support of data analytics. The endowment funds are managed by Rathbones Investment Management.

During the year £31.2m was spent on acquiring fixed assets against which £5.4m of capital grants were received. The table below shows the impact of this capital investment on our cash balances.

Operating and Financial Review (continued)

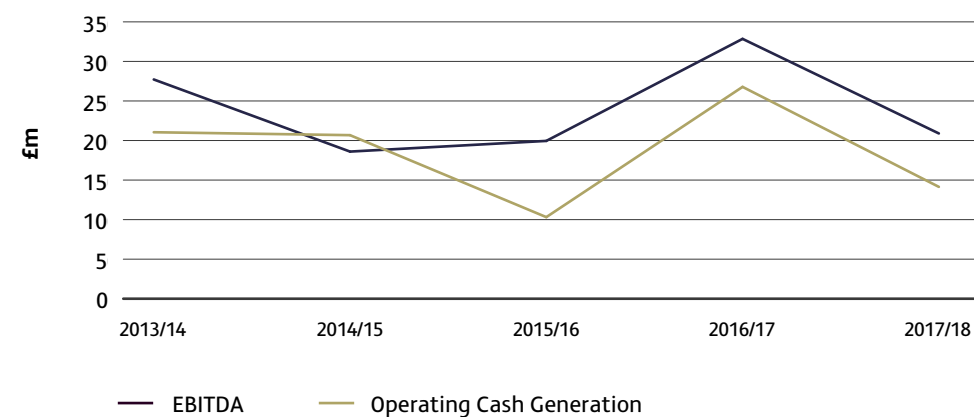
Table 8 Cash Movement and Capital Expenditure 2013/14 to 2017/18



EBITDA AND NET CASH INFLOW FROM OPERATING ACTIVITIES

One of the key targets which is being monitored as part of the financial strategy is the accumulation of cash to support our corporate ambitions. Two figures are being monitored. Firstly, Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is a measure of operating surplus excluding major accounting adjustments and finance charges. It provides a good indicator of financial capability to service debt and/or fund capital from internally generated cash. The second figure is net cash from operating activity. This figure takes into account movement in working capital requirements. The following table shows the movement of these two cash indicators over the last five years.

Table 9 EBITDA to Cash Generated from Operating Activities 2013/14 to 2017/18



From the above it can be seen that the University continues to operate in a financially sustainable manner and can support investment in its infrastructure with EBITDA being maintained at £21m.

STRATEGIC PLAN

Ulster is implementing the strategic plan 'Five & Fifty' covering the period 2016 – 2034 which sets the University's mission "As Northern Ireland's civic university, Ulster University will deliver outstanding research and teaching that encourages the innovation, leadership and vision needed to help our community thrive" and is structured around four priorities, namely Civic Contribution, Academic Excellence, Global Vision and Operational Excellence. Detailed implementation plans have been developed and progress of the new strategic plan is being actively monitored through the academic resource allocation and planning processes with the intention to update both Senate and Council. A number of key performance indicators has been agreed by Senate and Council which will enable the University to monitor achievements year on year against targets and overall delivery of the strategy.

The new academic structure of the University is designed to support the delivery of the 'Five & Fifty' strategy. Working alongside the Vice Chancellor and Deputy Vice Chancellor, three Pro Vice Chancellors have been appointed to cover Education, Research and Impact and Global Engagement aligned to the first of the three priorities (see above). There are four faculties effective from October 2017 (previously six) led by four Executive Deans appointed also during the year.

The Chief Operating Officer (COO) leads on the fourth priority of operational excellence. Since taking up her new role the new COO has been leading a review of the professional services with the objective of ensuring the University has 'best in class' professional services to support the delivery of the 'Five & Fifty' strategy. The review covers organisational structure, working culture and smart ways of working, which is supported by new roles of Director of People and Culture, Director of Campus Life, Director of Marketing and Communications and Chief Digital and Information Officer within the COO portfolio.

FINANCIAL STRATEGY

Ulster continues to operate under an approved financial strategy which aims to deliver an operating surplus to support a sustainable investment strategy in both the University's physical resources and information technology facilities. This includes the generation of sufficient cash reserves to allow the allocation of £20m per annum to capital projects of which £10m per annum is towards the Greater Belfast Development and the repayment of loans to fund this project.

The University's approved financial strategy is as follows:-

- To ensure the financial viability of the University.
- To hold cash reserves at a minimum of uncommitted funds of £25m.
- Any borrowings will not exceed that approved in the Business Plan for the Greater Belfast Development and any other projects that may arise which are confirmed as self-funding.
- To support the development of activities that generate income for growth.
- To achieve a staff cost to income ratio of 57.1% over the planning period.

The University in this financial year operated within the financial targets.

Operating and Financial Review (continued)

EFFICIENCY

Ulster continues to monitor and manage all of its activities and ensure value for money. Value for money is embedded throughout all operations of the University and can be demonstrated by Ulster's continuing performance in delivering the financial strategy and our performance in the Research Excellence Framework. These have been achieved despite Ulster operating in an environment where we receive considerably less funding per student per year than comparable institutions in Great Britain. This funding disadvantage is further exacerbated by the funding model adopted by the Department for the Economy not taking into account the cost of supporting activity across four geographically dispersed campuses despite these campuses being central in the support of the regional economy.

STRATEGIC RISK MANAGEMENT

The Council as advised by Audit Committee, keeps under review the strategic risks facing the University and the preventative and corrective control measures in place to manage and mitigate against these risks. Amongst these risks are:-






- The inability of the University to attract/access investment as needed to deliver the Five & Fifty strategy and to operate in a financially sustainable manner;
- The failure to effectively manage any operational, financial and reputational impacts associated with the delay in implementing the Greater Belfast Development Plan;
- The inability to develop and maintain a high quality, fit for purpose Digital Infrastructure to support teaching and learning delivery which is resilient to cyber attack;
- An inability to recruit, support and retain high performing staff who feel valued and therefore motivated to help deliver the ambitions of the Five & Fifty strategy.

To mitigate against these risks, the University amongst other things:

- Continues to have ongoing discussions with DfE as well as frequent monitoring of the academic plan, modelling of the impact on fee income and roll out of the new contribution model. In addition, the University has redesigned a fit-for-purpose Global Engagement department which will provide international recruitment services to deliver agreed Faculty international recruitment strategies.
- Has established a project to update the business case working alongside the Department for Education and the Strategic Investment Board. Risks continue to be actively monitored, managed and reported to Audit Committee and Council in line with the University's governance structures.
- Has developed a new Digital Strategy which is focussed on defining the future, state digital offering for the University's core customers: students, academic and professional services staff.
- Will launch a new People and Culture Strategy which will place diversity and inclusion at the heart of the University's culture.

FUTURE FINANCIAL HEALTH

Key performance indicators are set out below with an assessment on progress against the financial strategy target with **RED** meaning immediate action required, **AMBER** more work required and **GREEN** on track. When taken together these measures reflect the strong governance and effective management of the University's resources in sustaining financial health in the short, medium and long term.

	Financial Sustainability Indicators	2018 Actual	2017 Actual	Comments
	Surplus as a % of total income	6.8%	7.1%	This indicates the level of return necessary for investment in capital.
	Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	£20.9m	£32.9m	This is a measure of operating surplus excluding accounting adjustments and finance charges. It is a good indicator of financial capability to service debt and/or capital expenditure from internally generated cash.
	Liquidity ratio	211 days	239days	This measures our ability to fund short term cash requirements.
	Current assets to current liabilities	3.4:1	3.6:1	An indicator of financial strength to meet short term liabilities.
	% Income from Non-Government sources	26%	21.4%	This measures the diversification of income sources.

David Clements
Honorary Treasurer

CORPORATE GOVERNANCE STATEMENT

Ulster University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code (2010) as issued by the Financial Reporting Council (FRC). Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University endeavours to structure its governance arrangements and conduct its business in accordance with seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to universities which is provided by the Committee of University Chairs (CUC) from time to time. In line with the CUC's Higher Education Code of Governance (December 2014) Council has adopted a Statement of Primary Responsibilities which is included on page 19.

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

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

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

The Council has a membership of seventeen (see note at end) the majority of whom are appointed from outside the University and from whom its Chairman and its Deputy Chairman are drawn. The Chairman and Deputy Chairman hold positions as Pro-Chancellors of the University. An Honorary Treasurer is also appointed from amongst the external members of the Council. The Vice-Chancellor and the Students' Union President are ex-officio members and also included are four members of the staff of the University appointed by the Council on the recommendation of the Governance, Nominations and Remuneration Committee. With the exception of the Vice-Chancellor whose emoluments are disclosed in note 7 none of the members receive any payment, apart from the reimbursement of expenses, for the work that they do for the University in their role as members of the Council.

The Council of the University was reconstituted with effect from 1 October 2016, with a number of members from the previous Council being reappointed. Members during 2017/18 are listed opposite.

- **The Senate** is the academic authority of the University. It is composed mainly of academic staff but provision is also made for membership of non-academic staff and students. Its role is to direct and regulate the teaching and research work of the University and it is chaired by the Vice-Chancellor.

- **The Court** is a larger body representing the University's stakeholders. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a consultative forum where members of Court can raise any matters about the University. The majority of members are drawn from external organisations representative of the wider corporate, academic and societal interests of the University. Twenty-five of these bodies are nominated by the Council with the same number being nominated by the Senate. Membership also includes representatives of the staff of the University (both academic and non-academic) and the student body. The Court normally meets once a year to receive the annual report and accounts of the University. It is also responsible, on the nomination of the Council, for the appointment of the Chancellor, the Pro-Chancellors and the Honorary Treasurer. In addition, major changes to the constitution of the University require the approval of the Court before they can be submitted to the Privy Council.

The principal academic and administrative officer of the University is the Vice-Chancellor who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Department for the Economy (DfE), the Vice-Chancellor is the designated Chief Accounting Officer of the University and in that capacity can be summoned to appear before the Public Accounts Committee of the Northern Ireland Assembly. Professor Paddy Nixon was appointed and took up post as Vice-Chancellor and Chief Accounting Officer on 1 July 2015.

The Council met six times during 2017/18 including a joint meeting with the University's Senate. Certain functions of the Council are delegated to its committees. During 2016/17, following recommendations from and an external effectiveness review of the conduct of Council business, the Committees were Resources Committee; Audit Committee; and Governance, Nominations and Remuneration Committee.

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

EX OFFICIO MEMBERS:

Mr J Hunter, CB
Pro-Chancellor and Chairman

Mr D Clements
Honorary Treasurer

Professor P Nixon
Vice-Chancellor

Mr K McStravock
President of the Students' Union

APPOINTED MEMBERS:

Mr A Langan
appointed 01/10/12

Mr P Lobban
appointed 01/10/16

Ms M McKee
appointed 01/10/16

Dr P McNaney
appointed 01/10/16

Ms J Pyper
appointed 01/10/16

Sir Robert Salisbury
appointed 01/10/16

Dr J Stuart
appointed 01/10/16

Mrs H Quigley
appointed 01/10/12

Ms E Way
appointed 26/01/18

ELECTED STAFF MEMBERS:

Dr K Burnett
appointed 01/10/16

Professor M Stringer
appointed 01/10/16

Ms H Bingham
appointed 01/10/16

Mrs L McKeown
appointed 01/10/16

Corporate Governance Statement (continued)

The Resources Committee, *inter alia*, recommends to the Council the University's annual revenue and capital budgets for the University group and monitors performance in relation to the approved budget. The Committee also has oversight of matters pertaining to the estate strategy and the information technology strategy. It also approves the annual budget for the Students' Union.

The Audit Committee met four times during the year, with the University's internal auditors in attendance. The University's external auditors also attend all meetings of the Committee. The Committee considered detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation timescales. Whilst Senior Management attend meetings of Audit Committee as necessary, they are not members of the Committee, and the Committee meets both the external auditors and the internal auditors on their own for independent discussions at least once a year.

In 2017/18 the Members of the Audit Committee were:

Mr A Langan (Chair) temporarily stood down in September 2017	Ms M McKee Mrs H Quigley (acting Chair 2017/18)
Ms H Bingham	Ms J Pyper
Dr K Burnett	Ms E Way (member from February 2018)

The Governance, Nominations and Remuneration Committee was established following an externally conducted review of the effectiveness of the conduct of Council business during to 2015/16. It brought together the responsibilities of the Remuneration Committee, the Nominations Sub-Committee and the governance element of the Organisational Development Committee. It reviews annually the performance-related salaries of the senior staff of the University including the professoriate body and the Vice-Chancellor. The review takes account of any external earnings, including consultancy, by senior staff as well as the salary norms within the higher education sector for a wide variety of senior posts. It is also responsible for reviewing the processes for and recommending the appointment and re-appointment of members to the Council, as well as agreeing development plans for Council. It ensures that Council keeps up to date with best practice governance initiatives both within the sector and at board level generally. The Vice-Chancellor is not a member of the Remuneration element of the Committee.

As de facto Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Pro-Vice-Chancellors, Provosts, Executive Deans of Faculties, the Chief Operating Officer, Professional Service Directors and the University Secretary all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Vice-Chancellor. The executive structure of the University is represented by the Senior Leadership Team (SLT). This comprises of the Vice-Chancellor, Pro-Vice-Chancellors, Executives Deans of Faculty, Professional Service Directors and the University Secretary. SLT meets monthly.

SLT refers matters for decision to Council or Senate (or the relevant committees thereof) as appropriate, and in line with the delegated authority framework. SLT is chaired by the Vice-Chancellor.

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

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

Statement of Internal Control

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

The Council is of the view that there is an ongoing process for identifying the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. Those procedures have been in place for the year ended 31 July 2018.

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

- The Council met six times in the year to consider the strategic direction and plans of the University and to monitor performance against those plans;
- There is clear definition of the responsibilities of and authority delegated to committees of the Council and the executive;
- The University's strategic plan, five and fifty, adopted by the Council in June 2016, sets the framework of strategic aims and objectives against which risks are assessed and performance is monitored and reported;
- A Strategic Risk Register which incorporates the key risks at institutional level, is maintained;
- A Resilience Committee has been established which monitors, on a bi-monthly basis, tactical and operational risks that threaten the achievement of the objectives within Five & Fifty;
- The Senior Leadership Team, (SLT), formally reviews and assesses high risks bi-monthly;
- All faculties and departments, as part of their planning, maintain and review, bi-monthly, their risk registers which are then monitored by the Resilience Committee;
- The Audit Committee receives reports from the independent Internal Auditors on the adequacy and effectiveness of the University's systems of internal control with recommendations, as appropriate, for improvements.

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

The work of the internal audit service has been informed by an analysis of the operational, business and financial risks to which the University is exposed and upon which internal audit activity for 2017/18 was based. The internal audit service operates to standards defined in the HEFCE Accountability and Audit Code of Practice and submits regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal controls, together with recommendations for improvement.

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

Statement of the Council's Responsibilities

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

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

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

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

The Council has taken reasonable steps to:

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

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

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

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

Statement of the Council's Primary Responsibilities

STRATEGY

The determination of the character and values of the University through providing initial strategic direction and approving the strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of the University community and stakeholders.

To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the Corporate Plan and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions; and in this regard to cooperate with the Senate in respect of teaching and learning, research and technology and knowledge transfer activities.

In conjunction with the Senate to promote student engagement and a positive student experience at Ulster to assure the quality of academic provision.

To establish processes to monitor and evaluate the performance and effectiveness of the Council.

STEWARDSHIP

To ensure the establishment, resourcing and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.

To make such provision as it thinks fit for the general welfare of students, in consultation with the Senate.

To regularly review the effectiveness of the Council and its committees.

GOVERNANCE

To ensure that the University's Charter and Statutes are followed at all times and that appropriate advice is available to enable this to happen.

To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

To ensure that the procedures in place for managing students, including disciplinary procedures are fair and equitable and to receive an annual report on academic assurance.

To appoint a secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.

INDEPENDENT AUDITOR'S REPORT

TO THE UNIVERSITY COUNCIL OF ULSTER UNIVERSITY

OPINION

We have audited the financial statements of Ulster University for the year ended 31 July 2018 which comprise Statement of Principal Accounting Policies, the Group and University Statement of Comprehensive Income, the Group and University Statement of Changes in Reserves, the Group and University Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting standard applicable in the UK'.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the University Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the University Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The University Council is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND AUDIT CODE OF PRACTICE (HEFCE)

In our opinion, in all material respects:

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

RESPONSIBILITIES OF THE UNIVERSITY COUNCIL

As explained more fully in the Statement of the University Council's Responsibilities set out on pages 18-19, the University Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Council is responsible for assessing the Groups and the 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 the University Council either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent Auditor's Report (continued)

USE OF OUR REPORT

This report is made solely to the University Council of Ulster University, as a body, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the charity's trustees 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 Ulster University and the University Council as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Belfast

Date:

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

NOTES:

1. The maintenance and integrity of the Ulster University's web site is the responsibility of the University Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. 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. ACCOUNTING CONVENTION

Ulster University is an independent educational charity, registered with the Charity Commission for Northern Ireland, whose legal status derives from a Royal Charter granted in 1984. The Financial Statements have been prepared on a going concern basis and in accordance with the Statement of Recommended Practice 'Accounting for Further and Higher Education 2015' and in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost convention, as modified by the revaluation of certain land and buildings. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

2. CONSOLIDATION

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

The University of Ulster's Students' Union is constituted as an independent body and therefore in accordance with FRS 102, its financial statements are not consolidated with the Financial Statements of the University because the University does not control those activities.

The joint venture results of Branch Campus (London & Birmingham) Limited, Ulster Equity Partnership, ABC Research & Innovation Limited and NICOM LLP and the investment in NIACE Limited are not consolidated in the Financial Statements on the grounds of materiality.

3. RECOGNITION OF INCOME

Income from the sale of goods and services is credited to the Statement of Comprehensive Income in line with the provision of the associated goods and services.

Academic Fee income is stated gross of any expenditure and credited to the Statement of Comprehensive Income over the period of students study. Where the amount of tuition fee is reduced income receivable is shown net of the discount. Bursaries and Scholarships are accounted for gross of expenditure and are not deducted from income.

Investment income is credited to the Statement of Comprehensive Income on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the Statement of Comprehensive Income where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant Funding – Revenue Grants

Revenue grants are recognised as 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 in line with such conditions being met.

Statement of Principal Accounting Policies (continued)

Grant Funding – Capital Grants

Where tangible fixed assets are acquired with the aid of Government capital grants, these grants are recognised as deferred income within creditors and released to income over the expected useful economic life of the asset. All other capital grants are recognised in income when the University is entitled to the funds subject to any performance conditions being met.

Other Income

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

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 reserves until such time it is utilised in line with the 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 and appreciation/depreciation of endowments are recorded in income in the year in which they arise.

There are four types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donations must be used for a specific objective.
2. 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.
3. Restricted expendable endowments – the donor has specified a particular objective for the use of the funds and the University can convert the endowed capital into income.
4. 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.

4. PENSION SCHEMES

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

The USS scheme is a defined benefit scheme but it is not possible to identify the University's share of underlying assets and liabilities in the USS scheme. As such, contributions made to the scheme are treated as if it were a defined contribution scheme and charged to the Statement of Comprehensive Income. A liability is recorded within the provisions for any contractual commitment to fund past deficits within the USS scheme.

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

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

The expected return on the pension scheme's assets during the year and the increase in the scheme's liabilities due to the unwinding of the discount during the year are shown as financing costs in the Statement of Comprehensive Income.

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

5. EMPLOYMENT BENEFITS

Any unused employment benefits for staff with contractual benefits are accrued and measured as the additional amount the University expects to pay as a result of unused entitlement.

6. FOREIGN CURRENCIES

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

7. FREEHOLD LAND AND BUILDINGS

The University has adopted the transitional arrangements on conversion to FRS 102 and has revalued land and buildings as at 31 July 2014 on three campuses, namely Coleraine, Magee and Belfast. Land and buildings that have been revalued to fair value prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation.

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

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated on a straight line basis over their expected useful lives, up to a maximum of 60 years.

8. ASSETS UNDER CONSTRUCTION

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

9. EQUIPMENT

Equipment, including software and related software development costs, costing less than £25,000 per individual item or group of related items, is written off in the year of acquisition.

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

Where equipment is acquired with the aid of a specific research grant it is capitalised and depreciated over the shorter of its estimated useful life or the remaining life of the research grant,

Statement of Principal Accounting Policies (continued)

with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the remaining life of the related grant.

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

10. FIXED ASSET INVESTMENTS

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

b. Fixed Asset Investments through Innovation Ulster Limited

From the menu of valuation methodologies cited by the International Private Equity and Venture Capital Valuation Guidelines (Dec 2015 edition) the company values its fixed asset investments (which comprise trade investments) as follows:

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

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

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

Any changes in fair value are taken directly to the Statement of Comprehensive Income.

11. CURRENT ASSET INVESTMENTS

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

12. STOCKS

Stocks, which are generally consumable in nature, are expensed to the Statement of Comprehensive Income in the year of purchase.

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

14. PROVISION FOR BAD DEBTS

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

15. LEASES

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The cost of operating leases is charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

16. PROVISIONS

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

17. MAINTENANCE OF PREMISES

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

18. TAXATION STATUS

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 CTA 2009 and sections 471, 478, 488 CTA 2010 (formerly S505 of ICTA 1988) or section 256 of the taxation of Chargeable gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University is registered as a charity with HM Revenue and Customs and with the Northern Ireland Charity Commission.

The University receives no similar exemption in respect of Value Added Tax. Innovation Ulster Limited, a subsidiary of the University has no charitable status and can therefore be liable to Corporation Tax on chargeable profits.

19. RESERVES

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which through endowment to the University are held in a permanently restricted fund which the University must hold in perpetuity.

20. SUBSIDIARY ACCOUNTING POLICIES

The subsidiary of the University adopts the same accounting policies of the University.

Statement of Principal Accounting Policies (continued)

21. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Carrying value of investments

The Group has investments valued using the menu of valuation methodologies cited by the International Private Equity and Venture Capital Valuation Guidelines, judgements is required to consider if the passage of time since the date of the last investment diminishes the appropriateness of that methodology. Any diminution in value is recognised in profit or loss.

NILGOSC Pension benefits

The cost of the NILGOSC defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the yield of high quality bonds of the same term and currency as the future cashflows.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 21.

USS pension scheme

Given the significant uncertainty that has arisen due to the fact the formal valuation of the USS scheme for 2017 has not been completed, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. Further detail on the University's judgements have been laid out in note 16.

Group and University Statement of Comprehensive Income

GROUP AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2018

	Note	2018 Group £000	2018 University £000	2017 Group £000	2017 University £000
INCOME					
Tuition Fees and Education Contracts	1	76,747	76,747	74,987	74,987
Funding Body Grants	2	86,033	86,033	89,216	89,216
Research Grants and Contracts	3	26,482	26,479	24,780	24,704
Other Income	4	13,767	13,728	11,969	12,023
Investment Income	5	1,121	1,121	1,178	1,178
Donations and Endowments	6	5,807	5,807	1,089	1,089
Total Income		209,957	209,915	203,219	203,197
EXPENDITURE					
Staff Costs	7	112,395	112,395	109,356	109,356
Other Operating Expenses	8	66,767	66,735	58,756	58,608
Depreciation	11	17,863	17,863	20,186	20,187
Interest and Other Finance Costs	9	2,261	2,261	1,839	1,838
Total Expenditure		199,286	199,254	190,137	189,989
Surplus before other gains and losses		10,671	10,661	13,082	13,208
Gain on disposal of fixed assets		-	-	53	13
Gain on investments		3,577	765	1,246	777
Surplus before and after taxation		14,248	11,426	14,381	13,998
Actuarial Gain in Respect of Pension Schemes		17,114	17,114	3,288	3,288
Total Comprehensive Surplus for the Year		31,362	28,540	17,669	17,286
REPRESENTED BY:					
Endowment comprehensive income for the year		5,362	5,362	1,469	1,469
Unrestricted comprehensive income for the year		32,584	29,762	24,514	24,131
Revaluation reserve comprehensive income for the year		(6,584)	(6,584)	(8,314)	(8,314)
Total		31,362	28,540	17,669	17,286

Group and University Statement of Changes in Reserves

GROUP AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2018

Group	Endowment	Unrestricted	Revaluation Reserve	Total
	£000	£000	£000	£000
Balance at 1 August 2016	7,534	116,859	135,257	259,650
Surplus from the Statement of Comprehensive Income	1,469	12,912	-	14,381
Other comprehensive income	-	3,288	-	3,288
Transfers between revaluation and income and expenditure reserve	-	8,314	(8,314)	-
Total comprehensive income for the year	1,469	24,514	(8,314)	17,669
Balance at 1 August 2017	9,003	141,373	126,943	277,319
Surplus from the Statement of Comprehensive Income	5,362	8,886	-	14,248
Other comprehensive income	-	17,114	-	17,114
Transfers between revaluation and income and expenditure reserve	-	6,584	(6,584)	-
Total comprehensive income/(loss) for the year	5,362	32,584	(6,584)	31,362
Balance at 31 July 2018	14,365	173,957	120,359	308,681

University	Endowment	Unrestricted	Revaluation Reserve	Total
	£000	£000	£000	£000
Balance at 1 August 2016	7,534	115,891	135,257	258,682
Surplus from the income and expenditure statement	1,469	12,529	-	13,998
Other comprehensive income	-	3,288	-	3,288
Transfers between revaluation and income and expenditure reserve	-	8,314	(8,314)	-
Total comprehensive income/(loss) for the year	1,469	24,131	(8,314)	17,286
Balance at 1 August 2017	9,003	140,022	126,943	275,968
Surplus from the income and expenditure statement	5,362	6,064	-	11,426
Other comprehensive income	-	17,114	-	17,114
Transfers between revaluation and income and expenditure reserve	-	6,584	(6,584)	-
Total comprehensive income/(loss) for the year	5,362	29,762	(6,584)	28,540
Balance at 31 July 2018	14,365	169,784	120,359	304,508

Balance Sheets

BALANCE SHEETS AS AT 31 JULY 2018

	Note	2018 Group	2018 University	2017 Group	2017 University
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	11	396,050	396,050	382,714	382,714
Investments	12	18,483	15,867	11,324	10,505
Total Fixed Assets		414,533	411,917	394,038	393,219
Current Assets					
Debtors	13	22,606	22,287	22,367	22,797
Investments & short term deposits		94,005	94,005	107,181	107,181
Cash at bank and in hand		20,953	19,697	17,322	16,349
Total current assets		137,564	135,989	146,870	146,327
Creditors: Amounts falling due within one year	14	(40,065)	(40,047)	(40,370)	(40,359)
Net Current Assets		97,499	95,942	106,500	105,968
Total Assets less current liabilities		512,032	507,859	500,538	499,187
Creditors: Amounts Falling Due After More Than One Year	15	(157,764)	(157,764)	(160,865)	(160,865)
Provision for Liabilities	16	(45,587)	(45,587)	(62,354)	(62,354)
Net Assets including Pension Liability		308,681	304,508	277,319	275,968
Reserves					
Restricted Reserves					
Endowment Reserve	17	14,365	14,365	9,003	9,003
Unrestricted Reserves					
Income & Expenditure Account – unrestricted		173,957	169,784	141,373	140,022
Revaluation Reserve		120,359	120,359	126,943	126,943
Total Reserves		308,681	304,508	277,319	275,968

The Financial Statements on pages 23-54 were approved by the Council on 9 November 2018 and signed on its behalf by:

Mr David Clements
Honorary Treasurer

Mr Peter Hope
Chief Finance Officer

Professor P Nixon
Vice Chancellor & Chief Accounting Officer

Group Cash Flow

GROUP CASH FLOW YEAR ENDED 31 JULY 2018

		Year ended 31 July 2018	Year ended 31 July 2017
	Note	£000	£000
Cash Flow from Operating Activities			
Surplus for the year		14,248	14,381
Adjustment for Non-Cash Items			
Depreciation	11	17,863	20,186
Gain on investments		(3,566)	(1,245)
Increase in debtors	13	(239)	(5,544)
(Decrease)/Increase in creditors	14	(5,040)	1,255
Increase in pension provision	16	347	3,210
Decrease in other provisions	16	-	(972)
Deferred capital grants released income		(4,193)	(4,423)
Adjustment for Investing or Financing Activities			
Investment income	5	(1,121)	(1,178)
Interest payable	9	814	796
New endowment received		(5,530)	(721)
Loss on disposal of fixed assets		-	1,036
Net Cash Inflow from Operating Activities		13,583	26,781
Cash Flows from Investing Activities			
Capital grant receipts		5,362	6,280
Disposal of non-current asset investments		2,680	279
Withdrawal of deposits		13,176	-
Investment Income		825	929
Payments made to acquire fixed assets	11	(31,199)	(40,150)
New non-current asset investment		(5,976)	(724)
New deposits		-	(615)
		(15,132)	(34,001)
Cash Flows from Financing Activities			
Interest paid	9	(814)	(796)
Endowment cash received		5,530	721
New unsecured loans		1,116	207
Repayments of amounts borrowed		(652)	(226)
		5,180	(94)
Increase/(Decrease) in Cash and Cash Equivalents in the Year		3,631	(7,314)
Cash and cash equivalents at beginning of the year		17,322	24,636
Cash and cash equivalents at end of the year		20,953	17,322

Notes to the Financial Statements

1. TUITION FEES AND EDUCATION CONTRACTS

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Full-time students	52,950	52,950	52,303	52,303
Full-time students charged overseas fees	2,964	2,964	2,776	2,776
Part-time fees	7,063	7,063	5,971	5,971
DOH Education Contract	13,048	13,048	12,918	12,918
Short Course Fees	722	722	1,019	1,019
	76,747	76,747	74,987	74,987

2. FUNDING BODY GRANTS

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Recurrent Grant	77,746	77,746	78,753	78,753
Specific Grants				
Special Initiatives	5,948	5,948	7,899	7,899
Deferred Capital Grants Released in Year				
Buildings	2,262	2,262	2,487	2,487
Equipment	77	77	77	77
	86,033	86,033	89,216	89,216

Notes to the Financial Statements (continued)

3. RESEARCH GRANTS AND CONTRACTS

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Research Councils	7,654	7,654	8,568	8,568
UK Charities	2,142	2,142	1,896	1,896
EU Government	4,497	4,497	2,367	2,367
UK Central Government	9,965	9,965	8,614	8,614
Overseas (Non-EU)	636	636	584	584
Health and Hospital Authorities	201	201	321	321
Other Sources	1,387	1,384	2,430	2,354
	26,482	26,479	24,780	24,704

Included in Research Grants and Contracts Income is £1,085k (2017: £1,486k) in relation to deferred capital grant release.

4. OTHER INCOME

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Residences, Catering and Conferences	2,947	2,947	2,490	2,490
Other Services Rendered	3,619	3,581	3,161	2,702
Other Income	6,922	6,921	5,944	6,457
Deferred Grant Release	279	279	374	374
	13,767	13,728	11,969	12,023

5. INVESTMENT INCOME

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Investment Income on Expendable Endowments	69	69	65	65
Investment Income on Permanent Endowments	227	227	185	185
Income from Short Term Investments	825	825	928	928
	1,121	1,121	1,178	1,178

6. DONATIONS AND ENDOWMENTS

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
New Expendable Endowments	361	361	718	718
New Permanent Endowments	5,169	5,169	3	3
Donations	277	277	368	368
	5,807	5,807	1,089	1,089

7. STAFF COSTS

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Wages and Salaries	89,680	89,680	84,600	84,600
Social Security Costs	8,696	8,696	8,151	8,151
Other Pension Costs (Note 21)	15,071	15,071	14,668	14,668
Movement on USS Pension Provision	(2,775)	(2,775)	1,585	1,585
Movement on NILGOSC Pension Provision	1,723	1,723	352	352
	112,395	112,395	109,356	109,356

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Emolument of the Vice-Chancellor				
Salary	271	271	260	260
Benefits	4	4	4	4
	275	275	264	264
Employers Pension Contributions	49	49	47	47
	324	324	311	311

The Vice-Chancellor leads Ulster University to make a significant social, economic and cultural contribution, helping our community to thrive and confidently supporting Northern Ireland on the global stage. In an increasingly competitive sector, university leadership reflects the scale, complexity and impact of higher education across research and teaching. The Vice Chancellor's salary is determined by the University's committee responsible for remuneration and governance.

Notes to the Financial Statements (continued)

Excluding the Vice Chancellor, remuneration of other Higher Paid Staff was in the following bands:-	Group 2018	University 2018	Group 2017	University 2017
	No.	No.	No.	No.
£100,000 - £104,999	2	2	2	2
£105,000 - £109,999	1	1	2	2
£110,000 - £114,999	2	2	3	3
£115,000 - £119,999	5	5	2	2
£120,000 - £124,999	1	1	1	1
£125,000 - £129,999	2	2	1	1
£140,000 - £144,999	2	2	2	2
£145,000 - £149,999	1	1	2	2
£150,000 - £154,999	1	1	-	-

Key Management Personnel	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Key management personnel remuneration	2,158	2,158	2,019	2,019

Compensation for loss office payable to senior post holders	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Compensation payable recorded within staff costs	-	-	380	380

The average weekly number of persons (including senior postholders) employed by the University during the year, expressed as full-time equivalents, was:-	Group 2018	University 2018	Group 2017	University 2017
	No.	No.	No.	No.
Academic	997	997	981	981
Technical	128	128	137	137
Administrative	441	441	417	417
Other including Clerical and Manual	523	523	532	532
	2,089	2,089	2,067	2,067

8. OTHER OPERATING EXPENSES

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Residences and conferences	1,361	1,361	1,421	1,421
Consumables and laboratory equipment	3,968	3,968	3,292	3,292
Equipment not capitalised	2,651	2,651	2,085	2,082
Books and periodicals	4,346	4,346	3,213	3,213
Fellowships, scholarships and prizes	530	530	677	677
Rates	3,581	3,581	3,555	3,555
Heat, light, water and power	3,835	3,835	3,260	3,260
Long term maintenance	8,105	8,105	8,448	8,448
Contracted out services	4,575	4,575	4,578	4,578
Grants to Ulster University Students' Union	1,498	1,498	1,217	1,217
External Auditors' remuneration	62	56	48	42
External Auditors' remuneration in respect of non-audit services	24	24	15	15
Internal Auditors' remuneration	122	122	93	93
Internal Auditors' remuneration in respect of non-audit services	7	7	12	12
Printing and stationery	858	858	833	833
Travel, subsistence and hospitality	6,286	6,286	5,328	5,324
Miscellaneous academic support	963	963	864	864
Telephone and postage	420	420	563	563
Research sub-contracting	1,955	1,955	1,331	1,331
Legal and professional services	8,314	8,288	7,509	7,491
Advertising and publicity	1,531	1,531	887	887
Student Support	8,160	8,160	7,812	7,812
Other expenses	3,615	3,615	1,715	1,598
	66,767	66,735	58,756	58,608

Notes to the Financial Statements (continued)

9. INTEREST AND OTHER FINANCE COSTS

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Interest on loans not wholly repayable within five years	814	814	796	796
Net charge on pension schemes	1,399	1,399	1,273	1,273
Exchange differences	48	48	(230)	(230)
	2,261	2,261	1,839	1,839

10. ANALYSIS OF 2018 EXPENDITURE BY ACTIVITY

	Staff Costs	Depreciation	Other Operating Expenses	Interest and other finance costs	Total
	£000	£000	£000	£000	
Academic Departments	65,857	666	7,636	-	74,159
Academic Services	15,131	2,175	11,960	19	29,285
Research Grants & Contracts	10,416	1,447	12,420	-	24,283
Residences, Catering & Conferences	982	700	2,933	-	4,615
Premises	3,569	11,408	16,073	792	31,842
Administration	16,192	1,467	11,317	51	29,027
Other Expenses	248	-	4,428	1,399	6,075
	112,395	17,863	66,767	2,261	199,286

The depreciation charged has been funded by:-	£000
Release from Deferred Capital Grants	2,618
Release from Research Grants and Contracts	1,085
Transfer from Revaluation Reserve	6,584
General Income	7,576
	17,863

11. TANGIBLE ASSETS - GROUP AND UNIVERSITY

Valuation or cost	Freehold Land and Buildings	Assets Under Construction	Equipment	Total
	£000	£000	£000	£000
At 1 August 2017				
Revaluation	173,696	-	-	173,696
Cost	215,819	70,101	57,502	343,422
	389,515	70,101	57,502	517,118
Additions at Cost	-	27,227	3,972	31,199
Transfer CIP	12,699	(12,699)	-	-
Disposals	-	-	(392)	(392)
At 31 July 2018				
Revaluation	173,696	-	-	173,696
Cost	228,518	84,629	61,082	374,229
Total	402,214	84,629	61,082	547,925
Accumulated Depreciation	£000	£000	£000	£000
At 1 August 2017	86,708	-	47,696	134,404
Charge for year	13,377	-	4,486	17,863
Disposals	-	-	(392)	(392)
At 31 July 2018	100,085	-	51,790	151,875
Net Book Value	£000	£000	£000	£000
At 31 July 2018	302,129	84,629	9,292	396,050
At 31 July 2017	302,807	70,101	9,806	382,714

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

Notes to the Financial Statements (continued)

12. FIXED ASSET INVESTMENTS

Group	Subsidiary Companies	Subsidiary Investment in Spinouts	Other Fixed Asset Investments	Total
	£000	£000	£000	£000
At 1 August 2017	-	2,321	9,003	11,324
Additions	-	446	4,598	5,044
Disposals	-	(1,451)	-	(1,451)
Revaluation	-	2,802	764	3,566
At 31 July 2018	-	4,118	14,365	18,483
University	£000	£000	£000	£000
At 1 August 2017	1,502	-	9,003	10,505
Additions	-	-	4,598	4,598
Revaluation	-	-	764	764
At 31 July 2018	1,502	-	14,365	15,867

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

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Trade debtors	14,482	13,899	14,405	14,396
Amounts owed by Group undertakings	-	264	-	631
Prepayments and accrued income	8,124	8,124	7,962	7,770
	22,606	22,287	22,367	22,797

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Bank Loans	252	252	239	239
Other Loans	5,225	5,225	-	-
Trade Creditors	16,565	16,565	19,052	19,049
Taxation and Social Security	4,790	4,790	4,167	4,167
Accruals	9,327	9,309	12,502	12,494
Deferred Capital Grants	3,492	3,492	4,369	4,369
Finance Lease Creditor	414	414	41	41
	40,065	40,047	40,370	40,359

Notes to the Financial Statements (continued)

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2018	University 2018	Group 2017	University 2017
	£000	£000	£000	£000
Bank Loans	3,324	3,324	3,577	3,577
Other Loans	68,250	68,250	73,475	73,475
Deferred Capital Grants	85,693	85,693	83,647	83,647
Finance Lease Creditor	497	497	166	166
	157,764	157,764	160,865	160,865

Bank Loans	£000	£000	£000	£000
Amount falling due:				
Less than one year (Note 14)	252	252	239	239
Between one and two years	252	252	252	252
Between two and five years	890	890	841	841
Greater than five years	2,182	2,182	2,484	2,484
	3,576	3,576	3,816	3,816

Other Loans	£000	£000	£000	£000
Amount falling due:				
Less than one year (Note 14)	5,225	5,225	-	-
Between one and two years	5,250	5,250	5,248	5,248
Between two and five years	15,750	15,750	15,745	15,745
Greater than five years	47,250	47,250	52,482	52,482
	73,475	73,475	73,475	73,475

Finance Lease Creditor	£000	£000	£000	£000
Amount falling due:				
Less than one year (Note 14)	414	414	41	41
Between one and two years	413	413	41	41
Between two and five years	84	84	125	125
	911	911	207	207

A fixed rate bank loan is secured by a negative pledge on a portion of land on the Jordanstown campus. All loans greater than 5 years are repayable by instalments.

Commercial terms and rates of interest payable have been negotiated on all bank and other loans.

16. PROVISIONS AND LIABILITIES

Group and University	Obligation to Fund Deficit on USS Pension	Defined Benefit Obligations (Note 21)	Total Provision
	£000	£000	£000
At 1 August	22,547	39,807	62,354
Utilised in year	(2,376)	2,723	347
Actuarial gain	-	(17,114)	(17,114)
At 31 July 2018	20,171	25,416	45,587

USS deficit

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.16% as at 31 July 2018, are included in note 21 to the financial statements.

The actuarial valuation of USS has been undertaken but this has not yet been formerly completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regard future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £20.171m assuming the same discount rate of 2.16%

Sensitivity Analysis	Reduction in Liability 31 July 2018
1% increase on employer's contribution	£369k
6% increase on employer's contribution	£2,017k

Notes to the Financial Statements (continued)

17. ENDOWMENTS RESERVES – GROUP AND UNIVERSITY

	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	2018 Total	2017 Total
	£000	£000	£000	£000	£000	£000
Balance at 1 August						
Capital	382	5,546	5,928	3,237	9,165	7,666
Accumulated Income/ expenditure	32	600	632	(794)	(162)	(132)
	414	6,146	6,560	2,443	9,003	7,534
New Endowments		5,169	5,169	361	5,530	721
Transfer						
Investment Income	11	217	228	69	297	250
Expenditure	-	(147)	(147)	(1,082)	(1,229)	(279)
	11	70	81	(1,013)	(932)	(29)
Increase in market value of investments	9	540	549	215	764	777
At 31 July	434	11,925	12,359	2,006	14,365	9,003
Represented by						
Capital	390	11,256	11,646	3,813	15,459	9,165
Accumulated income and expenditure	43	670	713	(1,807)	(1,094)	(162)
	433	11,926	12,359	2,006	14,365	9,003
Analysis by Type of Purpose:						
	£000	£000	£000	£000	£000	£000
Lectureships	-	-	-	3,847	3,847	3,649
Scholarship & bursaries	-	143	143	527	670	588
Research support	-	-	-	6,583	6,583	1,855
Prize funds	-	2,832	2,832	-	2,832	2,497
General	433	-	433	-	433	414
	433	2,975	3,408	10,957	14,365	9,003
Analysis by Asset:						
				£000	£000	
Current & non current asset investments				14,365	9,003	

18. CAPITAL COMMITMENTS

	2018	2017
Group and University	£000	£000
Commitments contracted at 31 July	153,510	139,623
Authorised but not contracted at 31 July	9,960	26,902
	163,470	166,525

Outstanding commitments include £160.7 million which relate to the development of the Greater Belfast Campus.

19. CONTINGENT ASSETS

In relation to the Greater Belfast development the University has an ongoing mediation process with a number of contractors and consultants in relation to the completion of capital works. The University believes that it is probable that the outcome of these will be successful and their exposure will be recovered. Due to commercial sensitives of the mediation process the University does not believe it appropriate for any further disclosure on the matter.

20. CONTINGENT LIABILITIES

The University Council has reviewed legal proceedings outstanding at the year end and does not consider that there are any cases where there is the possibility of a liability falling due to the University. Therefore, in accordance with Section 21 of FRS 102 'Provisions and Contingencies', no disclosure is required in the Financial Statements.

21. NET PENSION LIABILITY

The University participates in two pension schemes. The schemes are the Universities Superannuation Scheme (USS) and the Northern Ireland Local Government Officers Superannuation Committee Pension Fund (NILGOSC). The schemes are defined benefit schemes, which are externally funded. The assets of each scheme are held in a separate trustee-administered fund. It is not possible to identify the institution's share of the underlying assets and liabilities of the scheme in USS as required by Section 28 of FRS 102 'Employee Benefits' and as a result the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

USS Pension Scheme

The University participates in the Universities Superannuation Scheme (USS). The scheme is a hybrid 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 scheme's assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The institution 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 institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

Notes to the Financial Statements (continued)

Pension Costs

The total cost charged to the profit and loss account is £9.894m (2017: £12.474m) as included in note 7.

The latest available actuarial valuation of the Retirement Income Builder section of the scheme was 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 and not yet completed.

Since the institution cannot identify its share of the schemes assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

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. 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 2018 and 2017:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.02%	2.41%

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	98% of SAPS S1NA 'light' YOB unadjusted for males
	Post retirement: 96.5% of SAPS S1NMA 'light' for males and 101.3% of RFV00 for females	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% for females	CMI_2014 with a long term rate of 1.5% pa

	2018	2017
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

Existing Benefits	2018	2017
Scheme assets	£63.6bn	£60bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

NILGOSC PENSION SCHEME

The University is able to identify its share of the underlying assets and liabilities of the NILGOSC scheme and accordingly present the following information required by FRS 102.

A valuation of the fund was carried out at 31 March 2013 and updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
	£000	£000
Present value of scheme liabilities	(216,825)	(214,116)
Fair value of scheme assets	191,409	174,309
Net pension liability	(25,416)	(39,807)

Notes to the Financial Statements (continued)

MOVEMENTS IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

	At 31 July 2018	At 31 July 2017
	£000	£000
At beginning of the year	(214,116)	(205,023)
Current service cost	(4,375)	(4,223)
Member contributions	(813)	(817)
Interest cost	(5,507)	(4,663)
Benefits paid	5,481	5,393
Past service cost	(55)	(300)
Actuarial gains/(losses)	2,560	(4,483)
At end of year	(216,825)	(214,116)

MOVEMENTS IN FAIR VALUE OF PLAN ASSETS

	At 31 July 2018	At 31 July 2017
	£000	£000
At beginning of the year	174,309	164,413
Expected return on assets	4,507	3,763
Employer contributions	2,707	2,938
Member contributions	813	817
Benefits paid	(5,481)	(5,393)
Actuarial gains/(losses)	14,554	7,771
At end of year	191,409	174,309

EXPENSE RECOGNISED IN THE INCOME AND EXPENDITURE ACCOUNTS

	At 31 July 2018	At 31 July 2017
	£000	£000
Current service cost	4,375	4,223
Interest on defined benefit pension plan obligation	5,507	4,663
Expected return on defined benefit pension plan assets	(4,507)	(3,763)
Past service cost	55	300
Total	5,430	5,423

THE EXPENSE IS RECOGNISED IN THE FOLLOWING LINE ITEMS IN THE INCOME STATEMENT:

	At 31 July 2018	At 31 July 2017
	£000	£000
Staff costs	4,430	4,523
Interest payable	1,000	900
	5,430	5,423

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	At 31 July 2018	At 31 July 2017
	£000	£000
Asset gains arising during the period	14,554	7,771
Liability gains/(losses) arising during the period	2,560	(4,483)
Total Amount recognised in Other Comprehensive Income	17,114	3,288

Cumulative actuarial losses recognised as Other Comprehensive Income are £26.737m (2017: £9.623m).

Notes to the Financial Statements (continued)

THE FAIR VALUE OF THE PLAN ASSETS WERE AS FOLLOWS:-

	At 31 July 2018	At 31 July 2017
	Fair Value	Fair Value
	£000	£000
Equities	116,951	129,337
Bonds	43,833	19,348
Property	19,524	17,257
Cash	7,656	6,624
Other	3,445	1,743
Actual return on plan assets	191,409	174,309

PRINCIPAL ACTUARIAL ASSUMPTIONS (EXPRESSED AS WEIGHTED AVERAGES) AT THE YEAR END WERE AS FOLLOWS:-

	At 31 July 2018	At 31 July 2017
Inflation/pension increase rate	2.1%	2.0%
Salary increase rate	3.6%	3.5%
Discount rate	2.8%	2.6%

MORTALITY

	Males	Females
Current pensioners	23.3 years	25.9 years
Future pensioners	25.5 years	28.2 years

THE TOTAL PENSION COST FOR THE UNIVERSITY WAS:-

	Group	Group
	2018	2017
	£000	£000
Contributions to USS	9,894	12,474
Charge to staff cost – NILGOSC	4,125	4,131
Total pension cost (Note 7)	14,019	16,605

The University expects to contribute approximately £2.883m to its defined benefit plans in the next financial year.

22. STUDENT SUPPORT FUNDS

	Group	Group
	2018	2017
	£000	£000
Balance Carried Forward	3	62
Funding Council Grants	1,104	1,344
Disbursed to Students	(1,104)	(1,403)
Balance Underspent at 31 July	3	3

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

23. SUBSIDIARY COMPANY INFORMATION

There is one company which is a wholly owned subsidiary company of the University:

- Innovation Ulster Limited

This company has been fully consolidated in the Financial Statements.

The company is controlled by the University.

The company is registered and operates in Northern Ireland and has a registered address of Ulster University, TEIC Building, Jordanstown Campus, Newtownabbey, County Antrim, N Ireland, BT37 0QB.

Innovation Ulster Limited is a company established to develop intellectual property rights by patenting and licensing, and to arrange consultancy activities.

24. JOINT VENTURE INFORMATION

The University has three joint ventures. Branch Campus (London and Birmingham) Limited is a joint venture between Ulster University and QAHE (Ulst) Limited for the principal purpose of providing services in support of the provision of degree courses to domestic and international students at campuses in London and Birmingham.

Ulster Equity Partnership is a limited partnership with Ulster University, Invest NI and TechStart NI for the principal purpose of carrying on the business of an investor and in particular to identify, research, negotiate, make or monitor the progress of and sell, realise, exchange or distribute equity or equity-related investments in connection with providing seed capital for the development of post – research post – proof of concept spin-out/in companies from Ulster University including from the technology sectors related to the Ulster University research base.

ABC Research & Innovation Limited is a company limited by guarantee with Ulster University, Derry City Council and the Western Trust as equal partners. The principal activity of the company is to develop an Academia Business Clinical Research Innovation facility.

The results of Branch Campus (London & Birmingham) Limited, Ulster Equity Partnership and ABC Research and Innovation Limited are not consolidated in the Group Financial Statements on the grounds of materiality.

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

25. OTHER INVESTMENTS

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

Investments with holdings under 15%:-

- 4.44% of Crescent Capital II LLP
- 7.81% Performa Sports
- 10.18% Carritech Research Limited
- 5.3% Datactics Limited
- 17.98% Get Invited
- 4.41% Axial 3D Limited
- 7.33% SISAF
- 14.25% Tactility Factory Limited plus £15k loan
- 14.3% of Neuroconcise Limited
- 5.66% of Humain Limited

Investments with holdings of greater than 25%:-

Status	Active	Active	Active	Active	Active	Active
Name	Actionsense Limited	Axis Composites Limited	Jenarron Therapeutics	Vifkon Limited	Solaform Limited	Effectis UK/ Ireland Limited
Country of Incorporation	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland	Northern Ireland
Principal Activity	Secure digital water marking technology	Design and manufacture of 3D woven carbon fibre preforms	Putty like material applied and removed to wounds	Fire and blast proof concrete products	Solar water heater	Fire Testing
% Shares Held and type	38.5%	28%	49%	30%	28%	33%
Convertible Loan Stock	N/A	N/A	N/A	N/A	N/A	N/A
Turnover	N/A	N/A	N/A	N/A	N/A	N/A
Profit or Loss Before Tax	£0	£2,165	N/A	N/A	N/A	N/A
Net Assets	(£137,561)	£5,758	(£34,609)	(£115,014)	(£167,855)	N/A
Financial Year End	31 May 2017	28 February 2017	31 March 2017	30 June 2017	31 July 2017	20 June 2018

During the year the company disposed of its 10.75% of Intelesens Limited and its 1.7% investment in Bitt Ware Inc.

Notes to the Financial Statements (continued)

26. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the University's Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. The University has taken advantage of the exemptions contained in section 33, FRS 102 'Related Party Transactions' not to disclose transactions with subsidiaries as all of the voting rights are controlled within the Group.

27. ULTIMATE CONTROLLING PARTY

There is no one ultimate controlling party.

28. POST BALANCE SHEET EVENTS NOTE

USS Deficit

Following an update from Universities UK, it is unlikely that there will be any decision around the level of deficit contributions before the end of 2018. This is because consultation around the level of deficit contributions is not time-tabled in until December 2018. It is acknowledged that this is an ever-changing picture and therefore the narrative around the level of deficit in both financial statements notes and strategic report may need refreshing over the Autumn prior to finalising the financial statements. However, neither an adjusting post balance sheet event nor a non-adjusting post balance sheet event are anticipated in view of the fact that the deficit contributions will not be finalised before the end of 2018.

The back-stop date is February 2019 when USS is required to make a submission to the Pensions Regulator with details of the contributions they will be implementing. This is likely to be the time when the level of the USS deficit will need to be recalculated, thereby impacting on an HEI's results for 2018/19.



FINANCIAL STATEMENTS
FOR THE YEAR TO 31 JULY 2018

Registered with The Charity Commission for Northern Ireland NIC 100166
ISSN 0307-496X

ulster.ac.uk