



Queen's University Belfast

2010-11 Consolidated Financial Statements

Contents	Page
Operating and Financial Review	2
Corporate Governance	9
Responsibilities of the Senate of the University	12
Independent Auditors' Report	13
Statement of Principal Accounting Policies	14
Consolidated Income and Expenditure Account	17
Balance Sheets	18
Consolidated Cash Flow Statement	20
Consolidated Statement of Total Recognised Gains and Losses	21
Notes to the Accounts	22-41

Operating and Financial Review

Scope of the Financial Statements

The financial statements presented to Senate comprise the results of all the University's activities.

In accordance with Financial Reporting Standard (FRS) 2 (amended), the consolidated financial statements of the University include all of its wholly owned subsidiaries, including QUBIS Ltd, Queen's Overseas Recruitment Ltd and the University Book Shop Ltd. The financial statements also reflect the full adoption of FRS 17 (Retirement Benefits) and the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (SORP).

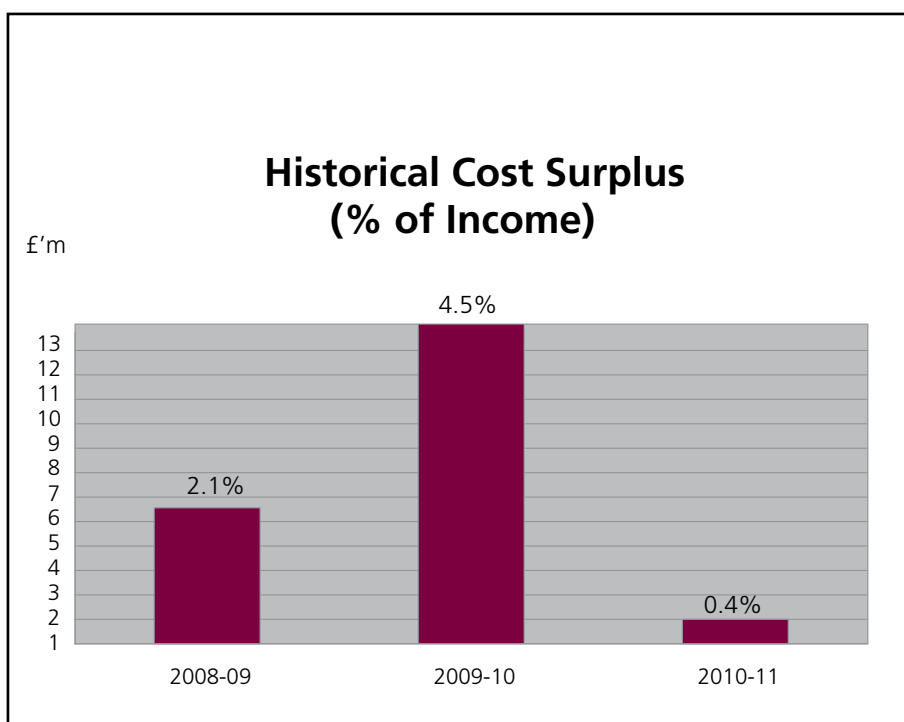
Content of the Operating and Financial Review

The following review has been prepared in accordance with the Accounting Standards Board Reporting Statement, issued in January 2006, and as referred to within the SORP.

Results for the Year

A summary of the University's Consolidated Income, Expenditure and Outturn for the year ended 31 July 2011 is provided in the table below:

	2010-11 £'000	2009-10 £'000
Income	282,454	293,668
Expenditure	(279,913)	(279,037)
Surplus for the year before taxation	2,541	14,631
Share of joint ventures' deficits before taxation	(726)	(693)
Taxation	190	127
Surplus for the year	2,005	14,065
Surplus for the year transferred to accumulated income in endowment funds	(931)	(834)
Surplus for the year retained in general funds	1,074	13,231



The University's primary financial objective is to generate a surplus sufficient to sustain its ongoing activities and maintain investment in the estate and associated infrastructure.

The year under review has again presented a significant challenge to the University, due to the ongoing global recession. In addition, the initial impact of the reduction in the recurrent budget allocation, from the Department for Employment and Learning (DEL), was experienced during the year, following the 2010 Comprehensive Spending Review (CSR) and the approval of the Final Budget 2011-15 by the Northern Ireland Assembly in March 2011. As in previous years, strong financial stewardship has been exercised during the period and, in the circumstances, the financial results of the University have been satisfactory.

In recent years, the level of surplus generated, as a percentage of income, has been broadly in line with the HEFCE recommended target of 3-5%. As the table above demonstrates, this was 2.1% in 2008-09, largely as a result of the costs of the implementation of a revised financial strategy, approved by Senate in June

2009. The surplus for 2009-10 increased to 4.5%, representing an improvement on the previous year and for 2010-11, the surplus has dropped to 0.4% of income. This is due to the specific transfer of funds during the year, to create a restructuring provision of £6.5m. The purpose of the provision is to facilitate the introduction of a new Voluntary Severance and Voluntary Early Retirement Scheme. At its meeting in April 2011, Senate considered and approved a report on the Financial Context and Strategy 2011-12 to 2014-15. This identified a funding gap of £27.9m, over the CSR period, and highlighted a number of measures required, including the need to reduce pay costs. The Scheme is intended to inject momentum into this process. Over the period in question, the University has targeted an annual surplus of at least 1.25% (allowing for repayment of loan finance), and achievement of this is likely to prove challenging in future years.

Operating and Financial Review

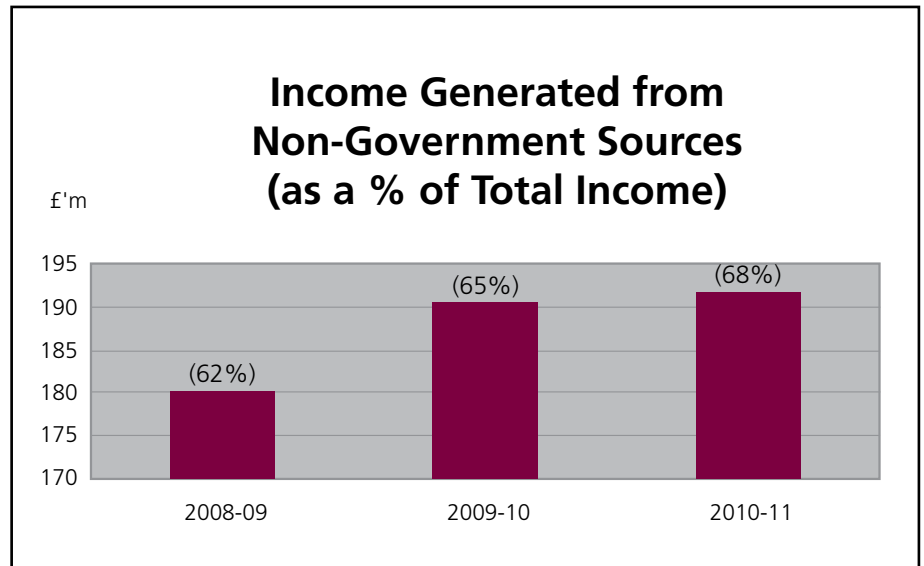
Strategic Context 2006-11

In June 2006, Senate approved a five year Corporate Plan 2006-11. The Plan included a set of targets to improve the undergraduate entry standards, increase the proportion of postgraduate students and raise the proportion of externally derived income (Plan 435i). These targets remain valid and, notwithstanding the more challenging economic conditions which now face the University, the academic planning process has continued to ensure that decisions are centred on their achievement.

The Plan, which also included enhancement of research performance, and extension of international connections and collaborations, has assisted the University to develop world leading research centres and to offer a modernised, market – attuned education portfolio comparable with the best in the world. The Plan represented a total investment of £259m, of which some £189m was expected to be spent on capital, ensuring that students and staff will be attracted to work and study in a safe, modern and high quality environment.

Progress against the Plan has been monitored, on an ongoing basis, by both the University Management Board and the Planning and Finance Committee.

A new Corporate Plan is currently being developed and this will incorporate the Financial Context and Strategy 2011-12 to 2014-15, referred to above.



Income

Total income decreased in 2010-11 by £11.2m (3.8% in cash terms), to £282.4m. This included a reduction of £2.2m in relation to the first tranche of the University's share of the operational efficiency target of 22% by 2014-15, which was imposed by DEL following the outcome of the 2010 CSR.

The decrease in total income is also explained by a reduction in income from research grants and contracts (£5.4m), and the deferral of recurrent teaching and research grants.

The University had set itself a target to raise the proportion of income secured from non government sources (ie outside the block grant) by 5 percentage points. Diversification of income can be achieved

by, for example, increased income from external research grants and contracts, international students and knowledge transfer. The position across the past 3 years demonstrates that the 5% increase has been achieved. However, going forward, this will become increasingly challenging in view of the significant competition for both research funding, and tuition fee income from international and postgraduate students. In addition, investment income has been adversely affected by the very low interest rates currently on offer.

The University has a joint venture with INTO University Partnerships Limited (INTO), with the primary aim of increasing the number and range of international students studying at Queen's University Belfast. As a result, an INTO Centre at

Operating and Financial Review

Queen's has been established providing foundation courses which can lead to subsequent enrolment on standard undergraduate and postgraduate programmes. A five year business plan is now in place, which, by 2012-13, is projecting a profit, based on forecast student numbers.

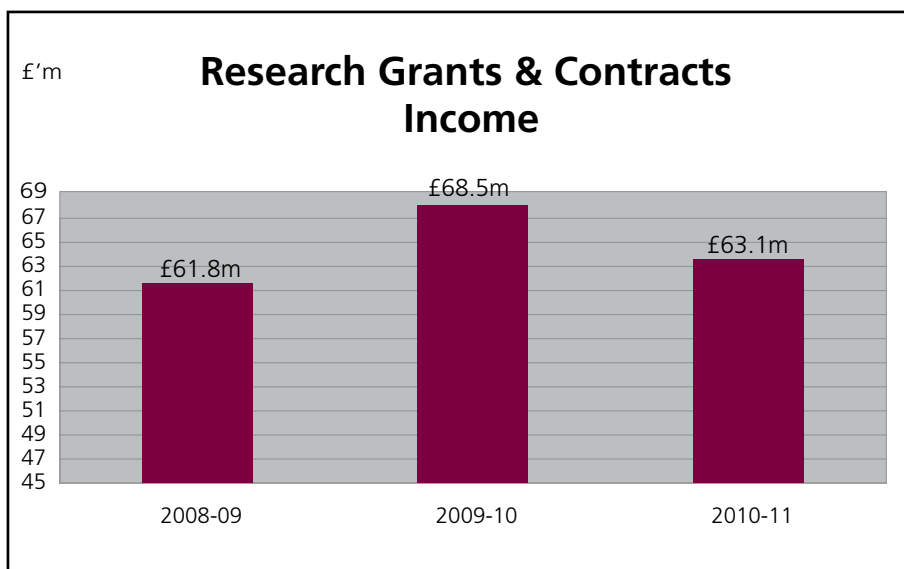
Tuition fee income from Home and EU students has increased by a further £2.7m (6.8%) to £43.0m. Other increases in fees are due to the growth in student numbers in planned areas (eg Medical School) and, in the case of overseas fee income, higher fee rates payable and an increase in undergraduate students, particularly from China and Malaysia.

Overall, the total number of student full time equivalents (fte's) in 2010-11 was 17,333, compared to 17,295 in 2009-10.

The need to maintain the quality of teaching and to enhance the student experience remains a priority within the University.

Income from research grants and contracts has decreased by £5.4m (7.9%) to £63.1m, as outlined in the table.

Full economic costing (fEC) is now fully embedded within the sector and used as the basis for costing and pricing of all research applications. The contribution to indirect costs on core research, increased by £0.3m, from £9.6m to



£9.9m, representing a contribution rate of approximately 21%. The effective implementation of fEC in 2005 has enabled the University to move towards a more sustainable research portfolio. However, it is also recognised, that competition has increased, and the University will need to take a more strategic and proactive approach to maintain, and in fact increase, the volume and quality of research undertaken. Such an increase in competition, coupled with the current economic downturn, has resulted in a £5.4m decrease (7.8%) in the value of research awards received during the year, and this will present a challenge to the University, going forward.

The year ended 31 July 2011, represented the final year of the implementation of Cross Border Research and Development Funding Programme – Strengthening the All-Island Research Base. Funding, amounting to £9.5m, was secured for the period from 1 April 2009 to 31 March 2011, in relation to 7 projects. The purpose of such funding is to contribute to the economic and social development of Northern Ireland, and the island of Ireland as a whole, through the funding of projects which support the Northern Ireland Executive's priorities, as expressed through the Programme for Government, the Economic Vision, and the Regional Innovation Strategy. Expenditure,

Operating and Financial Review

amounting to £3.9m, was incurred on this initiative during the year.

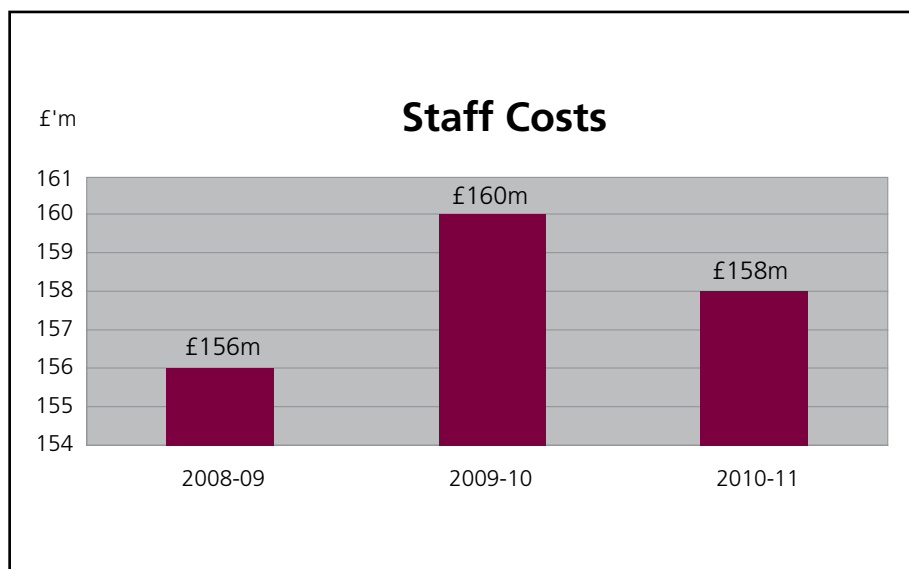
Income from endowments and interest receivable increased from £5.9m to £7.0m, due mainly to realised profit of £1.4m on the sale of investments by QUBIS Ltd, (the University's subsidiary company specialising in commercialisation and assisting spin-outs).

Expenditure

Total expenditure increased by £0.9m, equivalent to some 0.3% in cash terms. Staff costs decreased by £2.4m, due mainly to the high level of vacant posts during the year and the moratorium review on recruitment.

In accordance with the University's Access Agreement with DEL, the University has implemented an Institutional Bursary Scheme, as part of its widening participation strategy. Expenditure of £4.2m was incurred in 2010-11, with 4,839 students receiving some element of bursary payment.

Other operating expenses (Note 7) increased by £5.9m (5.9%) largely as a result of the inclusion of the provision for the 2011-12 revised Voluntary Severance and Voluntary Early Retirement Scheme.



Investment Performance

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

The Investment Fund recorded an increase in value for the year of £2.4m, from £46.0m to £48.4m. After allowing for the inclusion of new endowments of £0.5m, the overall increase of £1.9m, or 4.1%, is attributable to gains on investments in global markets.

Treasury Management

The University has a comprehensive treasury policy in place. The policy is regularly reviewed by the Investment Committee, to ensure that risk is minimised. During the recent period of uncertainty in the banking and financial sector, an enhanced level of monitoring took place which indicated that the policy is robust and effective.

Operating and Financial Review

Capital and Long Term Maintenance

The University's estates strategy, continues to focus on the efficient and effective use of space and the provision of accommodation which will enhance the quality of learning, teaching and research and the environment for students and staff.

There has been significant investment in the physical estate during 2010-11 with some £47.7m of expenditure having been incurred on buildings and assets in the course of construction. A number of specific projects have been completed and others commenced, as part of the University's capital and long-term maintenance plan. These developments are located across the city of Belfast from Upper Malone to the Titanic Quarter and include:

- Redevelopment of the sports facilities at Upper Malone;
- Major Health Sciences refurbishment, including the development of the Whitla Medical Building, the Cardiovascular Research Centre at the Royal Victoria Hospital site and extension of the Medical Biology Centre's (MBC) anatomy wing;

- Major works to develop the University's ICT and Teaching Infrastructure;
- The creation of the Postgraduate and Executive Education Centre at Riddel Hall;
- Demolition and landscaping to create the East-West Link on the main campus beside the Lanyon Building;
- Continuing refurbishment in the Ashby and David Keir Buildings;
- On-going development and refurbishment of student accommodation, including the Elms Village Phase 11 project; and
- Construction of the Northern Ireland Advance Composites and Engineering Centre in the Titanic Quarter.

Capital expenditure in 2010-11 was particularly high, and reflects the University's continued commitment to develop and invest in its estate. This expenditure was funded from a combination of reserves; capital grants, mostly from DEL; and further contributions from the Queen's University of Belfast Foundation. The Foundation's principal activity is to advance the strategic goals and objectives of the University, under the

direction of an independent Foundation Board, and it is hoped that it will continue to be a valuable source of capital funding in the future.

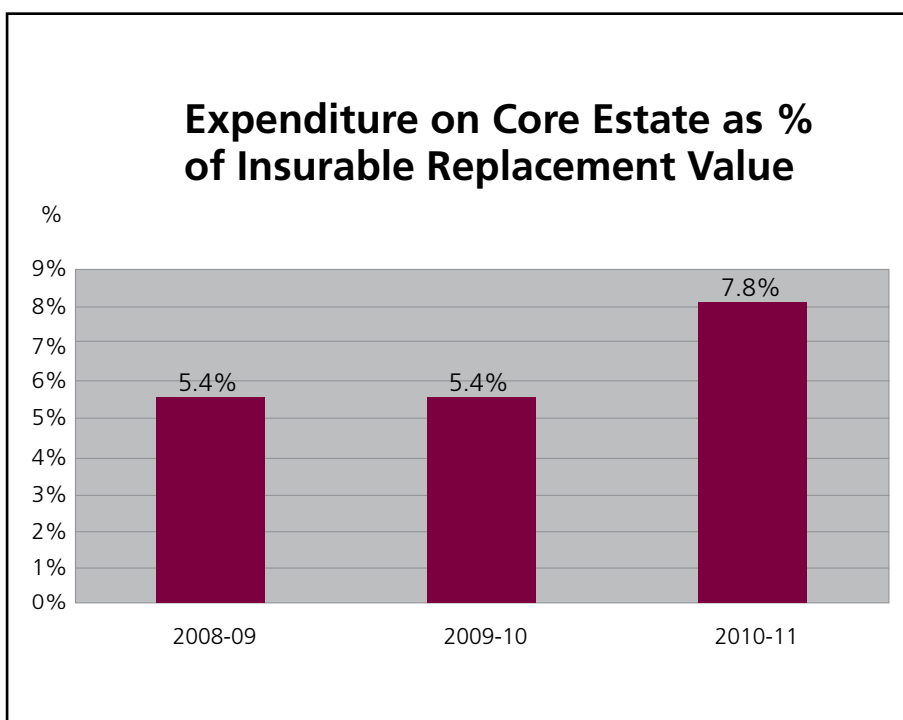
It is also vitally important that government capital funding continues, if the level of investment necessary to remain competitive is to be achieved.

Balance Sheet

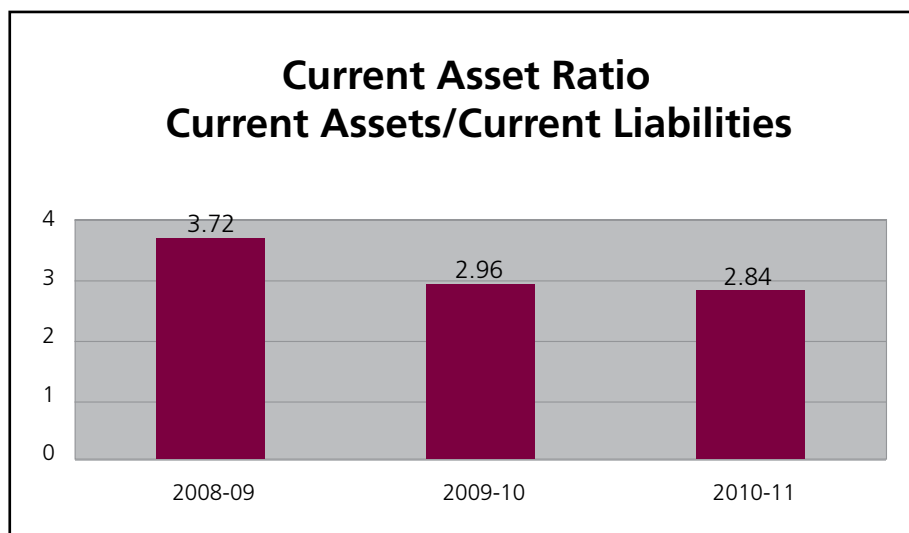
As at the Balance Sheet date of 31 July 2011, total consolidated net assets of the University had increased to £409.6m, compared to £376.8m at 31 July 2010. This reflects ongoing strong working capital management and the University's policy of embarking on capital schemes only after a funding package has been agreed. The annualised servicing cost of external debt of 1% remains well below the 4% limit set in the University's Financial Memorandum with DEL.

The University has continued to account for the Retirements Benefits Plan in accordance with the requirements of FRS 17. This has involved accounting for the scheme deficit of £35.4m (2010 : £27.8m) within general reserves. The movement in the deficit, has been accounted for through the consolidated Statement of Total Recognised Gains and Losses.

The University continues to effectively manage its working capital and the current asset ratio has been maintained at an acceptable level, as outlined in the table overleaf:



Operating and Financial Review



Future Developments

On 8 September 2011, the NI Executive approved the way forward in respect of Higher Education Tuition Fees and Student Finance Arrangements. Dr Stephen Farry MLA, Minister for Employment and Learning, provided a full statement to the NI Assembly, on 12 September 2011, detailing the policy decisions agreed by the Executive and confirming that there would be no additional cuts to the higher education budget. A summary of the key points from the Minister's statement is set out below:

- (i) To address CSR and budget pressures, DEL was required to achieve savings of some £150m, annually, by 2014-15. Some £68m of these savings had been targeted at the higher education sector;
- (ii) Tuition fees in Northern Ireland would be held at their current level and subject only to inflationary increases;
- (iii) The consequence of this decision on fees was that the resultant funding gap would be £15m, £30m and £40m in each of the three forthcoming financial years – the £40m shortfall, if not addressed, would be a recurring annual pressure;
- (iv) In the settlement agreed by the Executive, DEL will contribute £22m towards this £40m pressure, £5m of which will be generated by the higher education sector, primarily through the charging of higher fees to students from England, Scotland and Wales.

The remaining £17m pressure will be addressed through the generation of further internal savings within DEL;

- (v) The balance of the overall £40m pressure, and the proposed initial investment in additional student places, will be met by a number of other Departments; and
- (vi) The package agreed by the Executive will allow for a modest increase in places across higher education providers. Some £3m had been allocated, with places being targeted in economically relevant areas.

This settlement, agreed by the NI Executive, will enable the University to move forward with a reasonable degree of certainty and to bring forward a range of proposals for Senate's consideration.

The Executive's decision not to increase tuition fees for local students, combined with the introduction of fees of up to £9,000 in England, Scotland and Wales, is likely to have a significant impact on student flows. There are approximately 12,300 NI undergraduates studying in GB and it is almost certain that the differential fees, being introduced from 2012, will be a factor in prospective students' choices. This will increase the competition for entry to undergraduate courses at Queen's. Whilst it is too early to accurately predict just how differential tuition fees will impact on student behaviour, the annual undergraduate admissions process will

be sufficiently flexible to cope with this uncertainty.

The University has consolidated its position as a major research institution, following the outcome of the Research Assessment Exercise in December 2008. A revised Research Strategy has been developed, in preparation for the new Research Excellence Framework (REF). The delivery of this Strategy should have a significant, favourable impact on the University's future position, relative to its peers in the Russell Group.

Discussions are ongoing with Stranmillis University College with a view to merging. Both the College and the University are committed to the merger, and recognise that the proposed Stranmillis School of Education can create a financially sustainable world class centre providing training for teachers and a strong research base. A public consultation has recently been conducted and consideration is currently being given to the proposed merger by the Minister for Employment and Learning.

Pension Schemes

The financial health of the Universities Superannuation Scheme (USS), a mutual scheme for the majority of the HE sector, continues to be a cause of particular concern to the University, and in particular, the size of the funding deficit. The actuarial valuation as at 31 March 2008 reported a deficit of £11.8bn. The next actuarial valuation as at 31 March 2011 is underway, however, the results will not be available until early 2012. In 2008, the USS Joint Negotiating Committee (JNC) met to undertake a review of the USS to determine what changes should be made, to ensure that it remains an attractive and affordable defined benefit scheme. Following a lengthy consultation period, the proposed changes were accepted by the USS Trustee Board and were implemented on 1 October 2011. These include an increase in the employee's contribution from 6.35% to 7.5%, and the provision of a Career Revalued Benefits arrangement for new members.

Operating and Financial Review

The University also participates in the Retirement Benefits Plan of the Queen's University of Belfast (RBP) for non-academic staff. The actuarial valuation of the RBP, as at 31 March 2008, reported a deficit of £26.1m. The next actuarial valuation as at 31 March 2011 is underway, with the results being anticipated early 2012. These results will be assessed, when available, by the trustees of the RBP, and the University, and, based on the options available, and the extent of any remedial actions required, an appropriate plan will be implemented. As at 31 July 2011, the reported deficit was £35.4m, compared to £27.8m at 31 July 2010. This is due, in the main, to the increase in the liabilities, caused by a number of factors, including reduced corporate bond rates, and an increase in both inflation and longevity.

Queen's in the Local Economy

The role that universities can, and should, play in the development of their regional economies is now well accepted and was endorsed in the Programme for Government in Northern Ireland. This is particularly important in a region such as Northern Ireland, where the contribution of Queen's to the maintenance and development of a world class portfolio of research and teaching is vital. The University will also continue to play a key role in the generation of new companies through knowledge transfer and the commercialisation of research. In this regard, the contribution of QUBIS Ltd over the last 20 years is well recognised and this activity will continue.

In recent years, Government has placed increased emphasis on the role of universities as drivers of economic growth at regional and national level. In this respect, the University has implemented a Knowledge Exploitation Strategy aimed at extending its impact within the regional economy. A further round of funding in respect of the Higher Education Innovation Fund (HEIF3) has been agreed – this amounted to £4.8m for the three years to 31 July 2013. This funding will need to be supplemented from other sources, if the commercial potential of the high quality research undertaken within the University is to be fully realised. As a registered charity, the University must demonstrate

how it meets the requirements that its activities are of 'public benefit'. The University's purpose, as set out in its Charter and Statutes, is the advancement and dissemination of learning and knowledge by teaching and research. The overall objective is to be a broadly-based, research-driven University with a dynamic world-class research and education portfolio and strong international connections. The University promotes the widest possible access to this portfolio of excellence, in an environment of equality, tolerance and mutual respect, and it fully embraces its leadership role in Northern Ireland and beyond.

The University is committed to supporting social and economic development within Northern Ireland. Through various community events, the aim of the University is to contribute to the educational, economic, cultural and social life of Northern Ireland. In this respect, the University is responsible for the Ulster Bank Festival at Queen's, the largest arts festival of its kind in Ireland; the Queen's Film Theatre (QFT), Northern Ireland's only art house cinema; and the Naughton Gallery, one of the best known features of the visual arts scene in Belfast. Other links between the University and the community are evident in relation to The Northern Ireland Science Shop (involving the provision of access to specialist skills to community and voluntary groups); Physical Education Centre (where members of the wider community can utilise the extensive sports facilities available); and in the Outreach to Schools programme.

The Queen's University of Belfast Foundation

The Queen's University of Belfast Foundation (the Foundation) is a linked charity to the institution. The Foundation is a company limited by guarantee, the principal activity of which is to advance the strategic goals and objectives of the University, under the direction of an independent Foundation Board.

The Foundation is a separate and independent organisation from the University and its financial statements are not consolidated within the University group. However, in accordance with recently published best practice, relating to higher education institutions with linked charities, a summary of the results of the Foundation has been provided below, for the first time.

The opening and closing funds of the Foundation were £1.15m and £2.79m, respectively. Income generated during the year amounted to £3.93m, compared to disbursements of £2.29m. The main objective for the 2010-11 financial year was to continue to prepare for the launch of a second fundraising campaign, whilst finalising financial pledges for major capital projects from the "Campaign for Queen's".

Conclusion

The University has made significant progress in recent years, both in terms of its research and teaching quality, and the drive to ensure the delivery of world class research and education portfolios will continue. Queen's will also continue to play a significant role under the leadership of the Vice-Chancellor, Professor Sir Peter Gregson, in research, education and economic development within the region of Northern Ireland, and beyond, and current strategies will help promote the University towards being among the top 100 global universities. The new Corporate Plan, which is currently being developed, will further enhance strategic planning, governance, management and the quality of decision making and accountability over the next five years. In this way the financial success of the University can be secured with current and future activities being sustained despite difficult economic conditions.

Corporate Governance

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

The University is an autonomous body established under the Irish Universities Act 1908. In common with all public bodies it operates within a strong framework of regulation. Not only does the University comply with all mandatory requirements but it also strives to operate that guidance which represents best practice. The University has adopted the Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland published in June 1995 by the Committee of University Chairs, and revised, most recently, in March 2009. The Guide sets out current best practice for the corporate governance of higher education institutions. The University already fully complies with the key recommendations made in the Guide.

Summary of the University's Structure of Corporate Governance

The University's Senate comprises lay and academic persons appointed under the Statutes of the University, the majority of whom are non-executive. The role of the Chairman of Senate is separate from the role of the University's Vice-Chancellor as Chief Executive. Senate is responsible for the ongoing strategic direction of the University whilst the Executive Officers are responsible for the operational management of the institution. Senate approves all major developments and receives regular reports on the day to day activities of the University and its subsidiary companies. Senate meets at least four times a year and is supported by several committees, including a Planning and Finance Committee, a Membership Committee, a Remuneration Committee and an Audit Committee. All of these committees are formally constituted with Terms of Reference and are comprised mainly of lay members of Senate.

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

The Membership Committee seeks out and recommends new lay co-opted members to Senate.

The Remuneration Committee reviews and determines the salaries and conditions of service of the senior officers of the University annually, including the Vice-Chancellor.

The current membership of the Audit Committee consists of three independent non-executive members of Senate, namely Mr E Bell (Chair), Mr D Licence and Mr M Wardlow and two co-optees, Mrs A Henderson and Mrs A Beggan. The terms of reference are as outlined below:

- (a) To appoint/re-appoint the University's External Auditors.
- (b) To report to Senate on the appointment of the External Auditors, the audit fee, the provision of any non-audit services by the External Auditors, and any questions of resignation or dismissal of the External Auditors.
- (c) To discuss with the External Auditors, before the audit begins, the nature and scope of the audit.
- (d) To discuss with the External Auditors problems and reservations arising from the interim and final audits, including review of the management letter, incorporating management responses, and any other matters the External Auditors may wish to discuss (in the absence of management where necessary).
- (e) To appoint/re-appoint the University's Internal Auditors.

- (f) To report to Senate on the appointment and terms of engagement of the Internal Audit service, the audit fee, the provision of any non-audit services by the Internal Auditors, and any questions of resignation or dismissal of the Internal Auditors.
- (g) To review the Internal Auditors' audit risk assessment, strategy and programme; consider major findings of Internal Audit investigations and management's response and promote co-ordination between the Internal and External Auditors. The Committee will ensure that the resources made available for Internal Audit are sufficient to meet the institution's needs (or make a recommendation to Senate, as appropriate).
- (h) To keep under review the effectiveness of the University's risk management, control and governance arrangements and, in particular, to review the External Auditors' management letter, the Internal Auditors' annual report, and management responses. The Committee shall make recommendations to relevant committees, or to the Vice-Chancellor, to ensure that measures are taken to deal effectively with matters raised in audit reports.
- (i) To monitor the implementation of agreed audit-based recommendations, through the Internal Audit Recommendation Schedule.
- (j) To ensure that all significant losses have been properly investigated and that the Internal and External Auditors and, where appropriate, the HEFCE accounting officer and DEL, have been informed.
- (k) To consider, approve and oversee the implementation of the institution's policies on Fraud and Whistleblowing, including being notified of any action taken under these policies.

Corporate Governance

- (l) To provide ongoing assurance to Senate, in respect of the management and quality assurance of data.
 - (m) To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
 - (n) To consider and approve the University's Register of Interests Policy, the Policy on the Acceptance of Gifts, Gratuities and Hospitality, and the University's arrangements to ensure compliance with the Bribery Act 2010.
 - (o) To receive any relevant report from the Northern Ireland Audit Office, the National Audit Office, HEFCE or any other body, which fulfils a recognised audit function in respect of the University or related institutions, funded in full, or part, from public funds.
 - (p) To monitor, annually, the performance and effectiveness of the External and Internal Auditors, including any matters affecting their objectivity.
 - (q) To consider the draft annual financial statements, in the presence of the External Auditors, ensuring that sufficient consideration has been given to all relevant matters, that there is compliance with relevant legislation, HEFCE Accounts Directions, and accounting standards, and that there are no major disagreements between the External Auditors and the Planning and Finance Committee and/or the Director of Finance over accounting policies.
 - (r) In the event of the merger or dissolution of the institution, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.
 - (s) To report, on a regular basis, to Senate and to compile an annual report which, following consideration by Senate, will be sent to DEL and the HEFCE Assurance Service - this annual report shall include an opinion on the adequacy and effectiveness of the University's arrangements for risk management, internal control, governance and value for money.
 - (t) The Committee is authorised by Senate to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise, if it considers this necessary, normally in consultation with the Registrar and Chief Operating Officer and/or the Chair of Senate. However, it may not incur direct expenditure, in this respect, in excess of £10,000, without the prior approval of Senate.
- The University has implemented a process for identifying, assessing and managing the University's significant risks in line with the relevant HEFCE Accounts Direction, which in turn is based on the Combined Code, applied as appropriate to Higher Education. The University has also adopted the Governance Code of Practice contained in the Committee of University Chairs guidance issued in March 2009 ('Guide for Members of Higher Education Governing Bodies in the UK'). A Risk Management Committee has been established, and the process of embedding risk management at School/ Directorate level, in both the planning processes and operational arrangements of the University, is well developed. This process is regularly reviewed by the Audit Committee on behalf of Senate to ensure that a sound system of internal control covering all risks is in place.

Statement on Internal Control

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2011 and up to the date of approval of the financial statements, and accords in full with HEFCE guidance.

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

- a) We meet at regular intervals (at least four times a year) to consider the strategies and plans of the University.
- b) We receive regular reports from the Chairman of the Audit Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects.
- c) We have established a Risk Management Committee to oversee risk management.
- d) The Audit Committee receives regular reports from the Internal Auditors which include their independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
- e) Programmes of facilitated workshops have been held in both Schools and Directorates to identify new and emerging risks and to ensure the adequacy of counter measures. Schools and Directorates are responsible for identifying, evaluating and managing their significant risks.
- f) A programme of risk awareness training is ongoing and risk management is integrated within the University's business planning process.

Corporate Governance

- g) A system of key performance and risk indicators has been developed.
- h) A robust risk prioritisation methodology based on risk ranking and cost-benefit analysis has been established.
- i) A Corporate Risk Register is maintained and regularly reviewed and updated with responsibility for the management of each risk embedded within the management structure of the University.
- j) All information used for both operational and financial reporting purposes is captured and processed accurately, and to an appropriate quality standard, particularly where it is used by third parties or relied on by other parts of government.
- k) Reports are received from budget holders and senior managers on internal control activities.

Our review of the effectiveness of the system of internal control is undertaken, on an annual basis, with reference to the HEFCE guidance on risk management. It is our view that the University has an effective risk management process in place and that the Corporate Risk Register is being managed on an active basis with specific action plans in place to address all risks. This view is informed by the work of the University's Internal Auditors who operate to standards defined in the Accountability and Audit: HEFCE Code of Practice. We have noted that following the year end, the University experienced a fraud in connection with supplier payments. Due to prompt action the maximum potential loss to the University has been limited to £10,500. A detailed external review has been completed and the recommendations fully implemented, with all policies and procedures updated as appropriate.

In addition, in response to the specific lessons learned from this fraud, and in light of the current economic environment generally, a programme of fraud awareness and prevention training will be facilitated for all relevant staff, over the forthcoming months.

Our review of the effectiveness of the system of internal control is also informed by the work of the senior officers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and other reports.

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

Responsibilities of the Senate of the University

In accordance with the University's Charter and Statutes, Senate, as the governing body, is responsible for the oversight of the management and administration of the University's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

Senate is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks. This process has been in place for the year ended 31 July 2011 and up to the date of approval of the financial statements, is regularly reviewed by Senate and accords with the Combined Code as deemed appropriate for Higher Education.

Senate is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum between DEL and the University, Senate, 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 the affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Senate 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 being disclosed and explained in the financial statements; and
- The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

Senate has taken reasonable steps to:

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

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

- Clear definitions of the responsibilities of, and authority delegated to, resource managers;
- A medium and short-term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- Monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with decisions involving material capital or revenue expenditure being subject to formal detailed approval;
- A professional Internal Audit service whose annual programme is approved by Senate; and
- A system of risk management including the clarification, assessment and management of key risks.

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

Independent Auditors' Report

To the Senate of Queen's University Belfast

We have audited the financial statements of the group and of Queen's University, Belfast ('the financial statements') for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. 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).

Respective responsibilities of Senate and the Auditors

As explained more fully in the statement of the Responsibilities of the Senate of the University set out on page 12, Senate is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for, and only for, the Senate as a body in accordance with the Charters and Statutes of the University and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown, or into whose hands it may come, save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Queen's University Belfast website is the responsibility of Senate. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Senate; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Honorary Treasurer's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the University's affairs at 31 July 2011, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter, where the HEFCE Audit Code of Practice requires us to report to you if, in our opinion:

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



PricewaterhouseCoopers LLP

Chartered Accountants and
Registered Auditors
Belfast
22 November 2011

Statement of Principal Accounting Policies

1. Basis of Preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment and Fixed Asset Investments, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and applicable Accounting Standards in the United Kingdom.

2. Consolidation

In accordance with Financial Reporting Standard (FRS) 2 (amended), the consolidated financial statements of the University include its wholly owned subsidiaries, QUBIS Ltd, Queen's Overseas Recruitment Ltd and the University Book Shop Ltd. Uniform accounting policies are adopted across the group, and all profits/losses on intra-group transactions are eliminated on consolidation.

The results of its associated undertakings, University Challenge Fund (NI) Ltd and INTO Queen's LLP have also been included, based on the share of the operating deficit and net assets. Details are presented in Note 12. In accordance with FRS 9, Associates, Joint Ventures and other Joint Arrangements, a proforma income and expenditure account and net assets statement, incorporating the University's material interest in its associated undertaking, Kainos Software Ltd is presented at Note 12, together with summary details of the financial statements of the unconsolidated subsidiaries.

3. Recognition of Income

Government grants are accounted for in the period to which they relate.

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

Recurrent income from research and other grants and contracts is accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended, is transferred from the income and expenditure account to restricted endowments.

Any increase or decrease in value arising from revaluation of fixed assets is carried to the revaluation reserve via the statement of total recognised gains and losses. Increases or decreases arising on the revaluation or disposal of endowment assets are added to, or subtracted from, the funds concerned and accounted for through the balance sheet and reported in the statement of total recognised gains and losses.

4. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Retirement Benefits Plan of Queen's University Belfast (RBP).

It is not possible to separately identify the University's share of the underlying assets and liabilities of the USS, and hence contributions are accounted for as if it were a defined contribution scheme, and contributions to this

scheme are included as expenditure in the period in which they are payable.

The schemes are defined benefit schemes which are externally funded and contracted out of the state Pension Scheme. The Funds are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the basis of the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals.

The difference between the fair value of the assets held in the University's defined benefit pension scheme (RBP) and the scheme's liabilities, measured on an actuarial basis using the projected unit method, is recognised in the University's balance sheet as a pension scheme asset or liability, as appropriate.

Changes in the defined benefit pension scheme liability, arising from factors other than cash contribution by the University, are charged to the income and expenditure account or the statement of total recognised gains and losses, in accordance with FRS 17.

5. Foreign Currencies

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

Statement of Principal Accounting Policies

6. Land and Buildings

All University property is held freehold or under long lease. Freehold land is not depreciated. Buildings are depreciated over their expected useful lives of either 40 years or 60 years, depending on the category of building in question. All land is stated at cost, and buildings at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

7. Heritage Assets

Heritage assets (valuable artefacts held and maintained for their contribution to knowledge and culture) valued at over £25,000, are capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

The University holds a number of heritage assets acquired in past accounting periods and these are not capitalised, as reliable cost information is not available and conventional valuation approaches lack sufficient reliability.

8. Equipment

Equipment is stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Equipment, including micro-computers and software, costing less than £25,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated on a straight line basis over its expected useful life, as follows:

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

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment (or the period of the grant in respect of specific research projects).

9. Investments

Endowment assets and University investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost and net realisable value. Investments in subsidiary and joint venture undertakings are recorded at cost plus incidental expenses less any provision for impairment.

10. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash. Liquid resources include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

11. Stocks

Stocks are valued at the lower of cost or net realisable value. Cost is determined on a first-in, first-out (FIFO) basis. Where it is deemed necessary provision is made for obsolete, slow moving and defective stocks.

12. Maintenance of Premises

The University has a rolling maintenance plan which is reviewed on an annual basis, and the cost of routine corrective maintenance is charged to the income and expenditure account as incurred.

13. Accounting for Charitable Donations Unrestricted donations

Charitable donations are recognised in the accounts when they are received or there is sufficient evidence to indicate the donation will be received and the value of the receipt can be measured with sufficient reliability.

Endowment Funds

Where charitable donations are to be retained for the benefit of the University, as specified by the donors, these are accounted for as endowments. There are three main types:

- i) 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;
- ii) Restricted expendable endowments – the donor has specified a particular objective (other than the purchase or construction of fixed assets) and the University can convert the donation into income; and
- iii) 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.

Donations for fixed assets

Donations received in respect of the purchase or construction of fixed assets are shown on the balance sheet as a deferred capital grant and released to the income and expenditure account over the estimated useful life of the asset, in line with the depreciation charge relating to the asset.

Statement of Principal Accounting Policies

14. Provisions

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

15. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation.

16. Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the entity an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2011

	Note	2011 £000	2010 £000
INCOME (including share of joint ventures)			
Government grants	1	89,531	102,903
Tuition fees, support grants and education contracts	2	69,245	65,998
Research grants and contracts	3	63,069	68,457
Other operating income	4	54,842	50,667
less: share of joint ventures' income	4	(1,212)	(306)
Endowment and investment income	5	6,979	5,949
		<u>282,454</u>	<u>293,668</u>
EXPENDITURE			
Staff costs	6	157,511	159,961
Depreciation	11	13,491	13,343
Other operating expenses	7	105,632	99,736
Interest and other finance costs	8	3,279	5,997
		<u>279,913</u>	<u>279,037</u>
SURPLUS BEFORE TAXATION			
		2,541	14,631
Share of joint ventures' deficit before taxation	12	(726)	(693)
Taxation	9	190	127
SURPLUS FOR THE YEAR			
		2,005	14,065
Surplus for the year transferred to accumulated income in endowment funds	19	(931)	(834)
SURPLUS FOR THE YEAR RETAINED IN GENERAL FUNDS			
	20	<u>1,074</u>	<u>13,231</u>

The income and expenditure of the Group relates wholly to continuing operations, except for the University Book Shop Limited which is to be wound up during 2011-12.

There is no difference between the surplus stated above and its historical cost equivalent.

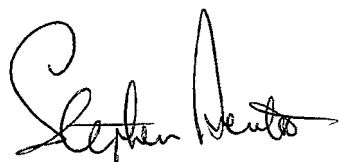
BALANCE SHEETS AS AT 31 JULY 2011

	Note	Consolidated		University	
		2011	2010	2011	2010
		£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	11	313,680	275,287	313,678	275,277
Investments:					
Investments in joint ventures:					
Share of gross assets		845	1,091	-	-
Share of gross liabilities		(1,791)	(1,305)	-	-
Share of net assets	12	(946)	(214)	-	-
Other investments	12	51,053	48,891	46,817	45,130
Total fixed assets		<u>363,787</u>	<u>323,964</u>	<u>360,495</u>	<u>320,407</u>
ENDOWMENT ASSETS AND OTHER INVESTMENTS	13	41,600	39,017	42,255	40,004
CURRENT ASSETS					
Stocks		463	779	413	405
Debtors	14	20,920	22,815	20,593	22,870
Investments - short term deposits		116,400	110,091	116,400	110,091
Cash at bank and in hand		6,252	5,473	4,938	5,107
Total current assets		<u>144,035</u>	<u>139,158</u>	<u>142,344</u>	<u>138,473</u>
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	15	(50,739)	(46,901)	(50,796)	(46,759)
NET CURRENT ASSETS		<u>93,296</u>	<u>92,257</u>	<u>91,548</u>	<u>91,714</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		498,683	455,238	494,298	452,125
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(47,124)	(47,994)	(47,124)	(47,994)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(6,500)	(2,628)	(6,500)	(2,628)
NET ASSETS EXCLUDING PENSION LIABILITY		445,059	404,616	440,674	401,503
NET PENSION LIABILITY	25	(35,409)	(27,838)	(35,409)	(27,838)
NET ASSETS INCLUDING PENSION LIABILITY		<u>409,650</u>	<u>376,778</u>	<u>405,265</u>	<u>373,665</u>

BALANCE SHEETS AS AT 31 JULY 2011

	Note	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
Represented by:-					
DEFERRED CAPITAL GRANTS	18	<u>270,505</u>	<u>236,526</u>	<u>270,505</u>	<u>236,526</u>
ENDOWMENTS AND OTHER FUNDS					
Expendable endowments	19	11,042	10,294	11,202	10,535
Permanent endowments	19	30,276	28,706	30,683	29,320
Undistributed investment fund income	19	<u>282</u>	<u>17</u>	<u>370</u>	<u>149</u>
Total endowments		<u>41,600</u>	<u>39,017</u>	<u>42,255</u>	<u>40,004</u>
RESERVES					
General reserves excluding pension reserve	20	115,955	115,258	117,655	116,730
Pension reserve	20	<u>(35,409)</u>	<u>(27,838)</u>	<u>(35,409)</u>	<u>(27,838)</u>
General reserves including pension reserve	20	80,546	87,420	82,246	88,892
Revaluation reserve	21	<u>16,999</u>	<u>13,815</u>	<u>10,259</u>	<u>8,243</u>
Total reserves		<u>97,545</u>	<u>101,235</u>	<u>92,505</u>	<u>97,135</u>
TOTAL FUNDS		<u><u>409,650</u></u>	<u><u>376,778</u></u>	<u><u>405,265</u></u>	<u><u>373,665</u></u>

The financial statements on pages 14 to 41 were approved by Senate on 22 November 2011 and were signed by:



Mr S. Prenter, Honorary Treasurer



Professor Sir P. Gregson, Vice-Chancellor



Mrs W. Galbraith, Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2011

		2011	2010
	Note	£000	£000
Net cash inflow from operating activities	24 (i)	9,510	12,332
Net cash inflow/(outflow) from return on investments and servicing of finance	24 (ii)	2,188	(289)
Net cash outflow from capital expenditure and financial investment	24 (iii)	<u>(3,467)</u>	<u>(17,417)</u>
Net cash inflow/(outflow) before management of liquid resources and financing		8,231	(5,374)
Management of liquid resources	24 (v)	(6,309)	25,863
Financing	24 (iv)	(828)	(19,886)
Increase in cash		<u>1,094</u>	<u>603</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2011	2010
	£000	£000
Increase in cash in the year	1,094	603
Increase/(decrease) in short term deposits	6,309	(25,863)
Decrease in debt	828	19,886
Increase/(decrease) in net funds	<u>8,231</u>	<u>(5,374)</u>
Net funds at 1 August	71,841	77,215
Net funds at 31 July (note 24 (v))	<u>80,072</u>	<u>71,841</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2011

	Note	2011	2010
		£000	£000
Surplus after depreciation of assets and tax		2,005	14,065
Unrealised surplus on revaluation of University investments	21	4,087	4,142
Appreciation of endowment asset investments	19	1,022	2,925
Actuarial (loss)/gain on pension scheme	25	(8,663)	8,410
Tax relating to realised revaluation	20	(188)	(126)
New endowments	19	720	(778)
Transfers from endowments to research	19	<u>(90)</u>	<u>(100)</u>
Total recognised (losses)/gains relating to the year		<u>(1,107)</u>	<u>28,538</u>
Reconciliation:			
Opening reserves and endowments		140,252	111,714
Total recognised (losses)/gains in the year		(1,107)	28,538
Closing reserves and endowments		<u>139,145</u>	<u>140,252</u>
Total reserves		97,545	101,235
Endowments and other funds		41,600	39,017
		<u>139,145</u>	<u>140,252</u>

NOTES TO THE ACCOUNTS

1. GOVERNMENT GRANTS	Consolidated	
	2011	2010
	£000	£000
Recurrent Grants:		
Teaching	43,445	57,077
Research	33,618	32,287
Other Specific Grants	4,251	5,969
Deferred Capital Grants released in the year:		
Buildings (note 18)	5,541	4,578
Equipment (note 18)	2,676	2,992
	<u>89,531</u>	<u>102,903</u>

2. TUITION FEES, SUPPORT GRANTS AND EDUCATION CONTRACTS	Consolidated	
	2011	2010
	£000	£000
Full-time students charged home fees	43,038	40,298
Students charged overseas fees	9,044	8,302
Part-time fees	3,177	3,166
Short courses	1,542	1,512
Research training, other support grants and other fees	374	245
DHSSPS nursing contract	12,070	12,475
	<u>69,245</u>	<u>65,998</u>

3. RESEARCH GRANTS AND CONTRACTS	Consolidated	
	2011	2010
	£000	£000
Research Councils and Charities	23,851	24,816
UK Government and EC	31,794	30,666
Other sources	7,424	12,975
	<u>63,069</u>	<u>68,457</u>

Income from research grants and contracts includes deferred capital grants released in the year totalling £1.967m (2010: £1.943m) note 18.

NOTES TO THE ACCOUNTS

4. OTHER OPERATING INCOME	Consolidated	
	2011 £000	2010 £000
Hospitality services	8,231	8,011
Other services rendered	12,199	11,617
Contribution to joint appointment salaries	7,238	7,789
Other income	25,962	22,944
Share of joint ventures' income	1,212	306
	<u>54,842</u>	<u>50,667</u>

Details of the joint ventures are included at note 12.

Other income and other services rendered income include deferred capital grants released in the year totalling £1.550m (2010: £1.504m) note 18.

5. ENDOWMENT AND INVESTMENT INCOME	Consolidated	
	2011 £000	2010 £000
Transferred from expendable endowments (note 19)	578	430
Transferred from permanent endowments (note 19)	1,317	1,278
Realised profit on investments	1,422	141
Income from short-term investments	3,662	4,100
	<u>6,979</u>	<u>5,949</u>

6. STAFF	Consolidated	
	2011 £000	2010 £000
Staff Costs:		
Gross salaries and wages	124,281	126,425
Employer's national insurance contributions	9,535	9,557
Service charge - RBP pension scheme (note 25)	2,346	2,530
Employer's pension contributions - USS pension scheme	14,111	13,660
	<u>150,273</u>	<u>152,172</u>
Joint appointment salaries	7,238	7,789
	<u>157,511</u>	<u>159,961</u>
Emoluments of the Vice-Chancellor:		
Gross Salary	218	218
Pension contributions	35	34
	<u>253</u>	<u>252</u>

NOTES TO THE ACCOUNTS

6. STAFF (continued)

Remuneration of higher paid staff, excluding employer's pension contributions but including NHS merit payments and the NHS funded element of joint appointments	Consolidated	
	2011 Number	2010 Number
£100,001 - £110,000	16	13
£110,001 - £120,000	10	14
£120,001 - £130,000	11	7
£130,001 - £140,000	3	4
£140,001 - £150,000	3	3
£150,001 - £160,000	2	3
£160,001 - £170,000	4	3
£170,001 - £180,000	6	6
£180,001 - £190,000	5	5
£190,001 - £200,000	4	3
£200,001 - £210,000	-	2
£210,001 - £220,000	1	3
£230,001 - £240,000	1	1
Average monthly staff numbers by category:	2011 Number	2010 Number
Academic	1,067	1,078
Academic Related	524	531
Technical	316	326
Research	536	595
Clerical	651	650
Other	450	470
	<u>3,544</u>	<u>3,650</u>

7. OTHER OPERATING EXPENSES

	Consolidated	
	2011 £000	2010 £000
Consumables and laboratory expenditure	8,645	8,373
Books and periodicals	4,088	3,948
Studentships and bursaries	22,573	21,577
Heat, light, water and power	5,853	5,093
Repairs and general maintenance	5,323	3,819
Auditors' remuneration	54	52
Auditors' remuneration for non-audit services	57	73
Rates, insurance and telecommunication expenses	5,232	5,577
Provision for restructuring	6,500	201
Hospitality services	2,805	2,691
Equipment and equipment maintenance	6,162	9,683
Postage, photocopying and printing	2,661	2,755
Patent fees	737	733
Other	34,942	35,161
	<u>105,632</u>	<u>99,736</u>

8. INTEREST AND OTHER FINANCE COSTS

	Consolidated	
	2011 £000	2010 £000
Loans not wholly repayable within five years	2,383	3,385
Other	896	2,612
	<u>3,279</u>	<u>5,997</u>

The other interest payable charges include the finance costs relating to the RBP pension scheme (note 25).

NOTES TO THE ACCOUNTS

9. TAXATION

	Consolidated	
	2011	2010
	£000	£000
Current Taxation:		
UK corporation tax credit on loss for the year at 20% (2010: 21%)	(188)	(126)
Deferred Taxation:		
Accelerated capital allowances and other timing differences	<u>(2)</u>	<u>(1)</u>
Tax credit	<u><u>(190)</u></u>	<u><u>(127)</u></u>

The taxation credit arises from the operating activities of the subsidiary companies only. The tax assessed for the period differs from the standard rate of corporation tax in the UK 20% (2010: 21%). The differences are explained as follows:

Relevant loss on ordinary activities	<u>(462)</u>	<u>(1,093)</u>
Relevant loss on ordinary activities by standard UK tax rate of 20% (2010: 21%)	(92)	(231)
Effects of:		
Deferred tax not provided	(89)	93
Expenses not deductible for tax purposes	71	11
Depreciation in excess of capital allowances and other timing differences	-	1
Chargeable gains	110	126
Chargeable gains recognised in the Statement of Total Recognised Gains and Losses	<u>(188)</u>	<u>(126)</u>
Tax credit for the year	<u><u>(188)</u></u>	<u><u>(126)</u></u>

10. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Consolidated				
	Staff		Other		2011
	Costs	Dep'n	Operating	Interest	Total
	£000	£000	Expenses	Payable	£000
Academic departments	91,446	1,522	14,466	-	107,434
Academic services	10,218	733	12,371	-	23,322
Research grants and contracts	23,914	1,660	25,526	-	51,100
Hospitality Services	1,841	-	2,805	-	4,646
Premises	5,436	8,981	14,974	-	29,391
Administration	17,846	517	19,013	-	37,376
Other	<u>6,810</u>	<u>78</u>	<u>16,477</u>	<u>3,279</u>	<u>26,644</u>
Total per the Income and Expenditure Account	<u><u>157,511</u></u>	<u><u>13,491</u></u>	<u><u>105,632</u></u>	<u><u>3,279</u></u>	<u><u>279,913</u></u>

The depreciation charge has been funded by:

Deferred capital grants released (note 18)	11,659
General income	<u>1,832</u>
	<u><u>13,491</u></u>

NOTES TO THE ACCOUNTS

11. TANGIBLE ASSETS

Consolidated

	Freehold Land £000	Freehold and Long Leasehold Buildings £000	Assets in the Course of Construction £000	Equipment £000	Heritage Assets £000	Total £000
Cost						
At 1 August 2010	990	309,958	21,945	39,508	118	372,519
Additions	-	4,314	43,393	4,177	-	51,884
Disposals	-	(12)	-	(6,670)	-	(6,682)
Transfers	-	38,171	(38,171)	-	-	-
At 31 July 2011	<u>990</u>	<u>352,431</u>	<u>27,167</u>	<u>37,015</u>	<u>118</u>	<u>417,721</u>
Accumulated Depreciation						
At 1 August 2010	-	63,231	-	34,001	-	97,232
Charge for the year	-	9,086	-	4,405	-	13,491
Eliminated on disposal	-	(12)	-	(6,670)	-	(6,682)
At 31 July 2011	<u>-</u>	<u>72,305</u>	<u>-</u>	<u>31,736</u>	<u>-</u>	<u>104,041</u>
Net Book Value						
At 31 July 2011	<u>990</u>	<u>280,126</u>	<u>27,167</u>	<u>5,279</u>	<u>118</u>	<u>313,680</u>
At 31 July 2010	<u>990</u>	<u>246,727</u>	<u>21,945</u>	<u>5,507</u>	<u>118</u>	<u>275,287</u>

Buildings with a net book value of £221.1m (2010: £212.1m) and cost of £279.2m (2010: £263.2m) have been funded in part from Treasury sources. Should these particular buildings be sold the University would either have to surrender that element of the proceeds equal to the grant aided proportion of the original cost to DEL or apply the proceeds, in accordance with the Financial Memorandum with DEL.

University

	Freehold Land £000	Freehold and Long Leasehold Buildings £000	Assets in the Course of Construction £000	Equipment £000	Heritage Assets £000	Total £000
Cost						
At 1 August 2010	990	309,922	21,945	39,136	118	372,111
Additions	-	4,313	43,393	4,175	-	51,881
Disposals	-	(12)	-	(6,670)	-	(6,682)
Transfers	-	38,171	(38,171)	-	-	-
At 31 July 2011	<u>990</u>	<u>352,394</u>	<u>27,167</u>	<u>36,641</u>	<u>118</u>	<u>417,310</u>
Accumulated Depreciation						
At 1 August 2010	-	63,195	-	33,639	-	96,834
Charge for the year	-	9,086	-	4,394	-	13,480
Eliminated on disposal	-	(12)	-	(6,670)	-	(6,682)
At 31 July 2011	<u>-</u>	<u>72,269</u>	<u>-</u>	<u>31,363</u>	<u>-</u>	<u>103,632</u>
Net Book Value						
At 31 July 2011	<u>990</u>	<u>280,125</u>	<u>27,167</u>	<u>5,278</u>	<u>118</u>	<u>313,678</u>
At 31 July 2010	<u>990</u>	<u>246,727</u>	<u>21,945</u>	<u>5,497</u>	<u>118</u>	<u>275,277</u>

NOTES TO THE ACCOUNTS

12. INVESTMENTS

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Investment in subsidiary and other companies (note 12 (i))	6	6	2,261	2,111
Investment in joint ventures (note 12 (ii))	-	-	163	499
Investment in Crescent Capital II (note 23)	900	850	900	850
Investment in CVCP Properties plc	50	50	50	50
Investment in Fixed Interest Fund	19,808	20,000	19,808	20,000
General Investment Fund (note 12 (iii))	17,453	15,609	17,453	15,609
Shares in University Investment Fund (note 13)	6,182	6,011	6,182	6,011
Interests in group and associated undertakings (note 12 (iv))	2,932	2,808	-	-
Other unlisted investments (note 12 (iv))	339	712	-	-
Listed investments (note 12 (iv))	3,383	2,845	-	-
	<u>51,053</u>	<u>48,891</u>	<u>46,817</u>	<u>45,130</u>

(i) Investments in subsidiaries

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

University Book Shop Limited	Sale of books to the University and the general public. During 2010-11 the Board of the University Book Shop Limited took the decision to cease trading on 31 August 2011. Included within other income at note 4, staff costs at note 6 and other operating expenses at note 7 is £2.2m, £0.6m and £1.9m respectively, relating to the discontinued activities of the University Book Shop Limited.
QUBIS Limited	Technology transfer company which engages in the commercial exploitation of the academic and research activities of the University by establishing corporate ventures.
Queen's Overseas Recruitment Limited	Promotion and funding of educational courses and the recruitment of students. The company commenced trading in October 2009.

(ii) Investments in joint ventures

The University has interests in the following joint ventures:

The University Challenge Fund (Northern Ireland)	A Limited Partnership which has been established as a University Challenge Seed Fund to provide funding for university research discoveries. It is a joint venture between the University and the University of Ulster.
INTO Queen's LLP	A Limited Partnership which was incorporated in April 2009 to recruit and provide education to international students. It is a joint venture between Queen's Overseas Recruitment Limited and INTO University Partnerships Limited, a company registered in England.

	Consolidated	
	2011	2010
	£000	£000
Interest in joint ventures	(214)	327
Net assets at 1 August	(6)	152
New assets obtained	(726)	(693)
Share of deficit retained	<u>(946)</u>	<u>(214)</u>

(iii) Investment in the General Investment Fund

	Consolidated and University	
	2011	2010
	£000	£000
UK equities and investment trusts (listed)	17,453	15,609
Fixed interest stocks and equities at cost	<u>10,747</u>	<u>10,748</u>

NOTES TO THE ACCOUNTS

12. INVESTMENTS (continued)

(iv) Group and Associated Undertakings, Listed Investments and Other Unlisted Investments	Group and Associated Undertakings	Consolidated	
		Other Unlisted Investments	Listed Investments
	£000	£000	£000
Cost or Valuation			
At 1 August 2010	2,808	1,551	2,873
Additions	10	196	-
Net increase/(decrease) in unrealised appreciation	114	(5)	1,963
Disposals	-	(881)	(1,453)
At 31 July 2011 (note 21)	<u>2,932</u>	<u>861</u>	<u>3,383</u>
Provisions			
At 1 August 2010	-	839	28
Provided during the year	-	123	-
Disposals	-	(440)	(28)
At 31 July 2011	<u>-</u>	<u>522</u>	<u>-</u>
Net Book Value			
At 31 July 2011	<u>2,932</u>	<u>339</u>	<u>3,383</u>
At 31 July 2010	<u>2,808</u>	<u>712</u>	<u>2,845</u>
Cost or valuation at 31 July 2011 is represented by:			
Valuation	2,737	180	3,360
Cost	195	681	23
	<u>2,932</u>	<u>861</u>	<u>3,383</u>

The listed investments are listed on the London Stock Exchange and are stated at market value.

NOTES TO THE ACCOUNTS

12. INVESTMENTS (continued)

Details of the interests in associated undertakings are set out below. Each company is incorporated in Northern Ireland and the investments relate to ordinary £1 shares:

	% of equity held	Latest Audited Accounts	Share of net assets £000	Profit/(loss) for the year £000	Principle Activity
Acksen Limited	25.0	31-Jul-10	33	74	Supply of instruments for monitoring electromagnetic radiation
Kainos Software Limited	35.0	31-Mar-11	2,683	105	Computer services
Marengo Limited	27.6	31-Dec-10	25	6	Marine and environmental consultancy services
Biocolor Limited	20.0	31-Jul-10	117	128	Supply and development of assay kits for tissue laboratories
Lewis Fertility Limited	25.0	n/a	10	-	Provision of infertility testing services
Capna DSP Limited	20.0	31-Oct-10	21	62	Development of microchips - security applications
Titan IC Systems Limited	25.0	30-Jun-10	8	(8)	Development of semi-conductor technology
TruCorp Limited	22.0	31-Jul-10	50	36	Development of medical simulators
Amphora Limited	30.0	31-Jul-10	43	69	Manufacturing of concrete testing equipment
Lamhroe Limited	30.0	30-Apr-10	43	40	Development of microchips - communication applications

In addition to the above the Group has shareholdings, of less than 20%, in sixteen companies, all of which are incorporated in the United Kingdom.

Incorporating the results of Kainos Software Limited on an equity accounting basis (other relevant companies are not included on the basis of materiality) the University's consolidated results would have been:

	2011 £000	2010 £000
Share of profit of associated company (net of dividend paid)	39	5
Tax	(2)	35
Share of profit of associated company, after tax	37	40
Consolidated surplus for the year	1,074	13,231
Total surplus for the year	1,111	13,271

The University's proforma consolidated net assets, incorporating the investment on an equity accounting basis, are:

	2011 £000	2010 £000
Fixed assets:		
Tangible assets	313,680	275,287
Investment in associate	2,683	2,663
Other investments	50,107	48,677
	366,470	326,627
Endowment asset investments	41,600	39,017
Current assets	144,035	139,158
Creditors - due in less than one year	(50,739)	(46,901)
Net current assets	93,296	92,257
Total assets less current liabilities	501,366	457,901
Creditors falling due after more than one year	(47,124)	(47,994)
Provisions	(6,500)	(2,628)
Total net assets excluding pension liability	447,742	407,279
Net pension liability	(35,409)	(27,838)
Total net assets including pension liability	412,333	379,441

NOTES TO THE ACCOUNTS

13. ENDOWMENT ASSETS AND OTHER INVESTMENTS

The University Investment Fund is an investment fund operated on unit trust principles, and administered under the terms of the Queen's University (Trust Scheme) Order (Northern Ireland) 1982. The purpose of the Investment Fund is to provide an investment vehicle for the greater part of the University endowment funds and, in addition, the University itself holds investment units as a longer term investment funded from its general reserves.

The total movement in the value of the investments in the Investment Fund, and of the other assets held directly on behalf of individual endowments, is as follows:

	Consolidated			
	Investment Fund £000	Other Endowments £000	2011 Total £000	2010 Total £000
At 1 August	40,299	4,729	45,028	41,619
Additions	3,828	771	4,599	7,771
Disposals	(3,489)	(430)	(3,919)	(7,965)
Appreciation/(depreciation) on disposals/revaluation	2,384	(310)	2,074	3,603
At 31 July	<u>43,022</u>	<u>4,760</u>	<u>47,782</u>	<u>45,028</u>
Balance at 31 July held on behalf of:				
Endowments: Permanent	26,737	3,404	30,141	28,603
Expendable	9,733	1,356	11,089	10,359
	<u>36,470</u>	<u>4,760</u>	<u>41,230</u>	<u>38,962</u>
Investment Fund (undistributed income)	370	-	370	55
Total endowments and other funds (note 19)	<u>36,840</u>	<u>4,760</u>	<u>41,600</u>	<u>39,017</u>
University funds (note 21)	6,182	-	6,182	6,011
	<u>43,022</u>	<u>4,760</u>	<u>47,782</u>	<u>45,028</u>
Investments held at the year end comprise:				
	Investment Fund £000	Other Endowments £000	2011 Total £000	2010 Total £000
UK gilts and fixed interest stocks	5,964	-	5,964	5,600
UK equities (listed)	22,093	-	22,093	20,095
Overseas investments (listed)	5,814	-	5,814	5,280
Total fixed interest stocks and equities	<u>33,871</u>	<u>-</u>	<u>33,871</u>	<u>30,975</u>
Land and property	4,195	1,160	5,355	6,368
Other investments	3,380	90	3,470	2,914
Bank balances	1,576	3,510	5,086	4,771
Total investments	<u>43,022</u>	<u>4,760</u>	<u>47,782</u>	<u>45,028</u>
Fixed interest stocks and equities at cost	<u>25,502</u>	<u>-</u>	<u>25,502</u>	<u>25,502</u>
Land and property at cost	<u>2,157</u>	<u>244</u>	<u>2,401</u>	<u>2,401</u>

NOTES TO THE ACCOUNTS

13. ENDOWMENT ASSETS AND OTHER INVESTMENTS (continued)

	University			
	Investment Fund £000	Other Endowments £000	2011 Total £000	2010 Total £000
At 1 August	41,286	4,729	46,015	42,513
Additions	3,829	771	4,600	7,864
Disposals	(3,489)	(430)	(3,919)	(7,965)
Appreciation/(depreciation) on disposals/reevaluation	2,051	(310)	1,741	3,603
At 31 July	<u>43,677</u>	<u>4,760</u>	<u>48,437</u>	<u>46,015</u>
Balance at 31 July held on behalf of:				
Endowments: Permanent	27,282	3,404	30,686	29,321
Expendable	<u>9,843</u>	<u>1,356</u>	<u>11,199</u>	<u>10,535</u>
	37,125	4,760	41,885	39,856
Investment Fund (undistributed income)	<u>370</u>	-	<u>370</u>	<u>148</u>
Total endowments and other funds (note 19)	37,495	4,760	42,255	40,004
University funds (note 21)	<u>6,182</u>	-	<u>6,182</u>	<u>6,011</u>
	<u>43,677</u>	<u>4,760</u>	<u>48,437</u>	<u>46,015</u>
Investments held at the year end comprise:				
	Investment Fund £000	Other Endowments £000	2011 Total £000	2010 Total £000
UK gilts and fixed interest stocks	5,964	-	5,964	5,600
UK equities (listed)	22,093	-	22,093	20,095
Overseas investments (listed)	5,814	-	5,814	5,280
UK equities (unlisted)	-	-	-	333
Total fixed interest stocks and equities	<u>33,871</u>	-	<u>33,871</u>	<u>31,308</u>
Land and property	4,195	1,160	5,355	6,368
Other investments	4,035	90	4,125	3,568
Bank balances	<u>1,576</u>	<u>3,510</u>	<u>5,086</u>	<u>4,771</u>
Total investments	<u>43,677</u>	<u>4,760</u>	<u>48,437</u>	<u>46,015</u>
Fixed interest stocks and equities at cost	<u>25,963</u>	-	<u>25,963</u>	<u>25,502</u>
Land and property at cost	<u>1,728</u>	<u>244</u>	<u>1,972</u>	<u>2,401</u>

NOTES TO THE ACCOUNTS

14. DEBTORS

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors for research services	4,996	4,895	4,996	4,895
Other debtors	6,183	6,193	5,546	5,580
Prepayments and accrued income	9,731	11,718	9,639	11,165
Deferred tax asset (see below)	10	9	-	-
Due from subsidiaries:				
Queen's Overseas Recruitment Limited	-	-	412	552
QUBIS Limited	-	-	-	678
	<u>20,920</u>	<u>22,815</u>	<u>20,593</u>	<u>22,870</u>

The deferred tax asset relates to subsidiary companies only and comprises:

Accelerated capital allowances	-	1	-	-
Other timing differences	10	8	-	-
	<u>10</u>	<u>9</u>	<u>-</u>	<u>-</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Research funds received in advance	15,996	16,555	15,996	16,555
Creditors	23,781	17,951	23,794	17,914
Social security and other taxation payable	3,543	3,841	3,543	3,840
Accruals and deferred income	6,549	7,726	6,456	7,622
Due to subsidiary, QUBIS Limited	-	-	137	-
Bank loans	870	828	870	828
	<u>50,739</u>	<u>46,901</u>	<u>50,796</u>	<u>46,759</u>

NOTES TO THE ACCOUNTS

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

Consolidated and University

	2011	2010
	£000	£000
Bank loans	46,796	47,666
Other long term creditors	328	328
	<u>47,124</u>	<u>47,994</u>
The bank loans are repayable as follows:		
Between one and two years	907	869
Between two and five years	2,988	2,861
In five years or more	42,901	43,936
	<u>46,796</u>	<u>47,666</u>

The bank loans are all at fixed interest rates and are repayable by instalments.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated and University

	At 1 August 2010 £000	Additions/ Release £000	Expenditure £000	At 31 July 2011 £000
Restructuring provision (note 7)	2,628	6,500	(2,628)	6,500
	<u>2,628</u>	<u>6,500</u>	<u>(2,628)</u>	<u>6,500</u>

The provision is in relation to a voluntary severance and voluntary early retirement scheme to be implemented in 2011-12. It is considered the scheme will reduce pay costs over a two year period.

18. DEFERRED CAPITAL GRANTS

Consolidated and University

	DEL £000	Other Grants and Benefactors £000	Total £000
Balance at 1 August 2010			
Buildings	164,744	66,519	231,263
Equipment	3,577	1,569	5,146
Heritage Assets	117	-	117
Total	<u>168,438</u>	<u>68,088</u>	<u>236,526</u>
Cash received			
Buildings	38,260	3,213	41,473
Equipment	2,444	1,721	4,165
Heritage Assets	-	-	-
Total	<u>40,704</u>	<u>4,934</u>	<u>45,638</u>
Released to Income and Expenditure			
Buildings (notes 1, 3 & 4)	5,541	1,820	7,361
Equipment (notes 1, 3 & 4)	2,676	1,622	4,298
Total	<u>8,217</u>	<u>3,442</u>	<u>11,659</u>
Balance at 31 July 2011			
Buildings	197,463	67,912	265,375
Equipment	3,345	1,668	5,013
Heritage Assets	117	-	117
Total	<u>200,925</u>	<u>69,580</u>	<u>270,505</u>

NOTES TO THE ACCOUNTS

19. ENDOWMENTS AND OTHER FUNDS

	Consolidated					2011 Total £000	2010 Total £000
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	Undistributed Investment Fund Income £000		
	Balance at 1 August						
Capital value	3,175	24,938	28,113	9,882	-	37,995	34,929
Accumulated income	-	593	593	412	17	1,022	1,207
	<u>3,175</u>	<u>25,531</u>	<u>28,706</u>	<u>10,294</u>	<u>17</u>	<u>39,017</u>	<u>36,136</u>
Income for the year	71	1,246	1,317	578	-	1,895	1,708
Expenditure for the year	(71)	(722)	(793)	(171)	-	(964)	(874)
	<u>-</u>	<u>524</u>	<u>524</u>	<u>407</u>	<u>-</u>	<u>931</u>	<u>834</u>
Transfers to research and other funds	-	(72)	(72)	(18)	-	(90)	(100)
Endowment additions/(disposals)	-	493	493	6	221	720	(778)
(Depreciation)/appreciation of endowment asset investments	(258)	883	625	353	44	1,022	2,925
At 31 July (note 13)	<u>2,917</u>	<u>27,359</u>	<u>30,276</u>	<u>11,042</u>	<u>282</u>	<u>41,600</u>	<u>39,017</u>
Represented by:							
Capital value	2,917	26,190	29,107	10,157	-	39,264	37,995
Accumulated income	-	1,169	1,169	885	282	2,336	1,022
	<u>2,917</u>	<u>27,359</u>	<u>30,276</u>	<u>11,042</u>	<u>282</u>	<u>41,600</u>	<u>39,017</u>
	University					2011 Total £000	2010 Total £000
Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	Undistributed Investment Fund Income £000			
Balance at 1 August							
Capital value	3,209	24,938	28,147	9,882	-	38,029	34,963
Accumulated income	-	1,173	1,173	653	149	1,975	2,067
	<u>3,209</u>	<u>26,111</u>	<u>29,320</u>	<u>10,535</u>	<u>149</u>	<u>40,004</u>	<u>37,030</u>
Income for the year	71	1,246	1,317	578	-	1,895	1,801
Expenditure for the year	(71)	(722)	(793)	(171)	-	(964)	(874)
	<u>-</u>	<u>524</u>	<u>524</u>	<u>407</u>	<u>-</u>	<u>931</u>	<u>927</u>
Transfers to research and other funds	-	(72)	(72)	(18)	-	(90)	(100)
Endowment additions/(disposals)	-	493	493	6	221	720	(778)
(Depreciation)/appreciation of endowment asset investments	(269)	687	418	272	-	690	2,925
At 31 July (note 13)	<u>2,940</u>	<u>27,743</u>	<u>30,683</u>	<u>11,202</u>	<u>370</u>	<u>42,255</u>	<u>40,004</u>
Represented by:							
Capital value	2,940	26,190	29,130	10,157	-	39,287	38,029
Accumulated income	-	1,553	1,553	1,045	370	2,968	1,975
	<u>2,940</u>	<u>27,743</u>	<u>30,683</u>	<u>11,202</u>	<u>370</u>	<u>42,255</u>	<u>40,004</u>

NOTES TO THE ACCOUNTS

19. ENDOWMENTS AND OTHER FUNDS (continued)

	2011	2010
	£000	£000
Endowment funds are grouped for specific purposes as follows:		
Chairs and lectureships	6,007	5,841
Scholarship, studentship, medal and prize funds	9,198	8,216
Research, directorate, school or faculty use	18,401	17,439
Public lectures	1,317	1,262
Travel	182	172
Student amenities and associated objects	1,379	1,310
Student assistance	1,220	1,187
Other restricted funds	1,239	1,220
General funds	2,942	3,208
Total endowments	<u>41,885</u>	<u>39,855</u>
Being:		
Permanent endowments	30,683	29,320
Restricted expendable endowments	11,202	10,535
	<u>41,885</u>	<u>39,855</u>

20. GENERAL RESERVES

	Consolidated	University
	2011	2011
	£000	£000
Balance at 1 August 2010	87,420	88,892
Surplus for the year	1,074	2,017
Transfer from revaluation reserve in respect of disposal of revalued asset	903	-
Tax relating to realised revaluation on the disposal of an investment	(188)	-
Actuarial loss - RBP pension scheme	(8,663)	(8,663)
Balance at 31 July 2011	<u>80,546</u>	<u>82,246</u>
Analysis of reserves	2011	2011
	£000	£000
Capital reserves	41,635	41,003
Departmental reserves	33,124	33,124
Other reserves	41,196	43,528
	115,955	117,655
Pension reserve	(35,409)	(35,409)
Balance at 31 July 2011	<u>80,546</u>	<u>82,246</u>

NOTES TO THE ACCOUNTS

21. REVALUATION RESERVE

	Consolidated				
	Associated Undertakings, Listed and Unlisted Investments	University Investment Fund	General Investment Fund	Total 2011	Total 2010
	£000	£000	£000	£000	£000
Market value (notes 12 & 13)	7,176	6,182	17,453	30,811	28,852
Cost	(436)	(2,629)	(10,747)	(13,812)	(15,037)
Revaluation surplus	<u>6,740</u>	<u>3,553</u>	<u>6,706</u>	<u>16,999</u>	<u>13,815</u>
At 1 August 2010	5,572	3,382	4,861	13,815	10,280
Revaluation in the year	2,071	171	1,845	4,087	4,142
Transfer to revenue reserves in respect of disposal of revalued asset	(903)	-	-	(903)	(607)
At 31 July 2011	<u>6,740</u>	<u>3,553</u>	<u>6,706</u>	<u>16,999</u>	<u>13,815</u>

	University			
	University Investment Fund	General Investment Fund	Total 2011	Total 2010
	£000	£000	£000	£000
Market value (notes 12 & 13)	6,182	17,453	23,635	21,620
Cost	(2,629)	(10,747)	(13,376)	(13,377)
Revaluation surplus	<u>3,553</u>	<u>6,706</u>	<u>10,259</u>	<u>8,243</u>
At 1 August 2010	3,382	4,861	8,243	5,746
Revaluation in the year	171	1,845	2,016	2,497
At 31 July 2011	<u>3,553</u>	<u>6,706</u>	<u>10,259</u>	<u>8,243</u>

22. CAPITAL COMMITMENTS

	Consolidated and University	
	2011	2010
	£000	£000
Commitments contracted at 31 July	22,430	61,453
Authorised but not contracted at 31 July	128,524	116,179
	<u>150,954</u>	<u>177,632</u>

23. CONTINGENT LIABILITIES

The University has entered into a limited partnership agreement with Crescent Capital II LLP. The terms of this agreement have resulted in the University having a financial commitment to provide future finance of up to £1m in the Crescent Capital Fund.

To date, financing of £900,000 has been provided by the University and this has been accounted for within investments at 31 July 2011.

NOTES TO THE ACCOUNTS

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(i) Reconciliation of the operating surplus to the net cash inflow from operating activities	2011	2010
	£000	£000
Operating surplus	1,074	13,231
Movement on RBP pension and liability	(1,092)	177
Transfer to endowment reserves	931	834
Tax gain realised on disposal of investment	(188)	-
Share of joint venture's deficit	726	693
Depreciation (note 11)	13,491	13,343
Deferred capital grants released (note 18)	(11,659)	(10,942)
Investment income (note 5)	(6,979)	(5,949)
Profit on sale of endowment assets	(267)	(386)
Interest payable (note 8)	3,279	5,997
Decrease in stocks	316	55
Decrease/(increase) in debtors	1,895	(137)
Increase in creditors	3,796	3,280
Increase/(decrease) in endowment bank balance (see note 24 v)	315	(423)
Increase/(decrease) in provisions	3,872	(7,441)
	<u>9,510</u>	<u>12,332</u>
Net cash inflow from operating activities	9,510	12,332
(ii) Return on investments and servicing of finance	2011	2010
	£000	£000
Income from endowments (note 19)	1,895	1,708
Income from short term investments (note 5)	3,662	4,100
Endowment income transferred to research and other funds (note 19)	(90)	(100)
Interest paid (note 8)	(3,279)	(5,997)
	<u>2,188</u>	<u>(289)</u>
(iii) Capital expenditure and financial investment	2011	2010
	£000	£000
Tangible assets acquired (note 11)	(51,884)	(35,396)
Subsidiary investments acquired	(206)	-
Endowment asset investments acquired (note 13)	(4,599)	(7,771)
Total fixed and endowment asset investment acquired	(56,689)	(43,167)
Receipts from sales of endowment assets	4,186	8,351
Receipts from sale of subsidiary's investments	3,288	782
Deferred capital grants received (note 18)	45,638	38,075
Investment in fixed interest fund	-	(20,000)
Other investments	(610)	(680)
Endowments receipts/(disposals) (note 19)	720	(778)
	<u>(3,467)</u>	<u>(17,417)</u>

NOTES TO THE ACCOUNTS

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(iv) Analysis of changes in financing during the year

	2011 £000	2010 £000
Loans:		
Balance at 1 August	48,494	68,380
Capital repayments	(828)	(19,886)
Balance at 31 July	<u>47,666</u>	<u>48,494</u>

(v) Analysis of changes in net funds

	At 1 August 2010 £000	Cash Flows £000	At 31 July 2011 £000
Cash at bank and in hand:			
Endowment assets (note 13)	4,771	315	5,086
Other	5,473	779	6,252
	<u>10,244</u>	<u>1,094</u>	<u>11,338</u>
Short term deposits	110,091	6,309	116,400
Debt due within one year (note 15)	(828)	(42)	(870)
Debt due after one year (note 16)	(47,666)	870	(46,796)
	<u>71,841</u>	<u>8,231</u>	<u>80,072</u>

NOTES TO THE ACCOUNTS

25. PENSION LIABILITY

Defined Benefit Schemes

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

The latest actuarial valuation of the USS, for which results are available, was carried out on 31 March 2008, when future investment returns, pay increases and pension increases were assumed at 6.1%, 4.3% and 3.3% respectively. The market value of the scheme assets at the date of the last valuation was £28,842m which covered 71% of the members' accrued benefits at that time. It is not possible to identify each institution's share of the underlying assets and liabilities of USS and hence contributions are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year. The level of contributions paid by employers to USS was 16% of pensionable salaries, consistent with the long-term funding objectives of the scheme. Contributions paid by members were 6.35% of pensionable salary, and this increased to 7.5% on 1 October 2011. A salary sacrifice scheme was introduced by the University in April 2008. Staff surrender that part of their salary equivalent to the cost of USS contributions which is then paid by the University on their behalf.

The latest actuarial valuation of the RBP, for which results are available, was carried out at 31 March 2008 by a qualified independent actuary. The valuation has been projected forward as at 31 July 2011.

The major assumptions used by the actuary for the purposes of these accounts are:

	2011	2010
Pay increase	3.85%	3.65%
Pension increase	2.95%	2.75%
Pension increase rate in deferment	2.95%	2.75%
Discount rate	5.25%	5.50%
Inflation assumption	3.35%	3.15%

The weighted average life expectancies on retirement at age 65 used to determine benefit obligations are:

	2011	2010
Member age 65 (current life expectancy)	20.5	19.5
Member age 40 (life expectancy at 65)	22.7	20.5

The split of assets in the scheme and the expected rate of return were:

	31 July 2011		31 July 2010		31 July 2009	
	Expected long-term rate of return	% of Plan Assets	Expected long-term rate of return	% of Plan Assets	Expected long-term rate of return	% of Plan Assets
Equities	6.95%	65.35%	7.25%	63.81%	7.10%	61.46%
Bonds	4.05%	30.00%	4.30%	30.70%	4.60%	32.24%
Property	6.95%	1.17%	7.25%	1.39%	7.10%	1.40%
Cash and other	0.50%	3.48%	0.50%	4.10%	0.50%	4.90%
Total market value of assets	<u>5.86%</u>	<u>100.00%</u>	<u>6.07%</u>	<u>100.00%</u>	<u>5.97%</u>	<u>100.00%</u>

To develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns for each asset class. The expected return for each asset class was then weighted, based on the target asset allocation, to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.86% assumption.

(i) Analysis of the amount shown in the balance sheet

	2011	2010
	£000	£000
Total market value of assets	113,912	101,903
Present value of the wholly or partly funded obligations	(149,321)	(129,741)
Net pension liability	<u>(35,409)</u>	<u>(27,838)</u>

NOTES TO THE ACCOUNTS

25. PENSION LIABILITY (continued)

(ii) Analysis of the amount charged to staff costs within operating surplus	2011	2010
	£000	£000
Service cost	2,346	2,530
Past service cost	-	-
Total pension cost (note 6)	<u>2,346</u>	<u>2,530</u>
(iii) Analysis of net return on pension scheme charged to interest payable	2011	2010
	£000	£000
Expected return on pension scheme assets	6,179	5,302
Interest on pension liabilities	(7,075)	(7,914)
Net charge	<u>(896)</u>	<u>(2,612)</u>
(iv) Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)	2011	2010
	£000	£000
Actuarial (loss)/gain recognised in STRGL	<u>(8,663)</u>	<u>8,410</u>
(v) Movement in deficit during the year	2011	2010
	£000	£000
Deficit in scheme at 1 August	(27,838)	(36,071)
Movement in the year:		
Current service cost	(2,346)	(2,530)
Contributions	4,334	4,965
Other finance costs	(896)	(2,612)
Actuarial (loss)/gain	(8,663)	8,410
Deficit in scheme at 31 July	<u>(35,409)</u>	<u>(27,838)</u>
The valuation at 31 July 2011 showed an increase in the deficit from £27.838m to £35.409m.		
(vi) Analysis of the movement in the present value of the benefit obligation	2011	2010
	£000	£000
Benefit obligation at 1 August	129,741	124,993
Current service cost	2,346	2,530
Interest cost	7,075	7,914
Plan participants' contributions	67	72
Actuarial loss/(gain)	14,724	(485)
Benefits paid	(4,632)	(5,283)
Benefit obligation at 31 July	<u>149,321</u>	<u>129,741</u>
(vii) Analysis of the movement in the market value of the scheme assets	2011	2010
	£000	£000
Value of assets at 1 August	101,903	88,922
Expected return on plan assets	6,179	5,302
Actuarial gains on plan assets	6,061	7,925
Employer contributions	4,334	4,965
Member contributions	67	72
Benefits paid from plan	(4,632)	(5,283)
Value of assets at 31 July	<u>113,912</u>	<u>101,903</u>

NOTES TO THE ACCOUNTS

25. PENSION LIABILITY (continued)

(viii) History of experience; gains and losses	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Difference between expected and actual return on scheme assets	6,061	7,925	(10,628)	(10,830)	3,196
Percentage of scheme assets	5%	8%	-12%	-12%	3%
Experienced gains and losses on scheme liabilities	891	2,050	33	(2,575)	(5,581)
Percentage of present values of plan liabilities	1%	2%	0%	-2%	-4%
Total amount recognised in STRGL	(8,663)	8,410	(9,213)	(2,243)	7,522
Percentage of scheme assets	-8%	9%	-10%	-2%	6%

The contributions expected to be paid during 2011-12 are £4.3m

26. STUDENT SUPPORT FUNDS

	2011	2010
	£000	£000
Department for Employment and Learning	1,195	888
Interest received	-	10
University contribution	112	64
	<u>1,307</u>	<u>962</u>
Disbursed to students	(1,104)	(1,324)
Underspend /(overspend) in the year	203	(362)
Opening balance as at 1 August	<u>79</u>	<u>441</u>
Closing balance as at 31 July	<u><u>282</u></u>	<u><u>79</u></u>

27. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The University is aware of the availability of derivatives and other financial instruments and their potential use in the mitigation of financial risk (including interest rate risk and exchange rate risk). Given the nature of its funding arrangements and its limited external borrowings (see note 16), the University considers that no material risk currently exists under the above headings and it makes no use of derivatives and complex financial instruments. The University will however review this policy in the light of any future changes in either funding or financing.

28. DISCLOSURE OF RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of Senate, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of Senate may have an interest. All transactions involving organisations in which a member of Senate may have an interest are conducted at arms length and in accordance with the University's financial regulations and normal procurement procedures.

The University has taken advantage of the exemptions contained in FRS8 "Related Party Transactions" not to disclose transactions with subsidiaries, as all of the voting rights of the company are controlled within the Group.

