



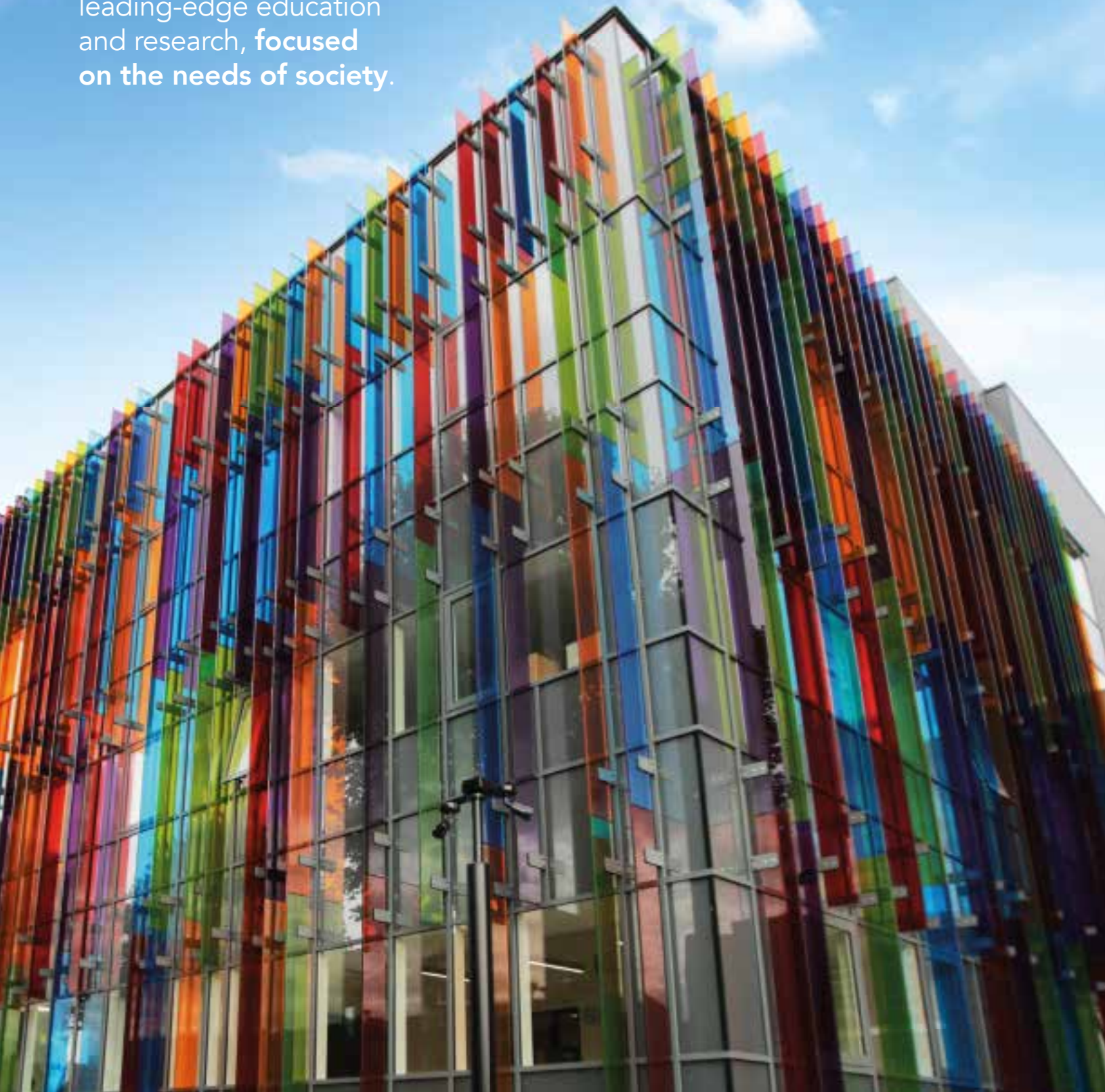
Queen's University  
Belfast

# Consolidated Financial Statements

2015-2016

## Vision 2020

A world class **international** university that **supports outstanding students** and staff, working in world class facilities, conducting leading-edge education and research, **focused on the needs of society.**



# Contents

**04 — 17**

Operating and  
Financial Review

**18 — 21**

Public Benefit  
Statement

**22 — 24**

Corporate  
Governance

**25**

Responsibilities  
of the Senate  
of the University

**26 — 27**

Independent  
Auditor's Report

**28 — 31**

Statement of Principal  
Accounting Policies

**32**

Consolidated and  
University Statement  
of Comprehensive  
Income

**33 — 34**

Consolidated and  
University Statement  
of Changes in Reserves

**35**

Consolidated and  
University Balance  
Sheets


**36**

Consolidated  
Cash Flow

**37 — 68**

Notes to the  
Accounts

Queen's University Belfast is registered with the Charity Commission for Northern Ireland NIC101788



This Operating and Financial Review (OFR) forms part of the consolidated Financial Statements which are presented to Senate and which have been prepared in accordance with the new (2015) Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions.

# Operating and Financial Review

## Overview

Queen's University Belfast (the University), was founded as Queen's College in 1845, and became a university in its own right in 1908. Today, it is one of the leading universities in the UK and Ireland, with a distinguished heritage and history. With an annual turnover in excess of £316m, and some 24,000 students, Queen's is one of the region's largest employers, with over 3,700 staff. Queen's plays a unique leadership role in Northern Ireland contributing £1 billion to the local economy and supports over 9,250 full-time jobs.

A member of the prestigious Russell Group, a body encompassing the UK's 24 leading research-intensive universities, Queen's combines excellence in research and education with a student centered ethos. Queen's is a dynamic and diverse institution which, in this era of the knowledge-based economy, plays an increasingly important role in the economic development of the region. We are proud of our track record in knowledge transfer and our spin-out companies including Kainos, Andor Technology and PathXL which provide high value added employment opportunities for our graduates.

Queen's University supports global leading research across a range of disciplines. To enhance this work, we have established a number of interdisciplinary Global Research Institutes and Pioneer Research Programmes which bring researchers together to tackle some of the biggest global challenges of our generation. Through our education and research, Queen's University plays a leading role in preparing tomorrow's leaders, public servants and entrepreneurs. We are central in contributing to Northern Ireland's growing global reputation whilst delivering significant local impact. We aspire to promote global thinking locally in order to make Northern Ireland a powerhouse of skills, innovation and economic prosperity.

The Vision for Queen's is the development of a world class international university that supports outstanding students and staff, working in world class facilities, conducting leading-edge education and research focused on the needs of society.

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

The format of the Financial Statements for this year has changed significantly as it is the first year of adoption of a new Financial Reporting Standard (FRS102) and the Statement of Recommended Practice (SORP) for Further and Higher Education Institutions. The introduction of FRS102 and the SORP represents the most significant change to accounting standards in a generation and has fundamentally changed the presentation of our Financial Statements.

24,000  
STUDENTS

OVER  
3,700  
STAFF

CONTRIBUTING  
£1bn  
TO THE LOCAL  
ECONOMY

SUPPORT  
9,250  
FULL TIME  
JOBS

# Consolidated Income Review

A summary of the Consolidated Statement of Comprehensive Income (SOCl) position is provided in the table below.

## Summary of the University's SOCl Position

	2015-16 £m	2014-15* £m
Income	316.5	320.1
Expenditure	(315.9)	(314.7)
Surplus before other gains and losses	0.6	5.4
Gain on disposal of fixed assets and investments	1.8	23.2
<b>Surplus before tax and movement in fair value</b>	<b>2.4</b>	<b>28.6</b>
Fair value gain on investments	4.3	34.8
Actuarial loss in respect of pension schemes	(25.6)	(14.3)
<b>Total comprehensive (loss)/ income for the Year</b>	<b>(18.9)</b>	<b>49.1</b>

\*restated - transition adjustments are provided in note 38 of the Financial Statements

2015-16 was a successful year for the University, with a surplus of £2.4m, before tax and movement in fair value.

The net assets position also remained strong at £415m.

Financial Sustainability continues to underpin the implementation of integrated plans to realise the ambition of Vision 2020. Effective governance and strong financial performance is critical to the success of Queen's and we are well positioned to meet the challenges facing the sector.

# Financial Highlights

2015-2016



## Surplus is 0.8%

Surplus as a percentage of income reduced from 1.7% in 2014-15 to 0.8% on a like for like basis. Note 1.



## Growth in Income from Non-Government Sources

Income from non-government sources has increased year on year by 5%. Note 2.



## International Student Income

International student fee income (full and part-time) increased by £2.4m (12%) during 2015-16.



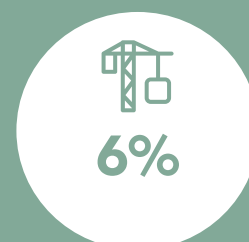
## Income from Research Grants and Contracts

Income from research grants and contracts, excluding the non-recurrent RDEC receipts, increased year on year by 11%. Note 3.



## Staff Costs % of Income

Staff costs represent 57% of income; this compares to 59% in 2014-15.



## Expenditure in Core Estate

Expenditure in Core Estate represents 6% of the Insurable Replacement Value.

## Notes

1. Surplus is prior to the fair value gain on investments and the actuarial loss in respect of the Retirement Benefits Plan (RBP). (For 2014-15 the surplus on the Group's disposal of holding in Kainos is excluded)
2. Non-Government income sources exclude recurrent funding from the Department for Economy (DfE) in respect of teaching, research and specific grants including the Postgraduate Award Scheme.
3. Research Development Expenditure Credits (RDEC) of £5.4m and £0.8m were received in 2014-15 and 2015-16.

## Income

Total income for the year was £316.5m, representing a decrease of £3.6m (1.1%). The main components of this income are shown in Chart 1.

The 2015-16 budget settlement to higher education (HE) within Northern Ireland, reduced the recurrent grant for teaching and research from the former Department for Employment and Learning (DEL) by 8.6%. Furthermore, funding for previously committed additional undergraduate and postgraduate places through the Economy and Jobs Initiative ceased and was not available in 2015-16.

Income from student fees has increased over the last number of years. The key student recruitment targets were achieved, resulting in an increase of £5.3m (6.1%) in income from tuition fees and education contracts. Of this total, international tuition fee income increased by £2.4m or 12%.

Research income, excluding the non-recurrent RDEC receipts, also increased in year by £7.4m, reflecting ongoing success in the implementation of our Research Strategy.



GOVERNMENT GRANTS	29%
TUITION FEES & EDUCATION CONTRACTS	29%
RESEARCH GRANT & CONTRACTS	24%
OTHER INCOME	16%
INVESTMENT INCOME, DONATIONS AND ENDOWMENTS	2%

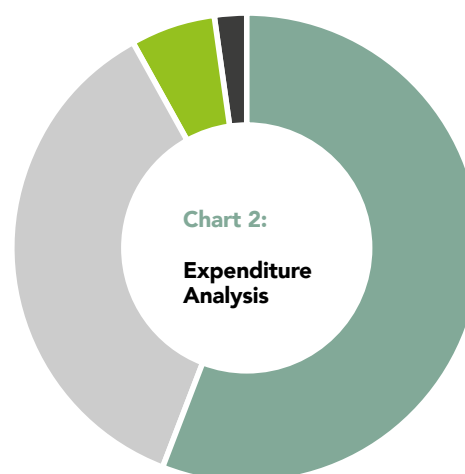
## Expenditure

Total expenditure for the year was £315.9m. This is broadly in line with last year's recurrent position. The main components of expenditure are shown in Chart 2.

Staff costs decreased by £8.9m (4.7%), mainly as a result of the movement in the provision to recognise the University's obligations to fund the USS deficit recovery plan. The position also reflects the implementation of the VS/VER Scheme 2015. The Scheme provided a key enabler to resize the institution, in response to the former Department for Employment and Learning (DEL) funding cuts, and was implemented

in 2015-16. By 31 December 2015, 142 staff who had accepted the terms of the Scheme, had left the University.

Other operating expenditure increased by £6.8m (6.4%), and includes expenditure on consumables, laboratory, equipment, equipment maintenance costs and costs relating to the repayment of loan finance.



STAFF COSTS	57%
OTHER OPERATING EXPENSES	35%
DEPRECIATION	6%
INTEREST & OTHER FINANCE COSTS	2%

### Gain on Disposal of Fixed Assets and Investments

In 2015-16, a gain of £1.8m was realised following the sale of land at Upper Malone and the disposal of the Group's holding in Path XL.

The comparable figure for 2014-15 relates to the gain on the partial disposal of the Group's holding in Kainos Limited, which was listed on the London Stock Exchange in July 2015.

### Fair Value Gain on Investments and Investment Property

The fair value gain on the Group's assets and investments at 31 July 2016 resulted in an unrealised benefit of £4.3m within the SOCI.

### Actuarial Loss in Respect of Pension Schemes

Under FRS102, the SOCI reflects an actuarial loss of £25.6m for the RBP Pension Scheme for the year ended 31 July 2016.



## Balance Sheet

The University had total consolidated net assets of £415m as at 31 July 2016. This reflects the significant investment in the capital programme over the last decade, the strong liquidity position of the University, and its effective working capital management processes, in particular, the robust control of debtors.

## Investment Funds and Investment Policy

The notes to the Financial Statements set out full details of the Investment Funds of the University which are currently valued at £152m.

During 2015-16, the University undertook a comprehensive review of its investment policy, informed by best practice within the charity and higher education sectors. Following this review, Senate approved a new Responsible Investment Policy at its June meeting. The first annual report, under the new policy, will be prepared for the 2016-17 academic year.

## Treasury Management/ Cash Flow

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

## Capital and Long Term Maintenance

Significant capital expenditure has continued across the entire University in terms of new build and major refurbishment of the existing estate. The total projected cost of approved building projects is currently in the region of £350m. These projects will maintain the momentum of the capital development programme investing in world class infrastructure for students and staff.

A number of specific projects, including the redevelopment of the Bernard Crossland Building, to accommodate Computer Science, and the Maths and Physics Teaching Centre were completed during the year. Both of these developments have provided dynamic and stimulating environments for current and future staff and students.

Projects which commenced during the year include the new Biological Sciences building, which will consolidate the School's activities in one location. Plans are also at an advanced stage to expand Queen's Accommodation, providing over 1,200 student bedrooms in the heart of Belfast.

**£350m**  
investment in World-Class  
infrastructure for students  
and staff generating  
**7,000** jobs in the  
construction industry.

## Pension Schemes

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

The RBP funding position is calculated annually, in accordance with FRS102, and a full Actuarial Valuation is undertaken triennially by the Scheme Actuary.

As set out in note 22 of the Financial Statements, the RBP funding position under FRS102 shows a deficit of £94.6m at 31 July 2016 (£65.9m at 31 July 2015). The deterioration in the funding position during the 12 months is mainly due to a decline in Corporate Bond yields, which has an adverse impact on the value of pension liabilities.

The most recently completed Actuarial Valuation of the RBP was at 31 March 2014, and this identified a deficit of £24.0m. A recovery plan was agreed between the Trustees and the University which targets the elimination of the funding deficit over a 15 year period, with contributions to the RBP remaining unchanged at 28% of pensionable earnings (member contribution rate 9% and University contribution rate of 19%). The next Actuarial Valuation of the RBP will be at 31 March 2017.

USS is the principal pension scheme provided in the Higher Education sector and, with 180,000 active members, some 360 participating employers, and assets of over £50bn, is one of the largest pension schemes in the UK. Previous accounting guidance (FRS17) did not require the funding position of multi-employer pension schemes, such as USS, to be disclosed in the Financial Statements of participating institutions.

However, FRS102 requires each institution to recognise a liability for its share of the USS funding deficit, based on its commitment to the recovery plan agreed, as part of the outworkings of the most recent Actuarial Valuation. As set out in note 23 of the Financial Statements, the University's share of the USS deficit at 31 July 2016, which is based on the 31 March 2014 Actuarial Valuation, is £36.2m.

The most recent Actuarial Valuation, at 31 March 2014, showed a funding deficit of £5bn. The 2014 Recovery Plan targeted elimination of this deficit over a 15 year period through increases to employer and member contributions rates from April 2016, and a series of changes to the benefit structure. The first phase of changes to the benefit design of USS, agreed as part of the 2014 Recovery Plan, were implemented in April 2016, with Phase 2 adopted in October 2016.

The next USS Actuarial Valuation, as at 31 March 2017, is expected to identify that the funding position will be significantly worse than that calculated in 2014.

Accordingly, it is recognised that pension scheme deficits are currently one of the main sources of financial risk and uncertainty across the Higher Education (HE) sector.

USS is the principal pension scheme provided in the Higher Education sector and, with **180,000 active members, some 360 participating employers, and assets of over £50bn**, is one of the largest pension schemes in the UK.

# Institutional Size and Shape Review 2016

With dynamic new leadership and an inspirational vision, the University is now poised for the next major step-change in its journey. Underpinning Vision 2020 is a bold culture change that will embrace the challenges ahead through collective leadership, innovation, transparency and conviction.

Alongside this cultural change, the Vision proposes a unique combination of internationally recognised research excellence; a market-attuned, high quality educational portfolio; world class staff and students; working in an interdisciplinary and vibrant international environment. This will provide the impetus, expertise and resources to make a game-changing contribution to current and emerging global challenges that will have a profound and beneficial impact on society.

A key driver of Vision 2020 is to become distinguished by our academic strengths in specific areas, and recognised globally for our social, economic, educational and cultural impact. Critical to achieving a step-change has been a radical rethink about the size and shape of Queen's, and a reshaping of our future Vision to enable Queen's to truly compete on a world class level.

Core aspects of the University's strategic direction which shaped the review included:

- A new leadership and management structure to empower **academic leadership**;
- Raised **quality** and **ambition**, through academic standards which align with being a world class institution;
- Creation of new **Global Research Institutes (GRIs)** to increase **interdisciplinarity**, to enhance the level of selectivity in investment and to **raise capacity** in areas of key research strength;
- Prioritised **postgraduate and international student recruitment** through investment in the supporting infrastructure, including a new Graduate School;
- **Integration** of professional services into the heart of Faculties.

**Vision 2020 includes three major priorities for growth, as set out below:**

## Research

Increase research income from **£55m to £110m**

## Postgraduate Provision

Increase postgraduate profile from **23% to 30%**

## Internationalisation

Increase international students from **8% to 20%**

The "Institutional Size and Shape Review 2016" has focused on the actions and initial investments required to begin to achieve these goals. Specific annual targets have been agreed by Faculty, and School, for research income, undergraduate and postgraduate student recruitment, and international student recruitment.



Underpinning **Vision 2020** is a bold culture change that will **embrace the challenges ahead** through collective leadership, innovation, transparency and conviction.

# HE Funding Position

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

Northern Ireland is the only region in the UK which has reduced government expenditure in HE in recent years. Between 2009-10 and 2014-15, annual block grant allocations from the former Department for Employment and Learning (DEL) to the NI Universities reduced from £214m to £185m - this equates to some 24% in real terms.

The 2015-16 academic year saw a further reduction in the HE budget, totalling some £16.1m. The impact of this funding reduction required the University to substantially reduce its undergraduate intake - this will amount to 1,010 places in the period to 2018-19, which began with a reduction of 290 in the 2015-16 academic year.

On 9 March 2016, the then Minister for Employment and Learning released "Securing a Sustainable Solution for Higher Education in Northern Ireland: An Options Paper". The paper highlighted that the student place reductions came at a time when skills forecasts indicated a clear under-supply of degree level skills in the Northern Ireland workforce. The report highlighted that, during the course of the previous Assembly term, a structural deficit in local higher education provision had emerged, and grown. With tuition fees uplifted only by inflation, and public investment reducing, a funding gap of between £900 and £2,500 per student (depending on the course of study) had emerged between Northern Ireland's universities and their counterparts in England - this amounted to some £39m by 2014-15. In addition, the further cuts of £16.1m in 2015-16 brought the current total structural deficit to some £55m.

The options paper clearly highlights the current level of underfunding and this is summarised in the Table below, together with the funding required to support targeted expansion.

Challenge	Annual Financial Requirements			
	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Funding Gap	39.0	39.0	39.0	39.0
2015-16 Cuts	16.1	16.1	16.1	16.1
<b>Structural Deficit</b>	<b>55.1</b>	<b>55.1</b>	<b>55.1</b>	<b>55.1</b>
Expansion Ambitions	-	13.1	26.2	39.4
<b>Total</b>	<b>55.1</b>	<b>68.2</b>	<b>81.3</b>	<b>94.5</b>

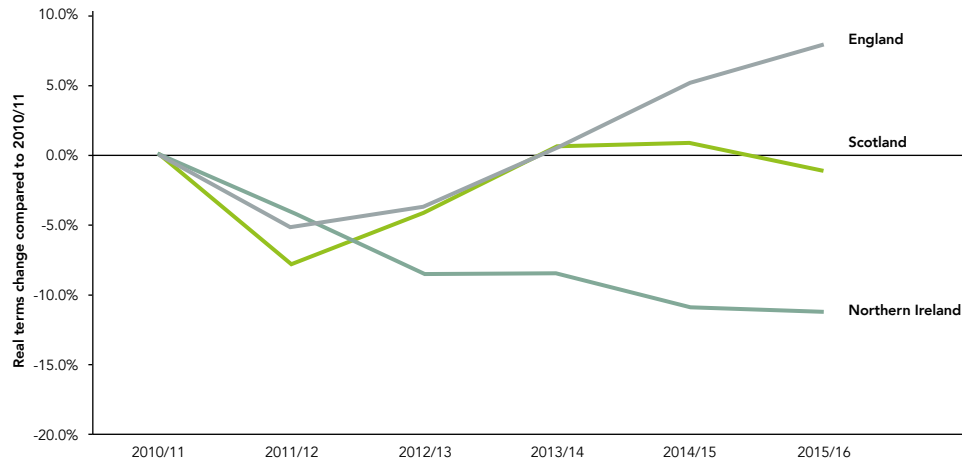
Between **2009-10** and **2014-15**, **annual block grant allocations** from the former Department for Employment and Learning (DEL) to the NI Universities **reduced** from **£214m** to **£185m** - this equates to some **24%** in real terms.

The **funding cuts** imposed to date further exacerbate the **competitive disadvantage** between the University and its comparative UK institutions. In real terms the funding per student has **decreased** by **11%** from **2010-11**.

The funding cuts imposed to date further exacerbate the competitive disadvantage between the University and its comparative UK institutions. In real terms the funding per student has decreased by 11% from 2010-11, whilst in comparison, the funding per student in England has increased over the same period, providing those HEIs with the opportunity to invest further in enhancing their student experience.

This position is illustrated in the figure below.

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



As part of the new Programme for Government (PfG) and the associated budget, the N.I. Executive must urgently address the structural deficit which exists in the Higher Education sector.

The University strongly welcomes the additional £20m of funding allocated to higher education further education and skills by the Minister of Finance as part of the June 2016 monitoring round. This investment, if consolidated into recurrent baselines going forward, will allow us to begin the process of addressing the current funding shortfall. However, the HE sector requires further sustained investment to support the ambition of the PfG and the growth of a successful knowledge economy.

Queen's will work in partnership with the Executive, the Assembly and all stakeholders to deliver a PfG that will make a real and tangible difference to the lives of everyone in this community.

# Student Recruitment and Retention

The overall demand for undergraduate places continued to be strong (+4.2%), but following the reduction in government funding, the 2015-16 intake target for NI and EU students was reduced by 290 to 3,283. This was the first time that the target had been reduced and the actual intake was slightly above target at 3,354 (+2%).

In line with the international student recruitment strategy, international student numbers continued to increase, however, recruitment in 2015-16 fell short of the overall target of 1,895 at 1,790. International fee income increased by 12% compared to the prior year.

The proportion of postgraduate students improved marginally to 23.4%, with the market for postgraduate taught recruitment remaining challenging. Introducing flagship programmes that attract high numbers of students, is a major component of Faculty plans and the work of Student Recruitment Hubs.

The University continues to invest in supporting, tracking and monitoring student retention, progression and attainment and these remain areas of key priority. The retention of students improved in 2015-16, with the overall student drop-out rate at 7.4%, compared to 8.0% in the prior year.

**94%** of Queen's University graduates are in employment or further study within six months of graduating. Our graduates are in senior leadership positions in **80** of Northern Ireland's top **100 companies**.

## Research

The last year has focused strongly on the implementation of the Research Strategy, with business plans and performance measures agreed for all four **Global Research Institutes (GRIs)** and **Pioneer Research Programmes (PRPs)**. These new, cross-cutting research initiatives form a key part of the future research landscape at the University, underpinned by excellence in core disciplines. Over the 2015-16 year, two GRIs have been formally launched: the Institute of Electronic, Communications and Information Technology (ECIT), by HRH the Prince of Wales, and the Senator George J. Mitchell Institute for Global Peace, Security and Justice, by Senator Mitchell himself. The launch of the Institute for Global Food Security and the Institute for Health Sciences will take place in 2016-17 alongside six innovative, interdisciplinary PRPs.

Performance in securing research grants has improved significantly in 2015-16 with total award value increasing to £98.2m, up from £78.1m in the prior year. Longer term, this should translate into the increased research expenditure levels required to achieve the University's longer term Vision 2020 research target.

The structure of the research portfolio has also begun to shift with a larger number of high-value awards characterising performance across Faculties. In particular, an EU Innovative Medicines Initiative (IMI) project, worth over £16m to the University, was awarded in 2015-16 and will see Queen's researchers play a lead role in tackling major respiratory disease alongside European collaborators.

Partnership building and the translation of research ideas into practice is critical to the University's research success. In 2015-16, Queen's retained its number one ranking in the UK for Knowledge Transfer Partnerships, ensuring that the Northern Ireland SME base can access skilled talent and academic insight, in order to tackle business-related challenges.

Relationships with large corporates have also played an important role in 2015-16, with the University extending its partnership with Almac, through investment in new research programmes and facilities, focused on Precision Therapeutics. New partnerships have also been fostered in advanced manufacturing, with Wright Group, and vision sciences, with Novo Nordisk.

Finally, the University was recognised in 2015-16 for its strong commercialisation performance, ranking number one in the UK for IP revenues, as published by the Higher Education Statistic Agency (HESA). This is coupled with new, forward-looking strategies aimed at diversifying and expanding the current pipeline of ideas, seed funds and commercial outcomes in the form of new spin out companies and licensed technologies.

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The University was recognised in 2015-16 for its **strong commercialisation performance**, ranking **number one in the UK for IP revenues**, as published by the Higher Education Statistic Agency (HESA).

## Risks and Uncertainties

The University has comprehensive corporate governance and risk management processes in place. Both Senate and the Audit Committee regularly review the University's Corporate Risk Register and the actions in place to manage and mitigate these risks. In addition to the significant concerns surrounding the deficits on pension schemes, the issues considered to be the key risks to the achievement of the University's strategic objectives are detailed in the Table below.

Risk Area	Risk	Actions
<b>Student Experience</b>	Failure to deliver a high quality educational experience including robust examination and assessment processes leading to adverse consequences for the University and its students.	The University monitors teaching standards through rigorous quality assurance mechanisms in compliance with the QAA Quality Code, and has well established processes for the Academic Review of all Taught and Research Programmes. In addition, a comprehensive code of practice for examinations and assessments has been developed which is monitored stringently and updated as appropriate.
<b>Financial Sustainability</b>	Financial sustainability remains a key risk. In particular the potential adverse impact on the University's global ambition of reduced public sector investment in higher education (HE) in Northern Ireland, coupled with a requirement to diversify income streams.	In line with Vision 2020, the University has a number of plans and strategies in place to diversify its income streams, including increase in research income, fees from international students and the level of philanthropic donations. In addition, significant communications outlining the role of HE in the Programme for Government have been ongoing with the NI Executive.
<b>Internationalisation</b>	Failure to comply with the Points Based System for immigration (PBS), resulting in reduction or loss of licence status, and potential civil or criminal prosecution.	The University has developed wide ranging policies including comprehensive immigration advice and guidance to ensure ongoing compliance.
<b>Legal and Governance Issues</b>	Failure to maintain the highest standards of health and safety at all levels within the University, leading to well-being issues and a breach of statutory duties.	A comprehensive health and safety management system has been implemented which recognises the diverse population of staff and students, and the open access to the majority of buildings and the wider campus. The system covers governance and management arrangements, and ensures responsibilities are allocated in accordance with sector guidance and best practice.

In addition to these corporate risks, a senior working group has been established to investigate the implications of Brexit on the HE sector as a whole, and to devise a strategy to manage the resulting specific challenges and opportunities for the University.

These, and all other corporate risks, are monitored on an ongoing basis and a full range of mitigating actions has been implemented to ensure their effective management.



## Conclusion

The University achieved a satisfactory financial performance in 2015-16, whilst still investing in its students and its core activities. However, it is recognised that there are a number of significant challenges facing the HE Sector which will have an impact on its longer term sustainability.

As part of the new Programme for Government (PfG), the Executive must urgently address the structural deficit which exists in the Higher Education Sector.

Financial sustainability continues to underpin the implementation of integrated plans to realise the ambition of Vision 2020. Effective governance and strong financial performance is critical to the success of Queen's and we are well positioned to meet the challenges facing the sector.

# Public Benefit Statement

The University is registered with the Charities Commission for Northern Ireland, and has a clear responsibility, as a charity, to act for the public benefit across all of its activities. 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-intensive university, with a dynamic world-class research and education portfolio of excellence, in an environment of equality, tolerance and mutual respect, fully embracing its leadership role in Northern Ireland and beyond.

Vision 2020, which will drive forward the growth of the University, further emphasises the importance of our impact on society and the importance of positive engagement with the business and wider community.

## Learning

The University is committed to providing a world class educational experience to students from all backgrounds. Our track record in this area is exceptional – 32% of young, full-time, first degree entrants are from socio-economic groups (SEC 4-7) exceeding our benchmark of 26%. This places us first amongst the UK's leading universities for widening access.

In addition, the number of students supported by Disability Services continues to increase with 2,260 students registered in 2014-15. The University has been awarded the prestigious Buttle UK Quality Mark in recognition of its commitment to young people in and leaving care.

The Widening Participation Unit (WPU) works with young people, teachers, schools, colleges, parents and older learners to ensure that those who have the ability to succeed in higher education should have the opportunity to do so. WPU works in partnership with schools to deliver a range of pre-entry programmes to raise awareness of higher education, enrich the school curriculum, and support attainment.

The University is also one of a select group of higher education institutions to secure funding from the Research Council UK School-University Partnerships initiative, whereby researchers work alongside pupils to promote cutting edge research to school children, raising their aspirations and encouraging their interest in research.

A further new development under technology supported learning and teaching is the delivery of Massive Open Online Courses (MOOCs) with four MOOCs developed and delivered in 2014-15 and 2015-2016.

The University through its Widening Access and Participation Programme, has pledged to provide additional financial support to students from households with lower incomes. Such students are eligible for assistance from the University's bursary scheme, with expenditure of £2.0m being incurred in 2015-16, and in the region of 4,398 students receiving some element of bursary payment.

Queen's University makes an **immense contribution** to the skills, resources and **economic capability** of Northern Ireland.

The Queen's Junior and Senior Academies work with post primary schools across Belfast to **raise aspirations** and to **provide opportunities** for pupils who are most able, but least likely to enter higher education.

At present, **32%** of our young first degree entrants are from lower socio-economic groups which places us **first amongst the UK's leading universities for widening access.**



**Queen's is first in the UK** for Knowledge Transfer Partnership and intellectual property commercialisation.

## Research and Innovation

The University's research mission is to be distinguished by our academic strengths, and recognised globally for the social, economic and cultural benefit we deliver through our research. Queen's has a long-standing international reputation for successful dissemination and application of cutting-edge research, knowledge transfer and the commercialisation of research ideas and innovations. Our research is changing the lives of individuals and society and some examples are listed below:

- **Academics within the School of Medicine, Dentistry and Biomedical Sciences are leading the world's first ever trial of a new combination of cancer therapies for patients with advanced prostate cancer, with the hope of prolonging their lives.**
- **A team of archaeologists from the former School of Geography, Archaeology and Paleoecology are involved in sequencing the first genomes from ancient Irish humans, and the information buried within is already answering pivotal questions about the origins of Ireland's people and their culture.**
- **The Institute for Global Food Security are leading new research towards controlling, preventing and eventually eradicating, alien species which represent a major threat to native plants, animals and habitats.**
- **Linguists from the University are part of a team exploring how Modern Languages research can help societies respond to some of the key issues facing them today, including migration, social cohesion, diversity, security, and diplomacy and conflict resolution.**

In the era of the knowledge-based economy, the University is playing an increasingly important role in economic development through knowledge transfer and the commercialisation of research, which underpin Northern Ireland's industrial base.

To support business, Queen's runs a range of events, including lectures, masterclasses, evening events and conferences which are aimed at generating and sharing knowledge and communicating ideas. These activities give free access to the expertise of our academics and students, to thousands of people and reflect the increased attention which has been placed on embedding a culture of outreach and impact within Queen's.

The University has also invested in building a commercial development team to support the development of commercial opportunities from research, and has made a significant contribution to wealth and job creation. In terms of external investment received, Queen's spin-outs attract more seed and venture capital than most other UK universities, and it was named the UK leader for intellectual property commercialisation, according to the latest Higher Education-Business and Community Interaction Survey (HE-BCIS).

The University's spin-out holding company QUBIS Ltd, and its associated companies, currently have an annual turnover in excess of £190m and sustain 1,700 high value jobs in Northern Ireland.



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## The Environment

Queen's recognises its responsibility to ensure environmental and socially responsible practice in all its education and research activities.

Our researchers are leading the world in areas of sustainable energy, green chemistry and environmental protection.

The University is committed to ensuring our environmental impact is minimised and aims to operate and develop in a sustainable way with continuous improvement in environmental performance embedded into our business model and the culture of the University.

In support of these principles, the University is committed to:

- Maintaining our Environmental Management System (EMS) ISO 14001 certification, in order to ensure that the environmental impact of the University, including associated risks, is monitored, controlled and minimised, and that we continue to make improvements;
- Ensuring full compliance with all relevant environmental legislation, regulations and other requirements;
- Reducing and, where possible, preventing pollution through the development of effective resources procurement and waste management strategies;
- Promoting environmental awareness and responsibility amongst all staff, students and suppliers.

Queen's has a **£10m investment programme** targeted on reducing its carbon emissions by **10,000 tonnes by 2020**.



Queen's has, to date, made annual energy savings of **£1.5m** and over **6,000 tonnes** of carbon emissions and aspires to become one of the top ten environmentally friendly universities in the world.

The University holds one of only **9 Athena SWAN Silver Institutional Awards** in the UK along with **15 Departmental Awards**, which is the largest number in the UK.



Through the **Science Shop**, **270 students** completed **64 projects** for the community and voluntary sector organisations.

## Local Community

The University is involved in a wide range of programmes in partnership with the local community; placing the utmost importance on working collaboratively with our students in order to keep them safe, whilst at the same time enjoying the benefits of a multi-cultural campus.

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

Queen's also plays an active role in the local community, working collaboratively on areas of mutual interest; and is incredibly proud of the work that takes place through the Students' Union. Over 11,000 students are involved in volunteering, clubs and societies, giving their time for others and acting as role models and mentors.

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

Queen's is incredibly proud of our sporting heritage and the key role that sport plays in contributing to a healthy lifestyle. Queen's Sport has over 11,000 public, staff and student members.

The development of the Physical Education Centre, and the enhancement of the playing fields at Upper Malone, have provided some of the top sporting facilities on these islands, which are used by a variety of local sporting clubs.

Queen's Sport recognises the importance of promoting healthy lifestyle and is committed to improving health and wellbeing in the local community.

The University has a long and proud tradition of being a leader in terms of equality and diversity initiatives. Queen's has been a member of the Athena SWAN Charter with aims to encourage and recognise commitment to advancing the careers of women in science, technology, engineering, maths and medicine since its foundation in 2005.

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); the Employers' Forum which aims to ensure our courses are geared towards the needs of the local economy and in the Outreach to Schools programme.

# 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 Higher Education Bodies in the UK. The Guide sets out current best practice for the corporate governance of higher education institutions. The University 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 current members are listed as follows:

Ex Officio:	Pro-Chancellor	Mrs R Johnston (to 31 December 2015) Mr S Prenter (Chair) Dr S Kingon (from 1 January 2016)
	President and Vice Chancellor	Professor P Johnston
	Honorary Treasurer	Dr S Kingon (to 30 September 2015) Ms O Corr (from 1 October 2015)
	President, Students' Union	Mr S Fearon (from 1 July 2016)
	Other members	Dr C Dwyer Dr D McSherry Professor M Larkin Dr R Prendergast Mr K Flanagan Mr N Anderson (from 1 November 2015) Ms C Kinkead Mr E Bell Mrs L Bourke Mr G Cash Mr A Doran Mrs S Fleming-Mitchell Ms M Matchett Mrs A McGregor Mr A Shannon Dr D Tiernan Dr M Wardlow Mr Eyad Abu-Khiran (from 1 June 2016)

# Corporate Governance

The role of the Chair of Senate is separate from the role of the University's Vice-Chancellor as Chief Executive. Senate is responsible for the ongoing strategic direction of the University, 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 Nominations 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 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 Nominations Committee seeks out and recommends new lay members for co-option to the 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), Mrs S Fleming-Mitchell and Dr M Wardlow and two co-optees, Mrs A Henderson and Miss H Kirkpatrick. The terms of reference are as outlined below:

- (a) To appoint the University's External Auditors through a formal recruitment process. To reaffirm that appointment, each year through the contracted period, through a recommendation to Senate. The Audit committee may also remove the External Auditors before the end of their term if serious shortcomings are identified.
- (b) To report to Senate on the appointment of the External Auditors, the audit fee, the provision of any non-audit services by the External Auditors, and any questions of resignation or dismissal of the External Auditors.
- (c) To discuss with the External Auditors, before the audit begins, the nature and scope of the audit.
- (d) To discuss with the External Auditors problems and reservations arising from the interim and final audits, including a review of the External Auditors' report to the Audit Committee, incorporating management responses, and any other matters the External Auditors may wish to discuss (in the absence of management where necessary).
- (e) To appoint the University's Internal Auditors through a formal recruitment process. The Audit committee may also remove the Internal Auditors before the end of their term if serious shortcomings are identified.
- (f) To report to Senate on the appointment and terms of engagement of the Internal Audit service, the audit fee, the provision of any non-audit services by the Internal Auditors, and any questions of resignation or dismissal of the Internal Auditors.
- (g) To review the Internal 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' Report to the Audit Committee, 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 – Status of Recommendations report.
- (j) To ensure that all significant losses have been properly investigated and that the Internal and External Auditors and, where appropriate, that the Department for the Economy (DfE), have been informed.
- (k) To consider, approve and oversee the implementation of the institution's policies on Fraud and Whistleblowing, including being notified of any action taken under these policies.
- (l) To provide ongoing assurance to Senate, in respect of the management and quality assurance of data.
- (m) To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- (n) To consider and approve the University's Register of Interests Policy, the Policy for 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, DfE accounts directions, and accounting standards, and that there are no major disagreements between the External Auditors and the Planning and Finance Committee and/or the Director of Finance over accounting policies.
- (r) In the event of the merger or dissolution of the institution, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.
- (s) To report, on a regular basis to Senate and to compile an annual report which, following consideration by Senate, will be sent to DfE and

# Corporate Governance

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 DfE Accounts Direction. The University has also adopted the Higher Education Code of Governance, published by the Committee of University Chairs in December 2014. A Risk Management Committee has been established, and the process of embedding risk management at Faculty/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, the Senate has responsibility for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible. This responsibility has been assigned to Senate in accordance with the University's Charter and Statutes, and the Financial Memorandum with DfE.

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 2016 and up to the date of approval of the financial statements, and accords in full with DfE 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 Faculties and Directorates to identify new and emerging risks and to ensure the adequacy of counter measures. Faculties 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.
- 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, department heads and project 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 UK Public Sector Internal Audit Standards (PSIAS).

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 report to the Audit Committee and other reports.

We have been made aware of one instance of fraud greater than £5,000, during 2015-16, whereby a forged cheque was drawn on one of the University's bank accounts. The fraudulent transaction was identified on a timely basis by the University and refunded in full. There was no financial loss to the University and the internal control framework was proven to be robust and comprehensive.

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 the 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 the 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 2016 and up to the date of approval of the financial statements, is regularly reviewed by Senate and accords with the Higher Education Code of Governance.

The 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 DfE and the University, the 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, the 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.
- The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Senate has taken reasonable steps to:

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

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.
- 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 Auditor's Report to the Senate of Queen's University Belfast

We have audited the group and University financial statements (the "financial statements") of Queen's University Belfast for the year ended 31 July 2016 which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

## Opinions and conclusions arising from our audit

### 1 Our opinion on the financial statements is unmodified.

In our opinion, the financial statements:

- give a true and fair view of the state of the affairs of the group and University as at 31 July 2016 and of the group and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the former Department of Employment and Learning's (DEL) Accounts Direction to higher education institutions for 2015-16 financial statements.

### 2 Our opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 is unmodified.

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes;
- funds provided by the Department for the Economy have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of DEL's Accounts Direction to higher education institutions for the 2015-16 financial statements have been met.

### 3 We have nothing to report in respect of matters on which we are required to report by exception.

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

We have nothing to report in respect of the above responsibilities.

#### Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Responsibilities of the Senate set out on page 25, the 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 UK law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) 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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Senate; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense.

# Independent Auditor's Report to the Senate of Queen's University Belfast

as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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



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

Chartered Accountants  
17-25 Stokes House  
College Square East  
Belfast

22 November 2016

## Notes:

- (a) The maintenance and integrity of the Queen's University Belfast's website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Statement of Principal Accounting Policies

## 1. Basis of preparation

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

## 2. Basis of consolidation

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

Joint ventures are accounted for using the equity method.

## 3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income (SOC1), when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount, and credited to the SOC1 over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure, and not deducted from income.

Investment income is credited to the SOC1 on a receivable basis.

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

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

### Donations and endowments

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

Investment income and appreciation of endowments, are recorded in income in the year in which they arise, and as either restricted or unrestricted income, according to the terms applied to the individual endowment fund. There are four main types of donations and endowments identified within reserves:

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

### Capital grants

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

## 4. Accounting for retirement benefits

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

The USS is a multi-employer scheme. It is not possible to identify the assets and liabilities relating to University members due to the mutual nature of the scheme, and therefore, this scheme is accounted for as a defined contribution retirement benefit scheme. As a result, obligations for contributions to the USS scheme are recognised as an expense in the income statement, in the periods during which services are rendered by employees.

A liability is recorded within provisions, for any contractual commitment to a recovery plan to fund past deficits within the USS scheme.

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

# Statement of Principal Accounting Policies

The calculation is performed by a qualified actuary using the projected unit credit method.

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

## 5. Employment benefits

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

## 6. Foreign currency

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

## 7. Interest payable

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

## 8. Fixed assets

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

## Land and buildings

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

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

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

## Equipment

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

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

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

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

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

## 9. Heritage assets

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

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

## 10. Investment Properties

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

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

Investment properties are not depreciated and are held at fair value.

## 11. Investments

Non-current investments in equity instruments are measured initially at fair value, which is normally the transaction price. Subsequent to initial recognition investments, that can be measured reliably, are measured at fair value, with changes in measurement recognised in the SOCI. Current asset investments relate to deposits held with banks and building societies.

# Statement of Principal Accounting Policies

in the UK, and are initially recognised at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Investments in associates are held at the fair value. Changes in fair value are recognised through other comprehensive income in the relevant subsidiary accounts.

In the consolidated financial statements, changes in fair value are recognised in the SOCI.

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

## 12. Stock

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

## 13. Cash and cash equivalents

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

## 14. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

## 15. Accounting for jointly controlled entities, jointly controlled assets and jointly controlled operations

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

## 16. Concessionary loans

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

## 17. Basic financial instruments

### Trade and other debtors/creditors

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

## Interest bearing borrowings

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

## 18. Taxation

The University is an exempt charity within the meaning of 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's non-charitable subsidiaries are liable to corporation tax in the same way as any other commercial organisation.

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

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

# Statement of Principal Accounting Policies

## 19. Reserves

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

## 20. Transition to 2015 SORP

The Group and the University have prepared their financial statements in accordance with FRS 102 for the first time and consequently have applied the first-time adoption requirements. An explanation of how the transition to the SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 38.

FRS 102 grants first-time adoption exemptions from the full requirements of FRS 102. The following exemption has been taken into these financial statements:

Fair value as deemed cost – the fair value at the transition date 1 August 2014 has been used as deemed cost for elements of tangible fixed assets.

# Consolidated and University Statement of Comprehensive Income

## Year Ended 31 July 2016

	Notes	2016		2015	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>Income</b>					
Government Grants	1	91,766	91,766	91,773	91,773
Tuition fees, support grants and education contracts	2	91,880	91,880	86,591	86,591
Research grants and contracts	3	74,854	74,854	72,056	72,056
Other income	4	49,862	50,142	59,642	86,000
Investment income	5	4,245	4,240	8,472	4,640
<b>Total income before endowments and donations</b>		<b>312,607</b>	<b>312,882</b>	318,534	341,060
Donations and endowments	6	3,931	3,931	1,607	1,607
<b>Total income</b>		<b>316,538</b>	<b>316,813</b>	320,141	342,667
<b>Expenditure</b>					
Staff costs	7	180,262	180,262	189,181	189,181
Other operating expenses	8	112,377	112,308	105,621	104,542
Depreciation	12	17,832	17,712	15,095	14,975
Interest and other finance costs	9	5,456	5,456	4,815	4,815
<b>Total expenditure</b>	10	<b>315,927</b>	<b>315,738</b>	314,712	313,513
<b>Surplus before other gains/(losses)</b>		<b>611</b>	<b>1,075</b>	5,429	29,154
Gain/(loss) on disposal of fixed assets		650	650	(26)	(26)
Gain on disposal of investments		1,109	-	23,239	-
<b>Surplus before tax and movement in fair value</b>		<b>2,370</b>	<b>1,725</b>	28,642	29,128
Fair value gain on investments and investment property		4,357	7,091	34,796	2,704
Taxation	11	-	-	-	-
<b>Surplus for the year</b>		<b>6,727</b>	<b>8,816</b>	63,438	31,832
Actuarial loss in respect of pension schemes	33	(25,588)	(25,588)	(14,311)	(14,311)
<b>Total comprehensive (loss)/income for the year</b>		<b>(18,861)</b>	<b>(16,772)</b>	49,127	17,521
Represented by:					
Endowment comprehensive income for the year		3,205	3,205	1,434	1,434
Restricted comprehensive income for the year		174	174	(9,900)	(9,900)
Unrestricted comprehensive (loss)/income for the year		(22,226)	(20,151)	57,607	25,987
Attributable to the University		(18,847)	(16,772)	49,141	17,521
Attributable to the non-controlling interest		(14)	-	(14)	-
		<b>(18,861)</b>	<b>(16,772)</b>	49,127	17,521

Included within the surplus for the year is a loss of £14k (2015: (£14k)) relating to the non-controlling interest. All items of income and expenditure relate to continuing activities.

The Statement of Principal Accounting Policies on pages 28-31 and the notes to the accounts on pages 37-68 form part of these financial statements.



# Consolidated and University Statement of Changes in Reserves

## Year Ended 31 July 2016

	Income and expenditure reserve			Total excluding non controlling interest	Non controlling interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Consolidated</b>						
<b>Balance at 1 August 2014</b>	<b>51,977</b>	<b>10,004</b>	<b>322,087</b>	<b>384,068</b>	<b>804</b>	<b>384,872</b>
Surplus/(deficit) from the statement of comprehensive income	1,434	10	62,008	63,452	(14)	63,438
Other comprehensive income	-	-	(14,311)	(14,311)	-	(14,311)
Release of restricted funds spent in year	-	(9,910)	9,910	-	-	-
<b>Total comprehensive income for the year</b>	<b>1,434</b>	<b>(9,900)</b>	<b>57,607</b>	<b>49,141</b>	<b>(14)</b>	<b>49,127</b>
<b>Balance at 1 August 2015</b>	<b>53,411</b>	<b>104</b>	<b>379,694</b>	<b>433,209</b>	<b>790</b>	<b>433,999</b>
Surplus/(deficit) from the statement of comprehensive income	3,205	271	3,265	6,741	(14)	6,727
Other comprehensive income	-	-	(25,588)	(25,588)	-	(25,588)
Release of restricted funds spent in year	-	(97)	97	-	-	-
<b>Total comprehensive income for the year</b>	<b>3,205</b>	<b>174</b>	<b>(22,226)</b>	<b>(18,847)</b>	<b>(14)</b>	<b>(18,861)</b>
<b>Balance at 31 July 2016</b>	<b>56,616</b>	<b>278</b>	<b>357,468</b>	<b>414,362</b>	<b>776</b>	<b>415,138</b>

The Statement of Principal Accounting Policies on pages 28-31 and the notes to the accounts on pages 37-68 form part of these financial statements.

# Consolidated and University Statement of Changes in Reserves

## Year Ended 31 July 2016

	Income and expenditure reserve			Total excluding non controlling interest	Non controlling interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>			
<b>University</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 August 2014</b>	<b>51,977</b>	<b>10,004</b>	<b>314,518</b>	<b>376,499</b>	<b>-</b>	<b>376,499</b>
Surplus from the statement of comprehensive income	1,434	10	30,388	31,832	-	31,832
Other comprehensive income	-	-	(14,311)	(14,311)	-	(14,311)
Release of restricted funds spent in year	-	(9,910)	9,910	-	-	-
<b>Total comprehensive income for the year</b>	<b>1,434</b>	<b>(9,900)</b>	<b>25,987</b>	<b>17,521</b>	<b>-</b>	<b>17,521</b>
<b>Balance at 1 August 2015</b>	<b>53,411</b>	<b>104</b>	<b>340,505</b>	<b>394,020</b>	<b>-</b>	<b>394,020</b>
Surplus from the statement of comprehensive income	3,205	271	5,340	8,816	-	8,816
Other comprehensive income	-	-	(25,588)	(25,588)	-	(25,588)
Release of restricted funds spent in year	-	(97)	97	-	-	-
<b>Total comprehensive income for the year</b>	<b>3,205</b>	<b>174</b>	<b>(20,151)</b>	<b>(16,772)</b>	<b>-</b>	<b>(16,772)</b>
<b>Balance at 31 July 2016</b>	<b>56,616</b>	<b>278</b>	<b>320,354</b>	<b>377,248</b>	<b>-</b>	<b>377,248</b>

The Statement of Principal Accounting Policies on pages 28-31 and the notes to the accounts on pages 37-68 form part of these financial statements.

# Consolidated and University Balance Sheets

## Year Ended 31 July 2016

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Fixed assets	12	564,295	557,420	535,380	528,385
Investment property	14	9,235	9,235	8,948	8,948
Heritage assets	13	118	118	118	118
Investments	15	151,713	120,694	144,485	111,058
Investments in associates	17	864	-	641	-
		<b>726,225</b>	<b>687,467</b>	689,572	648,509
<b>Current assets</b>					
Stock		522	522	465	465
Debtors	18	32,097	32,869	32,314	59,326
Investments	19	132,910	132,910	147,000	147,000
Cash and cash equivalents	26	118,432	113,145	81,937	50,531
		<b>283,961</b>	<b>279,446</b>	261,716	257,322
Less: Creditors: amounts falling due within one year	20	(103,041)	(103,397)	(76,699)	(77,025)
<b>Net current assets</b>		<b>180,920</b>	<b>176,049</b>	185,017	180,297
<b>Total assets less current liabilities</b>		<b>907,145</b>	<b>863,516</b>	874,589	828,806
<b>Creditors: amounts falling due after more than one year</b>	21	<b>(357,778)</b>	<b>(353,559)</b>	(330,746)	(326,462)
<b>Provisions</b>					
Pension obligation	22	(95,232)	(95,232)	(66,527)	(66,527)
Other provisions	23	(38,997)	(37,477)	(43,317)	(41,797)
<b>Total net assets</b>		<b>415,138</b>	<b>377,248</b>	433,999	394,020
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	24	56,616	56,616	53,411	53,411
Income and expenditure reserve - restricted reserve	25	278	278	104	104
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		357,468	320,354	379,694	340,505
		<b>414,362</b>	<b>377,248</b>	433,209	394,020
Non-controlling interest		776	-	790	-
<b>Total Reserves</b>		<b>415,138</b>	<b>377,248</b>	433,999	394,020

The Statement of Principal Accounting Policies on pages 28-31 and the notes to the accounts on pages 37-68 form part of these financial statements.

The financial statements were approved by Senate on 22 November 2016 and were signed on its behalf on that date by:

Ms O. Corr, Honorary Treasurer

Professor P. Johnston, Vice-Chancellor

Mrs W. Galbraith, Director of Finance

# Consolidated Cash Flow Statement

## Year Ended 31 July 2016

	Notes	2016	2015
		£'000	£'000
<b>Cash flow from operating activities</b>			
Surplus for the year		6,727	63,438
<b>Adjustment for non-cash items</b>			
Depreciation	12	17,832	15,095
Release of deferred capital grants		(11,486)	(9,898)
(Gain) on disposal of investments		(1,109)	(23,239)
Fair value (gain) on investments and investment property		(4,357)	(34,796)
Increase in stock		(57)	(61)
Decrease/(increase) in debtors	18	217	(2,026)
Increase in creditors	20	24,876	3,997
Increase in pension provision	22	28,705	15,965
Actuarial movement in pension provision		(25,588)	(14,311)
Decrease/(increase) in other provisions	23	(4,320)	24,327
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(4,245)	(8,472)
Interest payable	9	2,150	2,219
Endowment income		(2,574)	(598)
Profit on the sale of fixed assets		(650)	26
Capital grant income		(1,175)	(10,755)
<b>Net cash inflow from operating activities</b>		<b>24,946</b>	<b>20,911</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		1,650	499
Capital grants receipts		27,869	46,899
Disposal of non-current asset investments		12,914	37,370
Other endowment/investments		(262)	1,330
Investment income		4,245	8,472
Payments made to acquire fixed assets		(47,747)	(44,972)
New non-current asset investments		(14,740)	(42,616)
Realised/(new) deposits		14,090	(14,879)
New associate investments		(180)	-
		(2,161)	(7,897)
<b>Cash flows from financing activities</b>			
Interest paid		(2,150)	(2,219)
Endowment cash received		2,574	598
New unsecured loans		14,500	-
Repayments of amounts borrowed		(1,214)	(1,001)
		13,710	(2,622)
<b>Increase in cash and cash equivalents in the year</b>		<b>36,495</b>	<b>10,392</b>
Cash and cash equivalents at beginning of the year	26	81,937	71,545
Cash and cash equivalents at end of the year	26	118,432	81,937

# Notes to the Accounts

## Year Ended 31 July 2016

### 1. Government grants

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Recurrent grant				
Teaching	<b>44,148</b>	<b>44,148</b>	46,711	46,711
Research	<b>32,427</b>	<b>32,427</b>	32,577	32,577
Other specific grants	<b>5,121</b>	<b>5,121</b>	3,630	3,630
Deferred capital grants released in year	<b>10,070</b>	<b>10,070</b>	8,855	8,855
	<b>91,766</b>	<b>91,766</b>	91,773	91,773

The University received £92.1m (2015: £95.8m) of recurrent grant funding in the year, of which some £15.5m (2015: £16.5m) has been deferred as detailed in note 21.

### 2. Tuition fees, support grants and education contracts

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Full-time students (NI, GB and EU)	<b>51,118</b>	<b>51,118</b>	49,315	49,315
International students	<b>22,290</b>	<b>22,290</b>	19,859	19,859
Part-time fees	<b>4,256</b>	<b>4,256</b>	4,095	4,095
Short courses	<b>978</b>	<b>978</b>	889	889
Department of health nursing contract	<b>10,707</b>	<b>10,707</b>	10,561	10,561
Research training, other support grants and other fees	<b>2,531</b>	<b>2,531</b>	1,872	1,872
	<b>91,880</b>	<b>91,880</b>	86,591	86,591

### 3. Research grants and contracts

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research councils	<b>19,328</b>	<b>19,328</b>	15,281	15,281
Research charities	<b>12,042</b>	<b>12,042</b>	11,208	11,208
UK government and EU	<b>35,138</b>	<b>35,138</b>	38,875	38,875
Other sources	<b>8,346</b>	<b>8,346</b>	6,692	6,692
	<b>74,854</b>	<b>74,854</b>	72,056	72,056

Income from research grants and contracts includes deferred capital grant income released in year totalling £911k (2015: £527k)

# Notes to the Accounts

## Year Ended 31 July 2016

### 4. Other income

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residences, catering and conferences	11,255	11,255	10,729	10,729
Other services rendered	13,396	13,396	14,469	14,469
Other capital grants	1,175	1,175	10,755	10,755
Other income	17,863	18,143	17,654	44,012
Contribution to joint appointment salaries (note 7)	6,173	6,173	6,035	6,035
	<b>49,862</b>	<b>50,142</b>	59,642	86,000

Other income and other services include deferred capital grant income released in year totalling £505k (2015: £516k).

### 5. Investment income

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Investment income on endowments (note 24)	1,268	1,268	1,584	1,584
Other investment income	2,977	2,972	6,888	3,056
	<b>4,245</b>	<b>4,240</b>	8,472	4,640

### 6. Donations and endowments

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
New endowments (note 24)	2,574	2,574	598	598
Donations with restrictions (note 25)	64	64	50	50
Unrestricted donations	1,293	1,293	959	959
	<b>3,931</b>	<b>3,931</b>	1,607	1,607

# Notes to the Accounts

## Year Ended 31 July 2016

### 7. Staff costs

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Staff Costs :				
Salaries	<b>137,502</b>	<b>137,502</b>	138,101	138,101
Social security costs	<b>10,960</b>	<b>10,960</b>	10,113	10,113
Other pension costs	<b>16,703</b>	<b>16,703</b>	16,305	16,305
Current Service cost - RBP pension scheme	<b>5,919</b>	<b>5,919</b>	4,754	4,754
	<b>171,084</b>	<b>171,084</b>	169,273	169,273
Joint appointment salaries (note 4)	<b>6,173</b>	<b>6,173</b>	6,035	6,035
	<b>177,257</b>	<b>177,257</b>	175,308	175,308
Movement on USS provision	<b>3,005</b>	<b>3,005</b>	13,873	13,873
	<b>180,262</b>	<b>180,262</b>	189,181	189,181

Included within staff costs is £5,533k (2015: £6,446k) relating to amounts paid to assistants, temporary lecturers etc. who were not employed under contract by the University, and are therefore not included in staff numbers.

	2016	2015
	Consolidated and University	
	£'000	£'000
Emoluments of the Vice-Chancellor:		
Salary	<b>258</b>	249
Pension contributions to USS	<b>43</b>	40
	<b>301</b>	289

An additional £20k (2015: £19k) was also paid as an employer's pension scheme contribution, which represented the employee's contribution relinquished under the University's salary sacrifice scheme. The Vice-Chancellor received no additional benefits (2015: £ nil).

# Notes to the Accounts

## Year Ended 31 July 2016

### 7. Staff costs (continued)

Remuneration of other higher paid staff, excluding employer's pension contributions but including NHS merit payments and the NHS funded element of joint appointments:

	2016	2015
	Consolidated and University	
	Number	Number
£100,001 to £110,000	33	24
£110,001 to £120,000	17	15
£120,001 to £130,000	10	10
£130,001 to £140,000	6	4
£140,001 to £150,000	3	5
£150,001 to £160,000	1	1
£160,001 to £170,000	6	3
£170,001 to £180,000	5	5
£180,001 to £190,000	2	3
£190,001 to £200,000	2	2
£200,001 to £210,000	2	1
£210,001 to £220,000	-	1
£220,001 to £230,000	2	1

Average staff numbers by major category :

	2016	2015
	Consolidated and University	
	Number	Number
Academic	1,098	1,145
Research	559	574
Academic Related	704	628
Technical and clerical	898	960
Other	430	446
	<b>3,689</b>	<b>3,753</b>

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs, outlined above, include compensation, consisting of salary, benefits and employers pension contribution, paid to key management personnel.

	2016	2015
	£'000	£'000
<b>Key management personnel compensation</b>	<b>1,642</b>	<b>1,563</b>



# Notes to the Accounts

## Year Ended 31 July 2016

### 8. Other operating expenses

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Consumables and laboratory expenditure	11,154	11,154	8,818	8,818
Books and periodicals	4,966	4,966	4,523	4,523
Studentships and bursaries	15,275	15,275	15,909	15,909
Heat, light, water and power	4,703	4,703	5,335	5,335
Repairs and general maintenance	7,058	7,058	6,367	6,367
External auditors' remuneration	57	47	56	47
External auditors' remuneration for non-audit services	220	220	240	240
Rates, insurance and telecommunication expenses	6,152	6,152	6,221	6,220
Hospitality and accommodation services	2,752	2,752	3,222	3,222
Equipment and equipment maintenance	6,916	6,916	6,151	6,151
Postage, photocopying and printing	2,137	2,137	2,185	2,185
Patent fees	426	426	252	252
Provision for restructuring	-	-	9,700	9,700
Other	50,561	50,502	36,642	35,573
	<b>112,377</b>	<b>112,308</b>	<b>105,621</b>	<b>104,542</b>

Other expenses includes an element of the charge relating to the early redemption of the bank loan (Note 21).

### 9. Interest and other finance costs

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Loan interest	2,150	2,150	2,219	2,219
Unwinding of discount - USS pension deficit plan provision (note 23)	956	956	529	529
Net charge on RBP pension scheme (note 33)	2,350	2,350	2,067	2,067
	<b>5,456</b>	<b>5,456</b>	<b>4,815</b>	<b>4,815</b>

### 10. Analysis of total expenditure by activity

	Consolidated					
	Staff Costs	Depreciation	Other operating expenses	Interest Payable	Total 2016	Total 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Academic Departments	97,784	2,729	17,958	-	118,471	114,090
Academic Services	10,950	1,548	8,458	-	20,956	20,997
Research grants and contracts	28,333	2,195	29,650	-	60,178	53,559
Hospitality and accommodation services	2,501	-	2,752	-	5,253	5,709
Premises	5,568	11,360	15,988	-	32,916	33,522
Administration	22,686	-	16,864	-	39,550	39,789
Other expenses	12,440	-	20,707	5,456	38,603	47,046
	<b>180,262</b>	<b>17,832</b>	<b>112,377</b>	<b>5,456</b>	<b>315,927</b>	<b>314,712</b>

# Notes to the Accounts

## Year Ended 31 July 2016

### 11. Taxation

There is no taxation charge arising from the operating activities of the Group (2015: £nil).

### 12. Fixed assets

	Freehold Land and Buildings	Leasehold Land and Buildings	Equipment	Assets in the Course of Construction	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Consolidated</b>						
<b>Cost or valuation</b>						
At 1 August 2015	481,835	40,660	25,832	18,301	118	566,746
Additions	2,579	-	8,963	36,205	-	47,747
Transfers	25,861	1,050	-	(26,911)	-	-
Disposals	(1,000)	-	(2,973)	-	-	(3,973)
<b>At 31 July 2016</b>	<b>509,275</b>	<b>41,710</b>	<b>31,822</b>	<b>27,595</b>	<b>118</b>	<b>610,520</b>
<b>Depreciation</b>						
At 1 August 2015	10,459	916	19,873	-	-	31,248
Charge for the year	11,159	1,033	5,640	-	-	17,832
Disposals	-	-	(2,973)	-	-	(2,973)
<b>At 31 July 2016</b>	<b>21,618</b>	<b>1,949</b>	<b>22,540</b>	<b>-</b>	<b>-</b>	<b>46,107</b>
<b>Net book value</b>						
<b>At 31 July 2016</b>	<b>487,657</b>	<b>39,761</b>	<b>9,282</b>	<b>27,595</b>	<b>118</b>	<b>564,413</b>
At 31 July 2015	471,376	39,744	5,959	18,301	118	535,498
<b>University</b>						
<b>Cost and valuation</b>						
At 1 August 2015	481,835	33,545	25,832	18,301	118	559,631
Additions	2,579	-	8,963	36,205	-	47,747
Transfers	25,861	1,050	-	(26,911)	-	-
Disposals	(1,000)	-	(2,973)	-	-	(3,973)
<b>At 31 July 2016</b>	<b>509,275</b>	<b>34,595</b>	<b>31,822</b>	<b>27,595</b>	<b>118</b>	<b>603,405</b>
<b>Depreciation</b>						
At 1 August 2015	10,459	796	19,873	-	-	31,128
Charge for the year	11,159	913	5,640	-	-	17,712
Disposals	-	-	(2,973)	-	-	(2,973)
<b>At 31 July 2016</b>	<b>21,618</b>	<b>1,709</b>	<b>22,540</b>	<b>-</b>	<b>-</b>	<b>45,867</b>
<b>Net book value</b>						
<b>At 31 July 2016</b>	<b>487,657</b>	<b>32,886</b>	<b>9,282</b>	<b>27,595</b>	<b>118</b>	<b>557,538</b>
At 31 July 2015	471,376	32,749	5,959	18,301	118	528,503

At 31 July 2016, freehold land and buildings included £90.1m (2015: £91.1m) in respect of freehold land that is not depreciated.

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

# Notes to the Accounts

## Year Ended 31 July 2016

### 13. Heritage assets

Heritage Assets with an initial cost or value over £25,000 and acquired after 1 August 2007 are capitalised. In the last five years the University has acquired Heritage Assets of £118k relating to pieces of sculpture.

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

### 14. Investment property

	2016	2015
	<b>Consolidated and University</b>	
	£'000	£'000
Balance at 1 August	<b>8,948</b>	7,485
Additions	-	1,200
Net gain from fair value adjustments	<b>287</b>	263
Balance at 31 July	<b>9,235</b>	8,948

Investment property with a fair value of £5,745k (2015: £5,458k) is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

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

The University received property rental income of £334k (2015: £330k) in respect of these properties for the year ended 31 July 2016.

### 15. Non-current investments

	Subsidiary companies	Other fixed assets investments	Total
	£'000	£'000	£'000
<b>Consolidated</b>			
At 1 August 2015	-	144,485	<b>144,485</b>
Additions	-	14,740	<b>14,740</b>
Disposals	-	(11,538)	<b>(11,538)</b>
Fair value movement	-	4,026	<b>4,026</b>
<b>At 31 July 2016</b>	-	151,713	<b>151,713</b>
	£'000	£'000	£'000
<b>University</b>			
At 1 August 2015	2,255	108,803	<b>111,058</b>
Additions	-	14,332	<b>14,332</b>
Disposals	-	(11,499)	<b>(11,499)</b>
Fair value movement	-	6,803	<b>6,803</b>
<b>At 31 July 2016</b>	2,255	118,439	<b>120,694</b>

# Notes to the Accounts

## Year Ended 31 July 2016

### 15. Non-current investments (continued)

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Other fixed asset investments consist of:				
General investment fund	<b>67,595</b>	<b>67,595</b>	61,212	61,212
University investment fund:				
UK gilts and fixed asset stocks	<b>6,106</b>	<b>6,106</b>	6,358	6,358
UK equities (listed)	<b>25,030</b>	<b>25,030</b>	24,641	24,641
Overseas investments (listed)	<b>13,679</b>	<b>13,679</b>	12,069	12,069
Other investments	<b>6,029</b>	<b>6,029</b>	4,473	4,473
	<b>50,844</b>	<b>50,844</b>	47,541	47,541
Other	<b>1,064</b>	-	395	50
Listed investments	<b>32,210</b>	-	35,337	-
	<b>151,713</b>	<b>118,439</b>	144,485	108,803

#### General investment fund

The general investment fund consists of UK equities and investment trusts (listed) valued at market value. The equivalent cost as at 31 July 2016 was £46,748k (2015: £46,748k).

#### University investment fund

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

#### Listed investments

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

#### Other investments

The Group's other investments relate to a subsidiary's investments in 28 other UK unlisted companies.

### 16. Investment in joint ventures

The University has interests in the following joint ventures:

INTO Queen's LLP	A Limited Partnership which was incorporated in April 2009 to recruit and provide education to international students. It is a joint venture between Queen's Overseas Recruitment Limited and INTO University Partnerships Limited, a company registered in England. It is based in Belfast.
NI Composites O&M LLP	A Limited Partnership which was incorporated in 2011 to promote collaborative research in advanced composites. It is a joint venture between Queen's Composites Limited and Innovation Ulster Limited. It is based in Belfast.

# Notes to the Accounts

## Year Ended 31 July 2016

### 16. Investment in joint ventures (continued)

Interest in joint ventures:

Statement of comprehensive income and expenditure:

Income

Share of deficit before tax

Balance Sheet:

Fixed Assets

Current assets

Creditors: amounts due within one year

Creditors: amounts due after one year

Share of net liabilities

	2016	2015
	£'000	£'000
Income	<b>3,289</b>	3,220
Share of deficit before tax	<b>(78)</b>	(153)
Balance Sheet:		
Fixed Assets	<b>128</b>	117
Current assets	<b>1,577</b>	1,521
Creditors: amounts due within one year	<b>(3,590)</b>	(3,445)
Creditors: amounts due after one year	<b>(250)</b>	(250)
Share of net liabilities	<b>(2,135)</b>	(2,057)

A provision of £1,520k (2015: £1,520k) has been recognised in relation to the Groups liability in respect of joint ventures.

The University had the following balances with its joint ventures at the year end:

Amounts owed to the University:

INTO Queen's LLP

NI Composites O&M LLP

Amounts owed by the University:

INTO Queen's LLP

NI Composites O&M LLP

	2016	2015
	Consolidated and University	
	£'000	£'000
INTO Queen's LLP	<b>1,670</b>	1,770
NI Composites O&M LLP	<b>221</b>	194
	<b>1,891</b>	1,964
Amounts owed by the University:		
INTO Queen's LLP	<b>678</b>	400
NI Composites O&M LLP	<b>10</b>	-
	<b>688</b>	400

The balances all relate to ongoing trading activity.

# Notes to the Accounts

## Year Ended 31 July 2016

### 17. Investment in associates

Details of the group's interests in associated undertakings, held on the balance sheet at fair value, are set out below. Each company is incorporated in Northern Ireland.

	% of equity held	Latest Audited Accounts	2016 Share of net assets	Profit/(loss) for the year	Principle Activity
			£'000	£'000	
Acksen Limited	24%	31-Jul-15	36	10	Supply of instruments for monitoring electromagnetic radiation
Marenco Limited	28%	31-Dec-14	10	(48)	Marine and environmental consultancy services
Biocolor Limited	20%	31-Jul-15	219	24	Supply and development of assay kits for tissue laboratories
Spermcomet Limited	22%	30-Jun-15	29	(8)	Provision of infertility testing services
Titan IC Systems Limited	20%	30-Jun-15	151	(291)	Development of semi-conductor technology
TruCorp Limited	30%	31-Jul-15	279	233	Development of medical simulators
Lamhroe Limited	33%	30-Apr-15	-	-	Development of microchips for communication and applications
ProAxis Limited	24%	31-Dec-15	(27)	(269)	Point of care tests for cystic fibrosis and COPD
MOF Technologies Limited	25%	30-Jun-16	(90)	13	Novel techniques for the synthesis of MOFs

The directors believe that the carrying value of the investments in associates is supported by their underlying net assets.

In addition to these associate interests the Group has shareholdings of less than 20% in twenty-eight unlisted companies all of which are incorporated in the United Kingdom.

### 18. Debtors

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Research grant debtors	2,879	2,879	2,943	2,943
Other debtors	8,746	8,468	7,624	7,261
Amounts owed by associates	362	-	194	-
Prepayments and accrued income	20,110	20,110	21,553	21,552
Amounts due from subsidiary companies:				
QUBIS Limited	-	811	-	26,982
Queen's Overseas Recruitment Limited	-	439	-	438
Queen's Composites Limited	-	15	-	147
NIACE Limited	-	147	-	3
	<b>32,097</b>	<b>32,869</b>	32,314	59,326

### 19. Current investments

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

# Notes to the Accounts

## Year Ended 31 July 2016

### 20. Creditors: amounts falling due within one year

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research grants received in advance	33,812	33,812	21,561	21,561
Unsecured bank loans	1,111	1,111	1,034	1,034
Other unsecured loans	580	580	-	-
Trade creditors	22,704	22,704	27,892	27,887
Social security and other taxation payable	4,096	4,096	4,126	4,126
Accruals and deferred income	30,035	30,012	12,192	12,144
Deferred capital grant income	10,703	10,631	9,894	9,822
Due to subsidiary, QUBIS Limited	-	451	-	451
	<b>103,041</b>	<b>103,397</b>	<b>76,699</b>	<b>77,025</b>

### 21. Creditors: amounts falling due after more than one year

	2016		2015	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Deferred capital grant income	301,663	297,601	287,260	283,133
Unsecured bank loan	41,790	41,790	42,901	42,901
Other unsecured loans	13,740	13,740	-	-
Other	585	428	585	428
	<b>357,778</b>	<b>353,559</b>	<b>330,746</b>	<b>326,462</b>
The unsecured bank loan is repayable as follows:				
Due between one and two years	1,167	1,167	1,111	1,111
Due between two and five years	3,828	3,828	3,664	3,664
Due in five years or more	36,795	36,795	38,126	38,126
	<b>41,790</b>	<b>41,790</b>	<b>42,901</b>	<b>42,901</b>
The other unsecured loans are repayable as follows:				
Due between one and two years	580	580	-	-
Due between two and five years	1,740	1,740	-	-
Due in five years or more	11,420	11,420	-	-
	<b>13,740</b>	<b>13,740</b>	<b>-</b>	<b>-</b>
Other unsecured loans repayable by 2040	13,740	13,740	-	-
Unsecured bank loan repayable by 2038	41,790	41,790	42,901	42,901
	<b>55,530</b>	<b>55,530</b>	<b>42,901</b>	<b>42,901</b>

The unsecured bank loan totalling £41,790k (2015: £42,901k) is at a fixed interest rate and is repayable by quarterly instalments. The loan was repaid in full in October 2016.

The other unsecured loans are concessionary loans, and bear no interest. They are repayable by annual instalments over a 25 year period. At the year end the University had no committed concessionary loans not drawn down.

The deferred capital grant income includes £15.5m (2015 £16.5m) of recurrent government grant which has been deferred in the current year.

# Notes to the Accounts

## Year Ended 31 July 2016

### 22. Pension obligations

	Consolidated and University		
	Defined benefit obligations RBP pension	Other pension provision	Total
	£'000	£'000	£'000
At 1 August 2015	65,852	675	66,527
Movement	28,705	-	28,705
<b>At 31 July 2016</b>	<b>94,557</b>	<b>675</b>	<b>95,232</b>

Details of the RBP deficit are included at note 33.

### 23. Other provisions

	Obligation re USS deficit recovery plan	Provision for joint venture losses	Provision for restructuring	Total
	£'000	£'000	£'000	£'000
<b>Consolidated</b>				
At 1 August 2015	32,286	1,520	9,511	43,317
Utilised in year	(1,403)	-	(8,281)	(9,684)
Movement	4,408	-	-	4,408
Unwinding of discount	956	-	-	956
<b>At 31 July 2016</b>	<b>36,247</b>	<b>1,520</b>	<b>1,230</b>	<b>38,997</b>

#### University

	£'000	£'000	£'000	£'000
At 1 August 2015	32,286	-	9,511	41,797
Utilised in year	(1,403)	-	(8,281)	(9,684)
Movement	4,408	-	-	4,408
Unwinding of discount	956	-	-	956
<b>At 31 July 2016</b>	<b>36,247</b>	<b>-</b>	<b>1,230</b>	<b>37,477</b>

The obligation to fund the past deficit on the University's' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme, and salary payment over the period of the contracted obligation, in assessing the value of this provision. Further details of the USS scheme are included at note 33.

The restructuring provision relates to the Voluntary Severance and Voluntary Early Retirement Scheme which was approved by Senate in April 2015.

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



# Notes to the Accounts

## Year Ended 31 July 2016

### 24. Endowment reserves

Restricted net assets relating to endowments are as follows:

	Consolidated and University				2016 Total	2015 Total
	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	Undistributed investment fund income		
	£'000	£'000	£'000	£'000		
Balances at 1 August 2015						
Capital	32,640	2,491	15,198	-	<b>50,329</b>	49,282
Accumulated income	1,455	-	1,391	236	<b>3,082</b>	2,695
	<b>34,095</b>	<b>2,491</b>	<b>16,589</b>	<b>236</b>	<b>53,411</b>	51,977
New endowments (note 6)	2,439	-	96	39	<b>2,574</b>	598
Investment income (note 5)	849	59	360	-	<b>1,268</b>	1,584
Expenditure	(725)	(59)	(493)	-	<b>(1,277)</b>	(1,616)
Increase in market value investments	476	16	148	-	<b>640</b>	868
Total endowment comprehensive income for the year	3,039	16	111	39	<b>3,205</b>	1,434
<b>At 31 July 2016</b>	<b>37,134</b>	<b>2,507</b>	<b>16,700</b>	<b>275</b>	<b>56,616</b>	53,411
Represented by:						
Capital	35,372	2,507	15,109	-	<b>52,988</b>	50,329
Accumulated income	1,762	-	1,591	275	<b>3,628</b>	3,082
	<b>37,134</b>	<b>2,507</b>	<b>16,700</b>	<b>275</b>	<b>56,616</b>	53,411

	2016 Total	2015 Total
	£'000	£'000
Analysis by type of purpose:		
Chairs and lectureships	<b>7,178</b>	7,112
Scholarships, studentship, medal and prize funds	<b>14,211</b>	11,706
Research, directorate, school or faculty use	<b>25,499</b>	25,085
Public lectures	<b>1,847</b>	1,799
Travel	<b>234</b>	225
Student amenities and associated objects	<b>1,761</b>	1,717
Student assistance	<b>1,457</b>	1,444
Other restricted funds	<b>1,645</b>	1,597
General funds	<b>2,509</b>	2,490
Total endowments	<b>56,341</b>	53,175
Undistributed investment fund income	<b>275</b>	236
	<b>56,616</b>	53,411

# Notes to the Accounts

## Year Ended 31 July 2016

### 24. Endowment reserves (continued)

	2016 Total £'000	2015 Total £'000
Analysis by asset type held in Investment Fund:		
Investment property	5,745	5,458
Non-current asset investments (note 15)	50,844	47,541
Current asset investments	5,560	5,827
Cash & cash equivalents	1,846	1,897
	<b>63,995</b>	<b>60,723</b>
Less: University funds	<b>(7,379)</b>	<b>(7,312)</b>
	<b>56,616</b>	<b>53,411</b>

There are no endowments with a material deficit balance.

### 25. Restricted reserves

	Consolidated and University	
	2016 Total £'000	2015 Total £'000
Balance at 1 August 2015	104	10,004
New restricted income:		
Donations (note 6)	64	50
Other Services Rendered	207	94
	<b>271</b>	<b>144</b>
Capital grants utilised	-	(9,910)
Expenditure	(97)	(134)
Total restricted comprehensive income for the year	<b>174</b>	<b>(9,900)</b>
<b>Balance at 31 July 2016</b>	<b>278</b>	<b>104</b>

	2016 Total £'000	2015 Total £'000
Analysis of other restricted funds /donations by type of purpose:		
Research support	55	89
General	223	15
	<b>278</b>	<b>104</b>

### 26. Cash and cash equivalents

	Consolidated		
	At 1 August 2015 £'000	Cash Flows £'000	At 31 July 2016 £'000
Cash and cash equivalents	81,937	36,495	118,432
	<b>81,937</b>	<b>36,495</b>	<b>118,432</b>

# Notes to the Accounts

## Year Ended 31 July 2016

### 27. Capital and other commitments

Commitments contracted at 31 July  
 Authorised but not contracted at 31 July

Consolidated and University	
2016	2015
£'000	£'000
121,912	36,410
189,497	206,444
<b>311,409</b>	<b>242,854</b>

The capital commitments as at 31 July 2016 include £70m in respect of purpose built student residential accommodation.

### 28. Contingent liabilities

The University has entered into a limited partnership agreement with Crescent Capital III LLP. The terms of this agreement have resulted in the University having a financial commitment to provide future finance of up to £1m in the Crescent Capital III Fund. As at 31 July 2016 £350k (2015: £200k) had been provided to Crescent Capital III LLP.

### 29. Events after the reporting period

In October 2016, the University repaid, in full, an outstanding bank loan of £42.9m. Details of the balance as at 31 July 2016 are outlined in notes 8, 20 and 21. This repayment was ratified by Senate in June 2016 and an element of the early redemption fee has been accrued within operating expenses for the year ended 31 July 2016.

### 30. Subsidiary undertakings

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

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

### 31. Connected charitable institutions

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

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

	2016
	£'000
Opening Fund	2,630
Income generated	7,981
Disbursements in year	(7,092)
Closing Fund	<b>3,519</b>

# Notes to the Accounts

## Year Ended 31 July 2016

### 32. Student support funds

	Consolidated and University	
	2016	2015
	£'000	£'000
Department for the Economy	1,351	1,351
Interest received	5	5
University contribution	63	118
	<b>1,419</b>	<b>1,474</b>
Disbursed to students	(1,432)	(1,478)
Overspend in the year	(13)	(4)
Opening balance as at 1 August	298	296
Closing balance as at 31 July	<b>285</b>	<b>292</b>

### 33. Pension schemes

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

#### (i) The Universities superannuation scheme

The University participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016, which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the SOCI represents the contributions payable to the scheme in respect of the accounting period.

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

The total cost charged to the SOCI is £16,703k (2015: £16,305k) as shown in note 7. This includes £2,306k (2015: £1,597k) outstanding contributions at the balance sheet date.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

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

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

# Notes to the Accounts

## Year Ended 31 July 2016

### 33. Pension schemes (continued)

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5 % in the first year and 4% thereafter
Price inflation (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigations (CMI) S1NA tables as follows:

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

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.50% pa long term rate were also adopted.

The current life expectancies on retirement at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.3
Males currently aged 45 (years)	26.4	26.2
Females currently aged 45 (years)	28.8	28.6

Details of the funding position are as follows:

	2016	2015
Scheme Assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

#### ii) Retirement benefits plan (RBP)

The latest actuarial valuation of the RBP, for which results are available, was carried out at 31 March 2014 by a qualified independent actuary and this identified a deficit of £24.0m. The valuation has been projected forward as at 31 July 2016.

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

	2016	2015
Pay increase	3.2%	3.7%
Pension increase	1.9%	2.4%
Pension increase rate in deferment	1.9%	2.4%
Discount rate	2.3%	3.6%
Inflation assumption	1.9%	2.4%

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

# Notes to the Accounts

## Year Ended 31 July 2016

### 33. Pension schemes (continued)

		2016	2015
		years	years
Member age 65 (current life expectancy)	male	22.0	22.0
	female	23.9	23.9
Member age 40 (life expectancy at 65)	male	24.2	24.2
	female	26.3	26.3

The split of assets in the scheme were:

	% of the Plan Assets		
	2016	2015	2014
Equities	63.14	61.16	61.19
Bonds & Gilts	25.08	26.61	26.03
Corporate bonds	4.89	4.92	5.02
Property	6.49	6.95	6.98
Cash and other	0.40	0.36	0.78

#### Analysis of the amount charged to staff costs within the surplus for the year

	2016	2015
	£'000	£'000
Service cost	5,919	4,754

There are no past service charges (2015: £nil)

#### Analysis of net return on pension scheme charged to interest payable

	2016	2015
	£'000	£'000
Expected return on pension scheme assets	5,631	6,031
Interest on pension liabilities	(7,981)	(8,098)
Net charge	(2,350)	(2,067)

#### Analysis of actuarial loss recognised as other comprehensive income

	2016	2015
	£'000	£'000
Actuarial (loss) recognised in other comprehensive income	(25,588)	(14,311)
Cumulative amount of actuarial losses recognised	(103,771)	(78,183)

#### Return on the plan assets

	2016	2015
	£'000	£'000
Actual return on assets	20,740	13,659

# Notes to the Accounts

## Year Ended 31 July 2016

### 33. Pension schemes (continued)

#### Movement in deficit during the year

	2016	2015
	£'000	£'000
Deficit in scheme at 1 August	(65,852)	(49,887)
Movement in the year:		
Current service cost	(5,919)	(4,754)
Contributions	5,152	5,167
Other finance costs	(2,350)	(2,067)
Actuarial (loss)	(25,588)	(14,311)
Deficit in scheme at 31 July	<b>(94,557)</b>	<b>(65,852)</b>

The valuation at 31 July 2016 showed an increase in the deficit from £65.852m to £94.557m.

#### Analysis of the movement in the present value of the benefit obligation

	2016	2015
	£'000	£'000
Benefit obligation at 1 August	222,231	192,968
Current service cost	5,919	4,754
Interest cost	7,981	8,098
Plan participants' contributions	-	34
Actuarial loss	40,697	22,027
Benefits paid	(7,009)	(5,650)
Benefit obligation at 31 July	<b>269,819</b>	<b>222,231</b>

#### Analysis of the movement in the market value of the scheme assets

	2016	2015
	£'000	£'000
Value of assets at 1 August	156,379	143,081
Expected return on plan assets	5,631	7,886
Actuarial gain on plan assets	15,109	5,861
Employer contributions	5,152	5,167
Member contributions	-	34
Benefits paid from plan	(7,009)	(5,650)
Value of assets at 31 July	<b>175,262</b>	<b>156,379</b>

#### History of experience; gains and losses

	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Difference between expected and actual return on scheme assets	15,109	7,628	(948)	10,343	(2,918)
Percentage of scheme assets	9%	5%	-1%	8%	-2%
Experienced gains and losses on scheme liabilities	-	(767)	(293)	(626)	(3,472)
Percentage of present values of plan liabilities	0%	0%	0%	0%	-1%
Actuarial (loss)/gain	<b>(25,588)</b>	(14,311)	111	(3,206)	(18,767)

#### University contributions

Under the current Schedule of Contributions the University contributes the following:

- 19.2% of pensionable earnings in respect of pensions + active members
- 10.2% of pensionable earnings in respect of other active members; and
- deficit contributions of 8.8% p.a. of total pensionable earnings between 1 April 2015 and 31 October 2030.

# Notes to the Accounts

## Year Ended 31 July 2016

### 34. Disclosure of related party transactions

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

Included in the Consolidated and University Statement of Comprehensive Income and the Balance Sheet, are the following transactions, with a value greater than £5k, with related parties:

	31 July 2016		Income £'000	Expenditure £'000
	Debtor	Creditor		
	£'000	£'000		
Lisburn and Castlereagh City Council	-	-	5	-
Danske Bank	-	-	17	-
Fiends of the Cancer Centre	25	-	464	-
British Council	5	-	27	-
CBI - Confederation of British Industry	-	-	-	9
Medical Research Council	14	10	3,641	10
NIE Ltd	-	5	46	83
Electricity Supply Board	-	4	-	1,500
Anderson Spratt Group	-	-	-	96
Marie Curie Ltd	-	-	-	5
Northern Ireland Chamber of Commerce and Industry	-	-	-	6
Barclays Bank Plc	-	-	-	2,150
Queen's INTO LLP	1,670	678	1,413	-
CV6 Therapeutics (NI) Limited	-	-	33	-
Fusion Antibodies Limited	-	-	-	6
NI Composites O&M LLP	221	10	-	290
University of Durham	-	-	180	-
Methodist College Belfast	-	-	9	-
Food Safety Promotion Board	-	-	-	11
Xenophobics Limited	36	-	73	-
Northern Ireland Science Park (Holdings) Limited	-	-	7	42
Rathmore Grammar School	-	-	6	-
United Dairy Farmers/Dale Farm Limited	-	-	25	-
Kingspan Group Plc	-	-	12	-
Ernst and Young	-	-	18	-

In addition to the payments to Barclays Bank Plc. noted above which relate to interest, the University also paid £1,034k in respect of capital repayments in 2015-16. As at 31 July 2016. The University also had £19.0m short term deposits with Barclays Bank Plc., and a bank loan of £42.9m.

The University received disbursements of £7,111k from the Queen's University of Belfast Foundation Limited in respect of capital and revenue items. The Queen's University of Belfast Foundation Limited is a linked charity to the University and further information is included in Note 31.



# Notes to the Accounts

## Year Ended 31 July 2016

### 35. Accounting estimates and judgements

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

#### Valuation of land in fixed assets

The Group applied paragraph 35.10(c) of FRS102 to measure the fair value of land and buildings on the date of transition to FRS102 and to treat the fair value as the deemed cost. The valuation was provided by an independent valuer with an appropriate professional qualification. This valuation was then taken unadjusted as deemed cost as at 31 July 2014.

#### Remaining economic lives of buildings

The Group employed the same qualified independent party to reassess the remaining lives of the buildings. This exercise resulted in some changes to the economic lives of buildings held within the Group's capital portfolio. These revised lives were adopted from transition date. The effect on the 2014-15 Statement of Comprehensive Income was not material.

#### Pension obligation – RBP pension

The University obtains a valuation from an external professionally qualified actuary, used to calculate the net liability of the scheme. These assumptions include the RPI%, CPI% increases, salary increases, pension increases, discount rate and the estimate of the duration of employer liabilities.

#### USS deficit recovery programme liability

The University has recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approval of these financial statements. The University has used the discount rate commissioned by BUFDG, and University estimates for increases in staff numbers and salary growth percentage.

### 36. Jointly controlled operations

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

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

A Joint Management Committee (JMC) has oversight of the activities and resources of CQC with key specific terms of reference and reporting lines to ensure good academic and financial governance. Income of £162k (2015: £5k) has been recognised in the Statement of Comprehensive Income with respect of CQC.

### 37. Financial instruments

#### Risk management

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

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

# Notes to the Accounts

## Year Ended 31 July 2016 (continued)

### Credit risk

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

The University's credit risk arises from deposits held with banks and building societies, investments and debtors. Management of credit risk is a prime objective of the credit control policy. At 31 July 2016, the maximum exposure is represented by carrying value of each financial asset in the balance sheet.

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

The fixed asset investments, as outlined in note 13, consist of investment funds and listed investments. The risk is limited as the investment funds are externally managed by professional fund managers, on both an active and passive basis, and performance is monitored regularly by the Investment Committee.

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

### Liquidity risk

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

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

Details of the University's long term loans are outlined in note 21. The bank loan was repaid in October 2016. The remaining loans are concessionary loans which have a value of £14m at the year end.

### Foreign currency risk

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

### Interest rate risk

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

Due to the low interest rate environment, most of the University cash deposits at the 31 July 2016 are on call as these offer competitive rates of return, whilst also offering maximum liquidity. Such deposits have limited re-investment risk.

### 38. Transition to FRS102 and the 2015 SORP

As explained in the accounting policies on pages 28-31, these are the Group's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Balance Sheet at 1 August 2014. In preparing its FRS 102, SORP based Balance Sheet; the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the Group's Balance Sheet and Statement of Comprehensive Income is set out in the following tables, with further explanatory notes at the end of the note.

# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

	Consolidated							
	01-Aug-14			31-Jul-15				
	2007 SORP	Effect of transition to 2015 SORP	2015 SORP	2007 SORP	Effect of transition to 2015 SORP	2015 SORP		
£'000	* £'000	£'000	£'000	£'000	* £'000	£'000		
<b>Non-current assets</b>								
Fixed Assets	353,538	a/b	153,688	507,226	381,612	a/b	153,768	535,380
Heritage assets	118		-	118	118		-	118
Investment property	-	b/c	7,485	7,485	-	b/c	8,948	8,948
Investments	44,776	c/e	31,122	75,898	104,897	c/e	40,229	145,126
Investment in joint venture	(1,904)	d	1,904	-	(2,057)	d	2,057	-
Investments in associate	-	e	7,528	7,528	-	e	-	-
	396,528		201,727	598,255	484,570		205,002	689,572
<b>Endowment assets</b>	51,977	c	(51,977)	-	53,411	c	(53,411)	-
<b>Current assets</b>								
Stock	404		-	404	465		-	465
Trade and other receivables	30,287		-	30,287	32,314		-	32,314
Investments	187,489	f/c	(55,368)	132,121	185,173	f/c	(38,173)	147,000
Cash and cash equivalents	6,845	f	64,700	71,545	36,040	f	45,897	81,937
	225,025		9,332	234,357	253,992		7,724	261,716
Less: Creditors: amounts falling due within one year	(61,526)	g/i/h	(11,143)	(72,669)	(65,538)	g/i/h	(11,161)	(76,699)
<b>Net current assets/(liabilities)</b>	163,499		(1,811)	161,688	188,454		(3,437)	185,017
<b>Total assets less current liabilities</b>	612,004		147,939	759,943	726,435		148,154	874,589
Creditors: amounts falling due after more than one year	(44,363)	h/i	(261,154)	(305,517)	(43,329)	h/i	(287,417)	(330,746)
<b>Provisions</b>								
Pension obligations	(49,887)		(675)	(50,562)	(65,852)		(675)	(66,527)
Other provision	(999)	d/j	(17,991)	(18,990)	(10,186)	d/j	(33,131)	(43,317)
<b>Total net assets</b>	516,755		(131,881)	384,874	607,068		(173,069)	433,999
<b>Deferred capital grants</b>	340,876	i/h	(340,876)	-	371,392	i/h	(371,392)	-
<b>Endowment Funds</b>	51,977	k	(51,977)	-	53,411	k	(53,411)	-
<b>Restricted Reserves</b>								
Income and expenditure reserve - endowment reserve	-	k	51,977	51,977	-	k	53,411	53,411
Income and expenditure reserve - restricted reserve	-	l	10,004	10,004	-	l	104	104
<b>Unrestricted Reserves</b>								
Income and expenditure reserve - unrestricted	98,718		223,371	322,089	126,817		252,877	379,694
Revaluation reserve	25,184	m	(25,184)	-	55,448	m	(55,448)	-
	123,902		260,168	384,070	182,265		250,944	433,209
Non controlling Interest			804	804	-		790	790
<b>Total Reserves</b>	516,755		(131,881)	384,874	607,068		(173,069)	433,999

\* Further explanatory text is contained at the end of this note. An analysis of movements in reserves is overleaf.

# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

Details of the movement in the Group's consolidated reserves are outlined below:

	Consolidated	
	1 Aug 2014	31 July 2015
*	£'000	£'000
Opening Reserves 1 August 2014	123,902	182,265
<i>Adjustments- opening balance 1 August 2014</i>		
Endowment funds transferred to unrestricted reserves	k 51,977	51,977
Restatement of fixed assets as at 1 August 2014	a 157,178	157,178
Holiday pay accrual	g (1,229)	(1,229)
Provision for future liabilities re USS deficit recovery plan	j (17,884)	(17,884)
Non-government deferred capital grants	h 69,981	69,981
Deferred tax liability on revaluation of subsidiary buildings	(157)	(157)
Joint venture share of net liability	d 1,904	1,904
Joint venture provision and other movements	d (878)	(878)
Research funds recognised on receipt	h 80	80
	260,972	260,972
<i>Adjustments 2014-15</i>		
Movement in endowment funds 2014-15	k -	1,434
Movement in holiday pay accrual	g -	(72)
Movement in depreciation	a -	603
Movement in gain on sale of fixed asset	-	(525)
Movement in joint venture provision	d -	(585)
Recognition of research income	h -	61
Movement on provision for USS deficit recovery plan	j -	(14,402)
Capital funds received ( non government)	h -	10,755
Movement in release of deferred capital grants	h -	(6,507)
	-	(9,238)
Restated Reserves	384,874	433,999

\* Further explanatory text is contained at the end of this note.

# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

	University							
	01-Aug-14			31-Jul-15				
	2007 SORP	Effect of transition to 2015 SORP		2015 SORP	2007 SORP	Effect of transition to 2015 SORP		2015 SORP
£'000	*	£'000	£'000	£'000	*	£'000	£'000	
<b>Non-current assets</b>								
Fixed Assets	347,832	a/b	152,279	500,111	376,056	a/b	152,329	528,385
Heritage assets	118			118	118			118
Investment property		b/c	7,485	7,485		b/c	8,948	8,948
Investments	38,993	c	38,650	77,643	70,829	c	40,229	111,058
	<b>386,943</b>		<b>198,414</b>	<b>585,357</b>	<b>447,003</b>		<b>201,506</b>	<b>648,509</b>
<b>Endowment assets</b>	51,977	c	(51,977)	-	53,411	c	(53,411)	-
<b>Current assets</b>								
Stock	404		-	404	465		-	465
Trade and other receivables	30,493		-	30,493	59,326		-	59,326
Investments	187,489	c/f	(55,368)	132,121	185,173	c/f	(38,173)	147,000
Cash and cash equivalents	6,660	c/f	64,700	71,360	4,634	c/f	45,897	50,531
	<b>225,046</b>		<b>9,332</b>	<b>234,378</b>	<b>249,598</b>		<b>7,724</b>	<b>257,322</b>
Less: Creditors: amounts falling due within one year	(62,339)	g/i/h	(10,971)	(73,310)	(66,040)	g/i/h	(10,985)	(77,025)
<b>Net current assets/(liabilities)</b>	<b>162,707</b>		<b>(1,639)</b>	<b>161,068</b>	<b>183,558</b>		<b>(3,261)</b>	<b>180,297</b>
<b>Total assets less current liabilities</b>	<b>601,627</b>		<b>144,798</b>	<b>746,425</b>	<b>683,972</b>		<b>144,834</b>	<b>828,806</b>
Creditors: amounts falling due after more than one year	(44,363)	h/i	(256,793)	(301,156)	(43,329)	h/i	(283,133)	(326,462)
<b>Provisions</b>								
Provision for pension liabilities	(49,887)		(675)	(50,562)	(65,852)		(675)	(66,527)
Other provision	(999)	j	(17,209)	(18,208)	(10,186)	j	(31,611)	(41,797)
<b>Total net assets</b>	<b>506,378</b>		<b>(129,879)</b>	<b>376,499</b>	<b>564,605</b>		<b>(170,585)</b>	<b>394,020</b>
<b>Deferred capital grants</b>	335,170	i/h	(335,170)	-	365,836	i/h	(365,836)	-
<b>Endowment Funds</b>	51,977	k	(51,977)	-	53,411	k	(53,411)	-
<b>Restricted Reserves</b>								
Income and expenditure reserve - endowment reserve	-	k	51,977	51,977	-	k	53,411	53,411
Income and expenditure reserve - restricted reserve	-	l	10,004	10,004	-	l	104	104
<b>Unrestricted Reserves</b>								
Income and expenditure reserve - unrestricted	101,920		212,598	314,518	126,211		214,294	340,505
Revaluation reserve	17,311	m	(17,311)	-	19,147	m	(19,147)	-
	<b>119,231</b>		<b>257,268</b>	<b>376,499</b>	<b>145,358</b>		<b>248,662</b>	<b>394,020</b>
<b>Total Reserves</b>	<b>506,378</b>		<b>(129,879)</b>	<b>376,499</b>	<b>564,605</b>		<b>(170,585)</b>	<b>394,020</b>

\* Further explanatory text is contained at the end of this note. An analysis of movements in reserves is overleaf.

# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

Details of the movement in the University's reserves are outlined below:

	University	
	1 Aug 2014	31 July 2015
*	£'000	£'000
Opening Reserves 1 August 2014	119,231	145,358
<i>Adjustments- opening balance 1 August 2014</i>		
Endowment funds transferred to reserves	k 51,977	51,977
Restatement of fixed assets as at 1 August 2014	a 155,769	155,769
Holiday pay accrual	g (1,229)	(1,229)
Provision for future liabilities re USS deficit recovery plan	j (17,884)	(17,884)
Non-government deferred capital grants	h 68,555	68,555
Research funds recognised on receipt	h 80	80
	<u>257,268</u>	<u>257,268</u>
<i>Adjustments 2014-15</i>		
Movement in endowment funds 2014-15	k -	1,434
Movement in holiday pay accrual	g -	(73)
Movement in depreciation	a -	573
Movement in gain on sale of fixed asset	-	(525)
Recognition of research income	h -	61
Movement on provision for USS deficit recovery plan	j -	(14,402)
Capital funds received ( non government)	h -	10,755
Movement in release of deferred capital grants	h -	(6,429)
	<u>-</u>	<u>(8,606)</u>
Restated Reserves	<u>376,499</u>	<u>394,020</u>

\* Further explanatory text is contained at the end of this note.

# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

Consolidated				
Year ended 31 July 2015				
2007 SORP	STRGL Items		Effect of transition to 2015 SORP	2015 SORP
£'000	£'000	*	£'000	£'000
<b>Income</b>				
Funding body grants	93,100	-	h (1,327)	91,773
Tuition fees and education contracts	86,591	-	-	86,591
Research grants and contracts	72,498	-	h (442)	72,056
Other income (adjusted to exclude income from joint ventures)	58,353	-	h 1,289	59,642
Investment income	5,308	-	3,164	8,472
<b>Total income before donations and endowments</b>	<b>315,850</b>	<b>-</b>	<b>2,684</b>	<b>318,534</b>
Donations and endowments	-	-	n 1,607	1,607
<b>Total income</b>	<b>315,850</b>	<b>-</b>	<b>4,291</b>	<b>320,141</b>
<b>Less: Share of income from joint ventures</b>	<b>(3,220)</b>	<b>-</b>	<b>d 3,220</b>	<b>-</b>
<b>Net income</b>	<b>312,630</b>	<b>-</b>	<b>7,511</b>	<b>320,141</b>
<b>Expenditure</b>				
Staff costs	175,235	-	g/j 13,946	189,181
Other operating expenses	104,882	-	739	105,621
Depreciation	15,698	-	a (603)	15,095
Interest and other finance costs	2,431	-	j 2,384	4,815
<b>Total expenditure</b>	<b>298,246</b>	<b>-</b>	<b>16,466</b>	<b>314,712</b>
Gain/(loss) on disposal of fixed assets	-	-	(26)	(26)
Gain/(loss) on investments	-	-	23,239	23,239
Share of operating surplus/(deficit) in joint venture	(153)	-	d 153	-
<b>Surplus before tax and movement in fair value</b>	<b>14,231</b>	<b>-</b>	<b>14,411</b>	<b>28,642</b>
Exceptional income: profit on disposal of investment	27,182	-	o (27,182)	-
Fair value gain on investments and investment property	-	34,796	-	34,796
Taxation	-	-	-	-
<b>Surplus for the year</b>	<b>41,413</b>	<b>34,796</b>	<b>(12,771)</b>	<b>63,438</b>
Actuarial (loss) in respect of pension schemes	-	(16,166)	j 1,855	(14,311)
<b>Total comprehensive income for the year</b>	<b>41,413</b>	<b>18,630</b>	<b>(10,916)</b>	<b>49,127</b>

\* Further explanatory text is contained at the end of this note.

# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

Details of the movement in the Group's surplus are outlined below:

	*	£'000
Opening surplus		41,413
<i>Adjustments 2014-15</i>		
Movement in holiday pay accrual	g	(73)
Endowment funds		(246)
Movement in depreciation	a	603
Movement in gain on sale of fixed asset	a	(525)
Joint venture deficit	d	153
Provision for joint venture net liability	d	(738)
Recognition of research income		61
Movement on provision for USS deficit recovery plan	j	(14,402)
Capital funds received ( non government)	h	10,755
Movement in release of deferred capital grants	h	(6,504)
		<u>(10,916)</u>
<i>Items previously shown within the Statement of Recognised Gains and Losses (STRGL)</i>		<u>18,630</u>
Restated surplus		<u>49,127</u>

\* Further explanatory text is contained at the end of this note.



# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

University				
Year ended 31 July 2015				
2007 SORP	STRGL Items*		Effect of transition to 2015 SORP	2015 SORP
£'000	£'000	*	£'000	£'000
<b>Income</b>				
Funding body grants	93,100	-	h (1,327)	91,773
Tuition fees and education contracts	86,591		-	86,591
Research grants and contracts	72,498	-	h (442)	72,056
Other income (adjusted to exclude income from joint ventures)	81,417	-	h 4,583	86,000
Investment income	5,419	-	(779)	4,640
<b>Total income before donations and endowments</b>	<b>339,025</b>	<b>-</b>	<b>2,035</b>	<b>341,060</b>
Donations and endowments	-	-	1,607	1,607
<b>Total income</b>	<b>339,025</b>	<b>-</b>	<b>3,642</b>	<b>342,667</b>
<b>Expenditure</b>				
Staff costs	175,235	-	g/j 13,946	189,181
Other operating expenses	104,542	-	-	104,542
Depreciation	15,548	-	a (573)	14,975
Interest and other finance costs	2,431	-	j 2,384	4,815
<b>Total expenditure</b>	<b>297,756</b>	<b>-</b>	<b>15,757</b>	<b>313,513</b>
Loss on disposal of fixed assets	-	-	(26)	(26)
<b>Surplus before tax and movement in fair value</b>	<b>41,269</b>	<b>-</b>	<b>(12,141)</b>	<b>29,128</b>
Fair value gain on investments and investment property	-	2,704	-	2,704
Taxation	-	-	-	-
<b>Surplus after tax for the year</b>	<b>41,269</b>	<b>2,704</b>	<b>(12,141)</b>	<b>31,832</b>
Actuarial (loss)/gain in respect of pension schemes	-	(16,166)	j 1,855	(14,311)
<b>Total comprehensive income/(loss) for the year</b>	<b>41,269</b>	<b>(13,462)</b>	<b>(10,286)</b>	<b>17,521</b>

\* Further explanatory text is contained at the end of this note.

# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

Details of the movement in the Group's surplus are outlined below:

	*	£'000
Opening surplus		41,269
<i>Adjustments 2014-15</i>		
Movement in holiday pay accrual	g	(73)
Endowment funds		(246)
Movement in depreciation	a	573
Movement in gain on sale of fixed asset	a	(525)
Recognition of research income		61
Movement on provision for USS deficit recovery plan	j	(14,402)
Capital funds received (non government)	h	10,755
Movement in release of deferred capital grants	h	(6,429)
		<u>(10,286)</u>
<i>Items previously shown within the Statement of Recognised Gains and Losses (STRGL)</i>		<u>(13,462)</u>
Restated surplus		<u>17,521</u>

\* Further explanatory text is contained at the end of this note.

Details of the material changes are listed below:

#### a Fixed assets

In line with FRS 102 the Group has opted to measure land and buildings at fair value as at 1 August 2014. This has been reflected in the restated balance sheet at 1 August 2014 with a £157m (University £156m) increase in the value of land and buildings. All other fixed assets continue to be held at cost.

The Group also changed the useful economic lives ('UEL') of land and buildings. The impact of both the revaluation and changes to the UELs of the assets resulted in a decrease in the depreciation charge in the region of £603k for the Group (University £573m) for the year ended 3 July 2015.

#### b Investment property

On transition to FRS 102, property valued at £3,490k at transition, previously classified as fixed assets under old UK GAAP, has been reclassified to investment property in line with the definitions within FRS 102. The properties were revalued from historical cost to fair value at the date of transition.

#### c Endowment assets

Under FRS 102 endowment assets are no longer identified separately on the face of the balance sheet but are reclassified to the appropriate asset class. The endowment assets as at 1 August 2014 amounted to £51,977k and these have been reclassified as follows:

	£'000
Fixed asset investments	38,650
Investment property	3,995
Current asset investments	9,332
	<u>51,977</u>

The allocation of endowment assets in 2015 and 2016 is detailed in Note 24.

#### d Investment in joint ventures

Under FRS 102, the Group's share of joint venture's losses should only be recognised until the carrying amount of the investment is reduced to nil. This contrasts with prior treatment which required the continued recognition of losses, even if they exceeded the cost of the investment. Provision has been made for the estimated liabilities relating to the Group's share of the losses.

# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

#### e Investment in Associates

FRS 102 requires the separate disclosure of investments in associates, which were previously included within the total fixed asset investments

#### f Cash and Cash equivalents

Under FRS 102 cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. For the purposes of these statements, cash equivalents have been taken as investments with a maturity of three months or less from the date of acquisition. As at 1 August 2014, short term investments of £64.7m were identified as being cash equivalents, as at 31 July 2015 the figure was in the region of £44.0m.

#### g Holiday pay accrual

FRS 102 requires a new provision to be recognised for any liability in respect of short term employee benefits, including pay in relation to holidays not taken at the balance sheet date. The holiday pay accrual as at 1 August 2014 was calculated to be in the region of £1,229k with small uplifts in the years ended 31 July 2015 and 2016.

#### h Non exchange transactions

Non exchange transactions include capital and revenue grants from non-government bodies, such as private or charitable individuals or institutions. In accordance with FRS 102 non-exchange transaction should be accounted for under the performance model, unless the donor has stipulated that the capital element must be held indefinitely (creating a permanent endowment). The performance model requires income to be recognised when performance conditions are met, if there are no performance conditions, income should be recognised immediately.

##### -Revenue grants

A review was conducted of income sources to determine the extent to which performance conditions existed for non government grants. Certain research grants were identified where income should be recognised immediately, under the performance model, as there were no performance conditions to be met. The adjustment was minor, being a release of deferred income of £80k as at the transition date of 1 August 2014.

##### -Capital grants

Under FRS 102, capital grants from non-government sources are no longer held within deferred capital grants on the balance sheet Group but recognised as income once any performance conditions are met. This resulted in a transfer of deferred capital grants to reserves of £69,981k (University £68,555k) as at the transition date of 1 August 2014, and a further release of £10,755k in 2014-15 as noted in Note 4.

The release of the deferred capital grants to reserves, coupled with the changes to the UELs of fixed assets (Note a above) has resulted in a decrease in the deferred capital grant released to the Group's SOCI in 2014-2015 of £6,504k (University £6,429k) in 2014-15. This reduction is spread over government grants, research and other income.

#### i Government grants - Deferred capital grants

The University has chosen to follow the accruals model for government grants, therefore there is no change from the old GAAP treatment. However, under FRS 102, deferred capital grants are to be carried on the balance sheet within creditors, as opposed to being separately disclosed on the face of the balance sheet. As at the transition date of 1 August 2014 deferred capital grants of £270,895k were reflagged as creditors. The balance is split between creditors due in one year and creditors due after one year as appropriate.

#### j Retirement benefits

RBP scheme: The RBP scheme continues to be accounted for as a defined benefit scheme. The only adjustment under FRS 102 is a change to the calculation of the net interest expense. The University's share for the actual deficit of the scheme is provided for within the balance sheet.

USS scheme: Under FRS 102 the University has created a provision to recognise its commitment to contribute to the deficit recovery plan for contracted past deficits of employees. The provision at the transition date of 1 August 2014 was £17.9m, increasing to £32.3m as at 31 July 2015, further details are included at Note 23.

# Notes to the Accounts

## Year Ended 31 July 2016

### 38. Transition to FRS102 and the 2015 SORP (continued)

#### k Endowment Funds

Under FRS102 endowment funds are reclassified as endowment reserves and shown within the total reserves balance. There is no change to the valuation of the endowments.

#### l Restricted reserves

In line with FRS 102, a new sub-classification of reserves, known as restricted reserves, has been introduced to recognise the unspent balances of restricted donations and other restricted income. The University had restricted reserves of £10,004k at the date of transition, relating mainly to capital grants which have now been fully expended.

#### m Revaluation reserve

In accordance with FRS102, investments are measured at fair value and movements recognised in the profit or loss. The revaluation reserve has therefore been transferred to unrestricted reserves at the date of transition.

#### n Donations and endowments

In line with FRS102, donations and new endowment income are shown separately in the Statement of Comprehensive Income. Previously donations were included mainly within other income, and new endowments were included in the Statement of Recognised Gains and Losses.

#### o Exceptional income

Under FRS102, the exceptional income item of £27.2k included in the 2014-15 Consolidated Income and Expenditure Statement, relating to the disposal of an investment and related dividends, is now included within investments income £3.9k, and gain on disposal of investment £23.3k.









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