

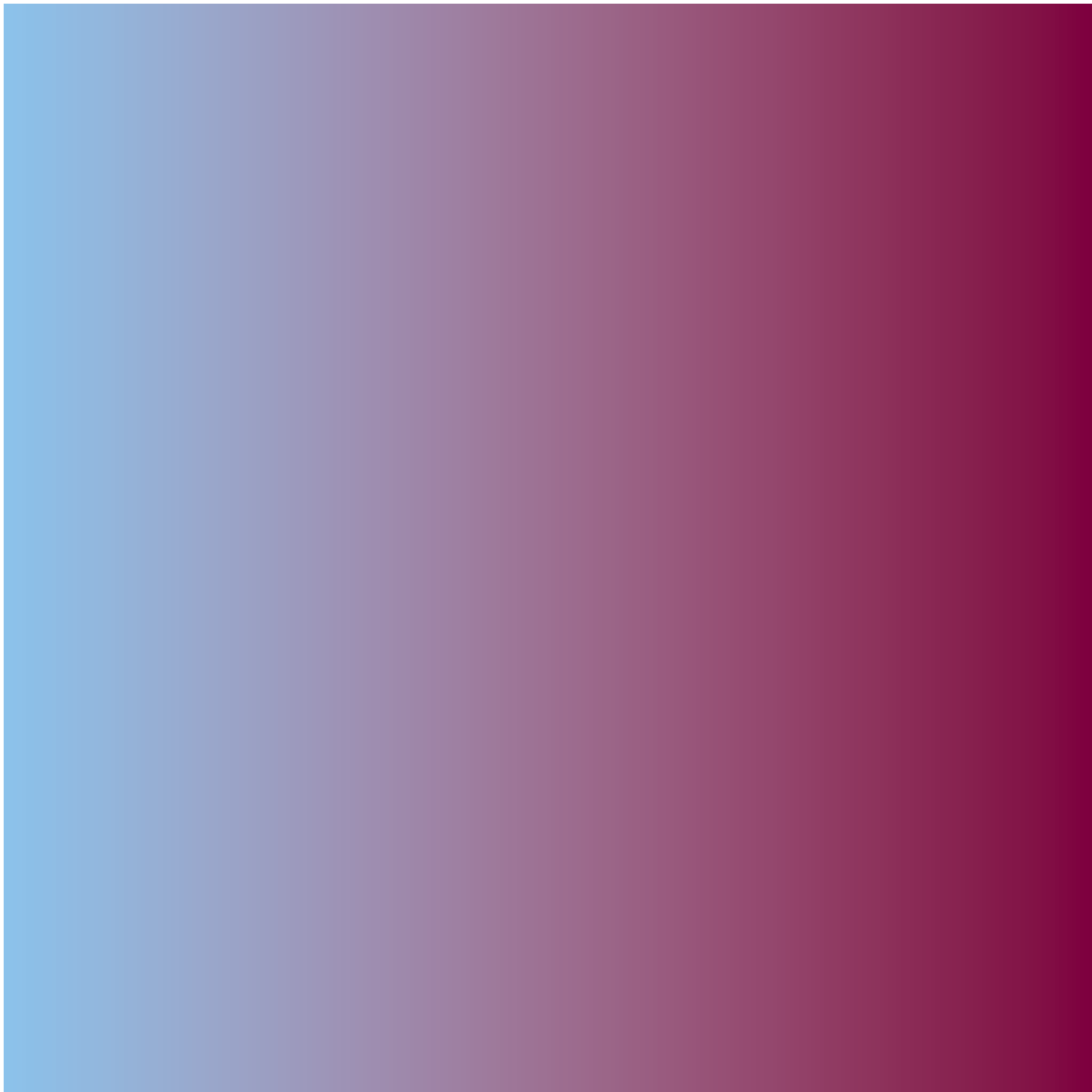
# CONSOLIDATED FINANCIAL STATEMENTS 2012-13

WE ARE QUEEN'S UNIVERSITY BELFAST

*We are exceptional*



Queen's University  
Belfast





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# OPERATING AND FINANCIAL REVIEW

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This Operating and Financial Review forms part of the consolidated Financial Statements which are presented to Senate and which have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions 2007 (SORP).

## Overview

Queen's University Belfast was founded as Queen's College in 1845, and became a university in its own right in 1908. Today, it is an international centre of research and education, rooted at the heart of Northern Ireland, and a member of the prestigious Russell Group, a body encompassing the UK's 24 leading research-intensive universities. With more than 17,000 students and 3,500 staff, 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 – it is also central to the artistic and cultural life of Northern Ireland.

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 NICOM LLP. Further details are included at Note 12 in the Financial Statements.

2012-13 was another successful year for the University, with a surplus of £10.7m for the year and a net assets position, at 31 July 2013, of £461.4m. These results reaffirm the underlying financial stability of the University as it moves forward with a clear and strategic direction, focused on excellence in teaching and research.

### Income and Expenditure Review

A summary of the University's consolidated income and expenditure position is provided in Table 1:

The surplus for the year, retained in general funds, was £10.7m. The University is undergoing a period of transformational change and resources will be strategically utilised to realise its strategic aims, including the continued recruitment of key academic posts.

Table 1: Summary of the University's Consolidated Income and Expenditure Position

	2012-13 £m	2011-12 £m	2010-11 £m
Income	286.1	282.7	276.0
Expenditure	274.7	267.8	273.5
Surplus before taxation	11.4	14.9	2.5
Taxation and other items	(0.7)	(0.7)	(1.4)
<b>Surplus retained in general funds</b>	<b>10.7</b>	<b>14.2</b>	<b>1.1</b>



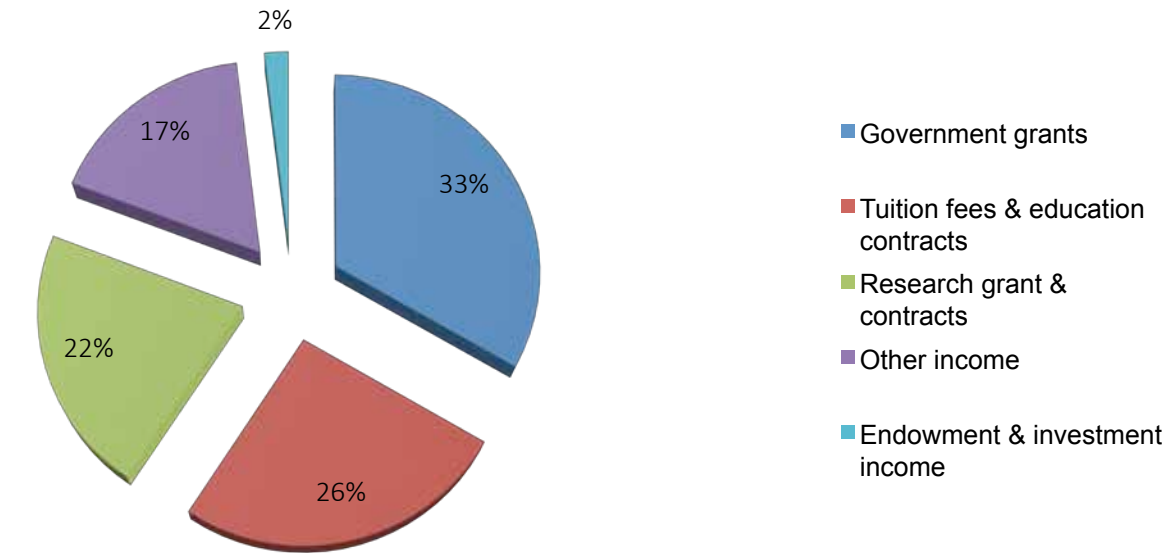
# OPERATING AND FINANCIAL REVIEW

## Income

Total income for the year was £286.1m, representing an increase of £3.4m (1.2%) from 2011-12. A breakdown of the main components of the income in year is shown in the chart below:

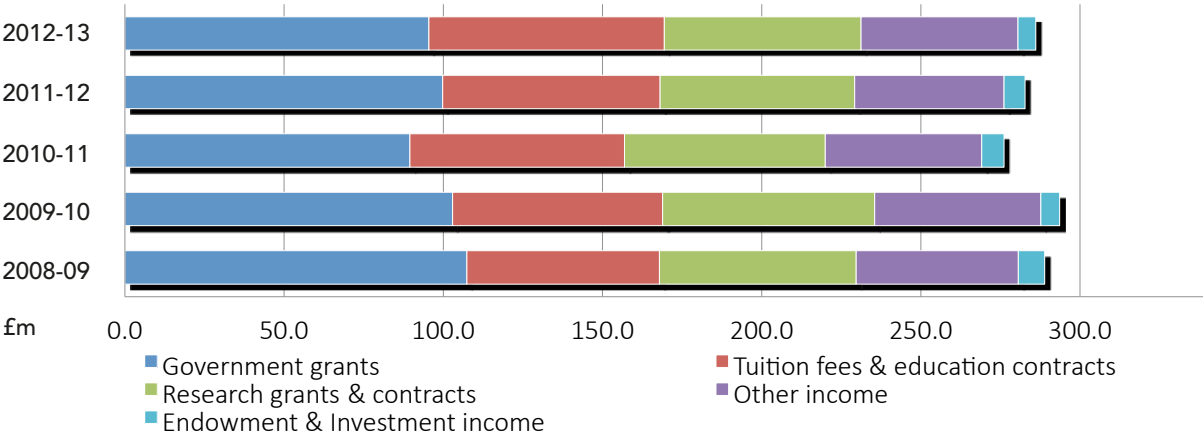
It was another satisfactory year for student recruitment with the majority of the key student recruitment targets being achieved, resulting in an increase of £3.9m (9.7%) in full time student fees (NI, GB and EU). In addition, overseas student fee income grew strongly to £11.8m - an increase of £1.7m (16.5%). This was offset by a net decrease in government grants of £4.3m, mainly as a result of the latest tranche of Comprehensive Spending Review (CSR) budget reductions implemented by the Department for Employment and Learning (DEL).

Chart 1: Split of 2012-13 Income



A summary of the trends in the main income sources over the last five years is shown in Graph 1:

Graph 1: Income Analysis 2008-2013



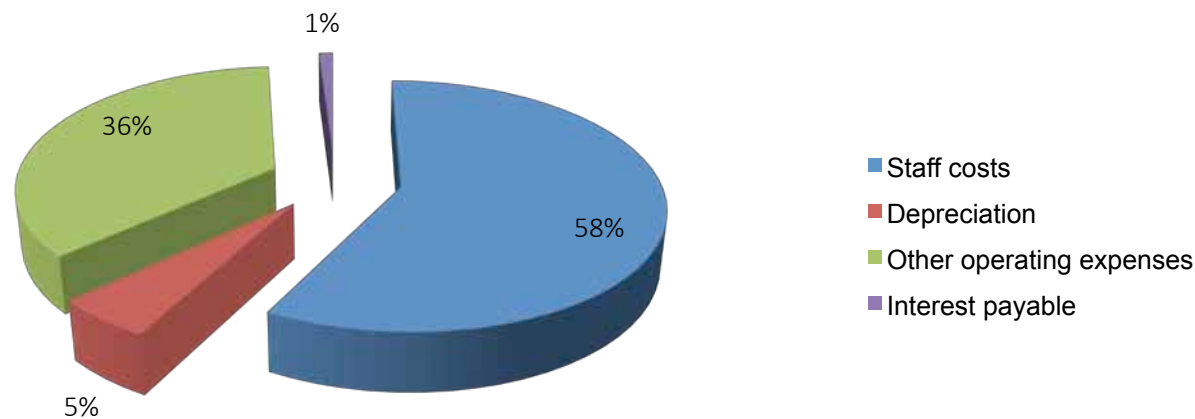
# OPERATING AND FINANCIAL REVIEW

## Expenditure

Total expenditure increased by £6.9m (2.6%), reflecting ongoing investment in key academic posts and an increase in utility costs.

Staff costs increased by £7.0m (4.6%), mainly as a result of the targeted strategic and highly effective recruitment drive, with a number of key academic appointments confirmed.

Chart 2: Split of 2012-13 Expenditure

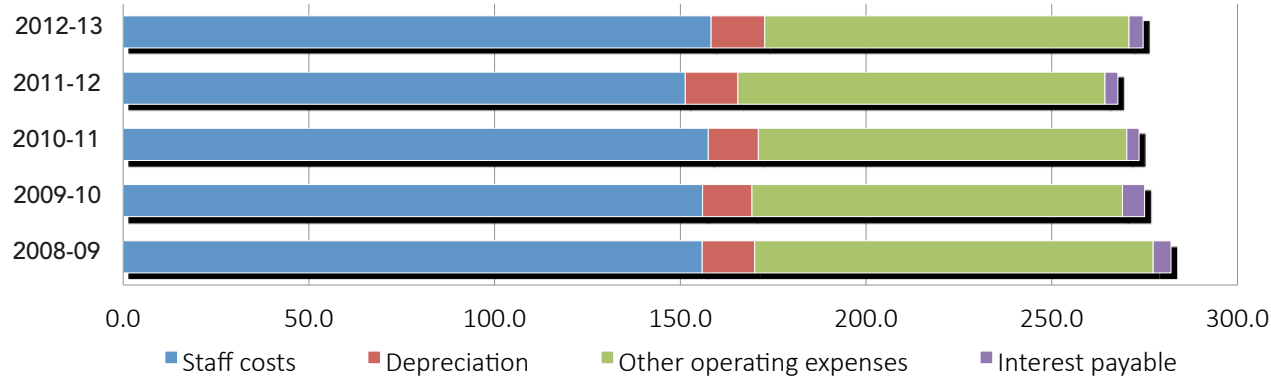




An analysis of the main areas of expenditure over the last five years is shown in Graph 2:



Graph 2: Expenditure Analysis 2008-2013



# OPERATING AND FINANCIAL REVIEW

## Balance Sheet

The University had total consolidated net assets of £461.4m as at 31 July 2013, an increase of £43.2m (10.3%) from 2012. This reflects the strong liquidity position of the University and effective working capital management processes, in particular, the robust control of debtors.

## Endowment Assets and Investment Fund

The notes to the Financial Statements set out full details of the Investment Funds of the University. The Investment Fund value increased to £55.9m, which reflects the gains made during the period on investments in the global markets.

## 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

The aim of the Estates Strategy is to ensure the efficient and effective use of space and the provision of accommodation which will enhance the quality of learning, teaching and research and the environment for students and staff.

Significant capital expenditure has continued across the entire University in terms of new build and major refurbishment of the existing estate. The total cost of approved building projects is currently in the region of £187m.

A number of specific projects have been completed in year, including phase two of the Ashby tower refurbishment and the Windsor Park accommodation development. A range of projects also commenced as part of the University's capital and long-term maintenance plan. These planned developments include the Centre for Experimental Medicine and projects aimed at enhancing the student experience.

## Pension Schemes

The University participates in two separate defined benefit pension schemes, which are the Retirement

Benefits Plan (RBP) for non-academic staff and the Universities Superannuation Scheme (USS) for academic and academic-related staff. The University accounts for the RBP in accordance with the requirements of FRS 17. The updated scheme deficit, as at 31 July 2013, was £49.9m (2012: £46.4m) and is included within reserves. A ten year recovery plan for the RBP scheme is underway and demonstrates a very significant commitment by the University to the scheme.

The USS is a mutual scheme for the majority of the Higher Education sector and the deficit is not reported on the balance sheet, as it is not possible to calculate an individual employer's share of the deficit. The total scheme deficit amounted to some £11.5bn at 31 March 2013. The next full triennial revaluation is due in March 2014. In advance, the trustees are making preparations to compile a formal financial management plan which will provide guidance on the way forward, should deficits persist, and a revised recovery plan becomes necessary. The consequences of such a significant deficit persisting will have major implications for the sector as a whole.

## Update on Corporate Plan 2011-2016

The University's Corporate Plan 2011-2016 identifies the following four Strategic Priorities:

- To offer an exceptional student experience and high quality education, leading to improved progression, attainment and excellent career opportunities for our graduates;
- To enhance internationally recognised, globally competitive and sustainable research areas;
- To grow an efficient, effective and sustainable enterprise; and
- To develop global citizens and address international challenges.

Achieving these priorities requires the continuous enhancement and development of our people, services and infrastructure. Actions, priorities and outcomes are defined and monitored through the annual Integrated Operating Plan. An integral component of the Corporate Plan is Plan 924i, where the strategic priorities are summarised by a core numeric goal, as set out overleaf:



Table 2: Plan 924i – Corporate Plan 2011-2016

	Numeric Goal	Progress to date
9	Achieve 90% progression and attainment rates for all undergraduates by 2016.	Steady progress, indicators include a graduate employment rate of 92.9% for 2011-12, and a first year retention rate of 94.4%.
2	Progress towards doubling the institutional citation score.	All schools have prepared proposals to increase citation rates and these are being reviewed and implemented.
4	Commit to a 4% growth year on year in non- block grant income.	The challenging growth target of 4% was achieved in 2012-13, and there are a number of further promising signals for the future including; a significant increase in externally funded research in the last quarter of 2012-13, increasing student numbers and the establishment of the Leadership Institute which will operate in the executive education market.
i	Highlight the importance of internationalisation in all University activities.	Significant progress including: Increase in total population of International Students in 2012-13; Plans for the creation of a joint college with China Medical University; Development of strategic partnerships in India; and Participation in Science without Borders programme with Brazil.

Progress against Plan 924i and other key performance indicators (KPIs) are monitored on a regular basis by Senate.

Future Developments

Student Recruitment & Retention

Student expansion is a key component of the Integrated Operating Plan. During 2012-13 there was a limited expansion in overall student numbers, with increases in NI and EU student numbers being offset by reductions in postgraduate taught and part-time numbers. Demand from NI students remains strong, particularly for STEM subjects, and in 2012-13 DEL confirmed funding for an additional 535 STEM students, to be phased in by 2015-16. Although the proportion of postgraduate students has remained static at just over 25%, the environment for the recruitment of postgraduate taught students is challenging. A number of new courses are planned and it is anticipated that these will facilitate some expansion in this area.

Internationalisation

The international student recruitment strategy is beginning to deliver the corporate aim of recruiting 1,895 international students by 2015-16, with an increase in international student numbers of over 60% since 2010. Progress has also been made in building relationships with international collaborators which

will support both our research endeavours and international student recruitment. In China the creation of a joint college in conjunction with China Medical University will establish the first Transnational Education project for the University.

Research

In common with all research active institutions, work is ongoing in preparing the University's submission to the Research Excellence Framework (REF), on the basis of census and submission dates in autumn 2013. The results of the REF, expected to be announced in December 2014, will have financial implications for the University and will also have a significant reputational impact on the future recruitment of students and staff.

Our strategy of focusing on thematic areas is now paying dividends, with the University developing a world leading profile in a number of research areas including:

- The Centre for Secure Information Technologies (CSIT) which is the UK's largest university cyber research laboratory;
- Green Chemistry, with research on ionic liquid chemistry being named as the innovation that will have the greatest impact in the coming century; and

# OPERATING AND FINANCIAL REVIEW

- Institute for Global Food Security which is key to delivering a safe and secure food supply to all consumers and one of only five Centres worldwide to be granted the status of a "Waters Centre of Innovation".

We have fully embraced the impact agenda and have undertaken a number of highly successful events promoting the work of all Schools, to ensure that the benefits of University research are better understood within the local economy.

## 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 programmes in place to manage and mitigate these risks. In addition to the ongoing concerns surrounding the deficits on the pension schemes, the issues considered to be the key risks to

the achievement of the University's strategic objectives are; the failure to recruit sufficient numbers of high quality undergraduate and post graduate students and the failure to communicate and deal with the risk arising from cyber security attacks, including 'hacking' and attacks aimed at theft of intellectual property.

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

## The Queen's University of Belfast Foundation

The Queen's University of Belfast Foundation (the Foundation) is a linked charity to the University, the principal activity of which is to advance the strategic goals and objectives of the University, under the direction of the Foundation Board. The Foundation is a separate and independent organisation from the University and its Financial Statements are not, therefore, consolidated within the University

group. The opening and closing funds of the Foundation were £1.89m and £1.57m, respectively. Income generated during the year amounted to £6.51m, compared to disbursements of £6.825m. The year 2012-13 saw the launch of the Foundation's new and ambitious fundraising campaign aimed at raising £140m over the next five years for projects which will increase and enhance the impact which the University makes on society and the economy, both locally and internationally.

## Public Benefit Statement

The University, through Senate, its Governing Body, is aware of its responsibilities 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-driven University with a dynamic world-class research and education portfolio of excellence in an environment of equality, tolerance

and mutual respect, and it fully embraces its leadership role in Northern Ireland and beyond.

## Learning

One of the University's aims, within the Education Strategy (2011-16), is to:

"Attract students from a wide range of backgrounds who have the potential to benefit from the experience the University offers, and ensure effective staff-student engagement aimed at developing their potential and maximising their learning".

A number of actions have been identified in the Education Strategy to help ensure that the University continues to perform well in this area. These actions will complement some of the work which is ongoing regarding this, for example:

- Through the University's Access Agreement, the University 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 £4.2m being incurred in 2012-13, and in the region of 4,500 students receiving some element of bursary payment; and

- A Widening Participation Unit has been established which delivers a number of projects and activities under the banner 'Discovering Queen's'. The focus is on encouraging and supporting people who have the ability, motivation and potential to succeed at university, but who come from groups who are currently under-represented in higher education in Northern Ireland.

## 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. The successful research base creates numerous benefits to society

in terms of policy, culture and business and some examples are listed below:

- The opening of a new clinical research hub in Belfast which will enable more patients than ever before to take part in clinical trials in Northern Ireland;
- Our academics have led the Care Pathways and Outcomes study which is one of the most comprehensive long term studies ever undertaken into the lives of children in care and will provide vital information for practitioners; and
- Research by scientists from the University on ionic liquid chemistry has been named the 'Most Important British Innovation of the 21st Century'.

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 play a pivotal role in underpinning Northern Ireland's industrial base. Around £116m

per annum is generated from companies which have emanated from Queen's research, creating over 1,000 jobs in the process.

## Local Community

The University remains committed to supporting social and economic development within Northern Ireland. Small and medium sized enterprises in Northern Ireland continue to benefit considerably from technology transfer, allowing our research and knowledge to be transferred to business with a view to developing commercially viable products and services. Queen's has an outstanding record in successful Knowledge Transfer Partnerships, hosting the largest number of projects of any UK University.

Through various community events, the aim of the University is to contribute to the educational, economic, cultural and social life of Northern Ireland. In this respect, the University is responsible for the Ulster Bank Belfast Festival at Queen's, the largest arts festival of its kind in Ireland; the Queen's

Film Theatre (QFT), Northern Ireland's only art house cinema; and the Naughton Gallery, one of the best known features of the visual arts scene in Belfast. Other links between the University and the community are evident in relation to The Northern Ireland Science Shop (involving the provision of access to specialist skills to community and voluntary groups); the Physical Education Centre (where members of the wider community can utilise the extensive sports facilities available); and in the Outreach to Schools programme.

## Conclusion

The University achieved a satisfactory financial performance in 2012-13 but remains fully aware of the ongoing challenges and uncertainties within the sector. The robust underlying position provides a strong foundation to support the achievement of the University's strategic aims.

# 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 statement covers the full financial year to 31 July 2013 and up to the date of approval of the financial statements.

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

## Summary of the University's Structure of Corporate Governance

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

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

The Membership Committee seeks out and recommends new lay co-opted members to 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), Mr D Licence and Dr M Wardlow and two co-optees, Mrs A Henderson and Mrs A Beggan. The terms of reference are as outlined below:

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



- f. To report to Senate on the appointment and terms of engagement of the Internal Audit service, the audit fee, the provision of any non-audit services by the Internal Auditors, and any questions of resignation or dismissal of the Internal Auditors.
- g. To review the Internal Auditors' audit risk assessment, strategy and programme; consider major findings of Internal Audit investigations and management's response and promote co-ordination between the Internal and External Auditors. The Committee will ensure that the resources made available for Internal Audit are sufficient to meet the institution's needs (or make a recommendation to Senate, as appropriate).
- h. To keep under review the effectiveness of the University's risk management, control and governance arrangements and, in particular, to review the External Auditors' management letter, the Internal Auditors' annual report, and management responses. The Committee shall make recommendations to relevant committees, or to the Vice-Chancellor, to ensure that measures are taken to deal effectively with matters raised in audit reports.
- i. To monitor the implementation of agreed audit-based recommendations, through the Internal Audit – Status of Recommendations report.
- j. To ensure that all significant losses have been properly investigated and that the Internal and External Auditors and, where appropriate, the HEFCE accounting officer and DEL, have been informed.
- k. To consider, approve and oversee the implementation of the institution's policies on Fraud and Whistleblowing, including being notified of any action taken under these policies.
- l. To provide ongoing assurance to Senate, in respect of the management and quality assurance of data.
- m. To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- n. To consider and approve the University's Register of Interests Policy, the Policy on the Acceptance of Gifts, Gratuities and Hospitality, and the University's arrangements to ensure compliance with the Bribery Act 2010.
- o. To receive any relevant report from the Northern Ireland Audit Office, the National Audit Office, HEFCE or any other body, which fulfils a recognised audit function in respect of the University or related institutions, funded in full, or part, from public funds.
- p. To monitor, annually, the performance and effectiveness of the External and Internal Auditors, including any matters affecting their objectivity.
- q. To consider the draft annual financial statements, in the presence of the External Auditors, ensuring that sufficient consideration has been given to all relevant matters, that there is compliance with relevant legislation, HEFCE Accounts Directions, and accounting standards, and that there are no major disagreements between the External Auditors and the Planning and Finance Committee and/or the Director of Finance over accounting policies.
- r. In the event of the merger or dissolution of the institution, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.
- s. To report, on a regular basis, to Senate and to compile an annual report which, following consideration by Senate, will be sent to DEL and the HEFCE Assurance Service - this annual report shall include an opinion on the adequacy and effectiveness of the University's arrangements for risk management, internal control, governance and value for money.

# CORPORATE GOVERNANCE

t. The Committee is authorised by Senate to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise, if it considers this necessary, normally in consultation with the Registrar and Chief Operating Officer and/or the Chair of Senate. However, it may not incur direct expenditure, in this respect, in excess of £10,000, without the prior approval of Senate.

The University has implemented a process for identifying, assessing and managing the University's significant risks in line with the relevant HEFCE Accounts Direction, which in turn is based on the UK Corporate Governance Code, applied as appropriate to Higher Education. The University has also adopted the Governance Code of Practice contained in the Committee of University Chairs guidance issued in March 2009 ('Guide for Members of Higher Education Governing Bodies in the UK'). A Risk Management

Committee has been established, and the process of embedding risk management at School/Directorate level, in both the planning processes and operational arrangements of the University, is well developed. This process is regularly reviewed by the Audit Committee, on behalf of Senate, to ensure that a sound system of internal control, covering all risks, is in place.

## Statement on Internal Control

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2013 and up to the date of approval of the financial statements, and accords, in full, with HEFCE guidance.

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

- a. We meet at regular intervals (at least four times a year) to consider the strategies and plans of the University.
- b. We receive regular reports from the Chairman of the Audit Committee concerning internal control, who requires regular reports from managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects.
- c. We have established a Risk Management Committee to oversee risk management.
- d. The Audit Committee receives regular reports from the Internal Auditors which include their independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.

e. Programmes of facilitated workshops have been held in both Schools and Directorates to identify new and emerging risks and to ensure the adequacy of counter measures. Schools and Directorates are responsible for identifying, evaluating and managing their significant risks.

f. A programme of risk awareness training is ongoing and risk management is integrated within the University's business planning process.

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 Accountability and Audit: HEFCE Code of Practice.

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

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



# RESPONSIBILITIES OF THE SENATE OF THE UNIVERSITY

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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.

The Senate is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks. This process, which has been in place for the year ended 31 July 2013 and up to the date of approval of the financial statements, is regularly reviewed by Senate and accords with the UK Corporate Governance Code, as deemed appropriate for Higher Education.

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

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

- Clear definitions of the responsibilities of, and authority delegated to, resource managers;
- A medium and short-term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- Monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with decisions involving material capital or revenue expenditure being subject to formal detailed approval;

- A professional Internal Audit service whose annual programme is approved by Senate; and
- A system of risk management including the clarification, assessment and management of key risks.

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

# INDEPENDENT AUDITORS' REPORT

## To the SENATE of QUEEN'S UNIVERSITY BELFAST

We have audited the financial statements of the group and of Queen's University, Belfast ('the financial statements') for the year ended 31 July 2013, which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Funds, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of the Senate and auditors

As explained more fully in the statement of the Responsibilities of the Senate of the University set out on pages 18 and 19, 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 applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for, and only for, the Senate as a body in accordance with the Charters and Statutes of the University and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to

whom this report is shown, or into whose hands it may come, save where expressly agreed by our prior consent in writing.

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

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and 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 report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.



## Opinion on financial statements

In our opinion the financial statements:

- i. give a true and fair view of the state of the group's and the University's affairs at 31 July 2013, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- iii. have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

## Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

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

## Matters on which we are required to report by exception

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

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



**Martin Pitt (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Belfast

26 November 2013

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## 1. Basis of Preparation

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

## 2. Consolidation

In accordance with Financial Reporting Standard (FRS) 2 (amended), the consolidated financial statements of the University include its wholly owned subsidiaries, QUBIS Limited, Queen's Overseas Recruitment Limited, Queen's Composites Limited, and its partially owned subsidiary NIACE Limited. The results of the subsidiary companies are included in the Consolidated Income and Expenditure Account from the date of acquisition or

incorporation up to the date of disposal. Intra-Group sales and profits are eliminated fully on consolidation.

The results of its joint ventures, INTO Queen's LLP and NICOM LLP have also been included, based on the share of the operating deficit and net assets. Details are presented in Note 12. In accordance with FRS 9, Associates, Joint Ventures and other Joint Arrangements, a proforma income and expenditure account and net assets statement, incorporating the University's material interest in its associated undertaking, Kainos Software Limited, is presented at Note 12, together with summary details of the financial statements of the unconsolidated subsidiaries. Kainos Software Limited is not accounted for within the Income and Expenditure Statement as it is held as an investment.

## 3. Recognition of Income

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

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

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

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

Endowment and investment income is credited to the income and expenditure account on a

receivable basis. Income from restricted endowments not expended, is transferred from the income and expenditure account to restricted endowments.

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

## 4. Pension Schemes

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

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

defined contribution scheme, and contributions to this scheme are included as expenditure in the period in which they are payable.

The schemes are defined benefit schemes which are externally funded and contracted out of the State Pension Scheme. The Funds are valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the University's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected

return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The difference between the fair value of the assets held in the University's defined benefit pension scheme (RBP) and the scheme's liabilities, measured on an actuarial basis using the projected unit method, is recognised in the University's balance sheet as a pension scheme asset or liability, as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus either through reduced contributions in the future, or through refunds from the scheme.

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

## 5. Foreign Currencies

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

## 6. Land and Buildings

All University property is held freehold or under long-term lease. Freehold land is not depreciated. Buildings are depreciated over their expected useful economic lives of either 40 years or 60 years, depending on the category of building in question. All land and buildings are 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.

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

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## 7. Assets in the course of Construction

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

## 8. Heritage Assets

Heritage assets (valuable artefacts held and maintained for their contribution to knowledge and culture) valued at over £25,000, are capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not amortized.

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

## 9. 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 economic life, as follows:

Motor vehicles and other general equipment - 4 years

Equipment acquired for specific research projects - 2-3 years

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

## 10. Investments

Endowment assets and University investments are included in the balance sheet at market value. Current asset investments and investments in subsidiary undertakings, are included at the lower of cost and net realisable value.

## 11. Cash Flows and Liquid Resources

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

## 12. Stocks

Stocks are valued at the lower of cost or net realisable value. Cost is determined on a first in first

out basis. Where it is deemed necessary provision is made for obsolete, slow moving and defective stocks.

## 13. Accounts Receivable

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

## 14. Maintenance of Premises

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

## 15. Accounting for Charitable Donations

### Unrestricted donations

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

### Endowment Funds

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

- i. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University;
- ii. Restricted expendable endowments – the donor has specified a particular objective (other than the purchase or construction of fixed assets) and the University can convert the donation into income; and
- iii. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### Donations for fixed assets

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

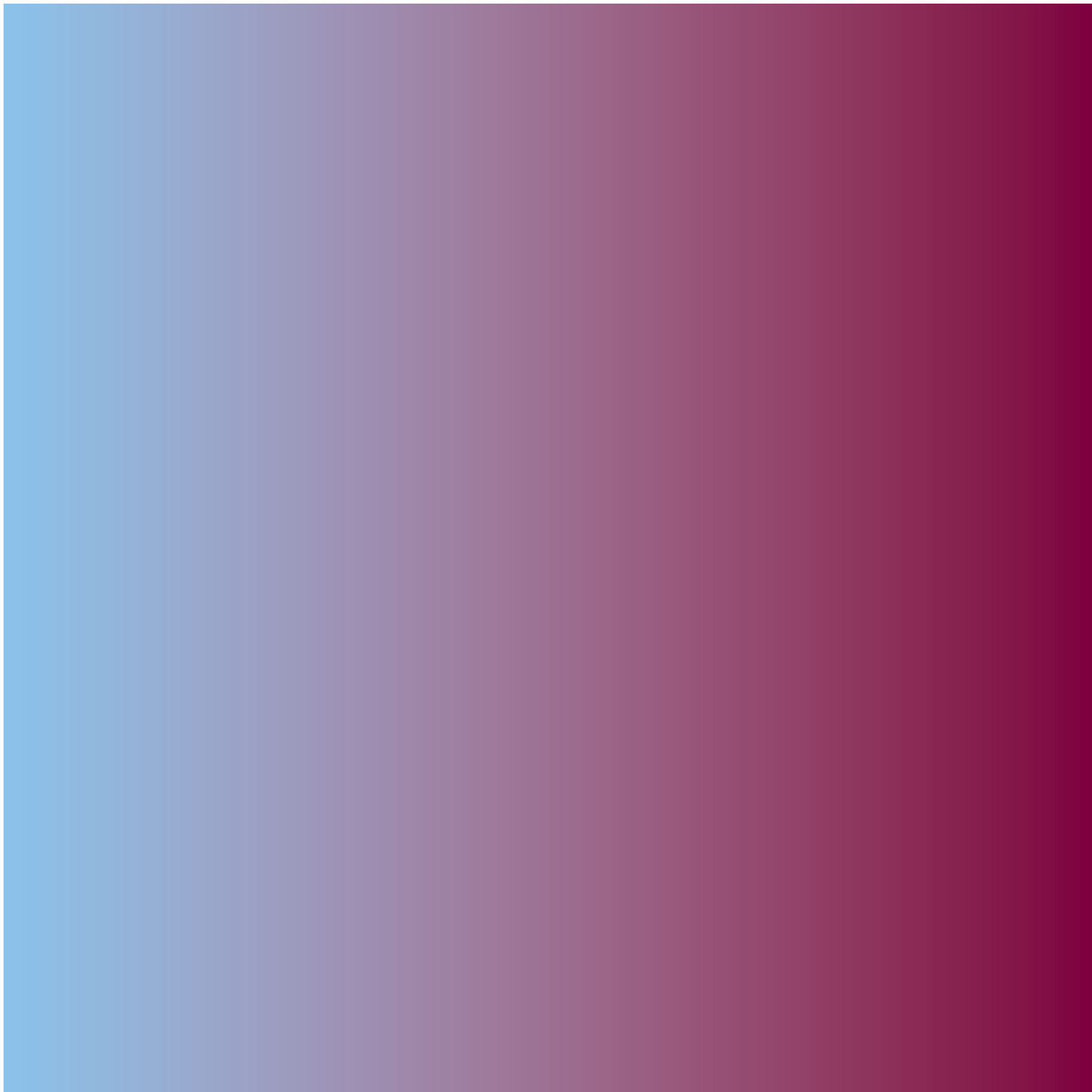
### 16. Taxation Status

The University is a charity within the meaning of Part 1 of the Charity Act (Northern Ireland) 2008 and is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable organisation for UK tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 CTA 2009 and Sections 471 and 478-488 CTA 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied for 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 these 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.





# CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

for the year ended 31 July 2013

	Note	2013 £000	2012 £000
<b>INCOME (including share of joint ventures)</b>			
Government grants	1	95,448	99,781
Tuition fees, support grants and education contracts	2	73,632	68,308
Research grants and contracts	3	61,834	61,096
Other operating income	4	52,058	48,771
less: share of joint ventures	4	(2,462)	(1,850)
Endowment and investment income	5	5,580	6,580
		<u>286,090</u>	<u>282,686</u>
<b>EXPENDITURE</b>			
Staff costs	6	158,326	151,298
Depreciation	11	14,379	14,179
Other operating expenses	7	98,133	98,824
Interest and other finance costs	8	3,827	3,468
		<u>274,665</u>	<u>267,769</u>
<b>SURPLUS BEFORE TAXATION</b>		11,425	14,917
Share of joint ventures' deficit before taxation	12	(303)	(324)
Taxation	9	-	(10)
<b>SURPLUS FOR THE YEAR AFTER TAXATION</b>		11,122	14,583
Surplus for the year transferred to accumulated income in endowment funds	19	(427)	(409)
<b>SURPLUS FOR THE YEAR RETAINED IN GENERAL RESERVES</b>	20	<u>10,695</u>	<u>14,174</u>

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

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

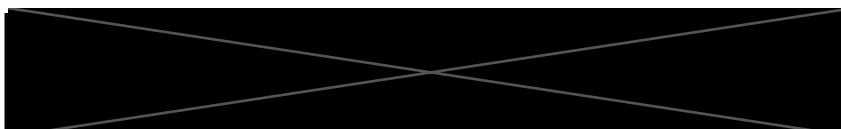
# BALANCE SHEETS

as at 31 July 2013

		Consolidated		University	
		2013	2012	2013	2012
	Note	£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	11	334,505	326,143	328,895	326,143
Investments:					
Investments in joint ventures:					
Share of gross assets		1,490	1,099	-	-
Share of gross liabilities		(3,178)	(2,492)	-	-
	12	(1,688)	(1,393)	-	-
Other investments	12	41,828	35,214	37,533	32,326
Total fixed assets		374,645	359,964	366,428	358,469
<b>ENDOWMENT ASSETS AND OTHER INVESTMENTS</b>	13	48,842	42,392	48,842	42,392
<b>CURRENT ASSETS</b>					
Stocks		441	449	441	449
Debtors	14	28,425	19,262	28,532	19,395
Investments - short term deposits		150,225	129,458	150,225	129,458
Cash at bank and in hand		10,008	9,103	9,933	8,999
Total current assets		189,099	158,272	189,131	158,301
<b>CURRENT LIABILITIES</b>					
Creditors: amounts falling due within one year	15	(55,154)	(48,488)	(56,014)	(49,576)
<b>NET CURRENT ASSETS</b>		133,945	109,784	133,117	108,725
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		557,432	512,140	548,387	509,586
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	(45,364)	(46,316)	(45,364)	(46,316)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(700)	(1,213)	(700)	(1,213)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		511,368	464,611	502,323	462,057
<b>NET PENSION LIABILITY</b>	25	(49,937)	(46,359)	(49,937)	(46,359)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		461,431	418,252	452,386	415,698

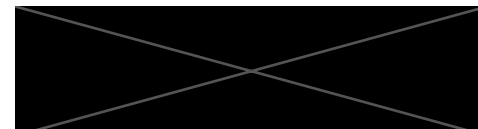
		Consolidated		University	
		2013	2012	2013	2012
Represented by:-	Note	£000	£000	£000	£000
<b>DEFERRED CAPITAL GRANTS</b>	18	<u>307,315</u>	<u>284,441</u>	<u>301,698</u>	<u>284,441</u>
<b>ENDOWMENTS AND OTHER FUNDS</b>					
Expendable endowments	19	13,972	11,387	13,972	11,387
Permanent endowments	19	34,441	30,638	34,441	30,638
Undistributed investment fund income	19	<u>429</u>	<u>367</u>	<u>429</u>	<u>367</u>
Total endowments		<u>48,842</u>	<u>42,392</u>	<u>48,842</u>	<u>42,392</u>
<b>RESERVES</b>					
Income and expenditure reserve excluding pension reserve	20	133,042	121,975	135,931	124,579
Pension reserve	20	<u>(49,937)</u>	<u>(46,359)</u>	<u>(49,937)</u>	<u>(46,359)</u>
Income and expenditure reserve including pension reserve	20	83,105	75,616	85,994	78,220
Revaluation reserve	21	<u>22,169</u>	<u>15,803</u>	<u>15,852</u>	<u>10,645</u>
Total reserves		<u>105,274</u>	<u>91,419</u>	<u>101,846</u>	<u>88,865</u>
<b>TOTAL FUNDS</b>		<u><u>461,431</u></u>	<u><u>418,252</u></u>	<u><u>452,386</u></u>	<u><u>415,698</u></u>

The financial statements on pages 22 to 67 were approved by the Senate on 26 November 2013 and were signed by:



**Dr S. Kingon,**  
Honorary Treasurer

**Professor J. McElnay,**  
Acting Vice-Chancellor



**Mrs W. Galbraith,**  
Director of Finance

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2013

	<b>Note</b>	<b>2013 £000</b>	<b>2012 £000</b>
Net cash inflow/(outflow) from operating activities	24 (i)	6,155	(1,059)
Net cash inflow from return on investments and servicing of finance	24 (ii)	1,735	1,997
Net cash inflow from capital expenditure and financial investment	24 (iii)	13,808	17,068
Net cash inflow before management of liquid resources and financing		21,698	18,006
Management of liquid resources	24 (v)	(20,767)	(13,058)
Financing	24 (iv)	(906)	(871)
Increase in cash in the year		25	4,077

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<b>2013 £000</b>	<b>2012 £000</b>
Increase in cash in the year	25	4,077
Increase in short term deposits	20,767	13,058
Decrease in debt	906	871
Increase in net funds	21,698	18,006
Net funds at 1 August	98,078	80,072
Net funds at 31 July (note 24 (v))	119,776	98,078

# CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2013

	Note	2013 £000	2012 £000
Surplus after depreciation of assets and tax		11,122	14,583
Unrealised surplus/(deficit) on revaluation of University investments	21	6,366	(1,196)
Appreciation/(depreciation) of endowment asset investments	19	5,523	(509)
Actuarial loss on pension scheme	25	(3,206)	(18,767)
Adjustments in respect of winding up of wholly owned subsidiary	19/20	-	318
New endowments	19	518	315
Transfers from endowments to research	19	(18)	(78)
Total recognised gains/(losses) relating to the year		<u>20,305</u>	<u>(5,334)</u>
Reconciliation:			
Opening reserves and endowments		133,811	139,145
Total recognised gains/(losses) in the year		20,305	(5,334)
Closing reserves and endowments		<u>154,116</u>	<u>133,811</u>
Total reserves		105,274	91,419
Endowments and other funds		<u>48,842</u>	<u>42,392</u>
		<u>154,116</u>	<u>133,811</u>

# NOTES TO THE ACCOUNTS

## 1. GOVERNMENT GRANTS

	Consolidated	
	2013	2012
	£000	£000
Recurrent Grants:		
Teaching	47,513	54,615
Research	32,888	32,747
Other Specific Grants	5,985	4,096
Deferred Capital Grants released in the year:		
Buildings (note 18)	6,847	6,249
Equipment (note 18)	2,215	2,074
	<u>95,448</u>	<u>99,781</u>

The University received £97.3m (2012: £103.1m) of Recurrent Grant funding in the year, of which some £16.9m (2012: £15.7m) has been deferred as detailed in note 18.

## 2. TUITION FEES, SUPPORT GRANTS AND EDUCATION CONTRACTS

	Consolidated	
	2013	2012
	£000	£000
Full-time students (NI,GB & EU)	44,780	40,837
International students	11,773	10,103
Part-time fees	3,503	3,756
Short courses	1,712	1,541
Research training, other support grants and other fees	720	289
DHSSPS nursing contract	11,144	11,782
	<u>73,632</u>	<u>68,308</u>

The prior year figures have been reclassified to reflect an amendment to the treatment of elements of fee income.



### 3. RESEARCH GRANTS AND CONTRACTS

	Consolidated	
	2013	2012
	£000	£000
Research Councils and charities	24,307	23,843
UK Government and EU	28,964	28,250
Other sources	8,563	9,003
	<u>61,834</u>	<u>61,096</u>

Income from research grants and contracts includes deferred capital grants released in the year totalling £1.596m (2012: £1.741m).

### 4. OTHER OPERATING INCOME

	Consolidated	
	2013	2012
	£000	£000
Hospitality and accommodation services	9,599	8,380
Other services rendered	12,765	12,568
Contribution to joint appointment salaries	6,464	6,500
Other income	20,768	19,473
Share of joint ventures' income	2,462	1,850
	<u>52,058</u>	<u>48,771</u>

Details of the joint ventures are included at note 12.

Other income and other services rendered income include deferred capital grants released in the year totalling £1.665m (2012: £2.170m).

# NOTES TO THE ACCOUNTS

## 5. ENDOWMENT AND INVESTMENT INCOME

	Consolidated	
	2013	2012
	£000	£000
Transferred from expendable endowments (note 19)	427	315
Transferred from permanent endowments (note 19)	1,194	1,032
Realised profit on investments	-	1,037
Income from short-term investments	3,959	4,196
	<u>5,580</u>	<u>6,580</u>

## 6. STAFF

	Consolidated	
	2013	2012
	£000	£000
Staff Costs:		
Gross salaries and wages	124,340	119,386
Employer's national insurance contributions	9,456	9,096
Service charge - RBP pension scheme (note 25)	3,164	2,555
Employer's pension contributions - USS and other pension schemes (note 25)	14,902	13,761
	<u>151,862</u>	<u>144,798</u>
Joint appointment salaries	6,464	6,500
	<u>158,326</u>	<u>151,298</u>
Emoluments of the Vice-Chancellor:		
Gross Salary	230	220
Pension contributions	-	23
	<u>230</u>	<u>243</u>

## 6. STAFF (continued)

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

### Consolidated

	2013 Number	2012 Number
£100,001 - £110,000	25	20
£110,001 - £120,000	13	14
£120,001 - £130,000	17	11
£130,001 - £140,000	3	7
£140,001 - £150,000	2	1
£150,001 - £160,000	1	2
£160,001 - £170,000	7	6
£170,001 - £180,000	4	2
£180,001 - £190,000	4	4
£190,001 - £200,000	2	3
£200,001 - £210,000	1	1
£210,001 - £220,000	-	-
£220,001 - £230,000	1	1
£230,001 - £240,000	-	1
£240,001 - £250,000	1	-

### Consolidated

Average monthly staff numbers by category:

	2013 Number	2012 Number
Academic	1,092	1,038
Academic Related	549	506
Technical	298	304
Research	478	476
Clerical	615	608
Other	424	410
	<u>3,456</u>	<u>3,342</u>

# NOTES TO THE ACCOUNTS

## 7. OTHER OPERATING EXPENSES

	Consolidated	
	2013	2012
	£000	£000
Consumables and laboratory expenditure	8,699	8,146
Books and periodicals	4,600	4,246
Studentships and bursaries	17,174	18,141
Heat, light, water and power	6,894	6,532
Repairs and general maintenance	6,847	7,752
Auditors' remuneration	58	53
Auditors' remuneration for non-audit services	181	78
Rates, insurance and telecommunication expenses	6,406	6,156
Provision for restructuring	-	2,690
Hospitality and accommodation services	3,647	3,249
Equipment and equipment maintenance	6,900	6,948
Postage, photocopying and printing	2,446	2,150
Patent fees	419	454
Other	33,862	32,229
	<u>98,133</u>	<u>98,824</u>

The prior year figures have been reclassified to reflect an amendment to the treatment of elements of studentship expenditure.

## 8. INTEREST AND OTHER FINANCE COSTS

	Consolidated	
	2013	2012
	£000	£000
Loans not wholly repayable within five years	2,304	2,353
Other	1,523	1,115
	<u>3,827</u>	<u>3,468</u>

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

## 9. TAXATION

	Consolidated	
	2013	2012
	£000	£000
Current Taxation:		
UK corporation tax charge on profit/(loss) for the year at 20% (2012: 20%)	-	-
Deferred Taxation:		
Accelerated capital allowances and other timing differences	-	10
Tax charge	-	10

The taxation charge arises from the operating activities of the subsidiary companies only. The tax assessed for the period differs from the standard rate of corporation tax in the UK 20% (2012: 20%). The differences are explained as follows:

Relevant profit/(loss) on ordinary activities of subsidiaries	33	(407)
Relevant profit/(loss) on ordinary activities by standard UK tax rate of 20% (2012: 20%)	7	(81)
Effects of:		
Deferred losses utilised/deferred tax not recognised	(22)	25
Expenses not deductible for tax purposes	28	42
Accelerated capital allowances and other timing differences	(34)	(10)
Unrelieved tax losses	-	24
Chargeable gains	21	-
Tax charge for the year	-	-

# NOTES TO THE ACCOUNTS

## 10. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Consolidated				
	Staff Costs	Dep'n	Other Operating Expenses	Interest Payable	2013 Total
	£000	£000	£000	£000	£000
Academic departments	90,889	1,585	13,434	-	105,908
Academic services	10,832	635	9,740	-	21,207
Research grants and contracts	22,840	1,289	27,085	-	51,214
Hospitality and accommodation services	2,214	10	3,647	-	5,871
Premises	5,036	10,825	19,125	-	34,986
Administration	18,828	35	17,979	-	36,842
Other	7,687	-	7,123	3,827	18,637
Total per the Income and Expenditure Account	<u>158,326</u>	<u>14,379</u>	<u>98,133</u>	<u>3,827</u>	<u>274,665</u>

The depreciation charge has been funded by:

Deferred capital grants released (note 18)	12,323
General income	<u>2,056</u>
	<u>14,379</u>

## 11. TANGIBLE ASSETS

	Consolidated					
	Freehold Land £000	Freehold and Long Leasehold Buildings £000	Assets in the Course of Construction £000	Equipment £000	Heritage Assets £000	Total £000
<b>Cost</b>						
At 1 August 2012	990	390,189	12,067	33,777	118	437,141
Additions	-	6,298	13,340	3,124	-	22,762
Disposals	-	(36)	-	(8,931)	-	(8,967)
Transfers	-	12,080	(12,080)	-	-	-
At 31 July 2013	<u>990</u>	<u>408,531</u>	<u>13,327</u>	<u>27,970</u>	<u>118</u>	<u>450,936</u>
<b>Accumulated Depreciation</b>						
At 1 August 2012	-	81,372	-	29,626	-	110,998
Charge for the year	-	10,929	-	3,450	-	14,379
Eliminated on disposal	-	(36)	-	(8,910)	-	(8,946)
At 31 July 2013	<u>-</u>	<u>92,265</u>	<u>-</u>	<u>24,166</u>	<u>-</u>	<u>116,431</u>
<b>Net Book Value</b>						
At 31 July 2013	<u>990</u>	<u>316,266</u>	<u>13,327</u>	<u>3,804</u>	<u>118</u>	<u>334,505</u>
At 31 July 2012	<u>990</u>	<u>308,817</u>	<u>12,067</u>	<u>4,151</u>	<u>118</u>	<u>326,143</u>

Buildings with a net book value of £232.2m (2012: £235.9m) and cost of £305.3m (2012: £300.9m) have been funded in part from Treasury sources. Should these particular buildings be sold, the University would either have to surrender that element of the proceeds equal to the grant aided proportion of the original cost to the Department for Employment and Learning (DEL), or apply the proceeds in accordance with the Financial Memorandum with DEL.

# NOTES TO THE ACCOUNTS

## 11. TANGIBLE ASSETS (continued)

	University					
	Freehold Land £000	Freehold and Long Leasehold Buildings £000	Assets in the Course of Construction £000	Equipment £000	Heritage Assets £000	Total £000
<b>Cost</b>						
At 1 August 2012	990	390,153	12,067	33,770	118	437,098
Additions	-	4,577	13,340	3,124	-	21,041
Disposals	-	-	-	(8,931)	-	(8,931)
Transfers	-	12,080	(16,113)	-	-	(4,033)
At 31 July 2013	<u>990</u>	<u>406,810</u>	<u>9,294</u>	<u>27,963</u>	<u>118</u>	<u>445,175</u>
<b>Accumulated Depreciation</b>						
At 1 August 2012	-	81,336	-	29,619	-	110,955
Charge for the year	-	10,785	-	3,450	-	14,235
Eliminated on disposal	-	-	-	(8,910)	-	(8,910)
At 31 July 2013	<u>-</u>	<u>92,121</u>	<u>-</u>	<u>24,159</u>	<u>-</u>	<u>116,280</u>
<b>Net Book Value</b>						
At 31 July 2013	<u>990</u>	<u>314,689</u>	<u>9,294</u>	<u>3,804</u>	<u>118</u>	<u>328,895</u>
At 31 July 2012	<u>990</u>	<u>308,817</u>	<u>12,067</u>	<u>4,151</u>	<u>118</u>	<u>326,143</u>



## 12. INVESTMENTS

	Consolidated		University	
	2013	2012	2013	2012
	£000	£000	£000	£000
Investment in subsidiary and other companies (note 12 (i))	-	-	2,255	2,255
Investment in CVCP Properties plc	50	50	50	50
General Investment Fund (note 12 (iii))	28,151	23,900	28,151	23,900
Shares in University Investment Fund (note 13)	7,077	6,121	7,077	6,121
Interests in associated undertakings (note 12 (iv))	4,537	3,264	-	-
Other unlisted investments (note 12 (iv))	598	293	-	-
Listed investments (note 12 (iv))	1,415	1,586	-	-
	<u>41,828</u>	<u>35,214</u>	<u>37,533</u>	<u>32,326</u>

The carrying value of investments is believed to be supported by their underlying net assets.

### (i) Investment in subsidiaries

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

	% Share Capital held	
QUBIS Limited	100%	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	100%	Promotion and funding of educational courses and the recruitment of students.
Queen's Composites Limited	100%	Promote collaborative research in advanced composites.
NIACE Limited	70%	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.

# NOTES TO THE ACCOUNTS

## 12. INVESTMENTS (continued)

### (ii) Investments 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.
NICOM 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.

	Consolidated	
	2013	2012
	£000	£000
Interest in joint ventures:		
Net assets at 1 August	(1,393)	(946)
New assets obtained/capital distribution	-	(123)
Share of deficit retained	(303)	(324)
Other adjustments	8	-
Net assets at 31 July	<u>(1,688)</u>	<u>(1,393)</u>

### (iii) Investment in the General Investment Fund

	Consolidated and University	
	2013	2012
	£000	£000
UK equities and investment trusts (listed)	<u>28,151</u>	<u>23,900</u>
Fixed interest stocks and equities at cost	<u>16,747</u>	<u>16,747</u>

## 12. INVESTMENTS (continued)

### (iv) Associated Undertakings, Listed Investments and Other Unlisted Investments

	Consolidated		
	Associated Undertakings £000	Other Unlisted Investments £000	Listed Investments £000
<b>Cost or Valuation</b>			
At 1 August 2012	3,322	905	1,586
Additions	8	379	-
Net increase/(decrease) in unrealised appreciation	1,266	63	(171)
At 31 July 2013 (note 21)	<u>4,596</u>	<u>1,347</u>	<u>1,415</u>
<b>Provisions</b>			
At 1 August 2012	58	612	-
Provided during the year	1	137	-
At 31 July 2013	<u>59</u>	<u>749</u>	<u>-</u>
<b>Net Book Value</b>			
At 31 July 2013	<u>4,537</u>	<u>598</u>	<u>1,415</u>
At 31 July 2012	<u>3,264</u>	<u>293</u>	<u>1,586</u>
Cost or valuation at 31 July 2013 is represented by:			
Valuation	4,394	63	1,392
Cost	202	1,284	23
	<u>4,596</u>	<u>1,347</u>	<u>1,415</u>

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

# NOTES TO THE ACCOUNTS

## 12. INVESTMENTS (continued)

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

	% of equity held	Latest Audited Accounts	Share of net assets £000	Profit/ (loss) for the year £000	Principle Activity
Acksen Limited	24.3	31-Jul-12	48	24	Supply of instruments for monitoring electromagnetic radiation
Kainos Software Limited	37.6	31-Mar-13	4,093	3,277	Computer services
Marenco Limited	27.6	31-Dec-12	9	(51)	Marine and environmental consultancy services
Biocolor Limited	20.0	31-Jul-12	167	132	Supply and development of assay kits for tissue laboratories
Lewis Fertility Testing Limited	25.0	31-May-13	3	(7)	Provision of infertility testing services
Analytics Engines Limited (formerly Capna DSP Limited)	20.0	31-Oct-12	24	45	Development of microchips - security applications
Titan IC Systems Limited	25.0	31-May-13	31	102	Development of semi-conductor technology
TruCorp Limited	22.0	31-Jul-12	98	123	Development of medical simulators
Amphora Limited	30.0	31-Jul-12	40	(9)	Manufacturing of concrete testing equipment
Lamhroe Limited	33.0	30-Apr-13	35	8	Development of microchips - communication applications

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

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

	2013 £000	2012 £000
Share of profit of associated company (net of dividend paid)	1,308	764
Tax	(76)	(188)
Share of profit of associated company, after tax	1,232	576
Consolidated surplus for the year	10,695	14,174
Total surplus for the year	11,927	14,750

## 12. INVESTMENTS (continued)

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

	2013 £000	2012 £000
Fixed assets:		
Tangible assets	334,505	326,143
Investment in associate	4,093	2,860
Other investments	36,047	30,961
	<u>374,645</u>	<u>359,964</u>
Endowment asset investments	48,842	42,392
Current assets	189,099	158,272
Creditors - due in less than one year	(55,154)	(48,488)
Net current assets	<u>133,945</u>	<u>109,784</u>
Total assets less current liabilities	557,432	512,140
Creditors falling due after more than one year	(45,364)	(46,316)
Provisions	(700)	(1,213)
Total net assets excluding pension liability	<u>511,368</u>	<u>464,611</u>
Net pension liability	(49,937)	(46,359)
Total net assets including pension liability	<u>461,431</u>	<u>418,252</u>

# NOTES TO THE ACCOUNTS

## 13. ENDOWMENT ASSETS AND OTHER INVESTMENTS

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

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

	Consolidated			
	Investment Fund	Other Endowments	2013 Total	2012 Total
	£000	£000	£000	£000
At 1 August	44,899	3,614	48,513	47,782
Adjustment re winding up of wholly owned subsidiary	-	-	-	655
Additions	10,725	1,002	11,727	9,512
Disposals	(6,050)	(398)	(6,448)	(9,023)
Appreciation/(depreciation) on disposals/revaluation	2,673	(546)	2,127	(413)
At 31 July	<u>52,247</u>	<u>3,672</u>	<u>55,919</u>	<u>48,513</u>
Balance at 31 July held on behalf of:				
Endowments: Permanent	32,146	2,295	34,441	30,638
Expendable	12,595	1,377	13,972	11,387
	<u>44,741</u>	<u>3,672</u>	<u>48,413</u>	<u>42,025</u>
Investment Fund (undistributed income)	429	-	429	367
Total endowments and other funds (note 19)	45,170	3,672	48,842	42,392
University funds (note 21)	7,077	-	7,077	6,121
	<u>52,247</u>	<u>3,672</u>	<u>55,919</u>	<u>48,513</u>

### 13. ENDOWMENT ASSETS AND OTHER INVESTMENTS (continued)

			Consolidated	
	Investment	Other	2013	2012
Investments held at the year end comprise:	Fund	Endowments	Total	Total
	£000	£000	£000	£000
UK gilts and fixed interest stocks	6,969	-	6,969	6,637
UK equities (listed)	25,318	-	25,318	22,955
Overseas investments (listed)	10,967	-	10,967	6,177
Total fixed interest stocks and equities	43,254	-	43,254	35,769
Land and property	2,597	210	2,807	3,016
Other investments	4,336	90	4,426	3,416
Bank balances	2,060	3,372	5,432	6,312
Total investments	52,247	3,672	55,919	48,513
Fixed interest stocks and equities at cost	31,659	-	31,659	28,992
Land and property at cost	2,942	4	2,946	2,374

# NOTES TO THE ACCOUNTS

## 13. ENDOWMENT ASSETS AND OTHER INVESTMENTS (continued)

			University	
	Investment Fund	Other Endowments	2013 Total	2012 Total
	£000	£000	£000	£000
Investments held at the year end comprise:				
At 1 August	44,899	3,614	48,513	48,437
Additions	10,725	1,002	11,727	9,512
Disposals	(6,050)	(398)	(6,448)	(9,023)
Appreciation/(depreciation) on disposals/revaluation	2,673	(546)	2,127	(413)
At 31 July	<u>52,247</u>	<u>3,672</u>	<u>55,919</u>	<u>48,513</u>
Balance at 31 July held on behalf of:				
Endowments: Permanent	32,146	2,295	34,441	30,638
Expendable	12,595	1,377	13,972	11,387
	<u>44,741</u>	<u>3,672</u>	<u>48,413</u>	<u>42,025</u>
Investment Fund (undistributed income)	<u>429</u>	<u>-</u>	<u>429</u>	<u>367</u>
Total endowments and other funds (note 19)	45,170	3,672	48,842	42,392
University funds (note 21)	<u>7,077</u>	<u>-</u>	<u>7,077</u>	<u>6,121</u>
	<u>52,247</u>	<u>3,672</u>	<u>55,919</u>	<u>48,513</u>



### 13. ENDOWMENT ASSETS AND OTHER INVESTMENTS (continued)

	University			
Investments held at the year end comprise:	Investment Fund	Other Endowments	2013 Total	2012 Total
	£000	£000	£000	£000
UK gilts and fixed interest stocks	6,969	-	6,969	6,637
UK equities (listed)	25,318	-	25,318	22,955
Overseas investments (listed)	10,967	-	10,967	6,177
Total fixed interest stocks and equities	43,254	-	43,254	35,769
Land and property	2,597	210	2,807	3,016
Other investments	4,336	90	4,426	3,416
Bank balances	2,060	3,372	5,432	6,312
Total investments	52,247	3,672	55,919	48,513
Fixed interest stocks and equities at cost	31,659	-	31,659	28,992
Land and property at cost	2,942	4	2,946	2,374

# NOTES TO THE ACCOUNTS

## 14. DEBTORS

	Consolidated		University	
	2013	2012	2013	2012
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors for research services	3,516	3,951	3,516	3,952
Other debtors	8,724	7,481	8,212	7,179
Prepayments and accrued income	16,185	7,830	16,183	7,829
Amounts due from subsidiaries:				
Queen's Overseas Recruitment Limited	-	-	425	412
Queen's Composites Limited	-	-	55	23
NIACE Limited	-	-	141	-
	<u>28,425</u>	<u>19,262</u>	<u>28,532</u>	<u>19,395</u>

## 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2013	2012	2013	2012
	£000	£000	£000	£000
Research funds received in advance	19,996	15,647	19,996	15,647
Creditors	20,654	21,723	20,654	21,725
Social security and other taxation payable	4,085	3,691	4,085	3,691
Accruals and deferred income	9,466	6,520	9,498	6,601
Amounts due to subsidiary: QUBIS Limited	-	-	828	1,005
Bank loans	953	907	953	907
	<u>55,154</u>	<u>48,488</u>	<u>56,014</u>	<u>49,576</u>

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

	Consolidated and University	
	2013	2012
	£000	£000
Bank loans	44,936	45,888
Other long term creditors	428	428
	<u>45,364</u>	<u>46,316</u>

The bank loans are repayable as follows:

Between one and two years	1,001	953
Between two and five years	3,312	3,146
In five years or more	40,623	41,789
	<u>44,936</u>	<u>45,888</u>

The bank loan is at a fixed interest rate and is repayable by instalments.  
There is no security on the loan.

## 17. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated and University			
	At 1 August 2012	Additions/ (Release)	Expenditure	At 31 July 2013
	£000	£000	£000	£000
Restructuring provision	1,213	-	(513)	700
	<u>1,213</u>	<u>-</u>	<u>(513)</u>	<u>700</u>

The provision is in relation to an extension of the Voluntary Severance and Voluntary Early Retirement Scheme which was implemented in 2011-12. The scheme is expected to reduce pay costs over a four year period.

# NOTES TO THE ACCOUNTS

## 18. DEFERRED CAPITAL GRANTS

	DEL £000	Consolidated Other Grants and Benefactors £000	Total £000
<b>Balance at 1 August 2012</b>			
Buildings	211,243	69,170	280,413
Equipment	2,697	1,214	3,911
Heritage Assets	117	-	117
Total	<u>214,057</u>	<u>70,384</u>	<u>284,441</u>
<b>Cash received</b>			
Buildings	27,045	5,108	32,153
Equipment	2,140	904	3,044
Total	<u>29,185</u>	<u>6,012</u>	<u>35,197</u>
<b>Released to Income and Expenditure</b>			
Buildings (notes 1, 3 & 4)	6,847	2,076	8,923
Equipment (notes 1, 3 & 4)	2,215	1,185	3,400
Total	<u>9,062</u>	<u>3,261</u>	<u>12,323</u>
<b>Balance at 31 July 2013</b>			
Buildings	231,441	72,202	303,643
Equipment	2,622	933	3,555
Heritage Assets	117	-	117
Total	<u>234,180</u>	<u>73,135</u>	<u>307,315</u>

Cash received includes £16.9m (2012: £15.7m) of Recurrent Government Grant which has been deferred.

## 18. DEFERRED CAPITAL GRANTS (continued)

		University	
	DEL	Other	Total
	£000	Grants and	£000
		Benefactors	
		£000	£000
<b>Balance at 1 August 2012</b>			
Buildings	211,243	69,170	280,413
Equipment	2,697	1,214	3,911
Heritage Assets	117	-	117
Total	<u>214,057</u>	<u>70,384</u>	<u>284,441</u>
<b>Cash received</b>			
Buildings	27,045	3,387	30,432
Transfer to subsidiary	-	(4,040)	(4,040)
Equipment	2,140	904	3,044
Total	<u>29,185</u>	<u>251</u>	<u>29,436</u>
<b>Released to Income and Expenditure</b>			
Buildings (notes 1, 3 & 4)	6,847	1,932	8,779
Equipment (notes 1, 3 & 4)	2,215	1,185	3,400
Total	<u>9,062</u>	<u>3,117</u>	<u>12,179</u>
<b>Balance at 31 July 2013</b>			
Buildings	231,441	66,585	298,026
Equipment	2,622	933	3,555
Heritage Assets	117	-	117
Total	<u>234,180</u>	<u>67,518</u>	<u>301,698</u>

Cash received includes £16.9m (2012: £15.7m) of Recurrent Government Grant which has been deferred.

# NOTES TO THE ACCOUNTS

## 19. ENDOWMENTS AND OTHER FUNDS

	Consolidated						
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	Undistributed Investment Fund Income £000	2013 Total £000	2012 Total £000
Balance at 1 August							
Capital value	2,920	26,851	29,771	10,618	-	40,389	39,264
Accumulated income	-	867	867	769	367	2,003	2,336
Adjustment re winding up of wholly owned subsidiary	-	-	-	-	-	-	655
	2,920	27,718	30,638	11,387	367	42,392	42,255
Income for the year	57	1,137	1,194	427	-	1,621	1,347
Expenditure for the year	(57)	(956)	(1,013)	(181)	-	(1,194)	(938)
	-	181	181	246	-	427	409
Transfers to research and other funds	-	(15)	(15)	(3)	-	(18)	(78)
Endowment (disposals)/additions	(169)	1	(168)	624	62	518	315
(Depreciation)/appreciation of endowment asset investments	(316)	4,121	3,805	1,718	-	5,523	(509)
Balance 31 July (note 13)	2,435	32,006	34,441	13,972	429	48,842	42,392
Represented by:							
Capital value	2,435	30,903	33,338	12,963	-	46,301	40,389
Accumulated income	-	1,103	1,103	1,009	429	2,541	2,003
	2,435	32,006	34,441	13,972	429	48,842	42,392

## 19. ENDOWMENTS AND OTHER FUNDS (continued)

	University						
	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	Undistributed Investment Fund Income	2013 Total	2012 Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 August							
Capital value	2,920	26,851	29,771	10,618	-	40,389	39,287
Accumulated income	-	867	867	769	367	2,003	2,968
	2,920	27,718	30,638	11,387	367	42,392	42,255
Income for the year	57	1,137	1,194	427	-	1,621	1,347
Expenditure for the year	(57)	(956)	(1,013)	(181)	-	(1,194)	(938)
	-	181	181	246	-	427	409
Transfers to research and other funds	-	(15)	(15)	(3)	-	(18)	(78)
Endowment (disposals)/additions	(169)	1	(168)	624	62	518	315
(Depreciation)/appreciation of endowment asset investments	(316)	4,121	3,805	1,718	-	5,523	(509)
Balance at 31 July (note 13)	2,435	32,006	34,441	13,972	429	48,842	42,392
Represented by:							
Capital value	2,435	30,903	33,338	12,963	-	46,301	40,389
Accumulated income	-	1,103	1,103	1,009	429	2,541	2,003
	2,435	32,006	34,441	13,972	429	48,842	42,392

# NOTES TO THE ACCOUNTS

## 19. ENDOWMENTS AND OTHER FUNDS (continued)

Endowment funds are grouped for specific purposes as follows:

	2013 £000	2012 £000
Chairs and lectureships	6,883	5,948
Scholarship, studentship, medal and prize funds	10,727	9,246
Research, directorate, school or faculty use	21,798	18,491
Public lectures	1,541	1,334
Travel	214	185
Student amenities and associated objects	1,609	1,391
Student assistance	1,397	1,208
Other restricted funds	1,809	1,302
General funds	2,435	2,920
Total endowments	<u>48,413</u>	<u>42,025</u>
Represented by:		
Permanent endowments	34,441	30,638
Restricted expendable endowments	<u>13,972</u>	<u>11,387</u>
	<u>48,413</u>	<u>42,025</u>

## 20. RESERVES

	Consolidated 2013 £000	University 2013 £000
Balance at 1 August 2012	75,616	78,220
Surplus for the year	10,695	10,980
Actuarial loss - RBP pension scheme	(3,206)	(3,206)
Balance at 31 July 2013	<u>83,105</u>	<u>85,994</u>



## 20. RESERVES (continued)

	Consolidated	University
	2013	2013
	£000	£000
Analysis of reserves		
Capital reserves	71,204	71,204
Departmental reserves	41,828	41,828
Other reserves	20,010	22,899
	<u>133,042</u>	<u>135,931</u>
Pension reserve	(49,937)	(49,937)
Balance at 31 July 2013	<u>83,105</u>	<u>85,994</u>

## 21. REVALUATION RESERVE

	Consolidated				
	Associated Undertakings, Listed and Unlisted Investments £000	University Investment Fund £000	General Investment Fund £000	Total 2013 £000	Total 2012 £000
Market value (notes 12 & 13)	7,358	7,077	28,151	42,586	35,834
Cost	(1,041)	(2,629)	(16,747)	(20,417)	(20,031)
Revaluation surplus	<u>6,317</u>	<u>4,448</u>	<u>11,404</u>	<u>22,169</u>	<u>15,803</u>
Balance at 1 August 2012	5,158	3,492	7,153	15,803	16,999
Revaluation in the year	1,159	956	4,251	6,366	(1,196)
Balance 31 July 2013	<u>6,317</u>	<u>4,448</u>	<u>11,404</u>	<u>22,169</u>	<u>15,803</u>

# NOTES TO THE ACCOUNTS

## 21. REVALUATION RESERVE (continued)

	University Investment Fund £000	University General Investment Fund £000	<b>Total 2013 £000</b>	<b>Total 2012 £000</b>
Market value (notes 12 & 13)	7,077	28,151	35,228	30,021
Cost	(2,629)	(16,747)	(19,376)	(19,376)
Revaluation surplus	<u>4,448</u>	<u>11,404</u>	<u>15,852</u>	<u>10,645</u>
Balance at 1 August 2012	3,492	7,153	10,645	10,259
Revaluation in the year	956	4,251	5,207	386
Balance at 31 July 2013	<u>4,448</u>	<u>11,404</u>	<u>15,852</u>	<u>10,645</u>

## 22. CAPITAL COMMITMENTS

	<b>Consolidated and University</b>	
	<b>2013 £000</b>	<b>2012 £000</b>
Commitments contracted at 31 July	57,244	26,077
Authorised but not contracted at 31 July	186,828	182,476
	<u>244,072</u>	<u>208,553</u>

## 23. CONTINGENT LIABILITIES

The University has entered into a limited partnership agreement with Crescent Capital III LP. 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.

## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (i) Reconciliation of the operating surplus to the net cash inflow from operating activities

	2013	2012
	£000	£000
Operating surplus	10,695	14,174
Movement on RBP pension and liability	372	(7,817)
Transfer to endowment reserves	427	409
Share of joint venture's deficit (note 12)	303	324
Depreciation (note 11)	14,379	14,179
Deferred capital grants released (note 18)	(12,323)	(12,158)
Investment income (note 5)	(5,580)	(6,580)
Profit on sale of endowment assets	(2,151)	(3,632)
(Profit)/loss on sale of fixed assets	(5)	91
Interest payable (note 8)	3,827	3,468
Provision against investments	138	1,159
Decrease in stocks	8	14
(Increase)/decrease in debtors	(9,163)	1,658
Increase/(decrease) in creditors	6,621	(2,287)
(Decrease)/increase in endowment bank balance (see note 24 v)	(880)	1,226
(Decrease) in provisions for liabilities and charges	(513)	(5,287)
Net cash inflow/(outflow) from operating activities	<u>6,155</u>	<u>(1,059)</u>

### (ii) Return on investments and servicing of finance

	2013	2012
	£000	£000
Income from endowments (note 19)	1,621	1,347
Income from short term investments (note 5)	3,959	4,196
Endowment income transferred to research and other funds (note 19)	(18)	(78)
Interest paid (note 8)	(3,827)	(3,468)
	<u>1,735</u>	<u>1,997</u>

# NOTES TO THE ACCOUNTS

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

### (iii) Capital expenditure and financial investment

	2013	2012
	£000	£000
Tangible assets acquired (note 11)	(22,762)	(26,879)
Subsidiary investments acquired	(387)	(283)
Additions to general investment funds	-	(6,000)
Endowment asset investments acquired (note 13)	(11,727)	(9,512)
Total fixed and endowment asset investment acquired	(34,876)	(42,674)
Receipts from sales of endowment assets	8,599	12,654
Receipts from sale of fixed assets	26	144
Receipts from sale of fixed interest fund	-	20,846
Receipts from sale of subsidiary's investments	-	8
Deferred capital grants received (note 18)	35,197	26,094
Increase in other loans	-	100
Other investments/endowments	4,344	(419)
Endowments receipts (note 19)	518	315
	<u>13,808</u>	<u>17,068</u>

### (iv) Analysis of changes in financing during the year

	2013	2012
	£000	£000
Bank Loans:		
Balance at 1 August	46,795	47,666
Capital repayments	(906)	(871)
Balance at 31 July	<u>45,889</u>	<u>46,795</u>

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

### (v) Analysis of changes in net funds

	At 1 August 2012 £000	Cash Flows £000	At 31 July 2013 £000
Cash at bank and in hand:			
Endowment assets (note 13)	6,312	(880)	5,432
Other	9,103	905	10,008
	15,415	25	15,440
Short term deposits	129,458	20,767	150,225
Debt due within one year (note 15)	(907)	(46)	(953)
Debt due after one year (note 16)	(45,888)	952	(44,936)
	98,078	21,698	119,776

## 25. PENSION LIABILITY

### Defined Benefit Schemes

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

#### Universities Superannuation Scheme (USS)

The triennial actuarial valuation of the USS was carried out at 31 March 2011. To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum and pensions would increase by 3.4% per annum for three years following the calculation, then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,434m and the value of the scheme's technical provisions was £35,344m indicating a shortfall of £2,910m. The assets were therefore sufficient to cover 92% of the benefits which had accrued to the members, after allowing for expected future increases in earnings. As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021.

# NOTES TO THE ACCOUNTS

## 25. PENSION LIABILITY (continued)

The next formal triennial valuation is at 31 March 2014. If experience at that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2,200m, equivalent to a funding level of 95%. As at the valuation date, the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these only became effective from October 2011. These include:

New entrants	Other than in specific limited circumstances, new entrants are provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.
Normal Pension Age	Increasing the normal pension age for future service and new entrants to age 65.
Flexible retirement	Introducing flexible retirement options.
Member contributions	Contributions were uplifted to 7.5% and 6.5% for FS and CRB members respectively.
Cost Sharing	If contribution levels exceed 23.5% of salaries per annum, employers will pay 65% of the excess over 23.5% and members the remaining 35%, to the fund as excess contributions.
Pension increase cap	For service after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half the difference up to a maximum of 10%.

### Retirement Benefits Plan (RBP)

The latest actuarial valuation of the RBP, for which results are available, was carried out at 31 March 2011, by a qualified independent actuary. The valuation has been projected forward as at 31 July 2013.

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

	2013	2012
Pay increase	3.75%	3.15%
Pension increase	2.85%	2.25%
Pension increase rate in deferment	2.85%	2.25%
Discount rate	4.50%	4.30%
Inflation assumption	3.25%	2.65%

## 25. PENSION LIABILITY (continued)

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

		<b>2013 years</b>	<b>2012 years</b>
Member age 65 (current life expectancy)	male	22.1	21.1
	female	24.5	24.0
Member age 40 (life expectancy at 65)	male	24.3	24.0
	female	26.9	26.9

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

	<b>31 July 2013</b>		<b>31 July 2012</b>		<b>31 July 2011</b>	
	Expected long-term rate of return	% of Plan Assets	Expected long-term rate of return	% of Plan Assets	Expected long-term rate of return	% of Plan Assets
Equities	6.50%	62.30%	5.95%	60.50%	6.95%	65.35%
Bonds	3.60%	29.40%	3.10%	31.10%	4.05%	30.00%
Property	0.00%	-	5.95%	1.20%	6.95%	1.17%
Cash and other	0.50%	8.30%	0.50%	7.20%	0.50%	3.48%
Total market value of assets	<u>5.15%</u>	<u>100.00%</u>	<u>4.67%</u>	<u>100.00%</u>	<u>5.86%</u>	<u>100.00%</u>

To develop the expected long term rate of return on assets assumption, the University considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns for each asset class. The expected return for each asset class was then weighted, based on the target asset allocation, to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.15% assumption.

# NOTES TO THE ACCOUNTS

## 25. PENSION LIABILITY (continued)

<b>(i) Analysis of the amount charged to staff costs within operating surplus</b>		<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>
Service cost		3,164	2,555
Past service cost		-	-
Total pension cost (note 6)		<u>3,164</u>	<u>2,555</u>
<b>(ii) Analysis of net return on pension scheme charged to interest payable</b>		<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets		5,665	6,695
Interest on pension liabilities		<u>(7,188)</u>	<u>(7,810)</u>
Net charge		<u>(1,523)</u>	<u>(1,115)</u>
<b>(iii) Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)</b>		<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>
Actuarial loss recognised in STRGL		<u>(3,206)</u>	<u>(18,767)</u>
Cumulative amount of actuarial losses recognised		<u>(63,983)</u>	<u>(60,777)</u>
Actual return on pension scheme assets		<u>16,008</u>	<u>3,777</u>
<b>(iv) Movement in deficit during the year</b>		<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>
Deficit in scheme at 1 August		(46,359)	(35,409)
Movement in the year:			
Current service cost		(3,164)	(2,555)
Contributions		4,315	11,487
Other finance costs		(1,523)	(1,115)
Actuarial loss		<u>(3,206)</u>	<u>(18,767)</u>
Deficit in scheme at 31 July		<u>(49,937)</u>	<u>(46,359)</u>

The valuation at 31 July 2013 showed an increase in the deficit from £46.359m to £49.937m.



## 25. PENSION LIABILITY (continued)

<b>(v) Analysis of the movement in the present value of the benefit obligation</b>					
	<b>2013</b>			<b>2012</b>	
	<b>£000</b>			<b>£000</b>	
Benefit obligation at 1 August	169,015			149,321	
Current service cost	3,164			2,555	
Interest cost	7,188			7,810	
Plan participants' contributions	61			59	
Actuarial loss	13,549			15,849	
Benefits paid	(5,570)			(6,579)	
Benefit obligation at 31 July	<u>187,407</u>			<u>169,015</u>	
<b>(vi) Analysis of the movement in the market value of the scheme assets</b>					
	<b>2013</b>			<b>2012</b>	
	<b>£000</b>			<b>£000</b>	
Value of assets at 1 August	122,656			113,912	
Expected return on plan assets	5,665			6,695	
Actuarial (loss)/gains on plan assets	10,343			(2,918)	
Employer contributions	4,315			11,487	
Member contributions	61			59	
Benefits paid from plan	(5,570)			(6,579)	
Value of assets at 31 July	<u>137,470</u>			<u>122,656</u>	
<b>(vii) History of experience; gains and losses</b>					
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Difference between expected and actual return on scheme assets	10,343	(2,918)	6,061	7,925	(10,628)
Percentage of scheme assets	8%	-2%	5%	8%	-12%
Experienced gains and losses on scheme liabilities	(626)	(3,472)	891	2,050	33
Percentage of present values of plan liabilities	0%	-1%	1%	2%	0%
Total amount recognised in STRGL	(3,206)	(18,767)	(8,663)	8,410	(9,213)
Percentage of scheme assets	-2%	-15%	-8%	9%	-10%

The contributions expected to be paid during 2013-14 are £4.4m.

# NOTES TO THE ACCOUNTS

## 25. PENSION LIABILITY (continued)

### (viii) Analysis of the amount shown in the Balance Sheet

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Benefit obligation	(187,407)	(169,015)	(149,321)	(129,741)	(124,993)
Value of scheme assets	137,470	122,656	113,912	101,903	88,922
Deficit in scheme	<u>(49,937)</u>	<u>(46,359)</u>	<u>(35,409)</u>	<u>(27,838)</u>	<u>(36,071)</u>

### (ix) Analysis of the total pension charge to the Income and Expenditure account:

	2013	2012
	£000	£000
Contribution to USS	14,895	13,754
Charge to Income and Expenditure re RBP	3,164	2,555
Contributions to other pension schemes	7	7
Total charge (note 6)	<u>18,066</u>	<u>16,316</u>

## 26. STUDENT SUPPORT FUNDS

	2013	2012
	£000	£000
Department for Employment and Learning	1,346	1,303
Interest received	-	7
University contribution	88	119
	<u>1,434</u>	<u>1,429</u>
Disbursed to students	(1,434)	(1,411)
Underspend in the year	-	18
Opening balance as at 1 August	<u>300</u>	<u>282</u>
Closing balance as at 31 July	<u><u>300</u></u>	<u><u>300</u></u>

## 27. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

## 28. DISCLOSURE OF RELATED PARTY TRANSACTIONS

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

The University has taken advantage of the exemptions contained in FRS 8 "Related Party Transactions" not to disclose transactions with subsidiaries as all of the voting rights are controlled within the Group.

The University is considered to be the Ultimate Controlling Party.

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