

**CONSOLIDATED
FINANCIAL STATEMENTS
2016–2017**



**QUEEN'S
UNIVERSITY
BELFAST**



**SHAPING
A BETTER
WORLD
SINCE 1845**

VISION 2020

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



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OPERATING AND FINANCIAL REVIEW

OVERVIEW

Queen's University Belfast (the University), was founded as Queen's College in 1845, and became a university in its own right in 1908.

Today, Queen's is one of the leading universities in the UK and Ireland, with a distinguished heritage and history. With an annual turnover in excess of £338m and some 24,000 students, Queen's is one of the region's largest employers, with over 3,700 staff. Queen's plays a significant leadership role in Northern Ireland, contributing £1 billion to the local economy and supports over 9,250 full-time jobs.

As a member of the Russell Group, a body made up of UK research-intensive universities, Queen's combines excellence in research and education with a student-centred ethos. The unique and positive impact of Queen's – locally and globally – is well recognised and the University is poised for considerable success and growth in the next decade.

Under the visionary leadership of the late Vice-Chancellor, Professor Patrick Johnston, the University has embarked upon a transformational journey towards achieving the strategic ambitions articulated within our Corporate Plan 2016-21. This plan provides a roadmap for Queen's to build on our reputation as an internationally recognised university, conducting leading edge education and research, focused on the needs of society.

Through our education and research we play a leading role in preparing tomorrow's leaders, public servants and entrepreneurs, and in growing Northern Ireland's global reputation, whilst delivering significant local impact. Queen's is a dynamic and diverse institution with over 600 international staff, from more than 75 different countries, engaged in a variety of roles across the campus. We have over 150,000 alumni in more than 120 countries. Our graduates are role models at home, and ambassadors for Northern Ireland abroad.

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

Making a global impact through excellence in research and innovation across a range of disciplines is central to what we do at Queen's. From new treatments for life-threatening diseases to protecting the

lives and livelihoods of some of the poorest people on the planet, the University's research impacts on society around the globe.

Queen's has established four Global Research Institutes (GRIs) which bring researchers from different disciplines together on a scale that enables them to tackle major societal challenges. Together with six Pioneer Research Programmes, the GRIs involve interdisciplinary collaboration among researchers across the University as well as with partners in other institutions and from outside the academic world, regionally and globally.

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

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

With an annual turnover in excess of £338m and some 24,000 students, Queen's is one of the region's largest employers, with over 3,700 staff. Queen's plays a significant leadership role in Northern Ireland contributing £1 billion to the local economy and supports over 9,250 full-time jobs.

CONSOLIDATED INCOME REVIEW

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

SUMMARY OF CONSOLIDATED SOCI POSITION

	2016-17 £m	2015-16 £m
Income	338.3	316.5
Expenditure	(326.2)	(315.9)
Surplus before other gains and losses	12.1	0.6
Gain on disposal of fixed assets and investments	0.9	1.8
Surplus before tax and movement in fair value	13.0	2.4
Fair value gain on investments	40.0	4.3
Actuarial adjustment in respect of pension schemes	4.3	(25.6)
Total comprehensive income/(loss) for the year	57.3	(18.9)

2016-17 was a successful year for the University, with a surplus of £13m before tax and movement in fair value. An unrealised gain of £40m on our investment and investment properties was generated. Of this total, some £22.7m relates to an increase in the market value of the Group's shareholding in Kainos Group plc.

The net assets position also remained strong at £472.5m.

Financial sustainability will continue to underpin the delivery of the Corporate Plan 2016-2021. Effective governance and strong financial performance is critical to the success of Queen's and we are well positioned to meet the challenges facing the sector.

A summary of the key financial highlights for 2016-17 is set out overleaf.

2016-17 was a successful year for the University, with a surplus of £13m before tax and movement in fair value.

FINANCIAL HIGHLIGHTS 2016-2017



Surplus is 3.9%

Surplus as a percentage of income increased from 0.8% in 2015-16 to 3.9%. **Note 1.**



Growth in Income from Non-Government Sources

Income from non-government sources has increased year on year by 8%. **Note 2.**



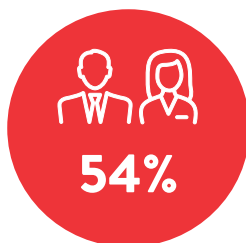
International Student Income

International student fee income (full and part-time) increased by £3m (14%) during 2016-17.



Income from Research Grants and Contracts

Income from research grants and contracts, increased year on year by 6%.



Staff Costs % of Income

Staff costs represent 54% of income; this compares to 57% in 2015-16.



Expenditure in Core Estate

Expenditure in Core Estate represents 4% of the Insurable Replacement Value.

NOTES

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

INCOME

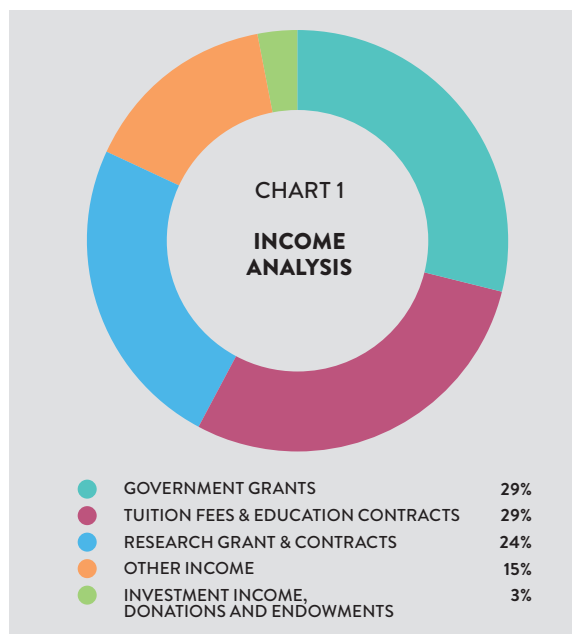
Total income for the year was £338.3m, representing an increase of £21.8m (7%). The main components of this income are shown in **Chart 1**.

Funding from Government increased from £91.8m in 2015-16 to £99.6m in 2016-17.

The University welcomed the additional £20m of funding allocated to higher education, further education and skills by the former Minister of Finance as part of the June 2016 monitoring round. This additional funding was in recognition of the importance of the skills agenda to Northern Ireland, in light of the devolution of corporation tax powers. Of this total, £14.6m was allocated to the

Higher Education Division of the new Department for the Economy (DfE) and Queen's received £7.1m on a non-recurrent basis in 2016-17. Income from student fees has increased over the last number of years. The key student recruitment targets were achieved, resulting in an increase of £6.2m (7%) in income from tuition fees and education contracts. Of this total, international tuition fee income increased by £3.0m or 14%.

Research income also increased in year by £4.7m, reflecting ongoing success in the implementation of our Research Strategy.



EXPENDITURE

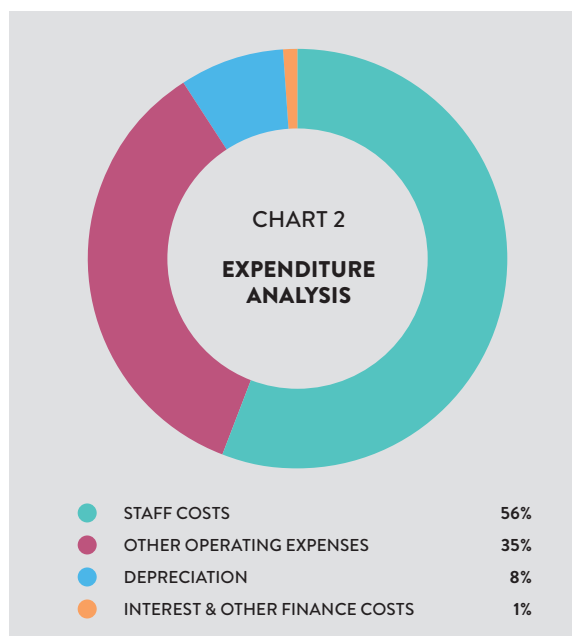
Total expenditure for the year was £326.2m, representing an increase of £10.3m (3%). The main components of expenditure are shown in the **Chart 2**.

Staff costs increased by £1.3m (1%) mainly as a result of the annual pay award and incremental progression.

Queen's staff costs represented 54% of income in 2016-17, compared to the average for the Peer Group of 49% in 2015-16 and the average number of staff increased from 3,689 to 3,710.

Other operating expenditure increased by £3.3m (3%), largely due to increased expenditure on equipment and equipment maintenance; utilities; repairs and maintenance.

Depreciation costs increased by £7.9m (45%) largely due to the accelerated depreciation of the Students' Union building as a result of Senate's decision to redevelop the site and create an Integrated Student Centre (ISC). The ISC has the potential to totally transform the provision of student services, resources and support, by drawing these together into one central, state-of-the-art facility with a distinct and separate area of the building also allocated to the Students' Union.



GAIN ON DISPOSAL OF FIXED ASSETS AND INVESTMENTS

In 2016-17, a gain of £0.9m was realised following the disposal of the University's shares in the Investment Fund and the Group's holding in TruCorp Limited.

The comparable figure for 2015-16 of £1.8m related to the gain following the sale of land at Upper Malone and the disposal of the Group's holding in PathXL Limited.

FAIR VALUE GAIN ON INVESTMENTS AND INVESTMENT PROPERTY

The fair value gain on the Group's assets and investments at 31 July 2017 resulted in an unrealised benefit of £40.0m within the SOCI. Of this total, £22.7m related to the increase in the market value of the Group's holding in Kainos Group plc.

ACTUARIAL ADJUSTMENT IN RESPECT OF PENSION SCHEMES

The funding position of the Retirement Benefits (RBP) Pension Scheme, as measured in line with accounting requirements, has marginally improved from a deficit of £94.6m at 31 July 2016 to £94m at 31 July 2017.

Under FRS102, the SOCI reflects the associated actuarial adjustment of £4.3m for the year.



BALANCE SHEET

The University had total consolidated net assets of £472m as at 31 July 2017. This reflects the significant investment in the capital programme over the last decade, the strong liquidity position of the University, and its effective working capital management processes, in particular, the robust control of debtors. The total level of realised unrestricted reserves is £153.9m, which are ringfenced to support the capital development programme and strategic investment by Faculties and Professional Services to support delivery of the 2016–2021 Corporate Plan.

TREASURY MANAGEMENT/ CASH FLOW

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

CAPITAL AND LONG TERM MAINTENANCE

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

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

Over the past decade Queen's has invested £350m in its campus generating 7,000 construction-related jobs and contributing £1bn into the wider economy.

Significant capital expenditure has continued across the entire University in terms of new build and major refurbishment of the existing estate. The total projected cost of authorised building projects is currently in the region of £271m. These projects will maintain the momentum of the capital development programme, investing in world class infrastructure for students and staff.

A number of specific projects, including the School of Law and refurbishment of the Peter Froggatt Centre and Physics Building were completed in 2016-2017.

The Purpose Built Managed Student Accommodation project, with an investment of over £70m, providing over 1,200 student bedrooms in the heart of Belfast, commenced during the year.

REPORT ON INVESTMENT PERFORMANCE AND COMMITMENT TO RESPONSIBLE INVESTMENT

INVESTMENT PERFORMANCE

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

The University Investment Fund is administered under the terms set out in the Queen's University (Trust Scheme) Order (Northern Ireland) 1982, and includes endowment funds donated and bequeathed to the University for specific purposes. The fund is actively managed by Schroders/Cazenove Capital Management and at 31 July 2017 was valued at £58m. Investment by endowment fundholders in the fund is by share purchase, and with 6,611,283 shares issued, the value of a share was £8.77. This was an increase of 9% on the valuation of £8.04 in the previous year. The total income distributed by the fund to endowments was 28p per share, an increase of 1p or 4% on the previous year's distribution of 27p, and amounted in total to £1.8m.

The General Investment Fund is for the longer term investment of University funds and is passively managed by Legal & General Investment Management. At 31 July 2017 the fund was valued at £77.6m, an increase of £10m, or 15%, on the previous year's valuation of £67.6m.

Decisions in respect of investments are made on the recommendation of the Investment Committee, guided by the University's Responsible Investment Policy. The Policy was reviewed during the year and an amendment was approved by Senate on 12 April 2017, indicating that 'provided there was no financial detriment, the University would seek to transfer its indirect investment into funds which exclude companies involved in the extraction of fossil fuels by 2025'.

RESPONSIBLE INVESTMENT

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

Schroders/Cazenove Capital Management have been leaders in the area of Responsible Investing since 2000 and provide ESG client solutions for £33 billion ethically screened mandates. Their team of eleven dedicated ESG professionals have conducted research and carried out over 760 engagements in 2016 across 34 countries globally. This has been integrated into their work on managing climate risk and their reports can be viewed on their webpage: www.schroderstalkingpoint.com

Legal & General use their scale of operations, and influence, to ensure that companies integrate environmental, social and governance issues into their everyday thinking, in order to develop resilient longer-term strategies, taking into consideration all of their stakeholders. They also encourage markets and regulators to create an environment in which good management of ESG factors is valued and supported. Their CEO, Mark Zinkula, has been appointed to the Climate Change Government Taskforce, and they have committed to product development in this area by the launch of 'The Future World Fund'. This has been developed to provide a mainstream way to invest and take account of the financial risks of climate change within investment portfolios, and will be available for charities later in the year. It is their belief that ESG issues are an important part of long-term risk management and therefore a fundamental element of their clients' fiduciary duty. A summary of Legal & General's activities on behalf of clients, particularly in the area of climate change, and the associated financial risks is detailed on their webpage: update.lgim.com

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

PENSION SCHEMES

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

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

As set out in note 22 of the Financial Statements, the RBP funding position under FRS102 shows a deficit of £94.0m at 31 July 2017 (£94.6m at 31 July 2016). The slight improvement in funding position reflects the net impact of better than expected asset returns and a marginal improvement in Corporate Bond yields, partially offset by higher inflation expectations.

The Actuarial Valuation of the RBP of 31 March 2017, has recently been completed and a recovery plan will be agreed between the Trustees and the University before the end of the year.

USS is the principal pension scheme provided in the Higher Education sector and, with 180,000 active members, 360 participating employers, and assets of some £60bn, is one of the largest pension schemes in the UK.

FRS102 requires each institution to recognise a liability for its share of the USS funding deficit, based on its commitment to the recovery plan agreed as part of the outworkings of the most recent Actuarial Valuation. As set out in note 23 of the Financial Statements, the University's obligation to the USS deficit recovery plan as at 31 July 2017, is £35.7m (£36.2m at 31 July 2016).

The 2014 Actuarial Valuation showed a funding deficit of £5bn. The 2014 Recovery Plan targeted elimination of this deficit over a 17 year period through increases to employer and member contributions rates from April 2016, and a series of changes to the benefit structure.

The next Actuarial Valuation of the USS as at 31 March 2017 is underway, and is not expected to identify any significant improvement to the funding position. The Valuation is also expected to show a significant increase in the cost of providing existing benefits, compared with the position calculated in 2014. Consultation with the sector is ongoing.

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

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



HE FUNDING POSITION

The level of government funding for teaching and research remains a major concern for the University, with continuing uncertainty presenting significant risks to the future sustainability of the Higher Education (HE) Sector.

Northern Ireland is the only region in the UK which has reduced government investment in HE in recent years. Between 2009-10 and 2017-18, annual block grant allocations from government to the NI universities reduced by £34m – this equates to some 16% in cash terms and 30% in real terms. The impact of these funding reductions required the universities to substantially reduce local undergraduate intake, for Queen's this will amount to 1,010 places in the period to 2018-19.

On 9 March 2016, the then Minister for Employment and Learning released "Securing a Sustainable Solution for Higher Education in Northern Ireland: An Options Paper". The paper highlighted that student reductions came at a time when skills forecast indicated a clear under-supply of degree level skills in the Northern Ireland Workforce. The options paper clearly highlighted the structural deficit in HE in NI which is currently of the order of £54m.

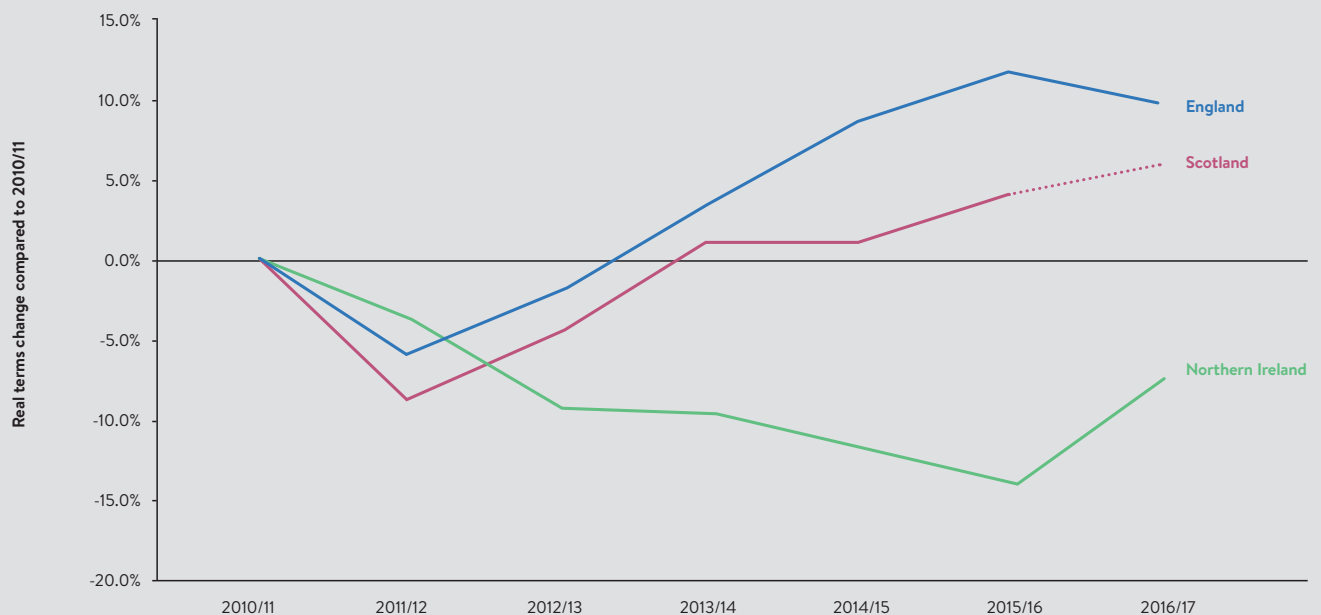
These funding cuts create a significant competitive disadvantage for the University against its comparative UK Universities. In real terms, the funding per student has decreased by 7% from 2010-11, whilst in comparison, the funding per student in England has increased over the same period. This additional funding has enabled our competitors to invest significant resources in enhancing the student experience, both staff and infrastructure.

This differential in funding is illustrated in Figure 1. and this is projected to increase again in 2017-18, given the inflationary uplift in tuition fees in England and the further cut in block grant funding to NI institutions.



HE FUNDING POSITION

FIGURE 1: COMPARISON OF FUNDING FOR TEACHING PER STUDENT FTE ACROSS THE UK*



* Source: Universities UK (UUK)

The ongoing political and funding uncertainty, with the absence of an Executive since January 2017 pose significant problems for NI. As part of the Programme for Government (PFG) and the associated budget, a new NI Executive must urgently address the structural deficit which exists in the Higher Education sector. Any further reduction to the HE budget will result in additional reductions in places available for local school leavers further jeopardising the Executive's plans for economic development and growth in the region.

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

OUR VISION

Vision 2020 – A world class international university that supports outstanding students and staff, working in world class facilities, conducting leading-edge education and research, focused on the needs of society.

This Vision has been captured within the new Corporate Plan for the period 2016-2021.

The Corporate Plan for 2016-21 provides a roadmap for Queen's to deliver the ambition articulated in the Vision. The Plan is underpinned by the University's Core Values (Integrity, Connected, Ambition, Respect, Excellence) and focuses on three strategic priority areas:

- **Education and Students**
- **Research**
- **Innovation and Impact**

These priorities are supported by three key enablers:

- **People and Culture**
- **Infrastructure**
- **Funding and Governance**



EDUCATION AND STUDENTS

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

For 2016-17 entry, overall demand for undergraduate places at Queen's was up 0.2%, which is in line with the national average increase. In response to the funding reductions, Senate approved a planned reduction of 1,010 undergraduate places, commencing in 2015-16.

The international student recruitment strategy continues to deliver growth, with the 2016-17 recruitment at 2,018, an increase of 11% on the prior year, and marginally below the target of 2,089. International fee income increased by 14% compared to the prior year.

The proportion of postgraduate students improved slightly at 24%. Developing flagship postgraduate taught (PGT) programmes that attract high numbers of quality students is a major priority within the Faculty Plans, supported by the Faculty Student Recruitment Hubs.



24 Queen's subjects in the UK top 20 (Times and Sunday Times Good University Guide 2017).



9th in the UK Times Higher Education Student Experience Survey 2017.



94% of our graduates are in employment or further study six months after graduation (HESA Destination of Leavers from Higher Education Survey, 2015-16).

RESEARCH

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

Strong progress continues to be made on the implementation of the Research Strategy. All four Global Research Institutes (GRIs) and six Pioneer Research Programmes have now been launched. These structures enable Queen's to foster and sustain world-leading research at substantial scale, representing a 'step change' in our research ambition. The Research Strategy has underpinned networking within the institution – in the form of the Global Challenge Networking Programme. This programme includes a suite of support measures for postdoctoral researchers and embedding the Research Impact team which supports academic colleagues in maximising the broader societal impact of their research.

Performance in securing research grants has continued to improve significantly, with the total award value increasing to £101.6m for 2016-17. This is a key milestone which marks the first time that the University has secured annual research awards in excess of £100m.

Performance in securing research grants has improved significantly in 2016-17 with total award value increasing to £101.6m.

KEY HIGHLIGHTS

- Research awards exceed £100m for the first time in a financial year.
- Total research income increased from £74.9m to £79.6m.
- Queen's increased its citation scores in the global rankings from 78 to 83. This represents an increase of 21% over two years.
- 8th in the UK for Research Intensity.
- CSIT - a major hub for research and innovation in electronic engineering and cyber security - successfully retained its 'Academic Centre for Excellence in Cyber Security Research' status which was first awarded in 2012.
- Over €9.3 million of funding from the Special EU Programmes Body (SEUPB), that will create a 'virtual centre of competence' to support cross-border research into bio-energy and marine-based renewable energy sources - known as the 'Bryden Centre, for Advanced Medicine and Bio-Energy Research'.
- Queen's was ranked the number one Arts and Humanities Research Council (AHRC) funded university in the whole of the UK in 2016-17, receiving over £4.1m in competitively awarded funding.

INNOVATION & IMPACT

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

In 2016-17, Queen's retained its number one ranking in the UK for Knowledge Transfer Partnerships, ensuring that the Northern Ireland SME base can access skilled talent and academic insight in order to tackle business related challenges.

Relationship building and collaborative research with industrial partners also played an important role in our success during 2016-17. Over the past 12 months, the University has supported the delivery of several high-profile projects involving Northern Irish industry, worth in excess of £5.4m. This total consists of a diverse range of project types and sizes, some are large-scale, and multinational projects; while others are the result of upscaling existing relationships with partners such as AstraZeneca, Devenish Nutrition and the BBC. Other notable successes include the delivery of the Radox Centre of Excellence projects and securing a large Innovate UK award on hybrid bus technologies with Wrightbus.

KEY HIGHLIGHTS

- Our total impact on the local economy is £1bn annually.
- Ranked first in the UK for number of Knowledge Transfer Partnerships.
- 1,850 jobs created from Queen's spin-outs.
- Queen's is number 5 in the UK for Intellectual Property Commercialisation (2015-16 HEBCI Data).
- 19 projects will be launched as part of the Social Charter promoting the social and economic betterment of society and proactively supporting delivery of PfG outcomes.



RISK & UNCERTAINTY

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 action plans in place to manage and mitigate these risks. In addition to the significant concerns surrounding the deficits on pension schemes, the issues considered to be the key risks to the achievement of the University's strategic objectives are detailed below:

Risk Area	Risk	Actions
People and Culture	Failure to recruit and retain high quality staff leading to a failure to deliver key targets relating to teaching and research.	The University has a number of strategies to facilitate the recruitment and retention of high quality staff including; the development of a co-ordinated recruitment policy and procedures, the development of partnerships and academic advocacies to support international recruitment and further enhancement of the employer brand. A review is also ongoing of innovative methods, using technology, to enhance and streamline the recruitment process.
Financial Sustainability	Financial sustainability remains a key risk, in particular the potential adverse impact on the University's global ambition of reduced public sector investment in higher education (HE) in Northern Ireland coupled with a requirement to diversify income streams.	In line with the Corporate Plan 2016-2021, the University has a number of plans and strategies in place to diversify its income streams including increases in research income, fees from international students and the level of donations to the Foundation. Working with a new Executive to secure a sustainable funding model for HE in Northern Ireland remains a fundamental objective.
Education and Research	Failure to recruit high quality undergraduate and postgraduate international students in sufficient numbers to support the targets within the Corporate Plan.	The University has developed an International Student Recruitment Strategy and an accompanying integrated action plan, which is being progressed and monitored closely. Measures include work undertaken to align course development and investments with recruitment opportunities and the undertaking of strategic market reviews in a wide range of locations.
Legal and Governance Issues	Failure to comply with all statutory requirements, including the maintenance of the highest standards of health and safety within the University, leading to a breach of statutory duties.	Comprehensive governance and monitoring arrangements are in place throughout the University to ensure responsibilities in respect of all statutory duties are allocated appropriately and all actions are undertaken in accordance with sector guidance and best practice.
Infrastructure	Failure to communicate and deal with the risks arising from cyber security attacks leading to potential reputational damage, compromised systems and a loss/theft of data and intellectual property.	The University has in place robust preventative controls to protect the security of its networks and information.

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

During 2016-17, the University published the EU Exit Institutional Position Paper, which analyses the possible implications of Brexit, specifically for Queen's and warns that a number of key Programme for Government objectives will be compromised if the University's concerns are not addressed during the negotiating process. This paper highlights four key issues – access to EU research funding; the status of current and future EU staff; student recruitment and mobility and the relationship with the Republic of Ireland, which pose 'challenges and risks' to our ability to attract international staff, students and EU research funds in a post-Brexit Europe.

CONCLUSION

The University achieved a satisfactory financial performance in 2016-17, and continued to invest in its students and core activities. Whilst the University exceeded its break-even strategy for 2016-17, this was mainly as a result of the non-recurrent savings from vacant posts and the additional funding made available from DfE following the June 2016 Monitoring Round.

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

As part of the new Programme for Government (PFG), a new Executive must urgently address the structural deficit of £54m which exists in the Higher Education sector.

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



PUBLIC BENEFIT STATEMENT

PUBLIC BENEFIT STATEMENT

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

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

At Queen's, positive contribution, genuine impact and understanding the needs of society form the backbone of who we are and what we do. The Charter has been established to embody these core principles and form the basis of our Public Engagement Strategy.

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

Queen's has introduced a new PATHWAY programme which provides a route for talented young people from Northern Ireland who have the ability to study at Queen's, but may require additional support and encouragement to reach their full potential.

EDUCATION AND STUDENTS

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

An updated Widening Access and Participation Plan (WAPP) for 2017-18 was approved and sets out Queen's commitment to a range of access and attainment measures including:

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

The University's widening access programme has an exceptional track record – 34% of young, full-time, first degree entrants are from socio-economic groups (SEC 4-7) exceeding our benchmark of 26%. This places us amongst the UK's leading universities for widening access.

Queen's has introduced a new PATHWAY programme which provides a route for talented young people from Northern Ireland, who have the ability to study at Queen's but may require additional support and encouragement, to reach their full potential.

The University has also 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 £1.6m being incurred in 2016-17, and in the region of 3,843 students receiving some element of bursary payment.

Queen's is also committed to equality of opportunity for all students and has developed a wide range of services to facilitate students with disabilities as an integral part of the Queen's community. The University has also been awarded the prestigious Buttle UK Quality Mark in recognition of its commitment to young people in, and leaving care.



PUBLIC BENEFIT STATEMENT

RESEARCH

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

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

- Researchers within the Senator George J. Mitchell Institute for Peace, Security and Justice are taking part in an interdisciplinary global study, looking at the role of sound, music and digital media in conflict and post-conflict regions.
- Academics within the Centre for Experimental Medicine are leading a programme aimed at reversing the damage caused by multiple sclerosis.
- Researchers in the School of Chemistry and Chemical Engineering are part of an international collaboration which has achieved a major breakthrough by developing a porous liquid that could pave the way for many more efficient and greener chemical processes.
- An interdisciplinary team from the Centre for Evidence and Social Innovation (CESI) is working in partnership with government departments and the voluntary sector to seek novel solutions to break the cycle of entrenched social problems including drug and alcohol misuse and educational underachievement.

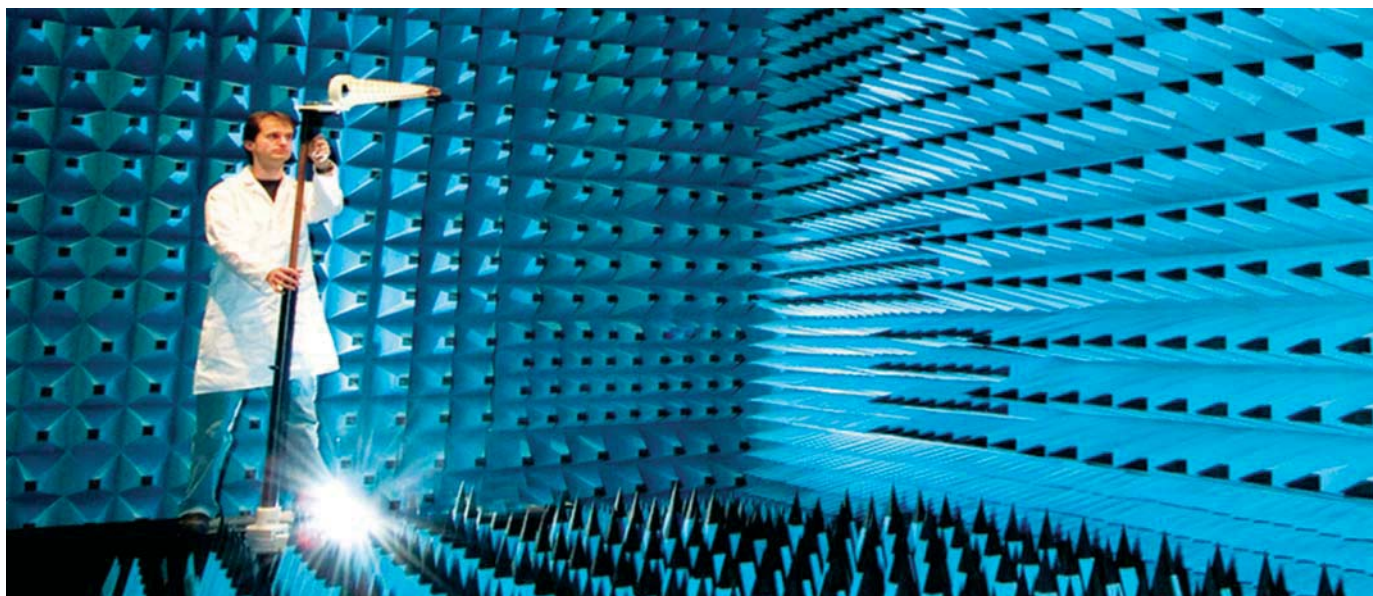
INNOVATION AND IMPACT

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

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.

To support business, Queen's organises a wide range of events for business and other key stakeholders at the University, hosting international, national and local experts who give lectures, seminars and masterclasses on a range of topical issues of interest. Some examples include; the series of research impact showcases whereby up to thirty researchers engage with the public and demonstrate their research. The University also runs a blog dedicated to public engagement with research activity, and a seminar series, both with guest speakers and dedicated debates.

Queen's has a long established strategy of fostering an entrepreneurial culture and promoting the successful transformation of world leading research into excellent business through innovation and commercial development. Queen's spin-outs attract more seed and venture capital than most other UK universities and its spin-out companies currently have an annual turnover in excess of £218m and sustain over 1,850 high value jobs in Northern Ireland.



THE ENVIRONMENT

To date, Queen's has made annual energy savings of £1.5m whilst reducing carbon emissions by over 8,835 tonnes.

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

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

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

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

LOCAL COMMUNITY

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

Queen's encourages students to reflect on their role as citizens and future leaders, through our curricular programmes. Our degree pathways all feature elements of citizenship provision and facilitate the development of communication, leadership, teamwork and creativity. The Students' Union runs a Volunteer SU programme which allocates student volunteers to a network of over 400 charities and community groups, including the highly successful homework club initiative where over 200 of our students work in 13 homework clubs across inner-city Belfast.

Nineteen signature projects have been selected as part of the Social Charter and includes the 'Street Society' – a unique collaboration involving Queen's architecture students, government and the community, providing an ideal platform for societal dialogue on the built environment.

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

Queen's Sport recognises the importance of promoting a healthy lifestyle, is committed to improving health and wellbeing in the local community and has over 11,000 public, staff and student members. During the year Queen's Sport and our outstanding facilities at Upper Malone were in the international spotlight. We co-hosted the final round of matches in the 2017 Women's Rugby World Cup and were chosen as a training venue for the UEFA Women's Under-19 Championships.

Our position as a leader in equality and diversity was further confirmed in this year's Athena SWAN awards. The Schools of Psychology and Biological Sciences retained their Gold Awards with the Schools of Chemistry and Chemical Engineering, Mathematics and Physics, Medicine, Dentistry and Biomedical Sciences, and Nursing and Midwifery retaining Silver. Five Schools in the Faculty of Arts, Humanities and Social Sciences also hold bronze awards. We are one of the UK's most successful universities in this initiative with two Gold, eight Silver and five Bronze departmental awards, as well as an institutional silver.

Other links between the University and the community are evident in relation to the Northern Ireland Science Shop (involving the provision of access to specialist skills to community and voluntary groups). The Employers' and Head Teachers Forum aim to ensure our courses are geared towards the needs of the local economy.

CORPORATE GOVERNANCE

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

The University is an autonomous body established under the Irish Universities Act 1908. In common with all public bodies it operates within a strong framework of regulation. Not only does the University comply with all mandatory requirements, but it also strives to operate that guidance which represents best practice. The University has adopted the Guide for Members of Higher Education Bodies in the UK. The Guide sets out current best practice for the corporate governance of higher education institutions. The University 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 current members are listed as follows:

Pro-Chancellors	Mr S Prenter Dr S Kingon
President and Vice-Chancellor	Professor P Johnston (to 4 June 2017)
Acting President and Vice-Chancellor	Professor J McElnay (from 16 June 2017)
Honorary Treasurer	Ms O Corr
President, Students' Union	Mr S McCrystall (from 29 May 2017)
Other members	Mr E Abu-Khiran Mr E Bell Mrs L Bourke Mr G Cash Mr A Doran Dr C Dwyer Mr K Flanagan Ms S Fleming Ms C Kinkead Ms M Matchett Ms A McGregor Dr D McSherry Mr R Murtagh Dr R Prendergast Dr F Schuppert Mr A Shannon Dr D Tiernan Dr M Wardlow

CORPORATE GOVERNANCE

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

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

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

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

The current membership of the Audit Committee consists of three independent non-executive members of Senate, namely Mr E Bell (Chair), Ms S Fleming and Dr M Wardlow and two co-optees, Mrs A Henderson (to August 2017), Miss H Kirkpatrick and Mr K Jess (from September 2017). The terms of reference are as outlined below:

- (a) To appoint/re-appoint the University's External Auditors through a formal recruitment process. To reaffirm that appointment, each year through the contracted period, through a recommendation to Senate. The Audit Committee may also remove the External Auditors before the end of their term if serious shortcomings are identified.
- (b) To report to Senate on the appointment of the External Auditors, the audit fee, the provision of any non-audit services by the External Auditors, and any questions of resignation or dismissal of the External Auditors.
- (c) To discuss with the External Auditors, before the audit begins, the nature and scope of the audit.
- (d) To discuss with the External Auditors problems and reservations arising from the interim and final audits, including a review of the External Auditors' report to the Audit Committee, incorporating management responses, and any other matters the External Auditors may wish to discuss (in the absence of management where necessary).
- (e) To appoint/re-appoint the University's Internal Auditors through a formal recruitment process. The Audit Committee may also remove the Internal Auditors before the end of their term if serious shortcomings are identified.
- (f) To report to Senate on the appointment and terms of engagement of the Internal Audit service, the audit fee, the provision of any non-audit services by the Internal Auditors, and any questions of resignation or dismissal of the Internal Auditors.
- (g) To review the Internal Auditors' audit risk assessment, strategy and programme; consider major findings of Internal Audit investigations and management's response and promote co-ordination between the Internal and External Auditors. The Committee will ensure that the resources made available for Internal Audit are sufficient to meet the institution's needs (or make a recommendation to Senate, as appropriate).
- (h) To keep under review the effectiveness of the University's risk management, control and governance arrangements and, in particular, to review the External Auditors' Report to the Audit Committee, the Internal Auditors' Annual Report, and management responses. The Committee shall make recommendations to relevant committees, or to the Vice-Chancellor, to ensure that measures are taken to deal effectively with matters raised in audit reports.
- (i) To monitor the implementation of agreed audit-based recommendations, through the Internal Audit – Status of Recommendations report.
- (j) To ensure that all significant losses have been properly investigated and that the Internal and External Auditors and, where appropriate, the Department for the Economy (DfE), have been informed.
- (k) To consider, approve and oversee the implementation of the institution's policies on Fraud and Whistleblowing, including being notified of any action taken under these policies.
- (l) To provide ongoing assurance to Senate, in respect of the management and quality assurance of data.
- (m) To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- (n) To consider and approve the University's Register of Interests Policy, the Policy on the Acceptance of Gifts, Gratuities and Hospitality, and the University's arrangements to ensure compliance with the Bribery Act 2010.
- (o) To receive any relevant report from the Northern Ireland Audit Office, the National Audit Office, HEFCE or any other body, which fulfils a recognised audit function in respect of the University or related institutions, funded in full, or part, from public funds.
- (p) To monitor, annually, the performance and effectiveness of the External and Internal Auditors, including any matters affecting their objectivity.
- (q) To consider the draft annual financial statements, in the presence of the External Auditors, ensuring that sufficient consideration has been given to all relevant matters, that there is compliance with relevant legislation, DfE accounts directions, and accounting standards, and that there are no major disagreements between the External Auditors and the Planning and Finance Committee and/or the Director of Finance over accounting policies.

CORPORATE GOVERNANCE

- (r) In the event of the merger or dissolution of the institution, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.
- (s) To report, on a regular basis, to Senate and to compile an annual report which, following consideration by Senate, will be sent to DfE and the HEFCE Assurance Service - this annual report shall include an opinion on the adequacy and effectiveness of the University's arrangements for risk management, internal control, governance and value for money.
- (t) The Committee is authorised by Senate to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise, if it considers this necessary, normally in consultation with the Registrar and Chief Operating Officer and/or the Chair of Senate. However, it may not incur direct expenditure, in this respect, in excess of £10,000, without the prior approval of Senate.

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

STATEMENT ON INTERNAL CONTROL

As the governing body of Queen's University Belfast, Senate has responsibility for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible. This responsibility has been

assigned to Senate in accordance with the University's Charter and Statutes, and the Financial Memorandum with DfE.

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2017 and up to the date of approval of the financial statements, and accords in full with DfE guidance.

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

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

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

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

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 SENATE IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group’s and parent University’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group, or the parent University, or to cease operations, or have no realistic alternative but to do so.

The Senate is responsible for keeping adequate accounting records that are sufficient to show and explain the parent University’s transactions and disclose with

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

The Senate is also responsible under the Financial Memorandum for:

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Queen's University Belfast ("the University") for the year ended 31 July 2017 which comprise the Consolidated and University Statements of Comprehensive Income, the Consolidated and University Statements of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes, including the Statement of Principal Accounting Policies on pages 30 to 32.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Department for the Economy's (DfE) Accounts Direction to higher education institutions for 2016-17 financial statements.

Basis for opinion

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

Going concern

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

Other information

The Senate is responsible for the other information, which comprises the Operating and Financial Review, Public Benefit Statement and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Senate responsibilities

As explained more fully in their statement set out on page 27, Senate is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group, or the parent University, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the 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 Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes; and
- funds provided by the DfE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

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

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

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



Sean O'Keefe
(Senior Statutory Auditor)
for and on behalf of KPMG,
Statutory Auditor
Chartered Accountants
Soloist Building
1 Lanyon Place
Belfast
BT1 3LG

21 November 2017

Notes:

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

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

2. Basis of consolidation

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

Joint ventures are accounted for using the equity method.

3. Income recognition

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

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

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

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within

creditors, and allocated between creditors due within one year and due after more than one year, as appropriate.

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

Donations and endowments

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

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

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

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

Capital grants

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

4. Accounting for retirement benefits

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

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

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

Under the RBP scheme, as a defined benefit scheme, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University and Group recognise a liability for its obligations under the RBP plan net of the plan's assets; this liability is included in pension obligations (note 22). This

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

net liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method.

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

5. Employment benefits

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

6. Foreign currency

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

7. Interest payable

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

8. Fixed assets

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

Land and buildings

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

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

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

Equipment

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

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

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

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

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

9. Heritage assets

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

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

10. Investment properties

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

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the SOCI.

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

11. Investments

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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

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

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

12. Stock

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

13. Cash and cash equivalents

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

14. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

A contingent liability arises from a past event that gives the University a possible obligation, whose existence will only be

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

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

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

16. Concessionary loans

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

17. Basic financial instruments

Trade and other debtors/creditors

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

Interest bearing borrowings

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

18. Taxation

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

The University receives no similar exemption in respect of Value Added Tax. 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 they 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.

19. Reserves

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

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 31 JULY 2017

	Notes	2017		2016	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Income					
Government grants	1	99,622	99,622	91,766	91,766
Tuition fees, support grants and education contracts	2	98,116	98,116	91,880	91,880
Research grants and contracts	3	79,605	79,605	74,854	74,854
Other income	4	52,264	51,575	49,862	50,142
Investment income	5	3,893	3,881	4,245	4,240
Total income before endowments and donations		333,500	332,799	312,607	312,882
Donations and endowments	6	4,849	4,849	3,931	3,931
Total income		338,349	337,648	316,538	316,813
Expenditure					
Staff costs	7	181,602	181,602	180,262	180,262
Other operating expenses	8	115,707	114,737	112,377	112,308
Depreciation	12	25,777	25,657	17,832	17,712
Interest and other finance costs	9	3,150	3,150	5,456	5,456
Total expenditure	10	326,236	325,146	315,927	315,738
Surplus before other gains/(losses)		12,113	12,502	611	1,075
(Loss)/gain on disposal of fixed assets		(17)	(17)	650	650
Gain on disposal of investments		935	544	1,109	-
Surplus before tax and fair value gain on investments		13,031	13,029	2,370	1,725
Fair value gain on investments and investment property	15	40,023	14,754	4,357	7,091
Taxation		-	-	-	-
Surplus for the year		53,054	27,783	6,727	8,816
Actuarial adjustment in respect of pension schemes	33	4,259	4,259	(25,588)	(25,588)
Total comprehensive income/(loss) for the year		57,313	32,042	(18,861)	(16,772)
Represented by:					
Endowment comprehensive income for the year		8,810	8,810	3,205	3,205
Restricted comprehensive income for the year		479	479	174	174
Unrestricted comprehensive income/(loss) for the year		48,031	22,753	(22,226)	(20,151)
Attributable to the University		57,320	32,042	(18,847)	(16,772)
Attributable to the non-controlling interest		(7)	-	(14)	-
		57,313	32,042	(18,861)	(16,772)

Included within the surplus for the year is a loss of £7k (2016: (£14k)) relating to the non-controlling interest.

All items of income and expenditure relate to continuing activities.

The Statement of Principal Accounting Policies on pages 30 to 32 and the notes to the accounts on pages 38 to 59 form part of these financial statements.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES

YEAR ENDED 31 JULY 2017

	Income and expenditure reserve			Total excluding non controlling interest	Non controlling interest	Total
	Endowment	Restricted	Unrestricted			
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	53,411	104	379,694	433,209	790	433,999
Surplus/(deficit) from the statement of comprehensive income	3,205	271	3,265	6,741	(14)	6,727
Other comprehensive income	-	-	(25,588)	(25,588)	-	(25,588)
Release of restricted funds spent in year	-	(97)	97	-	-	-
Total comprehensive income for the year	3,205	174	(22,226)	(18,847)	(14)	(18,861)
Balance at 1 August 2016	56,616	278	357,468	414,362	776	415,138
Surplus/(deficit) from the statement of comprehensive income	8,810	605	43,646	53,061	(7)	53,054
Other comprehensive income	-	-	4,259	4,259	-	4,259
Release of restricted funds spent in year	-	(126)	126	-	-	-
Total comprehensive income for the year	8,810	479	48,031	57,320	(7)	57,313
Balance at 31 July 2017	65,426	757	405,499	471,682	769	472,451

The Statement of Principal Accounting Policies on pages 30 to 32 and the notes to the accounts on pages 38 to 59 form part of these financial statements.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES

YEAR ENDED 31 JULY 2017

	Income and expenditure reserve			Total excluding non controlling interest	Non controlling interest	Total
	Endowment	Restricted	Unrestricted			
University	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015	53,411	104	340,505	394,020	-	394,020
Surplus from the statement of comprehensive income	3,205	271	5,340	8,816	-	8,816
Other comprehensive income	-	-	(25,588)	(25,588)	-	(25,588)
Release of restricted funds spent in year	-	(97)	97	-	-	-
Total comprehensive income for the year	3,205	174	(20,151)	(16,772)	-	(16,772)
Balance at 1 August 2016	56,616	278	320,354	377,248	-	377,248
Surplus from the statement of comprehensive income	8,810	605	18,368	27,783	-	27,783
Other comprehensive income	-	-	4,259	4,259	-	4,259
Release of restricted funds spent in year	-	(126)	126	-	-	-
Total comprehensive income for the year	8,810	479	22,753	32,042	-	32,042
Balance at 31 July 2017	65,426	757	343,107	409,290	-	409,290

The Statement of Principal Accounting Policies on pages 30 to 32 and the notes to the accounts on pages 38 to 59 form part of these financial statements.

CONSOLIDATED AND UNIVERSITY BALANCE SHEETS

YEAR ENDED 31 JULY 2017

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Non-current assets					
Fixed assets	12	593,957	587,203	564,295	557,420
Investment property	14	3,700	3,700	3,700	3,700
Heritage assets	13	118	118	118	118
Investments	15	193,383	138,193	159,070	128,051
Investments in associates	17	2,053	-	864	-
		793,211	729,214	728,047	689,289
Current assets					
Stock		526	526	522	522
Debtors	18	27,349	28,288	32,097	32,869
Investments	19	165,000	165,000	132,910	132,910
Cash and cash equivalents	26	57,347	51,208	116,610	111,323
		250,222	245,022	282,139	277,624
Less: Creditors: amounts falling due within one year	20	(99,979)	(100,335)	(103,041)	(103,397)
Net current assets		150,243	144,687	179,098	174,227
Total assets less current liabilities		943,454	873,901	907,145	863,516
Creditors: amounts falling due after more than one year	21	(337,948)	(333,830)	(357,778)	(353,559)
Provisions					
Pension obligations	22	(94,100)	(94,100)	(95,232)	(95,232)
Other provisions	23	(38,955)	(36,681)	(38,997)	(37,477)
Total net assets		472,451	409,290	415,138	377,248
Restricted reserves					
Income and expenditure reserve - endowment reserve	24	65,426	65,426	56,616	56,616
Income and expenditure reserve - restricted reserve	25	757	757	278	278
Unrestricted reserves					
Income and expenditure reserve - unrestricted		405,499	343,107	357,468	320,354
		471,682	409,290	414,362	377,248
Non-controlling interest		769	-	776	-
Total reserves		472,451	409,290	415,138	377,248

The Statement of Principal Accounting Policies on pages 30 to 32 and the notes to the accounts on pages 38 to 59 form part of these financial statements.

The financial statements were approved by Senate on 21 November 2017 and were signed on its behalf on that date by:

Ms O. Corr, Honorary Treasurer

Professor J. McElnay, Acting Vice-Chancellor

Mrs W. Galbraith, Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JULY 2017

	Notes	2017	2016
		£'000	£'000
Cash flow from operating activities			
Surplus for the year		53,054	6,727
Adjustment for non-cash items			
Depreciation	12	25,777	17,832
Release of deferred capital grants		(12,451)	(11,486)
Gain on disposal of investments		(935)	(1,109)
Fair value gain on investments and investment property		(40,023)	(4,357)
Increase in stock		(4)	(57)
Decrease in debtors	18	4,748	217
(Decrease)/increase in creditors	20	(3,535)	24,876
(Decrease)/increase in pension provision	22	(1,132)	28,705
Actuarial adjustment to pension provision		4,259	(25,588)
Decrease in other provisions	23	(42)	(4,320)
Adjustment for investing or financing activities			
Investment income	5	(3,893)	(4,245)
Interest payable	9	389	2,150
Endowment income	6	(3,487)	(2,574)
Loss/(profit) on the sale of fixed assets		17	(650)
Capital grant income	4	(180)	(1,175)
Net cash inflow from operating activities		22,562	24,946
Cash flows from investing activities			
Proceeds from sales of fixed assets		–	1,650
Capital grants receipts		27,352	27,869
Disposal of non-current asset investments		22,405	12,914
Other endowment/investments		13	(262)
Investment income		3,893	4,245
Payments made to acquire fixed assets	12	(55,459)	(47,747)
New non-current asset investments	15	(16,678)	(16,562)
(New)/realised deposits		(32,090)	14,090
New associate investments		(259)	(180)
		(50,823)	(3,983)
Cash flows from financing activities			
Interest paid		(389)	(2,150)
Endowment cash received		3,487	2,574
New unsecured loans		9,381	14,500
Repayments of amounts borrowed		(43,481)	(1,214)
		(31,002)	13,710
(Decrease)/increase in cash and cash equivalents in the year		(59,263)	34,673
Cash and cash equivalents at beginning of the year	26	116,610	81,937
Cash and cash equivalents at end of the year	26	57,347	116,610

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
1. Government grants				
Recurrent grant:				
Teaching	51,906	51,906	44,148	44,148
Research	32,481	32,481	32,427	32,427
Other specific grants	4,373	4,373	5,121	5,121
Deferred capital grants released in year	10,862	10,862	10,070	10,070
	99,622	99,622	91,766	91,766

The University received £99.5m (2016: £92.1m) of recurrent grant funding in the year, of which some £15.1m (2016: £15.5m) has been deferred as detailed in note 21.

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
2. Tuition fees, support grants and education contracts				
Full-time students (NI, GB and EU)	53,311	53,311	51,118	51,118
International students	25,335	25,335	22,290	22,290
Part-time fees	4,527	4,527	4,256	4,256
Short courses	1,053	1,053	978	978
Department of health nursing contract	11,595	11,595	10,707	10,707
Research training, other support grants and other fees	2,295	2,295	2,531	2,531
	98,116	98,116	91,880	91,880

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
3. Research grants and contracts				
Research councils	18,766	18,766	19,328	19,328
Research charities	12,882	12,882	12,042	12,042
UK government and EU	40,503	40,503	35,138	35,138
Other sources	7,454	7,454	8,346	8,346
	79,605	79,605	74,854	74,854

Income from research grants and contracts includes deferred capital grants released in year totalling £981k (2016: £911k)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
4. Other income				
Residences, catering and conferences	11,944	11,944	11,255	11,255
Other services rendered	14,008	14,008	13,396	13,396
Other capital grants	180	180	1,175	1,175
Other income	20,085	19,396	17,863	18,143
Contribution to joint appointment salaries (note 7)	6,047	6,047	6,173	6,173
	52,264	51,575	49,862	50,142

Other income and other services rendered include deferred capital grants released in year totalling £443k (2016:£505k)

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
5. Investment income				
Investment income on endowments (note 24)	1,755	1,755	1,268	1,268
Other investment income	2,138	2,126	2,977	2,972
	3,893	3,881	4,245	4,240

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
6. Donations and endowments				
New endowments (note 24)	3,487	3,487	2,574	2,574
Donations with restrictions (note 25)	372	372	64	64
Unrestricted donations	990	990	1,293	1,293
	4,849	4,849	3,931	3,931

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
7. Staff costs				
Staff costs:				
Salaries	139,224	139,224	137,502	137,502
Social security costs	12,815	12,815	10,960	10,960
Other pension costs	17,741	17,741	16,703	16,703
Current Service cost - RBP pension scheme	6,941	6,941	5,919	5,919
	176,721	176,721	171,084	171,084
Joint appointment salaries (note 4)	6,047	6,047	6,173	6,173
	182,768	182,768	177,257	177,257
Movement on USS provision	(1,166)	(1,166)	3,005	3,005
	181,602	181,602	180,262	180,262

Included within staff costs is £4,547k (2016: £5,533k) relating to amounts paid to teaching assistants, temporary lecturers and other temporary staff, who were not employed under contract by the University, and are therefore not included in staff numbers.

			2017	2016
	Vice-Chancellor	Acting Vice-Chancellor	Consolidated and University	
	£'000	£'000	£'000	£'000
Emoluments of the Vice-Chancellor:				
Salary	236	25	261	258
Pension contributions to USS	41	5	46	43
	277	30	307	301

The Vice-Chancellor was in post from 1 August 2016 to 4 June 2017. The Acting Vice-Chancellor was in post from 16 June 2017 to 31 July 2017.

In respect of the Vice-Chancellor, an additional £18k (2016: £20k) was also paid as an employer's pension scheme contribution, which represented the employee's contribution relinquished under the University's salary sacrifice scheme. The Vice-Chancellor received no additional benefits (2016: £nil).

In respect of the Acting Vice-Chancellor, an additional £2k (2016: £nil) was also paid as an employer's pension scheme contribution, which represented the employee's contribution relinquished under the University's salary sacrifice scheme. The Acting Vice-Chancellor received no additional benefits (2016: £nil).

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	2017	2016
	Consolidated and University	
	Number	Number
7. Staff costs (continued)		
Remuneration of other higher paid staff, excluding employer's pension contributions but including NHS merit payments and the NHS funded element of joint appointments:		
£100,001 to £110,000	28	33
£110,001 to £120,000	23	17
£120,001 to £130,000	15	10
£130,001 to £140,000	6	6
£140,001 to £150,000	5	3
£150,001 to £160,000	3	1
£160,001 to £170,000	2	6
£170,001 to £180,000	3	5
£180,001 to £190,000	4	2
£190,001 to £200,000	2	2
£200,001 to £210,000	-	2
£210,001 to £220,000	1	-
£220,001 to £230,000	-	2
£230,001 to £240,000	1	-

	2017	2016
	Consolidated and University	
	Number	Number
Average staff numbers by major category :		
Academic	1,053	1,098
Research	572	559
Academic Related	726	704
Technical and clerical	906	898
Other	453	430
	3,710	3,689

	2017	2016
	Consolidated and University	
	£'000	£'000
Key management personnel		
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs, outlined above, include compensation, consisting of salary, benefits, employers pension contribution and employer's social security contribution paid to key management personnel.		
Key management personnel compensation	1,818	1,642

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
8. Other operating expenses				
Consumables and laboratory expenditure	11,991	11,991	11,154	11,154
Books and periodicals	4,940	4,940	4,966	4,966
Studentships and bursaries	14,918	14,918	15,275	15,275
Heat, light, water and power	5,138	5,138	4,703	4,703
Repairs and general maintenance	7,138	7,138	7,058	7,058
External auditors' remuneration	58	47	57	47
External auditors' remuneration for non-audit services	134	127	220	220
Rates, insurance and telecommunication expenses	6,366	6,366	6,152	6,152
Hospitality and accommodation services	3,095	3,095	2,752	2,752
Equipment and equipment maintenance	7,564	7,564	6,916	6,916
Postage, photocopying and printing	2,245	2,245	2,137	2,137
Patent fees	499	499	426	426
Collaborative research payments	7,246	7,246	5,450	5,450
Other	44,375	43,423	45,111	45,052
	115,707	114,737	112,377	112,308

Other expenses include the remainder of the charge relating to the early redemption of the bank loan (note 21).

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
9. Interest and other finance costs				
Loan interest	389	389	2,150	2,150
Unwinding of discount - USS pension deficit plan provision (note 23)	620	620	956	956
Net charge on RBP pension scheme (note 33)	2,141	2,141	2,350	2,350
	3,150	3,150	5,456	5,456

	Consolidated				
	Staff costs	Depreciation	Other operating expenses	Interest payable	Total
	£'000	£'000	£'000	£'000	£'000
10. Analysis of total expenditure by activity					
Academic departments	99,484	2,792	19,301	–	121,577
Academic services	13,244	1,484	10,304	–	25,032
Research grants and contracts	28,013	1,613	33,762	–	63,388
Hospitality and accommodation services	2,568	27	3,095	–	5,690
Premises	5,668	19,849	17,210	–	42,727
Administration	22,657	12	17,438	–	40,107
Other expenses	9,968	–	14,597	3,150	27,715
	181,602	25,777	115,707	3,150	326,236

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

11. Taxation

There is no taxation charge arising from the operating activities of the Group (2016: £nil)

	Freehold land and buildings	Leasehold land and buildings	Equipment	Assets in the course of construction	Total (excluding heritage assets)	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
12. Fixed assets							
Consolidated							
Cost or valuation							
At 1 August 2016	509,275	41,710	31,822	27,595	610,402	118	610,520
Additions	16	-	4,231	51,212	55,459	-	55,459
Transfers	30,648	350	-	(30,998)	-	-	-
Disposals	(482)	-	(4,415)	-	(4,897)	-	(4,897)
At 31 July 2017	539,457	42,060	31,638	47,809	660,964	118	661,082
Depreciation							
At 1 August 2016	21,618	1,949	22,540	-	46,107	-	46,107
Charge for the year	18,736	1,056	5,985	-	25,777	-	25,777
Disposals	(482)	-	(4,395)	-	(4,877)	-	(4,877)
At 31 July 2017	39,872	3,005	24,130	-	67,007	-	67,007
Net book value							
At 31 July 2017	499,585	39,055	7,508	47,809	593,957	118	594,075
At 31 July 2016	487,657	39,761	9,282	27,595	564,295	118	564,413
University							
Cost and valuation							
At 1 August 2016	509,275	34,595	31,822	27,595	603,287	118	603,405
Additions	17	-	4,231	51,212	55,460	-	55,460
Transfers	30,647	351	-	(30,998)	-	-	-
Disposals	(482)	-	(4,415)	-	(4,897)	-	(4,897)
At 31 July 2017	539,457	34,946	31,638	47,809	653,850	118	653,968
Depreciation							
At 1 August 2016	21,618	1,709	22,540	-	45,867	-	45,867
Charge for the year	18,736	936	5,985	-	25,657	-	25,657
Disposals	(482)	-	(4,395)	-	(4,877)	-	(4,877)
At 31 July 2017	39,872	2,645	24,130	-	66,647	-	66,647
Net book value							
At 31 July 2017	499,585	32,301	7,508	47,809	587,203	118	587,321
At 31 July 2016	487,657	32,886	9,282	27,595	557,420	118	557,538

At 31 July 2017, freehold land and buildings included £90.1m (2016: £90.1m) in respect of freehold land that is not depreciated.

An amount of £6.5m (2016: £nil) is included in depreciation in respect of a building which is earmarked for demolition.

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

13. Heritage assets

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

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

	Consolidated and University	
	2017	2016
	£'000	£'000
14. Investment property		
Balance at 1 August	3,700	3,700
Additions	-	-
Net gain from fair value adjustments	-	-
Balance at 31 July	3,700	3,700

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

The University received property rental income of £321k (2016: £334k) in respect of these properties for the year ended 31 July 2017.

The prior year balance was reclassified to reflect the outcome of a review of the classification of fixed asset investments.

Investment property of £5,535k and cash and cash equivalents of £1,822k recognised in 2016 have been reclassified to investments in the year to better reflect the nature of those balances.

	Subsidiary companies	Other fixed assets investments	Total
	£'000	£'000	£'000
15. Non-current investments			
Consolidated			
At 1 August 2016	-	159,070	159,070
Additions	-	16,678	16,678
Transfer to investment in associates	-	(53)	(53)
Disposals	-	(22,440)	(22,440)
Appreciation and gains on disposals	-	40,128	40,128
At 31 July 2017	-	193,383	193,383

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	Subsidiary companies	Other fixed assets investments	Total
	£'000	£'000	£'000
15. Non-current investments (continued)			
University			
At 1 August 2016	2,255	125,796	128,051
Additions	-	16,565	16,565
Disposals	-	(22,440)	(22,440)
Appreciation and gains on disposals	-	16,017	16,017
At 31 July 2017	2,255	135,938	138,193

The prior year balance was reclassified to reflect the outcome of a review of the classification of fixed asset investments see (note 14).

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Other fixed asset investments consist of:				
General Investment Fund	77,666	77,666	67,595	67,595
University Investment Fund:				
UK gilts and fixed asset stocks	5,455	5,455	6,106	6,106
UK equities (listed)	26,448	26,448	25,030	25,030
Overseas investments (listed)	12,189	12,189	13,679	13,679
Other investments	14,180	14,180	13,386	13,386
	58,272	58,272	58,201	58,201
Other	2,498	-	1,064	-
Listed investments	54,947	-	32,210	-
	193,383	135,938	159,070	125,796

General Investment Fund

The General Investment Fund consists of UK equities and investment trusts (listed) valued at market value. The equivalent cost as at 31 July 2017 was £46,748k (2016: £46,748k).

University Investment Fund

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

Listed investments

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

Other investments

The Group's other investments relate to a subsidiary's investments in 19 other UK unlisted companies.

Fair value gain on investments and investment property

The consolidated fair value gain on investments and investment property of £40,023k relates to appreciation of non-current investments of £38,866k and a fair value gain on investments in associates of £1,157k.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

16. Investment in joint ventures		
The University has interests in the following joint ventures:		
INTO Queen's LLP	A Limited Partnership which was incorporated in April 2009 to recruit and provide education to international students. It is a joint venture between Queen's Overseas Recruitment Limited and INTO University Partnerships Limited, a company registered in England. It is based in Belfast.	
NI Composites O&M LLP	A Limited Partnership which was incorporated in 2011 to promote collaborative research in advanced composites. It is a joint venture between Queen's Composites Limited and Innovation Ulster Limited. It is based in Belfast.	
	2017	2016
	£'000	£'000
Interest in joint ventures:		
Statement of comprehensive income and expenditure:		
Revenue	3,641	3,289
Share of deficit before tax	(165)	(78)
Balance Sheet:		
Fixed assets	164	128
Current assets	1,915	1,577
Creditors: amounts due within one year	(4,335)	(3,590)
Creditors: amounts due after one year	(250)	(250)
Share of net liabilities	(2,506)	(2,135)
A provision of £2,274k (2016: £1,520k) has been recognised in relation to the Group's liability in respect of joint ventures.		

	Consolidated and University	
	2017	2016
	£'000	£'000
The University had the following balances with its joint ventures at the year end:		
Amounts owed to the University:		
INTO Queen's LLP	1,426	1,670
NI Composites O&M LLP	238	221
	1,664	1,891
Amounts owed by the University:		
INTO Queen's LLP	90	678
NI Composites O&M LLP	27	10
	117	688
The balances all relate to ongoing trading activity.		

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

17. Investment in associates

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

	Consolidated			
	% of equity held	Valuation	Valuation	Principle activity
		2017	2016	
		£'000	£'000	
Acksen Limited	25%	25	36	Supply of instruments for monitoring electromagnetic radiation
Marengo Limited	28%	10	10	Marine and environmental consultancy services
Bicolor Limited	20%	381	219	Supply and development of assay kits for tissue laboratories
Spermcomet Limited	22%	25	29	Provision of infertility testing services
Titan IC Systems Limited	23%	685	331	Development of semi-conductor technology
TruCorp Limited	-	-	279	Development of medical simulators
ProAxis Limited	24%	-	-	Point care tests for cystic fibrosis and COPD
MOF Technologies Limited	25%	414	-	Novel techniques for the synthesis of MOFs
Xenobics Limited	22%	89	-	Development of antibodies and diagnostic solutions for food safety and authenticity
Re-Vana Therapeutics Limited	30%	355	-	Development of biodegradable drug delivery platforms to treat chronic eye diseases
Cognition Video Limited	50%	-	-	Automatic intelligent video analytics
Continga Limited	33%	-	-	Human health activities
Green Lizard Technologies Limited	24%	49	-	Technological solutions
Sun Catalyst Labs	50%	20	13	Photocatalysis research and innovation
Sirona Technology Limited	50%	-	-	Scientific, medical and technology development

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

In addition to these associate interests the Group has shareholdings of less than 20% in 19 unlisted companies all of which are incorporated in the United Kingdom, and which are included at fair value of £2,498k at 31st July 2017.

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
18. Debtors				
Amounts falling due within one year:				
Research grant debtors	3,342	3,342	2,879	2,879
Other debtors	8,449	7,973	8,746	8,468
Amounts owed by associates	19	-	362	-
Prepayments and accrued income	15,539	15,539	20,110	20,110
Amounts due from subsidiary companies:				
QUBIS Limited	-	657	-	811
Queen's Overseas Recruitment Limited	-	439	-	439
Queen's Composites Limited	-	188	-	15
NIACE Limited	-	150	-	147
	27,349	28,288	32,097	32,869

19. Current Investments

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
20. Creditors: amounts falling due within one year				
Research grants received in advance	37,289	37,289	33,812	33,812
Unsecured bank loans	-	-	1,111	1,111
Other unsecured loans	961	961	580	580
Trade creditors	24,474	24,477	22,704	22,704
Social security and other taxation payable	4,719	4,719	4,096	4,096
Accruals and deferred income	20,630	20,606	30,035	30,012
Deferred capital grant income	11,906	11,832	10,703	10,631
Due to subsidiary, QUBIS Limited	-	451	-	451
	99,979	100,335	103,041	103,397

	2017		2016	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
21. Creditors: amounts falling due after more than one year				
Deferred capital grant income	315,232	311,242	301,663	297,601
Unsecured bank loan	-	-	41,790	41,790
Other unsecured loans	22,160	22,160	13,740	13,740
Other	556	428	585	428
	337,948	333,830	357,778	353,559
The unsecured bank loan is repayable as follows:				
Due between one and two years	-	-	1,167	1,167
Due between two and five years	-	-	3,828	3,828
Due in five years or more	-	-	36,795	36,795
	-	-	41,790	41,790
The other unsecured loans are repayable as follows:				
Due between one and two years	961	961	580	580
Due between two and five years	2,883	2,883	1,740	1,740
Due in five years or more	18,316	18,316	11,420	11,420
	22,160	22,160	13,740	13,740
Other unsecured loans repayable by 2040	13,160	13,160	13,740	13,740
Other unsecured loans repayable by 2042	9,000	9,000	-	-
Unsecured bank loan repayable by 2038	-	-	41,790	41,790
	22,160	22,160	55,530	55,530

The unsecured bank loan (totalling £41,790k as at 31 July 2016) was repaid in full in October 2016. An element of the charge relating to the early redemption of the loan is included in other operating expenses (note 8).

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

The deferred capital grant income includes £15.1m (2016 £15.5m) of recurrent government grant which has been deferred.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	Consolidated and University		
	Defined benefit obligations RBP pension	Other pension provision	Total
	£'000	£'000	£'000
22. Pension obligations			
At 1 August 2016	94,557	675	95,232
Movement	(518)	(614)	(1,132)
At 31 July 2017	94,039	61	94,100

Details of the RBP deficit are included at note 33.

	Obligation re USS pension deficit recovery plan	Provision for joint venture losses	Provision for restructuring	Total other provisions
	£'000	£'000	£'000	£'000
23. Other provisions				
Consolidated				
At 1 August 2016	36,247	1,520	1,230	38,997
Utilised in year	(2,353)	-	(250)	(2,603)
Additions	1,187	754	-	1,941
Unwinding of discount (note 9)	620	-	-	620
At 31 July 2017	35,701	2,274	980	38,955
University				
At 1 August 2016	36,247	-	1,230	37,477
Utilised in year	(2,353)	-	(250)	(2,603)
Additions	1,187	-	-	1,187
Unwinding of discount (note 9)	620	-	-	620
At 31 July 2017	35,701	-	980	36,681

USS deficit

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

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	Consolidated and University					
	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	Undistributed investment fund income	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000	£'000
24. Endowment reserves						
Balances at 1 August 2016						
Capital	35,372	2,507	15,109	-	52,988	50,329
Accumulated income	1,762	-	1,591	275	3,628	3,082
	37,134	2,507	16,700	275	56,616	53,411
New endowments (note 6)	3,418	-	69	-	3,487	2,574
Investment income (note 5)	1,212	62	481	-	1,755	1,268
Expenditure	(760)	(62)	(229)	(64)	(1,115)	(1,277)
Increase in market value of investments	3,268	161	1,254	-	4,683	640
Total endowment comprehensive income for the year	7,138	161	1,575	(64)	8,810	3,205
At 31 July 2017	44,272	2,668	18,275	211	65,426	56,616
Represented by:						
Capital	42,184	2,668	16,387	-	61,239	52,988
Accumulated income	2,088	-	1,888	211	4,187	3,628
	44,272	2,668	18,275	211	65,426	56,616

	2017 Total	2016 Total
	£'000	£'000
Analysis by type of purpose:		
Chairs and lectureships	7,832	7,178
Scholarships, studentship, medal and prize funds	15,650	14,211
Research, directorate, school or faculty use	31,475	25,499
Public lectures	2,032	1,847
Travel	260	234
Student amenities and associated objects	1,924	1,761
Student assistance	1,589	1,457
Other restricted funds	1,785	1,645
General funds	2,668	2,509
Total endowments	65,215	56,341
Undistributed investment fund income	211	275
	65,426	56,616

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	2017 Total	2016 Total
	£'000	£'000
24. Endowment reserves (continued)		
Analysis by asset type held in Investment Fund:		
Investment property	210	210
Non-current asset investments (note 15)	58,272	58,201
Current asset investments	6,920	5,560
Cash and cash equivalents	24	24
	65,426	63,995
Less: University funds	-	(7,379)
	65,426	56,616

The prior year balances were reclassified to reflect the outcome of a review of the classification of fixed asset investments (see note 14). There are no endowments with a material deficit balance.

	Consolidated and University	
	2017 Total	2016 Total
	£'000	£'000
25. Restricted Reserves		
Balance at 1 August 2016	278	104
New restricted income:		
Donations (note 6)	372	64
Other	15	-
Other services rendered	218	207
	605	271
Expenditure	(126)	(97)
Total restricted comprehensive income for the year	479	174
Balance at 31 July 2017	757	278

	Consolidated and University	
	2017 Total	2016 Total
	£'000	£'000
Analysis of restricted funds/donations by type of purpose:		
Research support	56	55
General	701	223
	757	278

	Consolidated		
	At 1 August 2016	Cash Flows	At 31 July 2017
	£'000	£'000	£'000
26. Cash and cash equivalents			
Cash and cash equivalents	116,610	(59,263)	57,347
	116,610	(59,263)	57,347

The prior year balance was reclassified to reflect the outcome of a review of the classification of fixed asset investments (see note 14).

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	Consolidated and University	
	2017	2016
	£'000	£'000
27. Capital and other commitments		
Commitments contracted at 31 July	88,753	121,912
Authorised but not contracted at 31 July	182,020	189,497
	270,773	311,409

The capital commitments include capital projects, with forecast spend in excess of £25m, within; health sciences, engineering facilities, student facilities and purpose built management student accommodation.

28. Contingent liabilities

The University has entered into a limited partnership agreement with Crescent Capital III LLP. The terms of this agreement have resulted in the University having a financial commitment to provide future finance of up to £1m in the Crescent Capital III Fund. As at 31 July 2017 £460k (2016: £350k) had been provided to Crescent Capital III LLP.

29. Events after the reporting period

There are no events after the reporting period which are expected to have a material impact on the financial statements.

30. Subsidiary undertakings

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

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

31. Connected charitable institutions

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

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

	2017	2016
	£'000	£'000
Opening Fund	3,518	2,630
Income generated	6,294	7,981
Disbursements in year	(5,913)	(7,093)
Closing Fund	3,899	3,518

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

	Consolidated and University	
	2017	2016
	£'000	£' 000
32. Student support funds		
Department for the Economy	1,351	1,351
Interest received	2	5
University contribution	71	63
	1,424	1,419
Disbursed to students	(1,424)	(1,432)
(Over)/underspend in the year	-	(13)
Opening balance as at 1 August	285	298
Closing balance as at 31 July	285	285

33. Pension schemes

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

(i) The Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (the scheme). With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid (USS) pension scheme, providing defined benefits (for all members). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the SOCI represents the contributions payable to the scheme in respect of the accounting period.

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

The total cost charged to the SOCI is £17,741k (2016: £16,703k) as shown in note 7. This includes £2,569k (2016: £2,306k) of outstanding contributions at the balance sheet date.

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

The valuation as at 31 March 2017 is underway.

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

33. Pension schemes (continued)	2017	2016
Discount rate	2.6%	3.6%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.4%	2.2%
<p>The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:</p> <p>Male members' mortality 98% of S1NA ["light"] YoB tables – no age rating Female members' mortality 99% of S1NA ["light"] YoB tables – rated down 1 year</p> <p>Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted.</p>		

	2017	2016
The current life expectancies on retirement at age 65 are:		
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Details of the funding position are as follows:		
Total scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

(ii) Retirement Benefits Plan (RBP)		
<p>The latest actuarial valuation of the RBP, for which final results were available as at 31 July 2017, was carried out at 31 March 2014 by a qualified independent actuary. The valuation has been projected forward as at 31 July 2017.</p>		
	2017	2016
The major assumptions used by the actuary for the purposes of these accounts are:		
Pay increase	3.6%	3.2%
Pension increase	2.3%	1.9%
Pension increase rate in deferment	2.3%	1.9%
Discount rate	2.5%	2.3%
Inflation assumption	2.3%	1.9%

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

33. Pension schemes (continued)		2017	2016
		years	years
The weighted average life expectancies on retirement at age 65 used to determine benefit obligations are:			
Member age 65 (current life expectancy)	male	22.0	22.0
	female	23.9	23.9
Member age 40 (life expectancy at 65)	male	24.2	24.2
	female	26.3	26.3

	% of the Plan Assets		
	2017	2016	2015
The split of assets in the scheme were:			
Equities	37.21	63.14	61.16
Bonds and gilts	19.83	25.08	26.61
Corporate bonds	-	4.89	4.92
Pooled funds	36.02	-	-
Property	-	6.49	6.95
Cash and other	6.94	0.40	0.36

The tables below outline the disclosures for the RBP scheme as recognised in these financial statements:		
	2017	2016
	£'000	£'000
Analysis of the amount shown in the Balance Sheet for the RBP scheme:		
Scheme assets	189,247	175,262
Scheme liabilities	(283,286)	(269,819)
Deficit in the scheme - net pension liability recorded with pension provision (note 22)	(94,039)	(94,557)
Analysis of the amounts shown in the statement of comprehensive income:		
Current service cost	6,941	5,919
Total operating charge (note 7)	6,941	5,919
Analysis of the amount charged to interest payable:		
Interest on liabilities	6,204	7,981
Expected return on assets	(4,063)	(5,631)
Net charge to interest and other finance costs (note 9)	2,141	2,350
Analysis of other comprehensive income:		
Gain on assets	11,660	15,109
Loss on liabilities	(7,401)	(40,697)
Total adjustment to other comprehensive income before deduction for tax	4,259	(25,588)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

33. Pension schemes (continued)	2017	2016
	£'000	£'000
Movement in deficit during the year		
Deficit in scheme at 1 August	(94,557)	(65,852)
Movement in the year:		
Current service cost	(6,941)	(5,919)
Contributions	5,341	5,152
Other finance costs	(2,141)	(2,350)
Actuarial adjustment	4,259	(25,588)
Deficit in scheme at 31 July	(94,039)	(94,557)

The valuation at 31 July 2017 showed a decrease in the deficit from £94.557m to £94.039m.

	2017	2016
	£'000	£'000
Analysis of the movement in the present value of liabilities		
Present value of liabilities at 1 August	269,819	222,231
Current service cost	6,941	5,919
Interest cost	6,204	7,981
Actuarial loss	7,401	40,697
Benefits paid	(7,079)	(7,009)
Present value of liabilities at 31 July	283,286	269,819

	2017	2016
	£'000	£'000
Analysis of the movement in the fair value of scheme assets		
Value of assets at 1 August	175,262	156,379
Expected return on plan assets	4,063	5,631
Actuarial gain on plan assets	11,660	15,109
Employer contributions	5,341	5,152
Member contributions	-	-
Benefits paid from plan	(7,079)	(7,009)
Value of assets at 31 July	189,247	175,262

	2017	2016
	£'000	£'000
Actual return on scheme assets		
Expected return on scheme assets	4,063	5,631
Asset gain	11,660	15,109
	15,723	20,740

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

33. Pension schemes (continued)	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
History of experience; gains and losses					
Difference between expected and actual return on scheme assets	11,660	15,109	7,628	(948)	10,343
Percentage of scheme assets	6%	9%	5%	-1%	8%
Experienced gains and losses on scheme liabilities	-	-	(767)	(293)	(626)
Percentage of present values of plan liabilities	0%	0%	0%	0%	0%
Actuarial gain/(loss)	4,259	(25,588)	(14,311)	111	(3,206)

University contributions

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

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

34. Accounting estimates and judgements

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

Valuation of land and buildings

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

Pension obligation – RBP pension

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

USS deficit recovery program liability

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

35. Disclosure of related party transactions

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

NOTES TO THE ACCOUNTS

YEAR ENDED 31 JULY 2017

35. Disclosure of related party transactions (continued)

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

	Debtor	Creditor	Income	Expenditure
	£'000	£'000	£'000	£'000
Methodist College, Belfast	-	-	10	-
Ulster Independent Clinic	-	-	-	12
Chartered Accountants Regulatory Board	7	-	38	-
Danske Bank	2	-	106	-
Keep Northern Ireland Beautiful	-	-	43	7
The McAvoy Group Limited	9	-	45	-
Barclays Bank Plc	-	-	1	61,121
Friends of the Cancer Centre	-	-	469	-
Anderson Spratt Holdings Ltd	-	5	-	209
NIE Limited	-	6	47	56
Electricity Supply Board	-	1	1	7
NI Chamber of Commerce and Industry	10	(2)	18	6
University of St Andrews	-	-	42	1
Techstart NI QUB Equity Ltd Partnership Advisory Board	-	-	-	236
University of Durham	-	-	108	-
Belfast HSC Trust	1,120	759	6,782	5,068
Catalyst Inc (formerly NISP Holdings)	2	2	10	18
Cranfield University	-	-	-	115
Queen's INTO LLP	1,426	90	1,516	131
Confederation of British Industry (CBI)	-	-	-	12
Crumlin Road Jail	-	-	-	10
British Council	-	9	15	254
United Dairy Farmers, Dales Farm	1	-	17	1
Kingspan Group PLC	-	-	8	-
Ernst and Young	1	-	17	-
Ulster Bank	(22)	-	87	25
Xenobics Ltd	-	-	30	49
NICOM LLP	238	27	-	64
Crescent Capital III Advisory Board	-	60	-	110
Visit Belfast	-	1	2	32

The income above with Belfast HSC Trust includes £5,452k in relation to the Trust's element of clinical joint appointment posts which are controlled by the Department of Health and is included in the total joint appointment salaries in note 4 (£6,047k).

The expenditure above with Barclays Bank Plc relates to interest and the final capital repayment of a loan and associated costs. As at 31 July 2017, the University also had £41m in short term deposits with Barclays Bank Plc.

The University received disbursements of £5,917k from the Queen's University of Belfast Foundation Limited in respect of capital and revenue items. The Queen's University of Belfast Foundation Limited is a linked charity to the University and further information is included in note 31.

36. Jointly controlled operations

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

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

A Joint Management Committee (JMC) has oversight of the activities and resources of CQC with key specific terms of reference and reporting lines to ensure good academic and financial governance. Income of £438k (2016: £162k) has been recognised in the Statement of Comprehensive Income in respect of CQC.

37. Financial instruments

Risk management

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

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

Credit risk

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

The University's credit risk arises from deposits held with banks and building societies, investments and debtors. Management of credit risk is a prime objective of the credit control policy. At 31 July 2017, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

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

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

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

Liquidity risk

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

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

Details of the University's long term loans are outlined in note 21. The bank loan was repaid in October 2016. The remaining loans are concessionary loans which have a carrying value of £22m at the year end.

Foreign currency risk

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

Interest rate risk

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

Due to the low interest rate environment, most of the University cash deposits at 31 July 2017 are on relatively short term deposits as these offer competitive rates of return, whilst also offering maximum liquidity. Such deposits have limited re-investment risk.

