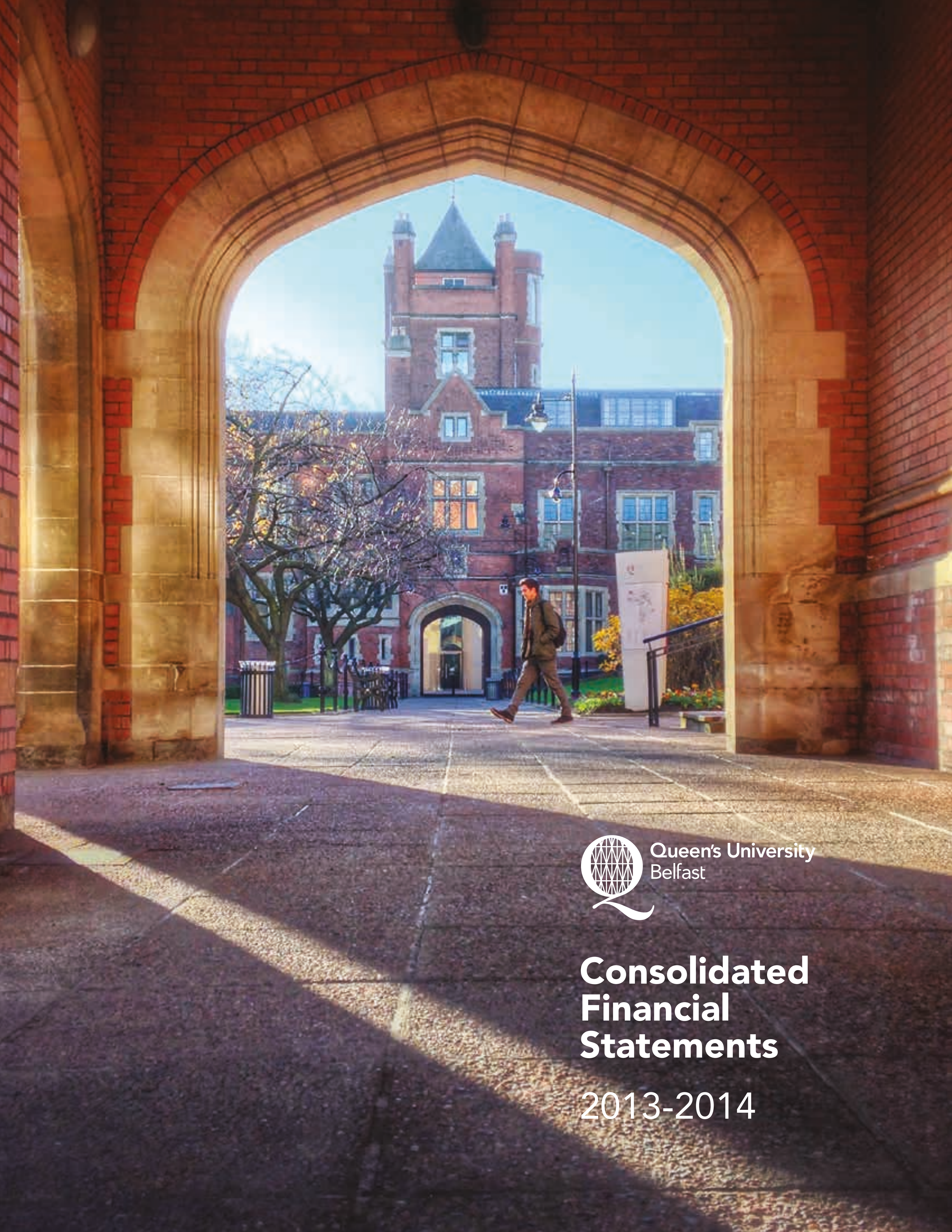

Queen's University Belfast

Consolidated Financial Statements

2013-2014

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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Queen's University Belfast

WE ARE QUEEN'S UNIVERSITY BELFAST
We are exceptional

Operating and Financial Review

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

Overview

Queen's University Belfast was founded as Queen's College in 1845, and became a university in its own right in 1908. Today, it is an international centre of research and education, rooted at the heart of Northern Ireland, and a member of the prestigious Russell Group, a body encompassing the UK's 24 leading research-intensive universities. With more than 19,000 students and 3,500 staff, Queen's is a dynamic and diverse institution which, in this era of the knowledge-based economy, plays an increasingly important role in the economic development of the region – it is also central to the artistic and cultural life of Northern Ireland.

The consolidated Financial Statements reflect the results of the Group as a whole and include the University's subsidiaries i.e. QUBIS Limited; Queen's Overseas Recruitment Limited; NIACE Limited; and Queen's Composites Limited and its share of its joint ventures i.e. INTO Queen's LLP and NI Composites O&M LLP. Further details are included at Note 12 in the Financial Statements. There have been no material post balance sheet events up to the date of signature of these statements.

2013-14 was a successful year for the University, with a surplus of £14.1m and a net assets position, at 31 July 2014, of £517m. These results provide a platform, from which, within the context of greatly reduced public funding, the University is entering a period of significant challenge. This period will coincide with the development of a new Corporate Plan, embracing the ambition of Vision 2020.

Income and Expenditure Review

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

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

	2013-14 £m	2012-13 £m	2011-12 £m
Income	298.4	286.1	282.7
Expenditure	(283.5)	(274.7)	(267.8)
Surplus before taxation	14.9	11.4	14.9
Taxation and other items	(0.8)	(0.7)	(0.7)
Surplus retained in general funds	**14.1**	**10.7**	**14.2**

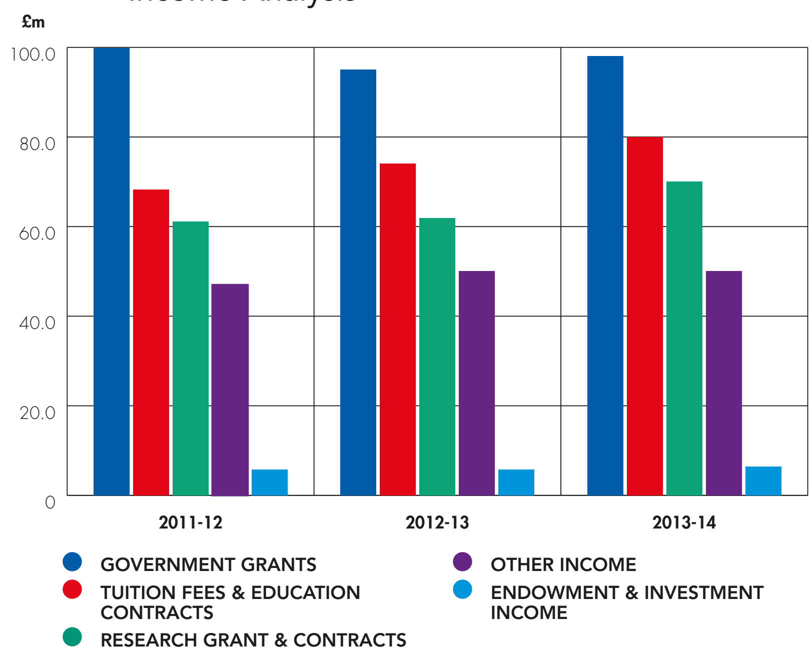
Operating and Financial Review

Income

Total income for the year was £298.4m, representing an increase of £12.3m (4.3%). A breakdown of the main components of the income over the last three years is shown in **Chart 1**.

As shown in Chart 1, income from student fees has increased during the last number of years and 2013-14 was another satisfactory year for student recruitment. The majority of the key student recruitment targets were achieved, resulting in an increase of £1.6m (4%) in full time NI/GB fees and an increase of £4.7m in international student income to £16.5m. Research income also increased in year by £2.7m, reflecting ongoing success in a number of key research areas.

Chart 1:
Income Analysis

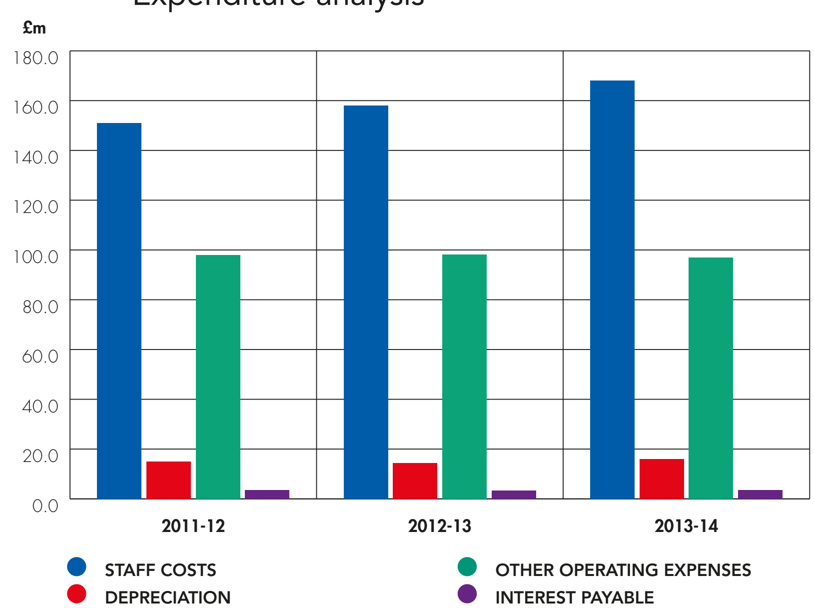


Expenditure

Total expenditure increased by £8.9m (3.2%) reflecting ongoing investment in key academic posts. An analysis of the expenditure over the last 3 years is shown in **Chart 2**:

Staff costs increased by £10.7m (6.8%), mainly as a result of the strategic and highly effective recruitment drive over the last few years, with a number of key academic appointments confirmed. Staff costs were 59% of total expenditure, which is higher than the peer group average of 55%, highlighting the investment in key staff. Other operating expenditure decreased slightly reflecting strong levels of cost control. However, building maintenance continued to increase, due to the significant investment in our core infrastructure which supports the student experience and our research agenda.

Chart 2:
Expenditure analysis



Operating and Financial Review

Balance Sheet

The University had total consolidated net assets of £516.8m as at 31 July 2014, representing an increase of £55.3m (11.9%) from 2013. This reflects the strong liquidity position of the University and effective working capital management processes, in particular, the robust control of debtors. The reserves of £98.7m are fully committed towards investment in our infrastructure to ensure that staff and students have the exceptional facilities necessary to deliver the institutional objectives.

Endowment Assets and Investment Fund

The notes to the accounts set out full details of the Investment Funds of the University. The value of the Investment Fund increased slightly to £59.1m, as outlined in Note 13, which reflects the current restricted level of gains available on investments in the global markets.

Treasury Management/Cash Flow

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

Capital and Long Term Maintenance

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

Significant capital expenditure has continued across the entire University in terms of new build and major refurbishment of the existing estate. The total cost of contracted and authorised building projects is currently in the region of £299m.

A number of specific projects have been completed in year, and others commenced, as part of the University's capital and long term maintenance plan. These planned developments include the redevelopment of the Bernard Crossland Building, the Biological Sciences consolidation including the expansion of food sciences, and projects aimed at further enhancing the student experience.

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 who hold a position graded 1-5, and the Universities Superannuation Scheme (USS), which is available to staff who hold a position at grade 6 and above.

The RBP funding position is calculated annually, in accordance with Financial Reporting Standard 17 (FRS 17), and is disclosed in the University's Financial Statements. The funding deficit at 31 July 2014 is £49.8m (£49.9m at 31 July 2013).

The most recently completed actuarial valuation of the RBP was at 31 March 2011 which identified a deficit of £25.0m. A recovery plan was agreed under which the University has paid some £10m of contributions towards the deficit. The actuarial valuation at 31 March 2014 is underway and, when concluded, the RBP Trustees will engage with the University to agree a revised recovery plan which may require a further financial commitment from the University.

The USS is the principal pension scheme provided in the Higher Education sector and, with 162,000 active members, 376 participating employers, and assets of over £40bn, is one of the largest pension schemes in the UK. The multi-employer nature of the USS means that participating employers are unable to identify their share of underlying assets and liabilities in the scheme on a consistent and reasonable basis. As a result, current accounting guidance does not require disclosure of the USS funding position in the Financial Statements.

The USS actuarial valuation at 31 March 2014 is also underway, along with a number of employer consultations on proposals to address the significant expected funding deficit of the Scheme. Proposed changes to the USS benefit structure will have major implications for the sector and, in addition, employers will have the responsibility of making the payments required to address the funding shortfall.

Update on Corporate Plan 2011-2016

While the development of a new vision is underway, the 2011-16 Corporate Plan continues to provide the focus for engagement across the University. The Plan identifies the following four Strategic Priorities:

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

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

Operating and Financial Review

Table 2:

Plan 924i – Corporate Plan 2011-2016

	Numeric Goal	Progress to date
9	Achieve 90% progression and attainment rates for all undergraduates by 2016.	Continued progress, indicators include an increase in first year retention rate to 96.5% in 2012-13 and an improvement in the graduate employment and further study indicator to 93.5%.
2	Progress towards doubling the institutional citation score.	Steady development with an increase in performance indicators measuring both citations per paper (increased to 7.18) and research outputs in top tier journals (increased to 36%).
4	Commit to a 4% growth year on year in non-block grant income.	Income from Non-Government sources increased by 5.9%, which is in excess of the Corporate Plan target of 4%. This is mainly due to an increase in tuition fees and income from research grants and contracts.
i	Highlight the importance of internationalisation in all University activities.	Significant progress including: • Increase in total population of international students in 2013-14. • Approval for the formation of a joint China Queen's College (CQC) between the University and China Medical University, with clear plans and targets being developed. • Development of collaborative research opportunities with a successful state-level research council in Brazil. • Development of international summer schools.

Progress against Plan 924i and other ongoing key performance indicators (KPIs) continues to be monitored annually and reported to Senate.

Future Developments

Vision 2020

The University has agreed a new Vision for the period to 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 marks the beginning of a new era for the University and provides the context to deliver new levels of ambition in all areas of activity and promote strong and effective leadership.

Government Funding

The University has been informed of a cut in government funding in 2014-15 of £3.9m (3.95%). Whilst there continues to be a lack of detail around the level of future cuts, the budget for higher education could potentially be cut by at least 10.8% for the one-year settlement in 2015-16, with more significant reductions expected in the 2016 Comprehensive Spending Review (CSR). The Department for Employment and Learning (DEL) has requested that the University commence contingency planning to assess the impact of cuts at this level.

Risks and Uncertainties

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

- The University is regulated for research and examination standards by a range of statutory agencies and professional bodies. Failure to maintain rigorous teaching, research and examination processes will therefore have significant consequences for the University and its students. A comprehensive code of practice for examinations and assessments has been developed which is monitored stringently and updated as appropriate.
- As with many large organisations, data and information security and systems continuity represent key risks. The University has in place robust preventative and detective controls to protect the security of its networks and information and has also in place processes and plans to assure the resistance of its networks.
- Financial sustainability is a significant risk for many universities. The University has in place plans to diversify its income streams, increase its research income and increase the level of donations to the Foundation. In addition,

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attracting and retaining the best undergraduate and postgraduate students is an important aspect of this. As noted previously, the risk is heightened due to the current uncertainties with Government funding.

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

The Queen's University of Belfast Foundation

The Queen's University of Belfast Foundation (the Foundation) is a linked charity to the University, the principal activity of which is to advance the strategic goals and objectives of the University, under the direction of the Foundation Board. The Foundation is a separate and independent organisation from the University and its Financial Statements are not, therefore, consolidated within the University group. The opening and closing funds of the Foundation were £1.57m and £1.84m, respectively. Income generated during the year amounted to £14.3m, compared to disbursements of £14.0m. During 2013-14, the Foundation progressed their ambitious fundraising campaign, which was launched in 2012-13 with the aim of raising £140m over a 5 year period for projects which will increase and enhance the impact which the University makes on society and the economy, locally and internationally.

Public Benefit Statement

The University through Senate, its Governing Body, is aware of its responsibilities as a charity to act for the public benefit across all of its activities. The University's purpose, as set out in its Charter and Statutes, is the advancement and dissemination of learning and knowledge by teaching and research. The overall objective is to be a broadly-based, research-driven University with a dynamic world-class research and education portfolio of excellence in an environment of equality, tolerance and mutual respect, and it fully embraces its leadership role in Northern Ireland and beyond.

Learning

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

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

To achieve this aim the Widening Participation Unit continues to work with young people, teachers, schools, colleges, parents and older learners to ensure that those who have the ability to succeed in higher education should have the opportunity to do so. Their role involves offering a range of activities at schools and on the Queen's campus to raise awareness of higher education, enrich the school curriculum, and support attainment through personalised tutoring. The University aims to encourage applications from the most gifted and talented individuals regardless of geography, school type, socio-economic status, or ethnic grouping.

During 2013-14, the University has enhanced its framework for Widening Participation by building on existing programmes to deliver an integrated approach to attract students from a wider range of backgrounds. An example is the Senior Academy which has been set up to support Year 13 pupils in developing their potential to progress to Higher Education.

The success of the Widening Participation framework is reflected in the proportion of students entering the University from lower socio-economic groups. This was above target with 31% of young full-time first degree entrants coming from lower socio-economic groups. In addition the number of students supported by Disability Services continues to increase with over 1,573 students registered in 2013-14. The University has recently been awarded the prestigious Buttle UK Quality Mark, in recognition of its commitment to young people in and leaving care.

The University through the University's Widening Access and Participation Plan (WAPP), has pledged to provide financial support to students from households with lower incomes. Such students are eligible for assistance from the University's bursary scheme, with expenditure of £3.4m being incurred in 2013-14, and in the region of 4,500 students receiving some element of bursary payment. A comprehensive advisor and counselling service is also provided by the Students' Union providing confidential and independent advice to all students.

Research and Innovation

The University's priority is to achieve nationally and internationally recognised research excellence in its many and varied disciplines. Queen's has a long-standing international reputation for successful dissemination and application of cutting-edge research, knowledge transfer and the commercialisation of research ideas and innovations. The successful research base creates numerous benefits to society in terms of policy, culture and business and some examples are listed below:

- Our academics, within the Institute of Global Food Security, continue to lead world recognised research into quality and safety in food production, ensuring that our food production has a high global reputation for safety.
- Research by academics working in liaison with local pharmaceutical companies is helping develop unique cancer treatments, where drugs are targeted to specific patients.
- Research within the Centre for Vision and Vascular Science into the use of vascular stem cells to treat sight-threatening conditions.

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- The development of innovative methods of social data collection to improve and facilitate studies into poverty and social exclusion and the use of such data to drive policy relevant analysis.
- The development of novel secure digital technologies within the Centre for Secure Information Technology (CSIT), the UK's innovation and knowledge centre for secure information technologies.

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, both of which play a pivotal role in underpinning Northern Ireland's economic strength. To enhance this aim, the University has invested in building a commercial development team to support the development of commercial opportunities from research, and has made a significant contribution to wealth and job creation. We have developed around 60 spin out companies with a combined turnover of £146m and over 1,200 jobs.

Queen's is also the leading UK provider of Knowledge Transfer Partnerships where recent graduates are seconded to regional businesses sharing their expertise. The University has also facilitated a number of successful industry secondments where academics spend time with industry partners.

The Environment

The University recognises that its activities impact on the environment at local, regional and global levels, and that the protection of the environment is fundamental to the future health and well-being of all those involved with the institution, and the wider community. The University is committed to ensuring our environmental impact is minimised, and aims to operate and develop in a sustainable way, with continuous improvement in environmental performance embedded into our business model and the culture of the University.

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

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

Society

Since its foundation, the University has been a significant patron of the arts and it remains committed to supporting social and economic development within Northern Ireland. Through various community events, the aim of the University is to contribute to the educational, economic, cultural and social life of Northern Ireland. In this respect, the University's Culture and Arts portfolio includes high ranking academic schools with unique offerings such as the Seamus Heaney Centre of Poetry, the Sonic Arts Research Centre, and the Brian Friel Theatre. In addition, the University has been a key partner for the Ulster Bank Belfast Festival at Queen's, the largest arts festival of its kind in Ireland; and is responsible for the Queen's Film Theatre (QFT), Northern Ireland's only art house cinema, and the Naughton Gallery, one of the best known features of the visual arts scene in Belfast.

The development of the Physical Education Centre and the opening of the new playing fields at Upper Malone provide some of the top sporting facilities on these islands, which are used by a variety of local sporting clubs. During the year, we were delighted to co-host the World Police and Fire Games, host the Queen's GAA Festival and provide training facilities and venues for other major public events.

Other links between the University and the community are evident in relation to the Northern Ireland Science Shop (involving the provision of access to specialist skills to community and voluntary groups), the Employers' Forum which aims to ensure our courses are geared towards the needs of the local economy and in the "Outreach to Schools" programme.

Conclusion

The University achieved a satisfactory financial performance in 2013-14, but remains fully aware of the ongoing challenges and uncertainties within the sector. The robust underlying position provides a foundation to face future funding challenges while continuing to support the achievement of the University's strategic aims.

Corporate Governance

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

The 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 Senate was reconstituted with effect from 1 January 2014, with a number of members remaining in office. Current members, including those appointed after 1 January 2014, are listed as follows.

Chair:	*Chancellor*	His Excellency Kamalesh Sharma
Ex Officio:	*Pro-Chancellors*	Mrs R Johnston
		Mr S Prenter
	President and Vice-Chancellor	Professor P Johnston (with effect from 1 March 2014)
	Honorary Treasurer	Dr S Kingon
	President, Students' Union	Mr C Gallagher (with effect from 1 July 2014)
Other Members:	Mr K Flanagan	Professor M Tomlinson
	Ms J Kirk	Dr D McSherry
	Ms C Kinkead	Dr C Dwyer (with effect from 1 August 2014)
	Mrs P Skates	Professor M Larkin
	Mr E Bell	Dr R Prendergast
	Mrs L Bourke	Mr G Dunn
	Mr G Cash	Mr A Doran
	Ms A McGregor	Mrs S Fleming-Mitchell
	Mr A Shannon	Ms M Matchett
	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 Membership Committee, a Remuneration Committee and an Audit Committee. All of these committees are formally constituted with Terms of Reference and are comprised mainly of lay members of Senate.

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

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

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

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

(a) To appoint the University's External Auditors through a formal procurement process. To reaffirm that appointment, each year during the contracted period, through a recommendation to Senate. The Audit Committee may also remove the External Auditors before the end of their term if serious shortcomings are identified.

(b) To report to Senate on the appointment of the External Auditors, the audit fee, the provision of any non-audit services by the External Auditors, and any questions of resignation or dismissal of the External Auditors.

(c) To discuss with the External Auditors, before the audit begins, the nature and scope of the audit.

(d) To discuss with the External Auditors problems and reservations arising from the interim and final audits, including a review of the External Auditors' Report to the Audit Committee, incorporating management responses, and any other matters the External Auditors may wish to discuss (in the absence of management where necessary).

(e) To appoint the University's Internal Auditors through a formal procurement process. The Audit Committee may also remove the Internal Auditors before the end of their term if serious shortcomings are identified.

(f) To report to Senate on the appointment and terms of engagement of the Internal Audit service, the audit fee, the provision of any non-audit services by the Internal Auditors, and any questions of resignation or dismissal of the Internal Auditors.

(g) To review the Internal Auditors' audit risk assessment, strategy and programme; consider major findings of Internal Audit investigations and management's response and promote co-ordination between the Internal and External Auditors. The Committee will ensure that the resources made available for Internal Audit are sufficient to meet the institution's needs (or make a recommendation to Senate, as appropriate).

(h) To keep under review the effectiveness of the University's risk management, control and governance arrangements and, in particular, to review the External Auditors' Report to the Audit Committee, the Internal Auditors' Annual Report, and management responses. The Committee shall make recommendations to relevant committees or to the Vice-Chancellor to ensure that measures are taken to deal effectively with matters raised in audit reports.

(i) To monitor the implementation of agreed audit-based recommendations, through the Internal Audit – Status of Recommendations report.

(j) To ensure that all significant losses have been properly investigated and that the Internal and External Auditors and, where appropriate, that DEL have been informed.

(k) To consider, approve and oversee the implementation of the institution's policies on Fraud and Whistleblowing, including being notified of any action taken under these policies.

(l) To provide ongoing assurance to Senate, in respect of the management and quality assurance of data.

(m) To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.

(n) To consider and approve the University's Register of Interests Policy, the Policy for the Acceptance of Gifts, Gratuities and Hospitality and the University's arrangements to ensure compliance with the Bribery Act 2010.

(o) To receive any relevant report from the Northern Ireland Audit Office, the National Audit Office,

Corporate Governance

HEFCE or any other body which fulfils a recognised audit function in respect of the University or related institutions, funded in full or part from public funds.

(p) To monitor annually the performance and effectiveness of the External and Internal Auditors, including any matters affecting their objectivity.

(q) To consider the draft annual financial statements, in the presence of the External Auditors, ensuring that sufficient consideration has been given to all relevant matters, that there is compliance with relevant legislation, HEFCE accounts directions, and accounting standards, and that there are no major disagreements between the External Auditors and the Planning and Finance Committee and/or the Director of Finance over accounting policies.

(r) In the event of the merger or dissolution of the institution, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

(s) To report on a regular basis to Senate and to compile an Annual Report which, following consideration by Senate, will be sent to DEL and the HEFCE Assurance Service – this annual report shall include an opinion on the adequacy and effectiveness of the University's arrangements for risk management, internal control, governance and value for money.

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

The University has implemented a process for identifying, assessing and managing the University's significant risks in line with the relevant HEFCE Accounts Direction, which in turn is based on the Combined Code, applied as appropriate to Higher Education. The University has also adopted the Governance Code of Practice contained in the Committee of University Chairs guidance issued in March 2009 ('Guide for Members of Higher Education Governing Bodies in the UK'). A Risk Management Committee has been established, and the process of embedding risk management at School/Directorate level, in both the planning processes and operational arrangements of the University, is well developed. This process is regularly reviewed by the Audit Committee, on behalf of Senate, to ensure that a sound system of internal control, covering all risks, is in place.

Statement on Internal Control

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2014 and up to the date of approval of the financial statements, and accords in full with HEFCE guidance.

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

a) We meet at regular intervals (at least four times a year) to consider the strategies and plans of the University.

b) We receive regular reports from the Chairman of the Audit Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects.

c) We have established a Risk Management Committee to oversee risk management.

d) The Audit Committee receives regular reports from the Internal Auditors which include their independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.

Corporate Governance

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

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

g) A system of key performance and risk indicators has been developed.

h) A robust risk prioritisation methodology, based on risk ranking and cost-benefit analysis, has been established.

i) A Corporate Risk Register is maintained and regularly reviewed and updated with responsibility for the management of each risk embedded within the management structure of the University.

j) All information used for both operational and financial reporting purposes is captured and processed accurately, and to an appropriate quality standard, particularly where it is used by third parties or relied on by other parts of government.

k) Reports are received from budget holders 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 those charged with governance and other reports.

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

Responsibilities of the Senate of the University

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

Senate is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks. This process has been in place for the year ended 31 July 2014 and up to the date of approval of the financial statements, is regularly reviewed by Senate and accords with the Combined Code as deemed appropriate for Higher Education.

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

In causing the financial statements to be prepared, the Senate has ensured that:

- Suitable accounting policies are selected and applied consistently.
- Judgements and estimates are made that are reasonable and prudent.
- Applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements.
- The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Senate has taken reasonable steps to:

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

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

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

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

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

We have audited the group and University financial statements (the "financial statements") of Queen's University Belfast for the year ended 31 July 2014 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Senate and auditor

As explained more fully in the statement of the Responsibilities of the Senate of the University, set out on page 14, the Senate is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and University as at 31 July 2014 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

[redacted]

Arthur O'Brien (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor
Chartered Accountants
17-25 Stokes House
College Square East
Belfast

25 November 2014

Statement of Principal Accounting Policies

1. Basis of Preparation

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

Senate has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

2. Consolidation

In accordance with Financial Reporting Standard (FRS) 2 (amended), the consolidated financial statements of the University include its wholly owned subsidiaries, QUBIS Limited, Queen's Overseas Recruitment Limited, Queen's Composites Limited, and its partially owned subsidiary NIACE Limited.

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

3. Recognition of Income

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

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

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

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

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

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

4 Pension Schemes

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

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

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

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the University's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

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

Statement of Principal Accounting Policies

sheet as a pension scheme asset or liability, as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the University is able to recover the surplus either through reduced contributions in the future, or through refunds from the scheme.

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

5. Foreign Currencies

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

6. Land and Buildings

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

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

7. Heritage Assets

Assets meeting the definition of a heritage asset, that have a cost or value of over £25,000 and were acquired since 1 August 2007 are capitalised at cost or value on acquisition, where such a valuation is reasonably obtainable. Such assets are not depreciated.

Heritage assets acquired before this date are not capitalised as reliable cost information is not available and conventional valuation approaches lack sufficient reliability. The cost of obtaining and maintaining valuations for these assets would be prohibitively expensive due to the uniqueness of the collections. Heritage assets are defined in FRS 30 as tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

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

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

9. Investments

Basis of Valuation

Endowment assets and University investments are included in the balance sheet at market value.

Current asset investments are included at the lower of cost and net realisable value. In the consolidated financial statements, investments in associated undertakings are stated at the University's share of net assets. In the University's balance sheet, investments in subsidiary undertakings are stated at lower of cost and net realisable value.

Revaluation

Net surpluses or deficits on the revaluation of the University's fixed asset investments are taken to the revaluation reserve (except that deficits which reduce the value of an investment to less than cost are charged through the Income and Expenditure Account).

Any increase or decrease in value arising on the revaluation of Endowment assets is added to or subtracted from the funds and assets concerned and reported in the statement of total recognised gains and losses.

10. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are termed repayable on demand if they are, in practice, available within 24 hours, without penalty. No investments, however liquid, are included as cash. Liquid resources include term deposits, government securities and loan stock held as part of

Statement of Principal Accounting Policies

the University's treasury management activities. They exclude any such assets held as endowment asset investments.

11. Stocks

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

12. Maintenance of Premises

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

13. Accounting for Charitable Donations

Unrestricted donations

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

Endowment Funds

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

i) Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University;

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

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

Donations for fixed assets

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

14. Provisions and contingent liabilities

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

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios:

a possible rather than a present obligation;
a possible rather than a probable outflow of economic benefits; and an inability to reliably measure the economic outflow.

15. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University'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 that they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Consolidated Income & Expenditure Account

For the year ended 31 July 2014

	Note	2014 £000	2013 £000
INCOME (including share of joint ventures)			
Government grants	1	97,007	95,448
Tuition fees, support grants and education contracts	2	80,170	73,632
Research grants and contracts	3	64,546	61,834
Other operating income	4	52,548	52,058
less: share of joint ventures	4	(2,378)	(2,462)
Endowment and investment income	5	6,496	5,580
		298,389	286,090
EXPENDITURE			
Staff costs	6	168,989	158,326
Depreciation	11	13,914	14,379
Other operating expenses	7	97,054	98,133
Interest and other finance costs	8	3,567	3,827
		283,524	274,665
SURPLUS BEFORE TAXATION		14,865	11,425
Share of joint ventures' deficit before taxation	12	(216)	(303)
Taxation	9	-	-
SURPLUS FOR THE YEAR AFTER TAXATION		14,649	11,122
Surplus for the year transferred to accumulated income in endowment funds	19	(539)	(427)
SURPLUS FOR THE YEAR RETAINED IN GENERAL RESERVES	20	14,110	10,695

The income and expenditure of the Group relates wholly to continuing operations.
There is no difference between the surplus stated above and its historical cost equivalent.
The notes on pages 24 to 59 form part of these financial statements.

Balance Sheets

For the year ended 31 July 2014

	Note	Consolidated 2014 £000	Consolidated 2013 £000	University 2014 £000	University 2013 £000
FIXED ASSETS					
Tangible assets	11	353,656	334,505	347,950	328,895
Investments:					
Investments in joint ventures:					
Share of gross assets		1,543	1,490	-	-
Share of gross liabilities		(3,447)	(3,178)	-	-
	12	(1,904)	(1,688)	-	-
Other investments	12	44,776	41,828	38,993	37,533
Total fixed assets		396,528	374,645	386,943	366,428
ENDOWMENT ASSETS AND OTHER INVESTMENTS	13	51,977	48,842	51,977	48,842
CURRENT ASSETS					
Stocks		404	441	404	441
Debtors	14	30,287	28,425	30,493	28,532
Investments - short term deposits		187,489	150,225	187,489	150,225
Cash at bank and in hand		6,845	10,008	6,660	9,933
Total current assets		225,025	189,099	225,046	189,131
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	15	(61,526)	(55,154)	(62,339)	(56,014)
NET CURRENT ASSETS		163,499	133,945	162,707	133,117
TOTAL ASSETS LESS CURRENT LIABILITIES		612,004	557,432	601,627	548,387
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(44,363)	(45,364)	(44,363)	(45,364)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(999)	(700)	(999)	(700)
NET ASSETS EXCLUDING PENSION LIABILITY		566,642	511,368	556,265	502,323
NET PENSION LIABILITY	25	(49,887)	(49,937)	(49,887)	(49,937)
NET ASSETS INCLUDING PENSION LIABILITY		516,755	461,431	506,378	452,386

Balance Sheets

For the year ended 31 July 2014

Represented by:-	Note	Consolidated 2014 £000	Consolidated 2013 £000	University 2014 £000	University 2013 £000
DEFERRED CAPITAL GRANTS	18	340,876	307,315	335,170	301,698
ENDOWMENTS AND OTHER FUNDS					
Expendable endowments	19	16,347	13,972	16,347	13,972
Permanent endowments	19	35,398	34,441	35,398	34,441
Undistributed investment fund income	19	232	429	232	429
Total endowments		51,977	48,842	51,977	48,842
RESERVES					
Income and expenditure reserve excluding pension reserve	20	148,605	133,042	151,807	135,931
Pension reserve	20	(49,887)	(49,937)	(49,887)	(49,937)
Income and expenditure reserve including pension reserve	20	98,718	83,105	101,920	85,994
Revaluation reserve	21	25,184	22,169	17,311	15,852
Total reserves		123,902	105,274	119,231	101,846
TOTAL FUNDS		516,755	461,431	506,378	452,386

The notes on pages 24 to 59 form part of these financial statements.

The financial statements on pages 16 to 59 were approved by the Senate on 25 November 2014 and were signed by:

[redacted]

Dr . K ngon,
Honorary Treasurer

Pro essor P. Jo nston,
Vice-Chancellor

Mrs W. a ra t ,
Director of Finance

Consolidated Cash Flow Statement

For the year ended 31 July 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	24 (i)	24,665	6,155
Net cash inflow from returns on investments and servicing of finance	24 (ii)	1,712	1,735
Net cash inflow from capital expenditure and financial investment	24 (iii)	12,577	13,808
Net cash inflow before management of liquid resources and financing		38,954	21,698
Financing	24 (iv)	(953)	(906)
Management of liquid resources	24 (v)	(37,264)	(20,767)
Increase in cash in the year		737	25

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

		2014 £000	2013 £000
Increase in cash in the year		737	25
Increase in short term deposits		37,264	20,767
Decrease in debt		953	906
Increase in net funds		38,954	21,698
Net funds at 1 August		119,348	97,650
Net funds at 31 July	24 (vi)	158,302	119,348

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2014

	Note	2014 £000	2013 £000
Surplus after depreciation of assets and tax		14,649	11,122
Unrealised surplus on revaluation of investments	21	4,407	6,366
Appreciation of endowment asset investments	19	553	5,523
Actuarial gain/(loss) on pension scheme	25	111	(3,206)
New endowments	19	2,073	518
Transfers from endowments to research	19	(30)	(18)
Total recognised gains relating to the year		21,763	20,305
Reconciliation:			
Opening reserves and endowments		154,116	133,811
Total recognised gains in the year		21,763	20,305
Closing reserves and endowments		175,879	154,116
Total reserves		123,902	105,274
Endowments and other funds		51,977	48,842
		175,879	154,116

Notes to the Accounts

For the year ended 31 July 2014

1. GOVERNMENT GRANTS

	Consolidated 2014 £000	2013 £000
Recurrent Grants:		
Teaching	50,356	47,513
Research	32,964	32,888
Other Specific Grants	4,512	5,985
Deferred Capital Grants released in the year:		
Buildings (note 18)	7,369	6,847
Equipment (note 18)	1,806	2,215
	97,007	95,448

The University received £99.3m (2013: £97.0m) of Recurrent Grant funding in the year, of which some £15.9m (2013: £16.6m) has been deferred as detailed in note 18.

2. TUITION FEES, SUPPORT GRANTS AND EDUCATION CONTRACTS

	Consolidated 2014 £000	2013 £000
Full-time students (NI,GB & EU)	46,331	44,780
International students	16,482	11,773
Part-time fees	4,309	3,503
Short courses	994	1,712
Research training, other support grants and other fees	1,171	720
DHSSPS nursing contract	10,883	11,144
	80,170	73,632

Notes to the Accounts

For the year ended 31 July 2014

3. RESEARCH GRANTS AND CONTRACTS

	Consolidated 2014 £000	Consolidated 2013 £000
Research Councils and charities	25,223	24,307
UK government and EU	31,567	28,964
Other sources	7,756	8,563
	64,546	61,834

Income from research grants and contracts includes deferred capital grants released in the year totalling £1.545m (2013: £1.596m) as detailed in note 18.

4. OTHER OPERATING INCOME

	Consolidated 2014 £000	Consolidated 2013 £000
Hospitality and accommodation services	10,270	9,599
Other services rendered	13,145	12,765
Contribution to joint appointment salaries	6,253	6,464
Other income	20,502	20,768
Share of joint ventures' income	2,378	2,462
	52,548	52,058

Details of the joint ventures are included at note 12.

Other income and other services rendered income include deferred capital grants released in the year totalling £1.755m (2013: £1.665m) note 18.

Notes to the Accounts

For the year ended 31 July 2014

5. ENDOWMENT AND INVESTMENT INCOME

	Consolidated 2014 £000	Consolidated 2013 £000
Transferred from expendable endowments (note 19)	652	427
Transferred from permanent endowments (note 19)	1,248	1,194
Realised profit on investments	1,187	-
Income from short-term investments	3,409	3,959
	6,496	5,580

6. STAFF

	Consolidated 2014 £000	Consolidated 2013 £000
Staff Costs:		
Gross salaries and wages	133,588	124,340
Employer's national insurance contributions	9,878	9,456
Service charge - RBP pension scheme (note 25)	3,787	3,164
Employer's pension contributions - USS pension scheme	15,483	14,902
	162,736	151,862
Joint appointment salaries	6,253	6,464
	168,989	158,326
Emoluments of the Vice-Chancellor:		
Gross Salary	202	230
Pension contributions	32	-
	234	230

An additional £14k (2013: £nil) was also paid as employer's pension contribution in respect of the Vice-Chancellor, which represented the employee's contribution relinquished under the University's salary sacrifice scheme. The emoluments for the year ended 31 July 2014 relate to the Acting Vice-Chancellor, for the period to 28 February 2014, and the current Vice-Chancellor, from 1 March 2014.

Notes to the Accounts

For the year ended 31 July 2014

6. STAFF (continued)

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

	Consolidated	
	2014 Number	2013 Number
£100,001 - £110,000	29	25
£110,001 - £120,000	18	13
£120,001 - £130,000	12	17
£130,001 - £140,000	4	3
£140,001 - £150,000	3	2
£150,001 - £160,000	2	1
£160,001 - £170,000	6	7
£170,001 - £180,000	3	4
£180,001 - £190,000	3	4
£190,001 - £200,000	4	2
£200,001 - £210,000	1	1
£210,001 - £220,000	1	-
£220,001 - £230,000	-	1
£230,001 - £240,000	-	-
£240,001 - £250,000	-	1
£260,001 - £270,000	1	-

Average monthly staff numbers by category:

	Consolidated	
	2014 Number	2013 Number
Academic	1,148	1,092
Academic Related	596	549
Technical	304	298
Research	532	478
Clerical	643	615
Other	440	424
	3,663	3,456

Notes to the Accounts

For the year ended 31 July 2014

7. OTHER OPERATING EXPENSES

	Consolidated 2014 £000	Consolidated 2013 £000
Consumables and laboratory expenditure	9,034	8,699
Books and periodicals	4,551	4,600
Studentships and bursaries	15,185	17,174
Heat, light, water and power	6,223	6,894
Repairs and general maintenance	7,729	6,847
Auditors' remuneration	56	58
Auditors' remuneration for non-audit services	47	181
Rates, insurance and telecommunication expenses	6,352	6,406
Hospitality and accommodation services	3,208	3,647
Equipment and equipment maintenance	5,972	6,900
Postage, photocopying and printing	2,356	2,446
Patent fees	533	419
Other	35,808	33,862
	97,054	98,133

The auditors' remuneration of £56k (2013: £58k) includes £9k (2013: £10k) in respect of subsidiary companies.

8. INTEREST AND OTHER FINANCE COSTS

	Consolidated 2014 £000	Consolidated 2013 £000
Loans not wholly repayable within five years	2,256	2,304
Other	1,311	1,523
	3,567	3,827

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

Notes to the Accounts

For the year ended 31 July 2014

9. TAXATION

The taxation charge arises from the operating activities of the subsidiary companies only.
The tax assessed for the period differs from the standard rate of corporation tax in the UK 22.33% (2013: 20%). The differences are explained as follows:

	Consolidated	
	2014 £000	2013 £000
Relevant (loss)/profit on ordinary activities of subsidiaries	(1,468)	33
Relevant (loss)/profit on ordinary activities by standard UK tax rate of 22.33% (2013: 20%)	(328)	7
Effects of:		
Deferred losses utilised/deferred tax not recognised	(4)	(22)
Expenses not deductible for tax purposes	94	28
Non-taxable income	(348)	(34)
Chargeable gains	586	21
Tax credit for the year	-	-

Notes to the Accounts

For the year ended 31 July 2014

10. ANALYSIS OF EXPENDITURE BY ACTIVITY

Consolidated

	Staff Costs £000	Dep'n £000	Other Operating Expenses £000	Interest Payable £000	2014 Total £000
Academic departments	95,106	1,304	14,243	-	110,653
Academic services	11,017	495	8,837	-	20,349
Research grants and contracts	26,627	1,237	23,335	-	51,199
Hospitality and accommodation services	2,392	10	3,208	-	5,610
Premises	5,418	10,833	19,235	-	35,486
Administration	20,806	35	18,285	-	39,126
Other	7,623	-	9,911	3,567	21,101
Total per the Income and Expenditure Account	168,989	13,914	97,054	3,567	283,524

The depreciation charge has been funded by:

Deferred capital grants released (note 18)	12,475
General income	1,439
	13,914

Notes to the Accounts

For the year ended 31 July 2014

11. TANGIBLE ASSETS

Consolidated

	Freehold Land £000	Freehold and Long Leasehold Buildings £000	Assets in the Course of Construction £000	Equipment £000	Heritage Assets £000	Total £000
COST						
At 1 August 2013	990	408,531	13,327	27,970	118	450,936
Additions	-	2,535	27,693	2,880	-	33,108
Disposals	-	(65)	-	(5,619)	-	(5,684)
Transfers	-	14,540	(14,540)	-	-	-
At 31 July 2014	990	425,541	26,480	25,231	118	478,360
ACCUMULATED DEPRECIATION						
At 1 August 2013	-	92,265	-	24,166	-	116,431
Charge for the year	-	10,929	-	2,985	-	13,914
Eliminated on disposal	-	(22)	-	(5,619)	-	(5,641)
At 31 July 2014	-	103,172	-	21,532	-	124,704
NET BOOK VALUE						
At 31 July 2014	990	322,369	26,480	3,699	118	353,656
At 31 July 2013	990	316,266	13,327	3,804	118	334,505

Buildings with a net book value of £244.9m (2013: £232.2m) and cost of £325.6m (2013: £305.3m) have been funded in part from Treasury sources. Should these particular buildings be sold, the University would either have to surrender that element of the proceeds equal to the grant aided proportion of the original cost to Department for Employment and Learning (DEL), or apply the proceeds in accordance with the Financial Memorandum with DEL.

Notes to the Accounts

For the year ended 31 July 2014

11. TANGIBLE ASSETS (continued)

University

	Freehold Land £000	Freehold and Long Leasehold Buildings £000	Assets in the Course of Construction £000	Equipment £000	Heritage Assets £000	Total £000
COST						
At 1 August 2013	990	406,810	9,294	27,963	118	445,175
Additions	-	2,289	27,693	2,880	-	32,862
Disposals	-	(65)	-	(5,619)	-	(5,684)
Transfers	-	10,507	(10,507)	-	-	-
At 31 July 2014	990	419,541	26,480	25,224	118	472,353
ACCUMULATED DEPRECIATION						
At 1 August 2013	-	92,121	-	24,159	-	116,280
Charge for the year	-	10,779	-	2,985	-	13,764
Eliminated on disposal	-	(22)	-	(5,619)	-	(5,641)
At 31 July 2014	-	102,878	-	21,525	-	124,403
NET BOOK VALUE						
At 31 July 2014	990	316,663	26,480	3,699	118	347,950
At 31 July 2013	990	314,689	9,294	3,804	118	328,895

Notes to the Accounts

For the year ended 31 July 2014

11. TANGIBLE ASSETS (continued)

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 built 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.

12. INVESTMENTS

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Investment in subsidiary and other companies (note 12 (i))	-	-	2,255	2,255
Investment in CVCP Properties plc.	50	50	50	50
General Investment Fund (note 12 (iii))	29,523	28,151	29,523	28,151
Shares in University Investment Fund (note 13)	7,165	7,077	7,165	7,077
Interests in group and associated undertakings (note 12 (iv))	7,528	4,537	-	-
Other unlisted investments (note 12 (iv))	510	598	-	-
Listed investments (note 12 (iv))	-	1,415	-	-
	44,776	41,828	38,993	37,533

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

Notes to the Accounts

For the year ended 31 July 2014

(i) Investments in subsidiaries

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

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.

(ii) Investments in joint ventures

The University has interests in the following joint ventures:

INTO Queen's LLP	A Limited Partnership which was incorporated in April 2009 to recruit and provide education to international students. It is a joint venture between Queen's Overseas Recruitment Limited and INTO University Partnerships Limited, a company registered in England. 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.

	Consolidated	
Interest in joint ventures:	2014 £000	2013 £000
Net assets at 1 August	(1,688)	(1,393)
Share of deficit retained	(216)	(303)
Other adjustments	-	8
Net assets at 31 July	(1,904)	(1,688)

Notes to the Accounts

For the year ended 31 July 2014

12. INVESTMENTS (continued)

(ii) Investments in joint ventures (continued)

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

	Consolidated and University	
	2014 £000	2013 £000
Amounts owed to the University:		
INTO Queen's LLP	1,791	1,588
NI Composites O&M LLP	154	179
	1,945	1,767
Amounts owed by the University:		
INTO Queen's LLP	686	506
NI Composites O&M LLP	21	74
	707	580

The balances all relate by ongoing trading activity.

(iii) Investment in the General Investment Fund

	Consolidated and University	
	2014 £000	2013 £000
UK equities and investment trusts (listed) at market value	29,523	28,151
UK equities and investment trusts (listed) at cost	16,748	16,747

Notes to the Accounts

For the year ended 31 July 2014

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

	Consolidated		
	Group and Associated Undertakings £000	Other Unlisted Investments £000	Listed Investments £000
COST OR VALUATION			
At 1 August 2013	4,596	1,347	1,415
Additions	100	276	-
Disposals	-	-	(1,415)
Net increase in unrealised appreciation	2,941	7	-
At 31 July 2014 (note 21)	7,637	1,630	-
PROVISIONS			
At 1 August 2013	59	749	-
Provided during the year	50	371	-
At 31 July 2014	109	1,120	-
NET BOOK VALUE			
At 31 July 2014	7,528	510	-
At 1 August 2013	4,537	598	1,415
Cost or valuation at 31 July 2014 is represented by:			
Valuation	7,435	245	-
Cost	202	1,385	-
	7,637	1,630	-

Notes to the Accounts

For the year ended 31 July 2014

12. INVESTMENTS (continued)

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

	% of equity held	Latest Audited Accounts	Share of net assets £000	Profit/ (loss) for the year £000	Principle Activity
Acksen Limited	24%	31-Jul-13	37	(44)	Supply of instruments for monitoring electromagnetic radiation
Kainos Software Limited*	36%	31-Jul-14	6,967	4,156	Computer services
Marenco Limited	28%	31-Dec-13	12	(40)	Marine and environmental consultancy services
Biocolor Limited	20%	31-Jul-12	192	132	Supply and development of assay kits for tissue laboratories
Lewis Fertility Testing Limited	22%	31-May-14	50	(42)	Provision of infertility testing services
Analytic Engines Limited (formerly Capna DSP Limited)	15%	31-Oct-13	96	54	Development of microchips - security applications
Titan IC Systems Limited	30%	31-May-14	36	3	Development of semi-conductor technology
TruCorp Limited	22%	31-Jul-13	95	187	Development of medical simulators
Amphora Limited	30%	31-Jul-13	14	13	Manufacturing of concrete testing equipment
Lamhroe Limited	33%	30-Apr-13	-	-	Development of microchips - communication applications

* Management accounts as at 31 July 2014

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

Notes to the Accounts

For the year ended 31 July 2014

12. INVESTMENTS (continued)

Incorporating the results of Kainos Software Limited on an equity accounting basis (other relevant companies are not included on the basis of materiality) the University's consolidated results would have been:	2014 £000	2013 £000
Share of profit of associated company, after tax	1,496	1,232
Consolidated surplus for the year	14,110	10,695
Total surplus for the year	15,606	11,927

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

	2014 £000	2013 £000
Fixed assets:		
Tangible assets	353,656	334,505
Investment in associate	6,967	4,093
Other investments	38,779	36,047
	399,402	374,645
Endowment asset investments	51,977	48,842
Current assets	225,025	189,099
Creditors - due in less than one year	(61,526)	(55,154)
Net current assets	163,499	133,945
Total assets less current liabilities	614,878	557,432
Creditors - falling due after more than one year	(44,363)	(45,364)
Provisions	(999)	(700)
Total net assets excluding pension liability	569,516	511,368
Net pension liability	(49,887)	(49,937)
Total net assets including pension liability	519,629	461,431

Notes to the Accounts

For the year ended 31 July 2014

13. ENDOWMENT ASSETS AND OTHER INVESTMENTS

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

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

		Consolidated & University			
		Investment Fund £000	Other Endowments £000	2014 Total £000	2013 Total £000
At 1 August		52,247	3,672	55,919	48,513
Additions		7,852	2,248	10,100	11,727
Disposals		(7,425)	-	(7,425)	(6,448)
Appreciation on revaluation		548	-	548	2,127
At 31 July		53,222	5,920	59,142	55,919
Balance at 31 July held on behalf of:					
Endowments :	Permanent	32,806	2,592	35,398	34,441
	Expendable	13,019	3,328	16,347	13,972
		45,825	5,920	51,745	48,413
Investment Fund (undistributed income)		232	-	232	429
Total endowments and other funds (note 19)		46,057	5,920	51,977	48,842
University funds (note 21)		7,165	-	7,165	7,077
		53,222	5,920	59,142	55,919

Notes to the Accounts

For the year ended 31 July 2014

13. ENDOWMENT ASSETS AND OTHER INVESTMENTS

Consolidated & University

Investments held at the year end comprise:	Investment Fund £000	Other Endowments £000	2014 Total £000	2013 Total £000
UK gilts and fixed interest stocks	6,857	-	6,857	6,969
UK equities (listed)	24,713	-	24,713	25,318
Overseas investments (listed)	9,839	-	9,839	10,967
Total fixed interest stocks and equities	41,409	-	41,409	43,254
Land and property	3,785	210	3,995	2,807
Other investments	4,316	90	4,406	4,426
Bank balances	3,712	5,620	9,332	5,432
Total investments	53,222	5,920	59,142	55,919
Fixed interest stocks and equities at cost	30,724	-	30,724	31,659
Land and property at cost	3,982	4	3,986	2,946

Notes to the Accounts

For the year ended 31 July 2014

14. DEBTORS

	Consolidated 2014 £000	Consolidated 2013 £000	University 2014 £000	University 2013 £000
Amounts falling due within one year:				
Debtors for research services	4,719	3,516	4,719	3,516
Other debtors	9,243	8,724	9,113	8,212
Prepayments and accrued income	16,325	16,185	16,074	16,183
Due from subsidiaries:				
Queen's Overseas Recruitment Limited	-	-	437	425
Queen's Composites Limited	-	-	145	55
NIACE Limited	-	-	5	141
	30,287	28,425	30,493	28,532

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated 2014 £000	Consolidated 2013 £000	University 2014 £000	University 2013 £000
Research funds received in advance	17,768	19,996	17,768	19,996
Creditors	26,814	20,654	26,808	20,654
Social security and other taxation payable	3,881	4,085	3,881	4,085
Accruals and deferred income	12,062	9,466	12,139	9,498
Due to subsidiary, QUBIS Limited	-	-	742	828
Bank loans	1,001	953	1,001	953
	61,526	55,154	62,339	56,014

Notes to the Accounts

For the year ended 31 July 2014

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

Consolidated and University

	2014 £000	2013 £000
Bank loan	43,935	44,936
Other long term creditors	428	428
	44,363	45,364
The bank loan is repayable as follows:		
Between one and two years	1,034	1,001
Between two and five years	3,498	3,312
In five years or more	39,403	40,623
	43,935	44,936

The bank loan is at a fixed interest rate and is repayable by instalments.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated and University

	At 1 August 2013 £000	Additions/ (Release) £000	Expenditure £000	At 31 July 2014 £000
Restructuring provision	700	-	(376)	324
Pension provision	-	675	-	675
	700	675	(376)	999

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

Notes to the Accounts

For the year ended 31 July 2014

18. DEFERRED CAPITAL GRANTS

	Consolidated		
	DEL £000	Other Grants and Benefactors £000	Total £000
Balance at 1 August 2013			
Buildings	231,441	72,202	303,643
Equipment	2,622	933	3,555
Heritage Assets	117	-	117
Total	234,180	73,135	307,315
Cash received			
Buildings	24,279	16,477	40,756
Transfer from research funds received in advance	-	2,229	2,229
Equipment	1,248	1,803	3,051
Total	25,527	20,509	46,036
Released to Income and Expenditure			
Buildings (notes 1, 3 & 4)	7,369	2,167	9,536
Equipment (notes 1, 3 & 4)	1,806	1,133	2,939
Total	9,175	3,300	12,475
Balance at 31 July 2014			
Buildings	248,351	88,741	337,092
Equipment	2,064	1,603	3,667
Heritage Assets	117	-	117
Total	250,532	90,344	340,876

Cash received includes £15.9m (2013: £16.6m) of Recurrent Government Grant which has been deferred.

Notes to the Accounts

For the year ended 31 July 2014

18. DEFERRED CAPITAL GRANTS (continued)

	University		
	DEL £000	Other Grants and Benefactors £000	Total £000
Balance at 1 August 2013			
Buildings	231,441	66,585	298,026
Equipment	2,622	933	3,555
Heritage Assets	117	-	117
Total	234,180	67,518	301,698
Cash received			
Buildings	24,279	16,477	40,756
Transfer from research funds received in advance	-	2,229	2,229
Equipment	1,248	1,564	2,812
Total	25,527	20,270	45,797
Released to Income and Expenditure			
Buildings (notes 1, 3 & 4)	7,369	2,017	9,386
Equipment (notes 1, 3 & 4)	1,806	1,133	2,939
Total	9,175	3,150	12,325
Balance at 31 July 2014			
Buildings	248,351	83,274	331,625
Equipment	2,064	1,364	3,428
Heritage Assets	117	-	117
Total	250,532	84,638	335,170

Cash received includes £15.9m (2013: £16.6m) of Recurrent Government Grant which has been deferred.

Notes to the Accounts

For the year ended 31 July 2014

19. ENDOWMENTS AND OTHER FUNDS

Consolidated and University

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	Undistributed Investment Fund Income £000	2014 Total £000	2013 Total £000
Balance at 1 August							
Capital value	2,435	30,903	33,338	12,963	-	46,301	40,389
Accumulated income	-	1,103	1,103	1,009	429	2,541	2,003
	2,435	32,006	34,441	13,972	429	48,842	42,392
Income for the year	59	1,189	1,248	652	-	1,900	1,621
Expenditure for the year	(59)	(805)	(864)	(497)	-	(1,361)	(1,194)
	-	384	384	155	-	539	427
Transfers to research and other funds	-	(28)	(28)	(2)	-	(30)	(18)
Transfer	-	26	26	(26)	-	-	-
Endowment (disposals)/ additions	-	174	174	2,096	(197)	2,073	518
(Depreciation)/appreciation of endowment asset investments	21	380	401	152	-	553	5,523
At 31 July (note 13)	2,456	32,942	35,398	16,347	232	51,977	48,842
Represented by:							
Capital value	2,456	31,564	34,020	15,262	-	49,282	46,301
Accumulated income	-	1,378	1,378	1,085	232	2,695	2,541
	2,456	32,942	35,398	16,347	232	51,977	48,842

Notes to the Accounts

For the year ended 31 July 2014

19. ENDOWMENTS AND OTHER FUNDS (continued)

	Consolidated and University	
	2014 £000	2013 £000
Endowment funds are grouped for specific purposes as follows:		
Chairs and lectureships	6,969	6,883
Scholarship, studentship, medal and prize funds	11,186	10,727
Research, directorate, school or faculty use	24,729	21,798
Public lectures	1,583	1,541
Travel	216	214
Student amenities and associated objects	1,657	1,609
Student assistance	1,415	1,397
Other restricted funds	1,535	1,809
General funds	2,455	2,435
Total endowments	51,745	48,413
Being:		
Permanent endowments	35,398	34,441
Restricted expendable endowments	16,347	13,972
	51,745	48,413

20. RESERVES

	Consolidated	University
	2014 £000	2014 £000
Balance at 1 August 2013	83,105	85,994
Surplus for the year	14,110	15,815
Transfer from revaluation reserve	1,392	-
Actuarial gain - RBP pension scheme	111	111
Balance at 31 July 2014	98,718	101,920

Notes to the Accounts

For the year ended 31 July 2014

20. RESERVES (continued)

Analysis of reserves	Consolidated 2014 £000	University 2014 £000
Capital reserves	77,404	77,404
Departmental reserves	40,972	40,972
Other reserves	30,229	33,431
	148,605	151,807
Pension reserve	(49,887)	(49,887)
Balance at 31 July 2014	98,718	101,920

21. REVALUATION RESERVE

Consolidated

	Associated Undertakings, Listed and Unlisted Investments £000	University Investment Fund £000	General Investment Fund £000	Total 2014 £000	Total 2013 £000
Market value (notes 12 & 13)	9,460	7,165	29,523	46,148	42,586
Cost	(1,587)	(2,629)	(16,748)	(20,964)	(20,417)
Revaluation surplus	7,873	4,536	12,775	25,184	22,169
At 1 August 2013	6,317	4,448	11,404	22,169	15,803
Transfer to reserves	(1,392)	-	-	(1,392)	-
Revaluation in the year	2,948	88	1,371	4,407	6,366
At 31 July 2014	7,873	4,536	12,775	25,184	22,169

Notes to the Accounts

For the year ended 31 July 2014

21. REVALUATION RESERVE (continued)

	University			
	University Investment Fund £000	General Investment Fund £000	Total 2014 £000	Total 2013 £000
Market value (notes 12 & 13)	7,165	29,523	36,688	35,228
Cost	(2,629)	(16,748)	(19,377)	(19,376)
Revaluation surplus	4,536	12,775	17,311	15,852
At 1 August 2013	4,448	11,404	15,852	10,645
Revaluation in the year	88	1,371	1,459	5,207
At 31 July 2014	4,536	12,775	17,311	15,852

22. CAPITAL COMMITMENTS

	Consolidated and University	
	2014 £000	2013 £000
Commitments contracted at 31 July	53,515	57,244
Authorised but not contracted at 31 July	245,591	186,828
	299,106	244,072

23. 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 2014 funding of £100k had been provided to Crescent Capital III LLP.

Notes to the Accounts

For the year ended 31 July 2014

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2014 £000	2013 £000
Operating surplus	14,110	10,695
Movement on RBP pension and liability	61	372
Transfer to endowment reserves	539	427
Share of joint venture's deficit (note 12)	216	303
Depreciation (note 11)	13,914	14,379
Deferred capital grants released (note 18)	(12,475)	(12,323)
Investment income (note 5)	(6,496)	(5,580)
Loss/(profit) on sale of endowment assets	1,710	(2,151)
Loss/(profit) on sale of fixed assets	25	(5)
Interest payable (note 8)	3,567	3,827
Provision against investments	420	138
Decrease in stocks	37	8
Increase in debtors	(1,862)	(9,163)
Increase in creditors	6,324	6,621
Increase/(decrease) in endowment bank balance (see note 24 vi)	3,900	(880)
Increase/(decrease) in provisions for liabilities and charges	675	(513)
Net cash inflow from operating activities	24,665	6,155

(ii) Return on investments and servicing of finance

	2014 £000	2013 £000
Income from endowments (note 19)	1,900	1,621
Income from short term investments (note 5)	3,409	3,959
Endowment income transferred to research and other funds (note 19)	(30)	(18)
Interest paid (note 8)	(3,567)	(3,827)
	1,712	1,735

Notes to the Accounts

For the year ended 31 July 2014

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

(iii) Capital expenditure and financial investment

	2014 £000	2013 £000
Tangible assets acquired (note 11)	(33,108)	(22,762)
Subsidiary investments acquired	(375)	(387)
Endowment asset investments acquired (note 13)	(10,100)	(11,727)
Total fixed and endowment asset investment acquired	(43,583)	(34,876)
Receipts from sales of endowment assets	5,715	8,599
Receipts from sale of fixed assets	18	26
Receipts from sale of subsidiary's investments	2,601	-
Deferred capital grants received (note 18)	46,036	35,197
Payment of provisions for liabilities and charges	(376)	-
Other investments/endowments	93	4,344
Endowments receipts (note 19)	2,073	518
	12,577	13,808

(iv) Financing

	2014 £000	2013 £000
Bank and Other Loans:		
New loans	-	-
Repayments of amounts borrowed	(953)	(906)
Balance at 31 July	(953)	(906)

(v) Management of liquid resources

	2014 £000	2013 £000
Increase in short term deposits	(37,264)	(20,767)
	(37,264)	(20,767)

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

(vi) Analysis of changes in net funds	At 1 August 2013 £000	Cash Flows £000	At 31 July 2014 £000
Cash at bank and in hand:			
Endowment assets (note 13)	5,432	3,900	9,332
Other	10,008	(3,163)	6,845
	15,440	737	16,177
Short term deposits	150,225	37,264	187,489
Debt due within one year (note 15)	(953)	(48)	(1,001)
Debt due after one year (note 16)	(45,364)	1,001	(44,363)
	119,348	38,954	158,302

25. PENSION LIABILITY

Defined Benefit Schemes

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

Universities Superannuation Scheme (USS)

The USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the Trustee, Universities Superannuation Scheme Limited.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second 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. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant impact on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target rate of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation, then 2.6% per annum thereafter.

25. PENSION LIABILITY (continued)

At the valuation date, the value of the assets of the scheme was £32,434m and the value of the scheme's technical provisions was £35,344m indicating, a shortfall of £2,910m. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation as at 31 March 2014, is currently underway. A review has been undertaken to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure, however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilt basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, whereas a surplus could, perhaps, be used to similarly reduce contribution requirements.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accruals was calculated using the same assumptions as those used to calculate the technical provisions, but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of the future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve was included, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Notes to the Accounts

For the year ended 31 July 2014

25. PENSION LIABILITY (continued)

Since the valuation date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme which became effective from October 2011. These include:

New Entrants
Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) rather than a Final Salary (FS) basis.

Normal pension age
The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement
Flexible retirement options were introduced.

Member contributions increased
Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing
If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members will pay the remaining 35% to the fund as additional contributions.

Pension increase cap
For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

At 31 March 2014, USS had over 162,000 active members and the institution had 2,407 active members participating in the scheme.

The total pension cost for the institution was £15,483k (2013: £14,902k). This includes £1,405k (2013: £1,340k) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

Retirement Benefits Plan (RBP)
The latest actuarial valuation of the RBP, for which results are available, was carried out at 31 March 2011 by a qualified independent actuary. The valuation has been projected forward as at 31 July 2014.

Notes to the Accounts

For the year ended 31 July 2014

25. PENSION LIABILITY (continued)

The major assumptions used by the RBP actuary for the purposes of these accounts are:	2014 %	2013 %
Pay increase	3.70%	3.75%
Pension increase	2.40%	2.85%
Pension increase rate in deferment	2.40%	2.85%
Discount rate	4.20%	4.50%
Inflation assumption	3.20%	3.25%

The weighted average life expectancies on retirement at age 65 used to determine benefit oblications are:		2014 Years	2013 Years
Member age 65 (current life expectancy)	male	22.1	22.1
	female	24.6	24.5
Member age 40 (life expectancy at 65)	male	24.3	24.3
	female	26.8	26.9

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

	31 July 2014		31 July 2013		31 July 2012	
	Expected long-term rate of return	% of Plan Assets	Expected long-term rate of return	% of Plan Assets	Expected long-term rate of return	% of Plan Assets
Equities	6.60%	61.19%	6.50%	62.30%	5.95%	60.50%
Bonds & Gilts	3.10%	26.03%	3.60%	29.40%	3.10%	31.10%
Corporate bonds	4.10%	5.02%	-	-	-	-
Property	6.00%	6.98%	-	-	5.95%	1.20%
Cash and other	3.10%	0.78%	0.50%	8.30%	0.50%	7.20%
Total market value of assets	5.49%	100.00%	5.15%	100.00%	4.67%	100.00%

To develop the expected long term rate of return on assets assumption, the University considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns for each asset class. The expected return for each asset class was then weighted, based on the target asset allocation, to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.49% assumption.

Notes to the Accounts

For the year ended 31 July 2014

25. PENSION LIABILITY (continued)

(i) Analysis of the amount charged to staff costs within operating surplus

	2014 £000	2013 £000
Service cost	3,787	3,164
Past service cost	-	-
Total pension cost (note 6)	3,787	3,164

(ii) Analysis of net return on pension scheme charged to interest payable

	2014 £000	2013 £000
Expected return on pension scheme assets	7,074	5,665
Interest on pension liabilities	(8,385)	(7,188)
Net charge	(1,311)	(1,523)

(iii) Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2014 £000	2013 £000
Actuarial gain/(loss) recognised in STRGL	111	(3,206)
Cumulative amount of acturarial losses recognised	(63,872)	(63,983)
Actual return on scheme assets	6,126	16,008

(iv) Movement in deficit during the year

	2014 £000	2013 £000
Deficit in scheme at 1 August	(49,937)	(46,359)
Movement in the year:		
Current service cost	(3,787)	(3,164)
Contributions	5,037	4,315
Other finance costs	(1,311)	(1,523)
Actuarial gain/(loss)	111	(3,206)
Deficit in scheme at 31 July	(49,887)	(49,937)

The valuation at 31 July 2014 showed a decrease in the deficit from £49.937m to £49.887m.

Notes to the Accounts

For the year ended 31 July 2014

25. PENSION LIABILITY (continued)

(v) Analysis of the movement in the present value of the benefit obligation	2014 £000	2013 £000
Benefit obligation at 1 August	187,407	169,015
Current service cost	3,787	3,164
Interest cost	8,385	7,188
Plan participants' contributions	56	61
Actuarial (gain)/loss	(1,059)	13,549
Benefits paid	(5,608)	(5,570)
Benefit obligation at 31 July	192,968	187,407

(vi) Analysis of the movement in the market value of the scheme assets	2014 £000	2013 £000
Value of assets at 1 August	137,470	122,656
Expected return on plan assets	7,074	5,665
Actuarial (loss)/gain on plan assets	(948)	10,343
Employer contributions	5,037	4,315
Member contributions	56	61
Benefits paid from plan	(5,608)	(5,570)
Value of assets at 31 July	143,081	137,470

(vii) History of experience; gains and losses	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Difference between expected and actual return on scheme assets	(948)	10,343	(2,918)	6,061	7,925
Percentage of scheme assets	-1%	8%	-2%	5%	8%
Experienced gains and losses on scheme liabilities	(293)	(626)	(3,472)	891	2,050
Percentage of present values of plan liabilities	0%	0%	-1%	1%	2%
Total amount recognised in STRGL	111	(3,206)	(18,767)	(8,663)	8,410
Percentage of scheme assets	0%	-2%	-15%	-8%	9%

The contributions expected to be paid during 2014-15 are £5.1m. The contribution rates are 9% for employees and 19% for employers.

Notes to the Accounts

For the year ended 31 July 2014

26. STUDENT SUPPORT FUNDS

	2014 £000	2013 £000
Department for Employment and Learning	1,349	1,346
Interest received	8	-
University contribution	85	88
	1,442	1,434
Disbursed to students	(1,440)	(1,434)
Underspend in the year	2	-
Opening balance as at 1 August	300	300
Closing balance as at 31 July	302	300

27. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

28. POST BALANCE SHEET EVENTS

There were no material post balance sheet events up to the date of signature of these financial statements.

Notes to the Accounts

For the year ended 31 July 2014

29. DISCLOSURE OF RELATED PARTY TRANSACTIONS

During the year ended 31 July 2014, the University had transactions with a number of organisations which fell within the definition of Related Parties under Financial Reporting Standard 8 'Related Party Disclosures'. Transactions are disclosed where members of Senate and other senior members of staff disclose an interest in a body with which the University undertakes transactions which are considered material to the University's financial statements and/or the other party.

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

The financial statements include the following transactions with related parties:

	Income £000	Expenditure £000
Northern Ireland Science Park (Holdings) Limited	10	14
CBI - Confederation of British Industry	-	8
Medical Research Council	2,022	68
NIE Energy	-	285
Anderson Spratt Group	-	336
University College Dublin	69	82
University of Edinburgh	68	21
Belfast University and College Union	-	14
Northern Ireland Chamber of Commerce and Industry	-	6
Belfast Health and Social Care Trust	491	3,957
Barclays Bank Plc	-	2,268
Kainos Limited	242	8
Queen's INTO LLP	907	168
NI Composites O&M LLP	12	76
Pharmaceutical Society of NI	18	-
Provita Eurotech Limited	29	-
N8 Corporation USA	6	-
University of Durham	-	13
Economic and Social Research Council	2,112	39

Notes to the Accounts

For the year ended 31 July 2014

In addition to the amounts noted above, the University received income of £6,253k (note 4) from the Belfast Health and Social Care Trust in relation to the Trust's element of clinical joint appointment posts which are commissioned by the Department of Health, Social Services and Public Safety.

In addition to the payments noted above which relate to interest, the University paid £953k to Barclays Bank Plc. in respect of capital repayments in 2013-14. As at 31 July 2014, the University also had £20m short term deposits with Barclays Bank Plc.

The University received disbursements of £13,983k 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, further information is included in the operating and financial review.

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

Queen's University Belfast

WE ARE QUEEN'S UNIVERSITY BELFAST

We are exceptional

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