Ollscoil na hÉireann, Gaillimh

Annual Report and Consolidated Financial Statements

Year Ended 30 September 2013

CONTENTS

	Page
BURSAR'S REPORT	2
STATEMENT OF RESPONSIBILITIES OF ÚDARÁS NA hOLLSCOILE	3
ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL	4 - 7
INDEPENDENT AUDITORS' REPORT	8 - 9
STATEMENT OF ACCOUNTING POLICIES	10 - 13
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT	14
CONSOLIDATED AND UNIVERSITY BALANCE SHEET	15
CONSOLIDATED CASH FLOW STATEMENT	16
CONSOLIDATED STATEMENT OF HISTORIC COST SURPLUSES AND DEFICITS	17
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	17
NOTES TO THE FINANCIAL STATEMENTS	18 - 31
RECONCILIATION OF HEA TO GAAP SURPLUS	32
HEA FINANCIAL STATEMENTS	33 – 65

Bursar's Report on Consolidated Financial Statements

Introduction
The attached consolidated financial statements are prepared under the Historical Cost convention and in accordance with the accounting policies set out in the notes on pages 10 to 13. Consolidating the results of the University's commercial and IP entities with the core pedagogic and research activities as required under generally-accepted accounting practice (GAAP) results in a more inclusive view of the financial affairs of the University.

Economic Environment
National economic difficulties over the last number of years have impacted University finances in numerous ways and have posed many difficulties. Obvious and significant reductions in exchequer funding are being accompanied by declining levels of non-exchequer funding for both capital and recurrent purposes.

In addressing these ongoing issues, the University has undertaken cost reduction and efficiency programmes (including significant pay cuts and reductions in employee numbers) and has increased marketing to both Irish and overseas students.

To date these programmes have ensured that the University's finances remain in balance. Much credit is due to the University Community in these regards.

Operating Results
Leaving aside *'Government funding for pensions'*, recurrent income declined by €3.5M to €230.5M in the year. Recurrent expenditure increased by €4M resulting in a commendable but much reduced surplus of €3M, down from €10M in 2012.

Although recurrent State Grant Funding continues to decline (a drop of €2.8M or 5% to €51M in the year), the University managed to maintain its core income base by admitting more undergraduate students (as reflected in the 3% increase in the value of student fee income from €96M to €99M).

As Government support declines, EU undergraduate students continue to bear a greater proportion of the cost of their education and this in turn is having a negative impact on fee collection rates.

Research Grants/Contracts income as reported under GAAP has declined by almost 5% from €61M to €58M and the analysis at note 3 shows this decline to be mainly in the 'State/semi state' category.

Consolidated staff costs increased by €4M to €141M due to a combination of non-exchequer funded posts concentrated in research, and imbedded increments. Non pay recurrent costs remained largely unchanged at €86M. Combined with capital expenditure of €54M, the 'economic value' of University activity to the local and regional economy is €281M.

Balance Sheet
The University's ongoing strategic investment in capital assets is reflected in the carrying cost of fixed assets which has risen by €54m to €514m. For the first time in many years, this balance sheet also records a negative 'working capital' position (net current liabilities of €2m) due to a decline of €36m in bank balances as receipt of capital funding is awaited.

Looking Ahead
The University is forecasting both capital and recurrent deficits in the short to medium term as it adapts further to declining income levels due to current economic circumstances. The University is also investigating the possibility of long term borrowing to fund some of its capital requirements and to better match its capital income and expenditure streams. It remains confident of continuing to achieve its strategic goals and returning to balanced annual finances.

In conclusion, I reiterate my congratulations and thanks to my University colleagues for their considerable achievements and ongoing support and in particular for the financial outcomes for this year.

Mary C Dooley, F.C.A., M.B.A.,
Bursar

30 April 2014

STATEMENT OF RESPONSIBILITIES OF ÚDARÁS NA hOLLSCOILE

Údarás na hOllscoile is required to comply with the Universities Act, 1997, and to keep in such form as may be approved of by An t-Údarás um Ard-Oideachas all proper and usual accounts of money received and expended by it.

Údarás na hOllscoile is also responsible for preparing financial statements for each financial year that give a true and fair view of the state of the affairs of the University and the University group and the results of the University group for the period. Údarás na hOllscoile is also responsible for preparing the HEA Funding Statement in accordance with the most recent Harmonisation of Accounts Agreement.

In preparing those accounts, Údarás na hOllscoile is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- disclose and explain any material departures from applicable accounting standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

Údarás na hOllscoile is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that its financial statements comply with the Universities Act, 1997, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and are prepared in accordance with accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Údarás na hOllscoile is responsible for ensuring that the business of the University is conducted in a proper and regular manner and for safeguarding all assets under its operational control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of Údarás na hOllscoile

James Browne
President **30 April 2014**

Annual Statement of Governance and Internal Control
for the year ended 30 September 2013

1. **General:** The Governing Authority (Údarás na hOllscoile) of NUI Galway is responsible for and is satisfied that the University is in compliance with all statutory obligations applicable to the University that may be set out in legislation governing the establishment of the University or in other relevant legislation.

2. Údarás na hOllscoile approved the revised sectoral Code of Governance for Universities in late 2012. This was developed in consultation with the HEA, the IUA and the Department of Education and Skills.

   Údarás na hOllscoile also adopted in Nollaig 2009, a Code of Conduct for members of the Údarás.

   A formal Code of Conduct for Employees, an initial draft of which was approved by Údarás na hOllscoile in Nollaig 2010 was confirmed/approved by Údarás na hOllscoile in October, 2011. The final version of the Code added specific provisions dealing with conflict of interest and ethical considerations in relation to gifts and hospitality offered to staff members.

   Employee conduct is required to comply with a range of University policies (such as Principles of Natural Justice, Computer Access Policy, Equal Opportunity Policy, Disciplinary and Grievance Procedures, Anti-Bullying Policy, Substance Abuse Policy and Consultancy work, etc.). These policies are available electronically to all staff.

3. **Finance:** The more significant financial developments affecting NUI Galway in the past year to Meán Fómhair 2013 include:

   a. Poor national economic environment over the last few years has resulted in significant and ongoing reductions in State funding. The University has put plans in place to meet these funding restrictions through cost reductions and efficiency programmes and is monitoring the situation closely.

   b. The University's Model Pension Scheme is a PAYG (Pay As You Go) Scheme. Financial Reporting Standard (FRS17) requires valuation and inclusion of a related pension liability in the University's Annual GAAP (Generally Accepted Accounting Principles) Financial Statements. University Sector practice is to include a balancing asset value in these Accounts. Whilst this accounting treatment is acceptable to the Comptroller & Auditor General on the basis of his drawing attention to it in his audit report, the external management auditors (KPMG) have qualified their Audit Report on an 'Except For' basis to reflect the absence of a State Guarantee in this regards.

   c. Staffing restrictions imposed by the implementation of the Employment Control Framework continue to have an adverse impact on the University's ability to meet its obligations in a timely manner; this situation is being monitored on an ongoing basis.

   d. Due to current complexities in the construction sector, the University's capital programme was disrupted resulting in additional capital costs. These issues are monitored by the University's Working Group on the Implementation of the Capital Programme.

   e. The level of uncollected student fees remains high, although lower than prior years, resulting in loss of income

4. **Pay:** The University remains compliant with pay policy and the requirements of section 25 of the Universities Act.

5. Appropriate procedures for financial reporting, internal audit, procurement and disposal of assets are in place.

6. **Capital Projects:** The Guidelines for the Appraisal and Management of Capital Proposals are adhered to where appropriate.

Annual Statement of Governance and Internal Control (con'd)

7. **Travel:** Government travel policy requirements are being implemented in all material respects.

8. **Value for Money:** The Guidelines on Achieving Value for Money in Public Expenditure as set out in the address by the Minister for Finance of 20 Deireadh Fómhair 2005 and communicated to the Universities, are being followed.

9. **Taxation:** The University believes it is compliant with tax laws.

10. **Child Protection:** Guidelines on Child Protection in the University were adopted by Údarás na hOllscoile in Meitheamh 2010. The guidelines are reviewed and updated where necessary and in compliance with recent legislation. Responsibilities relating to the role of University Child Protection Officer and Deputy Child Protection Officer have been assigned.

11. **Fees and expenses:** No fees are paid to the members of Údarás na hOllscoile. Eligible expenses are paid in accordance with the guidelines from the Department of Finance.

12. **Trading Subsidiaries:** A code of governance in respect of trading subsidiaries is currently in development. The establishment of all subsidiary companies requires formal approval of Údarás na hOllscoile through the Finance/Resource Committee. Senior Executives of the University act as directors of subsidiary companies. Audited financial statements are submitted annually to the University for review by its Audit Committee.

13. On behalf of Údarás na hOllscoile, I acknowledge that Údarás has overall responsibility for the University's system of internal control, covering all material controls, including financial, operational, compliance controls and risk management systems that support the achievement of the University's policies, aims and objectives, while safeguarding the wider public interest.

14. The system of internal control, established by Údarás na hOllscoile, is designed to manage risk and to provide reasonable and not absolute assurances against material error.

15. **(i)** Údarás na hOllscoile (Údarás) has established an appropriate control environment through:

    ~ the allocation of defined management responsibilities through the University Management Team members; the establishment of appropriate delegated authority; the documentation of policies, procedures and regulations; the implementation of robust planning, performance monitoring and information systems to ensure timely reporting to Management and Údarás.

    ~ Údarás provides direction on the development and implementation of key University strategy and policy.

    ~ Údarás provides governance oversight to ensure that the processes put in place by management provide an adequate level of assurance.

    ~ Údarás is supported in this role by its four standing Committees –
    1. Standing and Strategic Planning
    2. Finance/Resource,
    3. Academic Planning and Resource,
    4. Support Services.

    ~ The four Committees operate to written terms of reference and include a significant number of external members with appropriate expertise.

    ~ Údarás itself and two of its four standing Committees (Finance/Resource and Academic Planning and Resource) are chaired by independent external Chairpersons.

Annual Statement of Governance and Internal Control (con'd)

(ii) The University has in place a comprehensive set of processes for the identification, evaluation and management of significant risks.

The risk management framework established in the University includes:

a) a Risk Management Group, comprising all members of the University Management team (UMT) and an experienced external member (vacant). This Group carries overall executive responsibility for risk management. Responsibility at the detailed operational level is held by the Risk Advisory Group, whose reports are provided to the Risk Management Group. In terms of the overall governance structure, the Risk Management Group is a sub-committee of Finance/Resource Committee, which oversees, on behalf of Údarás, implementation of the Risk Management Strategy.

b) the University-wide Risk Strategy including the risk appetite

The University Strategic Risk Register focuses primarily on risks related to the attainment of the University's objectives, and identifies responsibility for the overall management of each risk together with the agreed actions. It aligns with the University's Strategic Plan 2009-2014. A process was completed during 2013to reassess and recalibrate University academic strategic risks.

At operational level, risk registers for each College, each of the various Support Units and all major building projects, ensure that key operational risks are identified and managed by the relevant operational manager.

Risk assessment training and awareness are promoted through the management structure and risk management is a standing agenda item on the four standing committees of Údarás.
The University's major risks are regularly reviewed by the relevant members of the Risk Management Group, covering all major areas of the University, and at year-end each member provides formal assurances on the adequacy of the management of key risks and documents the sources of assurances for each major risk. Each individual Annual Risk Management Return is reviewed by the Risk Management Group.

The relevant training programmes and the process of embedding risk into the existing management systems are currently ongoing.

(iii) Information systems are in place to ensure that appropriate information is available in relation to

(a) operational, strategic, financial and academic affairs, and

(b) planning and monitoring including a comparison of actual and planned results.

(iv) A comprehensive set of financial policies and procedures has been formally adopted to address *inter alia* the financial implications of major business risk, including financial instructions and notes of procedures, delegation practices such as authorisation limits, segregation of duties, budget monitoring, risk assessments and management and multiple internal and external audit routines.

(v) The procedures for monitoring the effectiveness of the system of internal control include the following:

- The monitoring role of the Internal Audit and Risk Management, Procurement, and Health and Safety Functions in relation to the adequacy and effectiveness of systems of internal control including risk management.
- The Audit Committee's role in providing independent oversight of the University's control environment.
- The Risk Management Committee Annual Report
- The oversight role of Údarás Committees in respect of their areas of responsibility.
- The role of unit managers within the University, who have responsibility for the development and maintenance of the internal control environment within their area.
- Consideration by management and the Audit Committee of comments made by the External Auditors in their management letters and other reports.
- A programme of Quality reviews of all areas.

Annual Statement of Governance and Internal Control (con'd)

16. The effectiveness of the systems of internal controls has been informed by the procedures and groups outlined at 15(v) above and is augmented by annual declarations of assurances from:

- the Chair, on behalf of the four standing committees and
- individual managers

17. The annual review of internal controls did not identify any weaknesses that have resulted in material losses, contingencies or uncertainties, such as those which require disclosure in the financial statements or the auditor's report on the financial statements.

____
James Browne
President *30 April 2014*

Independent Auditor’s Report to Údarás na hOllscoile of National University of Ireland, Galway

We have audited the consolidated and University financial statements (“financial statements”) of National University of Ireland, Galway for the year ended 30 September 2013 which comprise the consolidated income and expenditure account, consolidated statement of total recognised gains and losses, consolidated balance sheet and University balance sheet, consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the members of Údarás na hOllscoile of National University of Ireland, Galway, as a body. Our audit has been undertaken so that we might state to the members of Údarás na hOllscoile those matters we are required to state to them in our 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 members of Údarás na hOllscoile, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Governing Authority and auditor

As explained more fully in the Statement of Responsibilities of Údarás na hOllscoile set out on page 3, Údarás na hOllscoile is responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

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 Údarás na hOllscoile; 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on financial statements

As more fully explained in Note 19 to the financial statements, an asset representing a receivable from the State, equivalent to the value of the University’s net pension obligations in relation to its defined benefit pension schemes, has been recognised in the University’s financial statements (and an equivalent amount recognised in revenue reserves) on the basis that Údarás na hOllscoile consider these pension liabilities to have always been guaranteed by the State. In addition, gains matching the increase in these pension liabilities during the year have been recorded in the profit and loss account and statement of total recognised gains and losses for the year.

In our opinion, while the enactment in June 2009 of the Financial Measures (Miscellaneous Provisions) Act, 2009 and the resulting Transfer Order dated 31 March 2010, provides a mechanism for the State to assume responsibility for any shortfall in funding arising in the University’s Joint Pension Scheme, such legislation does not specifically cover other defined benefit pension arrangements operated by the University. In the absence of the State’s formal acceptance of the obligation to fund deficits associated with the University’s other defined benefit pension arrangements, it is not, in our view, appropriate to recognise the pension receivable pertaining to these deficits on the University’s balance sheet at 30 September 2013.

In our opinion, the treatment adopted for the deficits associated with the University’s other defined benefit arrangements is not in accordance with the requirements of FRS 12 “Provisions, Contingent Liabilities and Assets” as the receivable remains contingent in nature until the State formally accepts the obligation. Accordingly: (i) the pension receivable asset, net assets and revenue reserves at 30 September 2013 should be reduced by €335.7 million (ii) the pension receivable asset, net assets and revenue reserves at 30 September 2012 should be reduced by €289.6 million. The opening net assets as at 30 September 2011 should be reduced by €254.2 million.

Independent auditor's report to Údarás na hOllscoile of National University of Ireland, Galway *(continued)*

Qualified opinion on financial statements

Except for the financial effect of the recognition of the receivable from the State referred to in the preceding paragraph, in our opinion the financial statements on pages 10 to 31 give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the University and the University Group at 30 September 2013 and of the surplus of the University Group for the year then ended.

Matter on which we are required to report by exception

Under the Code of Governance for Irish Universities, we are required to report to you if the statement regarding governance and the system of internal financial control, as included in the Statement of Governance and Internal Control on pages 4 to 7, is not consistent with the information of which we are aware from our audit work on the financial statements, and we report if it is not.

Matters on which we are required to report under the terms of our engagement

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the University. The balance sheet of the University is in agreement with the books of account.

In our opinion, the information given in the Bursar's Report is consistent with the financial statements.

David Meagher
For and on behalf of
KPMG
Registered Accountants
Odeon House, Eyre Square, Galway

30 April 2014

STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies adopted by the University are as follows:

Basis of preparation
The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland. Accounting standards (generally accepted in Ireland in preparing financial statements giving a true and fair view) are those issued by the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland and the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, **with the exception that endowment funds are not consolidated**.

Accounting convention
The financial statements have been prepared under the historical cost convention.

Basis of consolidation
The consolidated financial statements include the University and its subsidiary undertakings and other undertakings in which the University has a financial interest, as indicated in note 11. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group income and profits are eliminated fully on consolidation.

Associates are those undertakings in which the University has a participating interest in the equity share capital and over which it is able to exercise significant influence. Associates are accounted for using the equity method and the University's share of results is included in the consolidated income and expenditure account. The University's interest in their net assets or liabilities is included as a fixed asset investment in the consolidated balance sheet at an amount representing the University's share of the fair values of the net assets at acquisition plus the University's share of post-acquistion profits or losses.

Investments in associates are shown in the University's own balance sheet at cost less provisions for impairments in value.

In accordance with FRS2, the activities of the Students Unions have not been consolidated because the University does not control those activities. The financial statements of Galway University Foundation Limited are also excluded as that entity is not controlled by the University.

Recognition of income
Recurrent grants from the Higher Education Authority are recognised in the period in which they are receivable.

Non-recurrent grants from the Higher Education Authority or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the related assets.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Income from research grants, contracts, non-capital government grants and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term bank deposits is credited to the income and expenditure account in the period in which it is earned.

Foreign currency translation
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 euro at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Tangible fixed assets

(a) Land and buildings
Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the University – normally fifty years. Leasehold buildings are included in the balance sheet at cost and depreciated over the term of the lease.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

STATEMENT OF ACCOUNTING POLICIES

Tangible fixed assets (continued)

(a) Land and buildings (continued)

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to the financial year end. They are not depreciated until they are brought into use.

The University has considered the application of FRS5 "Reporting the Substance of Transactions" with regard to certain assets used by the University where the legal form of these transactions would indicate that all or part of the assets are not owned by the University. The financial substance of all transactions has been reflected in the financial statements and, as such, the full value of these assets is included in tangible fixed assets.

(b) Equipment

Equipment costing less than €10,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Computer equipment	3 years
Other equipment	5 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

(c) Heritage assets

The University has acquired a number of assets of unqualified historical and cultural importance to the State. These assets include archives relating to literature and other arts, such as drama, as well as period houses, artworks and other paintings and artefacts.

Period houses, such as the Quadrangle, are part of the working infrastructure of the University Campus and, as such, are capitalised in the balance sheet at original cost. Further, archives purchased for the benefit of the University's academic mission are also capitalised in the balance sheet at original cost and not depreciated.

Leased assets

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership of the assets are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are capitalised and depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the lease.

Financial assets

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock. Expenditure incurred by the University on books and consumable stocks financed from recurrent grants is charged to the Income and Expenditure account.

STATEMENT OF ACCOUNTING POLICIES

Taxation

As an exempt charity, the University is not liable for Corporation Tax or Income Tax on any of its charitable activities. It is registered for Value Added Tax, but since the supply of education is an exempt activity on which no output tax is charged it is unable to recover input tax on the majority of its purchases.

The University does carry out some commercial activity – most notably in the research area. VAT is charged on income from this activity where appropriate.

Trading activities undertaken by the University are administered through its subsidiary companies, which as commercial organisations are liable to Corporation Tax.

Deferred taxation

In subsidiary companies, which do not hold a charitable status, deferred taxation is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for taxation purposes and profits as stated in the financial statements that arise because certain items of income and expenditure in the financial statements are dealt with in different periods for the purposes of taxation.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to be reversed, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

A net deferred tax asset is regarded as recoverable and, therefore, recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provisions

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

Retirement Benefits

The University operates the following defined-benefit pension schemes:

- **Joint Pension Scheme** (JPS) – this is a ‘Pay As You Go’ (PAYG) scheme providing pension benefits at retirement on a defined benefit basis, covering entrants to 31 December 2004.
- **Model Pension Schemes** (MPS) – this is a ‘Pay As You Go’ (PAYG) scheme providing pension benefits at retirement on a defined benefit basis, covering entrants from 1 January 2005.
- **The Single Public Service Pension Scheme (“Single Scheme”), –** this scheme commenced, with effect from 1 January 2013. From the commencement date onward new public servants will be members of the Single Scheme, which will provide CPI-linked defined-benefit pensions based on career-average pay.

Defined Benefit Pension Schemes

In relation to the **JPS** and **MPS**, the actuarially-assessed present value of the various schemes’ liabilities (calculated using the projected unit credit method) is disclosed as a liability on the balance sheet.

Current service costs: These are the costs of additional benefits that scheme members accrue during the year, based on projected salaries at retirement or earlier cessation of employment. The expense for the year is recognised in the Income & Expenditure account.

Interest cost: This is interest on the defined benefit obligation, which is the total present value of the members’ attributed benefits for valuation purposes at the year-end. The expense for the year is recognised in the Income & Expenditure account.

Actuarial gains or losses: These relate to changes in the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed. These are recognised in the statement of total recognised gains and losses (STRGL).

STATEMENT OF ACCOUNTING POLICIES

Defined Benefit Pension Schemes (continued)

The University considers that its pension liabilities are guaranteed by the State. As a consequence, a pension receivable asset, corresponding to the net actuarially-computed liability for pensions, is recognised on the balance sheet.

Movements on this pension receivable are included in the Income & Expenditure account (i.e. current service costs and interest cost) or in the statement of total recognised gains and losses (i.e. actuarial gains or losses) in order to mirror the underlying movement on the pension liability.

This asset is recognised on foot of:

a) guarantees enshrined in the Financial Measures (Miscellaneous Provisions) Act, 2009 in respect of JPS pension benefits at retirement *and*
b) the "PAYG" basis of the MPS. Údarás na hOllscoile is of the opinion that the discussions between the sector, the HEA and Government Departments represented assurances that the State will fund any cash-flow deficiencies arising from pension payment obligations.

The **The Single Public Service Pension Scheme** is a multi-employer scheme and is treated, for accounting purposes, as if it were a defined contribution scheme. On that basis, the amounts charged to the income and expenditure account represent the contributions payable to the scheme in respect of the accounting period.

Personal Retirement Savings Accounts (PRSA) pension facility

A PRSA pension facility is also available for staff not eligible for enrolment in the defined-benefits schemes. It is administered by a third party insurance company.

Cash/liquid resources

These include sums on short-term deposits with recognised banks and building societies and government securities.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
Year Ended 30 September 2013

	Notes	Consolidated 2013 €'000	Consolidated 2012 *(as restated)* €'000
Income			
State grants	1	51,017	53,855
Academic fees	2	99,165	95,817
Research grants and contracts	3	58,350	61,195
Amortisation of deferred capital grants	15	6,487	8,779
Other income	4	13,685	11,938
Interest income	5	1,774	2,376
Net deferred Government funding for pensions	19	50,686	45,024
Total income		**281,164**	**278,984**
Expenditure			
Staff costs before impact of accounting standard for defined-benefit pensions	6	141,024	137,082
Impact of accounting standard for defined-benefit pensions	19	18,689	12,965
Staff costs		**159,713**	**150,047**
Other operating expenses	7	**70,970**	**72,391**
Depreciation		**15,016**	**14,071**
Interest on pension scheme liabilities	19	**31,997**	**32,059**
Total expenditure		**277,696**	**268,568**
Surplus for the year after depreciation of assets before taxation		**3,468**	**10,416**
Taxation	8	(1)	(28)
Surplus for the year after depreciation of assets and after taxation	9	**3,467**	**10,388**

The surplus for the year arose solely from continuing operations.

The financial statements on pages 10 to 31 were approved by Údarás na hOllscoile on 30 April 2014 and were signed on its behalf by:

James Browne
President

Pól Ó Dochartaigh
Registrar

BALANCE SHEET
30 September 2013

	Notes	Consolidated 2013	Consolidated 2012 *(as restated)*	University 2013	University 2012 *(as restated)*
		€'000	€'000	€'000	€'000
Fixed assets					
Tangible assets	10	324,960	286,115	324,705	285,778
Financial assets	11	21,747	27,663	21,747	27,663
		346,707	313,778	346,452	313,441
Current assets					
Stocks	12	99	97	90	90
Debtors	13	32,822	38,995	33,133	39,089
Cash and bank		51,797	82,321	47,103	77,137
		84,718	121,413	80,326	116,316
Creditors: Amounts falling due within one year	14	(86,666)	(97,140)	(82,782)	(92,353)
Net current assets/(liabilities)		(1,948)	24,273	(2,456)	23,963
Total assets less current liabilities		344,759	338,051	343,996	337,404
Net assets excluding pension		344,759	338,051	343,996	337,404
Pension receivable	19	869,822	771,433	869,822	771,433
Pension liability	19	(869,822)	(771,433)	(869,822)	(771,433)
Net assets including pension		344,759	338,051	343,996	337,404
Represented by:					
Deferred capital grants	15	183,380	180,139	183,380	180,139
Revenue surplus	16	161,379	157,912	160,616	157,265
Total		344,759	338,051	343,996	337,404

The financial statements on pages 10 to 31 were approved by Údarás na hOllscoile on 30 April 2014 and were signed on its behalf by:

James Browne
President

Pól Ó Dochartaigh
Registrar

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2013

	Notes	Consolidated 2013 €'000	Consolidated 2012 €'000
Net cash inflow/(outflow) from operating activities	**20**	**5,912**	**(873)**
Returns on investment and servicing of finance			
Net interest received		1,774	2,376
Net cash inflow from returns on investment and servicing of finance		**1,774**	**2,376**
Taxation paid		**(1)**	**(28)**
Investment activities			
Expenditure on capital projects		(53,914)	(26,906)
Dividends paid		-	(322)
Receipts from sale of fixed assets		61	2
Investment movements		5,916	10,695
Net cash outflow from investment activities		**(47,937)**	**(16,531)**
Net cash outflow before financing		**(40,252)**	**(15,056)**
Financing			
Capital grants received		9,728	13,807
Net cash inflow from financing		**9,728**	**13,807**
Net cash outflow after financing		**(30,524)**	**(1,249)**
Decrease in cash and cash equivalents	**21**	**(30,524)**	**(1,249)**

CONSOLIDATED STATEMENT OF HISTORIC COST SURPLUSES AND DEFICITS
Year Ended 30 September 2013

There are no material differences between the historical cost profit and the reported profit in 2012 or 2013.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year Ended 30 September 2013

		2013 €'000	**2012 €'000**
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		3,467	10,388
Actuarial losses in respect of pension schemes	19	(48,449)	(52,805)
Movement on pension receivable	19	48,449	52,805
Total recognised gains and losses relating to the year		3,467	10,388

NOTES TO THE FINANCIAL STATEMENTS

1 State grants

	2013 €'000	2012 €'000
State grants allocated for recurrent purposes	51,017	53,855

The above grant income was received predominantly from the Higher Education Authority {€48.525m (2012: €52.035m)} and the Department of Health and Children.

1a. Deferred Income

	2013 €'000	2012 €'000
State grant receivable in respect of current year	49,902	54,011
State grant deferred from prior accounting year	14,233	14,077
State grant deferred to subsequent accounting years	(13,118)	(14,233)
State grant per financial statements	51,017	53,855

State funding is allocated on a calendar year basis. The university financial year is based on the academic year from October to September. In accordance with the university's accounting policies, recurrent grants have been recognised on an accruals basis. In any accounting year, therefore, an element of funding will be deferred to subsequent accounting periods in order to match the funding to the related expenditure.

2 Academic fees

	2013 €'000	2012 €'000
Academic fee income	98,983	95,763
Miscellaneous fee income	182	54
Total fees paid by or on behalf of individual students	99,165	95,817

Academic fee income totalling €37.849m was received from the HEA (2012: €39.354m).

3 Research grants and contracts

	2013 €'000	2012 €'000
State and semi-state	42,909	47,561
European Union	9,194	6,526
Industry	2,041	6,015
Other	4,206	1,093
	58,350	61,195

4 Other income

	2013 €'000	2012 €'000
Other rental and licence income	1,389	1,160
Funded post income	1,720	1,883
Catering	378	361
Student accommodation	4,789	4,579
Other income	5,409	3,955
	13,685	11,938

5 Interest income

	2013 €'000	2012 €'000
Interest income on bank deposits	1,774	2,376

NOTES TO THE FINANCIAL STATEMENTS

6 Staff costs

The average weekly number of persons (including senior post-holders) employed by the University during the period, expressed as full-time equivalents was:

	2013 Number	2012 Number
Teaching and research	1,269	1,254
Technical	108	109
Central administration and services	693	737
Other	15	16
	2,085	**2,116**

	2013 €'000	2012 €'000
Salaries and wages*	120,246	116,760
Social welfare costs	9,724	9,428
Other pension costs (note 19)	11,054	10,894
	141,024	**137,082**
*** President's gross salary**	**198**	**202**

7 Other operating expenses

	2013 €'000	2012 €'000
Prizes, scholarships and fellowships	3,500	3,478
Repairs and maintenance (including information technology)	8,811	9,933
Travel, subsistence and relocation costs	3,312	3,284
Non-pay recurrent costs for research projects	20,050	20,972
Consumables (laboratories, etc)	1,080	1,190
Books, periodicals and journals	2,197	1,947
Professional, audit and legal (incl. consultancy and recruitment)	5,463	7,028
Printing and stationery	1,599	1,889
Light and heat	4,285	3,436
Rent and rates	1,176	1,200
Cleaning and waste disposal	1,787	1,847
Insurance	642	692
Marketing and promotion	962	1,119
Other	14,071	12,259
Other non-pay costs for subsidiaries	1,994	1,938
Bank fees and charges	33	171
Bank interest	8	8
	70,970	**72,391**

NOTES TO THE FINANCIAL STATEMENTS

7 Other operating expenses – continued

	2013 €'000	2012 €'000 *(as restated)*
Other operating expenses include:		
Auditors remuneration		
- External audit	91	88
- Internal audit	117	111

8 Taxation

The majority of the University's activities are not liable to corporation taxation. The corporation taxation charge in the period in respect of trading activities administered through subsidiary companies amounted to €1,000 (2012: €28,000).

Deferred taxation in the period amounted to €nil (2012: €nil).

9 Surplus after taxation on continuing operations for the year

The surplus after tax on continuing operations for the year is made up as follows:

	2013 €'000	2012 €'000
University's surplus for the year	3,351	10,325
Surplus generated by subsidiary and associate undertakings	116	63
Total	3,467	10,388

NOTES TO THE FINANCIAL STATEMENTS

10. Tangible fixed assets

	Land and buildings €000s	Equipment €000s	Assets in course of construction €000s	Equipment Subsidiaries €000s	Total €000s
GROUP					
Cost					
At 1 October 2012	299,959	126,894	31,706	2,093	460,652
Additions	21,959	7,103	24,787	65	53,914
Transfer from assets in course of construction	5,726	226	(5.952)	-	-
Disposals	-	(61)	-	-	(61)
At 30 September 2013	327,644	134,162	50,541	2,158	514,505
Depreciation					
At 1 October 2012	63,386	109,395	-	1,756	174,537
Charge for year	7,041	7,828	-	147	15,016
Disposals	-	(8)	-	-	(8)
At 30 September 2013	70,427	117,215	-	1,903	189,545
Net book value					
At 30 September 2013	257,217	16,947	50,541	255	324,960
At 30 September 2012	236,573	17,499	31,706	337	286,115

Land and buildings include €1.261m (historical cost) (2012: €1.261m) in respect of freehold land that is not depreciated. It also includes buildings of historical and cultural importance to the State, most notably the Quadrangle, which was the original University building when first built. Also included are other library archives, collections, artworks or artefacts. As disclosed in the accounting policies, these are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

10 Tangible fixed assets – continued	Land and buildings	Equipment	Assets in course of construction	Total
	€'000	€'000	€'000	€'000
UNIVERSITY				
Cost				
At 1 October 2012	299,959	126,894	31,706	458,559
Additions	21,959	7,103	24,787	53,849
Transfer from assets in course of construction	5,726	226	(5.952)	-
Disposals	-	(61)	-	(61)
At 30 September 2013	327,644	134,162	50,541	512,347
Depreciation				
At 1 October 2012	63,386	109,395	-	172,781
Charge for year	7,041	7,828	-	14,869
Disposals	-	(8)	-	(8)
At 30 September 2013	70,427	117,215	-	187,642
Net book value				
At 30 September 2013	257,217	16,947	50,541	324,705
At 30 September 2012	236,573	17,499	31,706	285,778

Land and buildings include €1.261m (historical cost) (2012: €1.261m) in respect of freehold land that is not depreciated. It also includes buildings of historical and cultural importance to the State, most notably the Quadrangle, which was the original University building when first built. Also included are other library archives, collections, artworks or artefacts. As disclosed in the accounting policies, these are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

11 Financial assets

Investments at the year end were held as follows:	Consolidated 2013 €'000	Consolidated 2012 €'000	University 2013 €'000	University 2012 €'000
University – other investments	21,747	27,663	21,468	27,663

Other investments principally consist of portfolios of shares and other assets managed by third-party investment managers.

The University held a direct interest in the following subsidiary and associate undertakings:

Subsidiary undertakings	Principal activity	Interest %
Galway University Press Ltd.	Press	100%
Tionól Teo.	Conferences	100%
UCG Research Applications Ltd.	Holding company	100%
Maoin Champais Teo.	Leasing	100%
Endenline Limited	Educational infrastructure development	100%
Atalia Student Residences Limited	Operation of student residences	100%
Athrutech Limited *	IP rights	100%
College Campus Radio Ltd.	Radio programming	100%
CCG. Aonad Slainte do Mhicleinn Teo.	University health unit	100%
Samaurium Limited	Holds equipment assets	100%
Lintary Limited	Digital archiving	100%
Associated undertakings		
Bimini Ltd.	IP rights	28%

The registered office and place of work for each of the subsidiary and associated undertakings is NUI, Galway. These investments were carried at €nil (2012: €nil).

** The University holds 100% of the ordinary shares in Athrutech Limited. Certain of its other share classes are held by other parties.*

The university also holds an interest (through its technology transfer office) in a number of companies, as outlined hereunder.

Other investments	Principal activity	Interest %
Theta Chemicals Ltd.	Development of chemicals	18.57%
Analyse IQ Ltd.	Software consultancy/supply	10%
Qpercom Ltd.	Consultancy	15%
Peracton Ltd.	Software consultancy/supply	10%
Seevl Ltd.	Entertainment activities	10%
MDG Web Ltd.	Database activities	8.63%
Orbsen Therapeutics Ltd.	Medical practice activities	10.6%
Sláinte Beoga Teoranta	Manufacture of pharmaceutical products	10%
NVP Energy Ltd.	Software supply	10%
ePlantech Ltd.	Mobile technology	10%

12 Stocks

Stocks principally consist of books and consumables.

	2013 €'000	2012 €'000
University	90	90
Subsidiaries	9	7
	99	97

There is no material difference between the balance sheet amount of stocks and its replacement cost.

NOTES TO THE FINANCIAL STATEMENTS

13 Debtors

	Consolidated 2013 €'000	Consolidated 2012 €'000 *(as restated)*	University 2013 €'000	University 2012 €'000 *(as restated)*
Research balances	30,377	35,056	30,377	35,056
Prepayment for academic books and journals	-	456	-	456
Other debtors	586	1,718	418	1,310
Accounts receivable	1,825	1,508	1,825	1,508
NUI levy prepaid	-	205	-	205
Staff housing loans	34	52	34	52
Intercompany balances	-	-	479	502
	32,822	38,995	33,133	39,089

14 Creditors: Amounts falling due within one year

	Consolidated 2013 €'000	Consolidated 2012 €'000 *(as restated)*	University 2013 €'000	University 2012 €'000 *(as restated)*
Trade creditors and accruals	28,448	34,343	24,452	29,391
Pension accruals	3,837	4,347	3,837	4,347
Research grants and contracts in advance	35,757	32,026	35,757	32,026
Retention monies	830	1,006	830	1,006
Fees received in advance	14,445	14,282	14,445	14,282
Intercompany balances	-	-	112	165
State grants received in advance	3,349	11,136	3,349	11,136
	86,666	97,140	82,782	92,353

15 Deferred capital grants

	HEA €'000	Other grants/ benefactors €'000	Total €'000
Consolidated and University			
At 1 October 2012			
Buildings	118,031	55,476	173,507
Equipment	2,461	4,171	6,632
Total	120,492	59,647	180,139
Cash received			
Buildings	5,161	3,867	9,028
Equipment	108	592	700
Total	5,269	4,459	9,728
Released to income and expenditure			
Buildings	(3,698)	(215)	(3,913)
Equipment	(1,456)	(1,118)	(2,574)
Total	(5,154)	(1,333)	(6,487)
At 30 September 2013			
Buildings	119,494	59,128	178,622
Equipment	1,113	3,645	4,758
Total	120,607	62,773	183,380

NOTES TO THE FINANCIAL STATEMENTS

16 Reconciliation of movement of reserves

	Consolidated 2013 €000s	Consolidated 2012 €000s	University 2013 €000s	University 2012 €000s
Opening reserves at 1 October	157,912	147,846	157,265	146,940
Total recognised gains and losses relating to the year	3,467	10,388	3,351	10,325
Dividends paid	-	(322)	-	-
Closing reserves at 30 September	161,379	157,912	160,616	157,265

17 Capital commitments

	Consolidated		University	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Contracted for but not provided	40,907	56,303	40,907	56,303
Authorised but not contracted out	43,112	54,856	43,112	54,856

NOTES TO THE FINANCIAL STATEMENTS

18 Related parties

Maoin Champais Teo is a wholly-owned subsidiary company that provides property under lease terms for the provision of education to students. NUIG continues to support the working capital requirements of the company and as at 30 September 2013 was owed €11,519 (2012: €47,357).

Endenline Limited is a wholly-owned subsidiary company and its principal activity is the construction of University properties. NUI Galway has made payments in respect of development work done as well as purchasing properties from it and as at 30 September 2013 was owed €14,987 by the subsidiary (2012: owed €77,200 to the subsidiary).

Tionól Teo is a wholly-owned subsidiary company and its principal function is to operate the University conferencing activities. The University has loaned €62,775 to it, which is fully provided for. There has been no change to this loan balance as at 30 September 2013 and 2012.

UCG Research Applications Limited is a wholly-owned subsidiary company incorporated as a holding entity for the University's investments in, predominantly, intellectual property (IP) companies in which it has some active involvement. The University owed €90,761 to the company as at 30 September 2013 (2012: €87,629).

Galway University Press Limited is a wholly-owned subsidiary company incorporated to assist academic staff of the University in printing and publishing their work. The University continues to support the working capital requirements of the company and as at 30 September 2013 was owed €15,080 (2012: €14,296).

Atalia Student Residences Limited is a wholly-owned subsidiary company incorporated to operate the student residences of Galway Student Residences and Corrib Village on behalf of the University. The University continues to support the working capital requirements of the company and as at 30 September 2013 was owed €75,015 (2012: €15).

Athrutech Limited is a wholly-owned subsidiary company incorporated to operate as a patent holding company. Its objectives are to license/sell its technologies, IP and patent portfolio to industry and other third parties. The University supports the working capital requirements of the company and as at 30 September 2013 was owed €443,287 (2012: €438,394).

CCG Aonad Sláinte do MhicLéinn Teoranta is a company limited by guarantee and not having a share capital. Its principal activity is the operation of the health centre in NUIG. The University as at 30 September 2013 is owed €79,996 by the company (2012: €6,119 owed to the company).

College Campus Radio Limited is a wholly-owned subsidiary company incorporated to meet, primarily, the radio entertainment needs of third-level students in the Galway City area. The University as at 30 September 2013 owed €51,477 to the company (2012: €91,485).

Samaurium Limited is a wholly-owned subsidiary company and it holds buildings and equipment assets that are being used by the University. The University was owed €7,381,417 as at 30 September 2013 (2012: €13,125,365).

Lintary Limited is a wholly-owned subsidiary company incorporated to operate an archive digitisation service. There were no intercompany balances as at 30 September 2013.

Bimini Limited is an associate company of the University. The University has a 28% holding. The company holds a patent. It accounts for the income and related expenses of this patent through the company. The University as at 30 September 2013 owed €0 to the company (2012: €2,711).

The University also holds a minority shareholding in other entities; these are summarised in note 11.

NOTES TO THE FINANCIAL STATEMENTS

19 Retirement benefits

The University operates the following defined-benefit pension schemes:

- **Joint Pension Scheme** (JPS) – this is a 'Pay As You Go' (PAYG) scheme providing pension benefits at retirement on a defined benefit basis, covering entrants to 31 December 2004.
- **Model Pension Schemes** (MPS) – this is a 'Pay As You Go' (PAYG) scheme providing pension benefits at retirement on a defined benefit basis, covering entrants from 1 January 2005.
- **The Single Public Service Pension Scheme ("Single Scheme"), –** this scheme commenced, with effect from 1 January 2013. From the commencement date onward new public servants will be members of the Single Scheme, which will provide CPI-linked defined-benefit pensions based on career-average pay. It is the responsibility of all relevant authorities (employer) to collect and remit Single Scheme member contributions for the benefit of the Exchequer.

Joint and Model Pension Schemes

Funded assets of the Joint Pension Scheme (JPS) had been managed for many years by State Street Global Advisors (previously Bank of Ireland Asset Management).

On foot of an EU Directive, the Protection of Employee Acts 2001 and 2003 extended pension benefits to part-time and fixed term workers. This resulted in significant increased membership of the JPS and significantly increased employer liabilities for provision of pension benefits. The University immediately entered into negotiations with the University Sector and relevant Government Departments in relation to the funding of these statutory liabilities.

Following these negotiations, the Higher Education Authority wrote to the University conveying its consent for the operation of the Model Pension Scheme (MPS) on an administrative basis in accordance with the terms of the model schemes for non-commercial State Bodies. The scheme provides both pension benefits at retirement and post-retirement pension increases to relevant staff appointed from 1 January 2005 on a pay as you go (PAYG) basis.

Further discussions over a number of years between the University sector, the HEA and Government Departments in relation to a long term provision for pension arrangements in the sector concluded in 2009 with significant legislative changes being introduced in the form of the Financial Measures (Miscellaneous Provisions) Act 2009. This Act came into force on 26 June 2009. It makes legal provision for (a) the State to underwrite the net pension liabilities of the JPS and (b) the transfer of the scheme's assets to the State (National Pension Reserve Fund).

Under this Act, a Transfer Order for the JPS was executed on 31 March 2010, and as provided for in the enabling legislation:

- the pension assets were transferred to the National Pension Reserve Fund
- JPS became National University of Ireland, Galway (Closed) Pension Scheme 2010
- the University and each member continues to contribute at the same rate as previously
- the obligation to pay benefits in accordance with the pension scheme rules remains an obligation of the University in relation to the scheme
- if the aggregate of the members and employer's contributions paid or withheld are insufficient to meet the University's obligations to pay these benefits in accordance with the scheme, the Minister for Finance shall make good the deficiency by payments to the University from funds provided by the Oireachtas for this purpose.

Although the legislation relates specifically to the JPS the University believes that the discussions between the University sector, HEA and Government Departments represent assurances that the State will meet all future pension liabilities of defined benefit schemes (i.e. JPS and MPS, including supplementation, in NUI Galway's case) on a "Pay As You Go" basis for all categories of staff. Accordingly the University has recognised a matching pension receivable in the balance sheet at an amount equivalent to the full pension liability for these defined benefit schemes for each reported period.

The following disclosures comply with those required under FRS17: Retirement Benefits. FRS17 stipulates the methodology for deriving assumptions to be used in calculating the University's pension liabilities and requires disclosure of the University's full pension liability including the liability for post-retirement pension increases payable to pensioners.

NOTES TO THE FINANCIAL STATEMENTS

19 Retirement benefits (continued)

The last full actuarial valuation was at 30 September 2005. The valuation of the pension liabilities for the purposes of FRS17 disclosures has been based on actuarial data as at 30 September 2013. The valuation assumptions have been amended to take account of the requirements of FRS17.

The following tables elaborate further on the basis/calculation of the pension liability.

	At year-end 30 September 2013 (€000s)	At year-end 30 September 2012 (€000s)
Weighted average assumptions used to determine benefit obligations		
Discount rate	3.50%	4.10%
General salary increases	3.25%	3.25%
Pension supplementation	2.50%	2.50%
Inflation (CPI)	2.00%	2.00%
Revaluation in deferment	1.75%	1.75%
Weighted average life expectancy for mortality tables used to determine benefit obligations at:		
Male member age 65 (current life expectancy)	22.8	22.7
Female member age 65 (current life expectancy)	24.5	24.4

	At year-end 30 September 2013 (€000s)	At year-end 30 September 2012 (€000s)
Change in benefit obligation		
Opening value of schemes liabilities	771,433	677,640
Service cost	29,743	23,859
Interest cost on schemes' liabilities	31,997	32,059
Member contributions	4,836	4,547
Actuarial losses	48,448	52,805
Benefits paid	(16,635)	(19,477)
Gross University pension liability at end of year	**869,822**	**771,433**
Pension receivable from State	**869,822**	**771,433**
Total asset value at end of year	**869,822**	**771,433**
Net pension deficit at year end	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

19 Retirement benefits (continued)

	At year-end 30 September 2013 (€000s)	At year-end 30 September 2012 (€000s) *(as restated)*
Change in pension receivable from State		
Opening receivable	**771,433**	**677,640**
Movement included in STGRL	48,448	52,805
State-funded interest expense	31,997	32,059
Movement relating to staff costs	18,689	12,965
Member contributions	4,836	4,547
Benefits paid	(16,635)	(19,477)
Employer contributions	11,054	10,894
Closing pension receivable	**869,822**	**771,433**
Amounts recognised in balance sheet		
Net pension liability	869,822	771,433
Pension receivable and net deficit	(869,822)	(771,433)
Net pension deficit	**-**	**-**
Components of pension income (FRS17)		
Net deferred Government funding (to cover)		
Staff costs	18,689	12,965
Interest expense	31,997	32,059
Amount recognised in I&E account	**50,686**	**45,024**
Components of pension expense		
Staff costs		
Employer contributions	11,054	10,894
Impact of accounting standard for defined-benefit pensions	18,689	12,965
Current service costs	**29,743**	**23,859**
Interest expense		
Interest cost on schemes' liabilities	**31,997**	**32,059**
Statement of total recognised gains and losses		
Experience gains arising on scheme liabilities	(55,285)	(35,723)
Change in assumptions underlying the present value of pension scheme liabilities	103,734	88,528
Movement in pension receivable	(48,449)	(52,805)
Total pension cost recognised in STRGL	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

19 Retirement benefits (continued)

History of defined benefit obligations, assets and experience gains and losses

Financial year ending 30 September	**2013 €000s**	**2012 €000s**	**2011 €000s**	**2010 €000s**	**2009 €000s**
Defined benefit obligation	869,822	771,433	677,640	660,249	472,606
Pension receivable from State	869,822	771,433	677,640	660,249	256,723
Deficit	-	-	-	-	-
Experience (gains)/losses on plan liabilities	(55,285)	(35,723)	(14,805)	(36,349)	11,894
% of plan liabilities	(6.36%)	(4.63%)	(2.18%)	(5.51%)	2.52%
Experience adjustment on assets	N/A	N/A	N/A	N/A	10,800
% of closing assets	N/A	N/A	N/A	N/A	5.00%

<u>The Single Public Service Pension Scheme (“Single Scheme”)</u>

The Single Public Service Pension Scheme (“Single Scheme”), as provided for in the Public Service Pensions (Single Scheme and Other Provisions) Act 2012 commenced, with effect from 1 January 2013. From the commencement date onward new public servants will be members of the Single Scheme, which will provide CPI-linked defined-benefit pensions based on career-average pay. The Scheme’s minimum pension age will be linked to the State Pension age (66 years initially, rising to 67 in 2021 and 68 in 2028). Retirement for most members will be compulsory on reaching age 70.

The Single Scheme is a multi-employer scheme (i.e. one scheme for all “relevant authorities” within the public sector) and is treated, for accounting purposes, as if it were a defined contribution scheme. On that basis, the amounts charged to the income and expenditure account represent the contributions payable to the scheme in respect of the accounting period.

It is the responsibility of the employer to collect and remit **Single Scheme** member contributions for the benefit of the Exchequer.

<u>Other points</u>

Investments of €0.3m (2012: €4.3m) that have been set aside to fund payments in respect of the model pension scheme are recorded within financial assets on the balance sheet (note 11).

Contributions (both employer and employee) to pension schemes for the year ended 30 September 2014 are estimated to be €15.969m.

A PRSA pension facility is also available for staff not eligible for enrolment in the defined-benefits schemes. It is administered by a third party insurance company. There are no employees contributing to this scheme currently.

NOTES TO THE FINANCIAL STATEMENTS

20 Reconciliation of consolidated operating surplus to net cash outflow from operating activities

.

	2013 €'000	2012 €'000
Surplus on continuing operations before tax and after depreciation of assets	**3,468**	**10,416**
Net interest received	(1,774)	(2,376)
Profit on disposal of tangible fixed assets	(8)	(2)
Depreciation	15,016	14,071
Decrease in debtors	6,173	2,060
Increase in stock	(2)	(17)
Decrease in creditors	(10,474)	(16,246)
Deferred capital grants released to income	(6,487)	(8,779)
Net cash inflow/(outflow) from operating activities	**5,912**	**(873)**

21 Analysis of changes in cash and cash equivalents

	2013 €'000	2012 €'000
Balance at 1 October	82,321	83,570
Net cash outflow in year	(30,524)	(1,249)
Balance at 30 September	51,797	82,321

22 Contingent liabilities

The University is involved in a number of legal actions arising in the ordinary course of business. No material adverse impact in the financial position of the University is expected to arise from the ultimate resolution of these actions.

23 Comparative figures

Where necessary, the comparative figures have been reorganised and restated on the same basis as current-year figures.

Attention is drawn in 2013 to the reclassification of net pension scheme balances within creditors and to the separate disclosure of depreciation on the face of the income and expenditure account. The relevant figures for 2012 have been restated accordingly.

24 Approval of financial statements

Údarás na hOllscoile approved these consolidated financial statements on 30 April 2014.

RECONCILIATION OF HEA SURPLUS TO GAAP SURPLUS

	2013 **€'000**	**2012** **€'000**
Surplus as per HEA financial statements	**96**	**691**
Capital grant amortisation (including subsidiaries)	6,487	8,779
Reversal of capital project funding from I&E account	10,798	5,125
Adjustment to income from research activity	(2,009)	1,949
Net impact from miscellaneous subsidiaries activity	265	358
Refurbishment recategorised	(184)	100
Capital expenditure aligned	2,525	6,267
Net impact of accrued sundry expenditure for post-year end entries	(408)	95
Net internal balances reversal	914	1,123
Depreciation (including subsidiaries)	(15,016)	(14,071)
Surplus as per consolidated GAAP financial statements	**3,468**	**10,416**

The above reconciliation is additional information not forming part of the consolidated financial statements.

HEA FINANCIAL STATEMENTS