

University of Limerick

Consolidated Report and Financial Statements

Year Ended 30 September 2016

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APPENDIX NOT FORMING PART OF THE UNIVERSITY'S FINANCIAL STATEMENTS AND NOT AUDITED BY THE COMPTROLLER AND AUDITOR GENERAL

1. UNIVERSITY OF LIMERICK FOUNDATION FINANCIAL STATEMENTS

GOVERNORS AND OTHER INFORMATION

Board of Governors

See Appendix 1 of Annual Statement
of Governance and Internal Control

Solicitors

Holmes O'Malley Sexton
Bishopsgate
Henry Street
Limerick

President

Dr. Des Fitzgerald – appointed 2nd May 2017
Prof. Don Barry – retired 30th April 2017

Principal Banker

Bank of Ireland
125 O'Connell Street
Limerick

Director of Finance

John Field

European Investment Bank
100 boulevard Konrad Adenauer
Luxembourg
L-2950 Luxembourg

Secretary and Registered Office

Callista Bennis
University of Limerick
Limerick

Registered Charity Number:
CHY5806

Governing Authority appointed Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Bank Place
Limerick

Auditor

Comptroller & Auditor General
3A Mayor Street Upper
Dublin 1

DIRECTOR OF FINANCE REPORT

I present the consolidated financial statements of the University of Limerick ("the University") for the year ended 30th September 2016. The Financial Statements are prepared in accordance with the Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice ("SORP") – Accounting for Further and Higher Education (2015), issued in the UK by the Further and Higher Education SORP Board, which the University has adopted. The Consolidated Financial Statements include the University and its subsidiary undertakings as set out in note 17 on page 52. As set out in note 3 (b) subsidiaries are all entities over which the University has the power to exercise control.

The financial statements of the University of Limerick Foundation are excluded from these financial statements as the University of Limerick Foundation is not controlled by the University. Details of the activity with the Foundation is set out in note 26. A copy of the Financial Statements of the University of Limerick Foundation for year ended 31 August 2016 is also included as an appendix.

FRS 102 and FE/HE SORP

The introduction of the new accounting standard FRS102 and the FE/HE SORP have resulted in a significant change to the structure, terminology and format of the consolidated financial statements. The previous year comparatives have been restated in accordance with FRS102 and restatements are effective from 1 October 2014, being the date of transition to FRS102. The key changes in accounting arising from the introduction of FRS 102 and the FE/HE SORP are outlined in the Statement of Accounting Policies on pages 28 to 39. The impact of the restatement is set out in a reconciliation of reserves in note 29.

The key changes arising from the transition to FRS 102 include: -

- Income recognition changes
- Treatment of deferred capital grants
- Employee benefit accrual
- Land revaluation and changes in depreciation

Capital Investment and Buybacks

Significant capital expenditure has continued across the entire University in terms of completion of new buildings and refurbishment projects. Total capital expenditure during the year ended 30 September 2016 amounted to €34m including €8.3m on equipment and €5.3m on an investment property which has been leased to Munster Rugby for a fifteen-year term. The Munster Rugby Training Building includes gym, medical rooms, coaching areas, meeting rooms and changing areas.

A number of projects remained under construction at the year end including the extension of the Glucksman Library, the new 25m pool and the Clinical Education and Research Centre on the grounds of University Hospital Limerick.

During the period Plassey Campus Centre CLG purchased Parkpoint a modern mixed use development comprising a hotel, offices, retail warehousing and an underground car park. Park Point is a strategically located development adjacent to the campus. Plassey Campus Centre CLG also continued its phased refurbishment of the Kilmurray village residences.

Plassey Trust Company, a subsidiary of Plassey Campus Centre, exercised an option to purchase Thomond Village, a S.50 property. The planned exercise of an option to repurchase phase 1 of Cappavilla Village residences during 2016/17 has been recognised as an asset and current payable in the financial statements in line with FRS102.

Treasury

The University's consolidated bank and cash balances decreased by €50.4m during the period. Cash flow from operations generated €14.1m. Cash outflows from financing activities for capital investments were €34m and cash outflow on loan repayments and the exercising of the option to repurchase Thomond Village totalled €30.6m.

Bank borrowings decreased by €5.183m to €60.8m. Since the end of the financial year the University drew down the remaining €50m of the EIB €100m loan facility.

Research Activity

The level of research activity for the year 2015-16 increased by 1.7% (2014-15 +12%) to €35.2m. New research awards during the year were €37.6m.

Summary Financial Position

A summary of the financial position is set out in table 1.

| | FRS 102 | | Irish GAAP | |
|------------------------------------------------------------------------------|---------------|--------------|--------------|--------------|
| | 2015-16 | 2014-15 | 2013-14 | 2012-13 |
| | €m | €m | €m | €m |
| State Grant | 36 | 34 | 36 | 36 |
| Academic Fees | 90 | 86 | 83.7 | 82 |
| Research grants and contracts | 35 | 35 | 31 | 28 |
| Other income | 46 | 44 | 39 | 34 |
| Donation | 1 | 6 | | |
| Deferred pension funding | 34 | 35 | 30 | 30 |
| Total Income | 242 | 240 | 219.7 | 210 |
| Staff Costs | 125 | 120 | 112 | 106 |
| Other operating expenses | 65 | 68.6 | 63.4 | 61 |
| FRS 17 adjustment | 34 | 35 | 30 | 30 |
| Total operating expenses | 224 | 223.6 | 205.4 | 197 |
| Earnings before interest, tax, depreciation and Amortisation (EBITDA) | 18 | 16.4 | 14.3 | 13 |
| Interest Payable/(Received) (net) | 0.4 | 0.1 | (1.5) | (2.3) |
| Depreciation (net of amortisation) | 11.6 | 9.3 | 5.5 | 5.5 |
| Surplus for the year before other gains and losses | 6 | 7 | 10.3 | 9.8 |
| Gain on investments | 0.2 | 0.1 | | |
| Surplus for the year | 6.2 | 7.1 | 10.3 | 9.8 |
| | | | | |
| Cash flow generated from operations | 14.1 | 66.5 | 23.9 | 20.8 |
| Capital investment | (34.0) | (31.6) | (24.2) | (15.8) |
| Loan/Buybacks | (30.6) | (29.6) | 21.9 | (0.8) |
| Movement in cash and cash equivalents | (50.5) | 5.3 | 21.6 | 4.2 |
| | | | | |
| Treasury (Borrowings and Cash at year end) | | | | |
| Cash | 109.6 | 157.7 | 151.5 | 129.9 |
| Loans | (60.8) | (66.0) | (48.1) | (26.2) |
| Net cash | 48.8 | 91.7 | 103.4 | 103.7 |
| | | | | |
| Net assets at year end | 240.9 | 234.8 | 325.0 | 307.4 |

Table 1 – Summary Financial Position

Total consolidated income increased by €2m, however under FRS102 donations are recognised as income as the performance related conditions are met. In the period funding from University of Limerick Foundation towards capital projects was recognised as income. Previously under GAAP such capital donations were released to income over the useful life of the related capital item. In note 29 €90.783m of deferred capital grants from non state sources were taken to revenue reserves. This has reduced deferred grant amortisation which now relates to State Grants only.

Procurement

The University undertook a full review of its procurement compliance on all VAT exclusive supplier spend above €25k during the year. In the Statement of Governance and Internal Control the results of this review are outlined. The University is working closely with the Office of Government Procurement (OGP) to address the identified areas of non-compliance. It is acknowledged that as the portfolio of OGP frameworks expand and are renewed taking increased account of sector requirements greater compliance will be achieved.

Pensions

The University operates a defined benefit pension scheme, the University of Limerick Super Annuation (Amendment) Scheme, which is funded annually on a “pay as you go” basis from monies provided by the HEA and from contributions deducted from staff salaries. Since January 2013 the University also operates the Single Public Service Pension Scheme (the “Single Scheme”). The new Single scheme came in to effect for all new entrants to pensionable public service employment on or after 1 January 2013. The Single Scheme changes the basis of assessing the pension benefits on retirement to assessing on career average earnings and increasing the minimum retirement age. The legislation establishing the Single Scheme provides that pension contributions are deducted from employee pay and these are remitted by the employing organisation directly to the Department of Public Expenditure and Reform. Funding for pension in payment will be provided separately from the Exchequer through the Central Fund or a separate vote.

The University of Limerick regards that under both schemes defined benefits are being provided and accordingly these should be accounted for as defined benefit obligations under FRS 102, Para 28.10(b). The University does not, in substance, bear actuarial risk for the plans and the University’s obligation is, in effect, acting as an agent in paying pension payments to the pensioners based on the amount confirmed and advised to the University and funded to the University by the HEA.

In addition (i) the establishment of newer schemes gives a statutory basis for what in practice was happening on the older schemes, i.e. the new Single scheme provides that pension deductions are to be remitted and separate funding will be provided by the Exchequer for pensions (and lump sums) in payment. (ii) The University is not exposed to the actuarial risk, this is because the structure of the Superannuation Scheme is such that the final pension will be paid from the last employer regardless of the level of service provided by the member. For example if a lecturer provides 39 years of pensionable service to another Irish University and joins UL and later retires, then the entire lump sum and monthly pension payment will be paid by UL. The University of Limerick would not take on this liability without being certain that the State will reimburse all of the expenditure required to settle this employee’s pension entitlements. In practice the University has always received an allocation as part of their funding to cover the cost of pensions and in the event of differences a ‘top-up’ from the HEA or ultimately refund the excess to the HEA. (iii) The University’s role in relation to the pension schemes is administrative in nature.

Under old GAAP, FRS 17 required the reporting of the pension liability on the balance sheet. The University recognised a pension receivable in respect of all components of the pension liability. Under old GAAP our external auditors PWC disagreed with this approach on the basis that under FRS 12 - Provisions, contingent liabilities and assets, the inclusion of a pension asset did not meet the asset recognition requirements. On this basis they issued an ‘except for’ audit opinion for past financial years in respect of the accounting treatment of the pension receivable in respect of the actuarially calculated pension liability.

The University is of the view that under FRS102 it is virtually certain that a reimbursement asset exists and accordingly a reimbursement asset (match asset) is recognised in the accounts. PWC have informed Governing Authority Audit & Risk Committee that their opinion in this matter will no longer be qualified.

Conclusion

The overall financial performance for the year ended 30 September 2016 shows a surplus of €6.1m. This surplus is made up of a University surplus of €2.8m and a surplus generated by subsidiary undertakings of €3.3m. The surplus in the subsidiary undertakings is required to meet debt commitments associated with subsidiary developments of €64m.

In terms of overall financial sustainability the University should be reporting an annual surplus of at least 3% of income before unrealised gains/losses and once-off impairments (OECD recommendation). For 2016 the annual surplus of the University represents 1.2% of income which indicates a sustainability gap of 1.8% of income. The Expert Group on Future Funding for Higher Education reported in March 2016 and its central recommendation is that Ireland needs to substantially increase the level of investment in higher education to ensure that the system is able to deliver fully on its role in supporting our national economic and social development.

As can be seen in Table 1 the level of state grant remained static from 2012-13 to 2015-16. It is likely that any increases in state funding in 2017 and 2018 will be fully consumed by pay restoration costs and student number increases.

In terms of sustainability the work of the Expert Group has clarified that there is a considerable funding challenge facing the higher education system and that this challenge cannot be addressed by minor tweaks or easy fixes. The Expert Group believes that wider reform of the funding system is necessary.

The University's objective of delivering on the vision set out in Broadening Horizons, Strategic Plan 2015-19, requires the necessary financial resources. These resources must be a combination of Exchequer and non-Exchequer sources. In order to address the necessary growth in Exchequer income a timely implementation of the recommendations of the Expert Group is required.

In conclusion I wish to express my gratitude to the staff of the Finance Department for their efforts in completing these Financial Statements in accordance with FRS 102 which presented a significant challenge and has resulted in many new notes and disclosure requirements.



John Field
Director of Finance

STATEMENT OF GOVERNING AUTHORITY RESPONSIBILITIES

The Governing Authority is required to comply with the Universities Act, 1977 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.

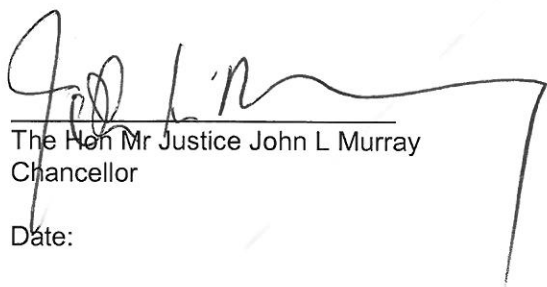
In preparing those accounts, the Governing Authority is required to:

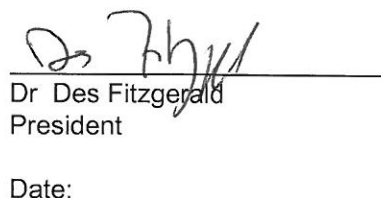
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statement; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Governing Authority is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that its financial statement comply with the Universities Act, 1997, the Statement of Recommended Practice for Further and Higher Education Institutions and are prepared in accordance with FRS102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*".

The Governing Authority 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 Governing Authority


The Hon Mr Justice John L Murray
Chancellor
Date:


Dr Des Fitzgerald
President
Date:

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL

In compliance with Section 2.11.4 of the HEA/IUA “Governance of Irish Universities” 2012, this constitutes the University of Limerick’s Statement of Governance & Internal Control (SGIC) for Financial Year ended 30 September 2016.

1. GOVERNANCE

- 1.1 **General:** The Governing Authority affirms that it has overall responsibility for compliance by the University of Limerick with applicable statutory obligations as set out in legislation governing the establishment of the University and other relevant legislation. To the best of the Governing Authority’s knowledge and belief, the University is in compliance with such legislation.
- 1.2 The University of Limerick (UL) Governing Authority adopted The Higher Education Authority/Irish Universities Association’s (HEA/IUA) revised 2012 Code “Governance of Irish Universities” on 25 September 2012. The existing UL Code of Governance was approved by Governing Authority in May 2014 and is in line with the 2012 National Code. Following its approval, it was forwarded to the University’s subsidiary companies. Appropriate codes of governance based on the University’s Code have been adopted by the Board of Directors in each subsidiary.
A revised Schedule of Matters Reserved to Governing Authority was approved by Governing Authority in February 2016 taking into account provisions of the Code for the Governance of Irish Universities, the UL Code of Governance and new legislation.
- 1.3 A Code of Conduct for Members of the Governing Authority was approved by the Governing Authority in 2009 and copies were circulated to all members of the Governing Authority. This Code was reviewed by the Audit & Risk Management Committee (renamed the Audit & Risk Committee in October 2016) in early 2016 to ensure it is in compliance with relevant legislation and the National Code of Governance. The revised Code was approved by Governing Authority in February 2016.
- 1.4 The Code of Conduct for Employees is covered by their contracts of employment and a range of policies and procedures are in place at the University. In relation to research, the University is currently finalising a “UL Research Integrity Policy” in the period under review. It was approved by Academic Council in December 2016 and aligns with the “National Policy Statement on Ensuring Research Integrity”, 2014. There is a robust process in place to ensure the rollout of appropriate research ethics on a University-wide basis. Further to the provisions in these policies, procedures and processes, a “Code of Conduct for Employees of the University” was approved by the Governing Authority in September 2011. The Code is available to all employees via the UL website and is brought to the attention of all new employees as part of the University’s Induction Process. This Code of Conduct was reviewed in early 2017 by the Governing Authority Human Resources Committee and was deemed to be working well. This Code will be considered further in light of any impact from the updated Code of Governance for Irish Universities due in 2017.
- 1.5 The University of Limerick, in association with the other Irish universities, looks forward to continuing engagement with the HEA in the updating of the national Code of Governance of Irish Universities to bring it into line with the national Code for State Bodies. Once agreed, work will commence in identifying and addressing any gaps between the existing University of Limerick Code of Governance and the new national Code.
- 1.6 **Finance:** The following is a brief outline of the financially significant developments affecting the University in AY2015/16 together with major issues likely to arise in the short to medium-term:
- The University achieved a balanced budget for the Financial Year 2015/16 in line with the budget strategy approved by the Governing Authority. This has been formally communicated to the HEA.
 - The on-going management of the fallout from the economic downturn continues to be a key issue for the University.
 - A subsidiary purchased a mixed used development adjacent to the campus in Nov 2015 for a consideration of €4.18m.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

- In September 2013, the Finance Committee approved the acceptance of the offer of loan funding from the EIB of €100 million towards eligible projects in the Capital Development Plan, totalling €224 million. The Governing Authority Finance Committee was briefed on the loan facility together with the annual draw down plans. Since the end of the financial year 2015-16 the University has drawn down the remaining €50 million of this facility.
- In March 2016 the Governing Authority, through its Finance Committee, approved a funding plan for the development of a PGA branded Golf Academy. This is Ireland's first university based Golf Academy for teaching, research and service. Facilities will permit accredited academic programme delivery and golf-oriented external courses and training in conjunction with the PGA.
- The consideration of the report from the Expert Group on Future Funding of Higher Education is ongoing. The implementation of this report could have a financially significant impact on the University.
- The University has been advised that the Department of Social Protection have determined that four contractors who are engaged by the University on a contract for service are deemed to be employees for the purpose of insurability. The University is appealing this decision. If the appeal fails the University will be liable for resulting costs.

- 1.7 **Pay:** The University of Limerick is complying with Government Policy on Pay and the Framework for Departure from Approved Levels of Remuneration as agreed with the HEA under Section 25 of the Universities Act, 1997.

There was a total of 506 full-time academic and 41.5 part-time academic staff employed by the University at the end of the period under review. The University has permission from the Department of Education and Skills which allows the University to pay overtime to academic staff for work outside of their normal contract hours e.g. evenings and weekends. In the year ended September 2016 the total value of the payments to full time staff was €232,155

Salary of President: The President's salary for the period 1 October 2015 to 30 September 2016 was €179,809.

- 1.8 The University of Limerick affirms that:

- **Financial** – The University is subject to annual audit by both the Office of the Comptroller & Auditor General and the Management Auditors of the University. All appropriate procedures for the production of the University's annual financial statements are in place. The University has not made any payment of interest and penalties under the Prompt Payments Act.
- **Internal Audit** – The University has outsourced its Internal Audit function. The University's Internal Auditors report to the President and to the Governing Authority through its Audit and Risk Committee (ARC). There is a robust system of internal audit in place through the Internal Auditors carrying out an annual programme of risk-based audits that is approved by the ARC. In addition, a University of Limerick Internal Audit Charter is in place and the implementation of its provisions ensures that a review of the status of implementation of Internal Audit recommendations is undertaken on a regular basis and reported upon to the ARC. The Internal Audit Charter was revised by ARMC in September 2016 and approved by GA in October 2016 to incorporate the recommendations arising from an external expert's review of the governance of the Internal Audit function.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

- **Risk Management** - The roll-out of the Risk Management Policy across various faculties and divisions continues to progress and a total of twenty one risk registers were in place by the end of the period under review. Given its importance within the University, progress relating to Risk Management is a standing agenda item at meetings of the ARC. The Committee in turn reports to the Governing Authority on risk management related matters on a regular basis. The Risk Management Policy and Guide to Risk Management were updated and approved by Governing Authority in February 2016 to incorporate the recommendations arising from an external expert's review of the governance of risk management within the University.
- In line with best practice recommendations in relation to training, the members of the ARC attended an intensive training day in September 2016 that was delivered by an expert from the UK.

Procurement

- UL has procurement procedures in place and these have been communicated to the staff of the University. UL endeavours to ensure full compliance with procurement procedures and guidelines. The University is actively working with the Office of Government Procurement (OGP) to ensure that procurement activities are taking place in accordance with requirements of the operating model being put in place by the OGP. The implementation of this model is an ongoing process since 2013 and is being managed by the OGP. The University has no control over the process of OGP implementation. A memorandum of understanding between the OGP and the Department of Education which sets out the fundamentals of this model is due to be finalised shortly. Under the OGP model the University is responsible for compliance with procurement guidelines while being required to use suppliers selected by the OGP. During the ongoing implementation phase of the OGP model and primarily due to resourcing and timing issues it is not always possible to match the output of the OGP process to the procurement requirements of the University. This leads to a risk that contracts expire in advance of being retendered or that contracts are extended temporarily beyond their original duration without going through the appropriate procurement process. There is also a risk that where the OGP cannot deliver a procurement request that the University does not have the resources available to it to complete the necessary process. The University continues to deploy its minimal procurement resources to minimise this risk. The purchase of goods and services that form part of this transition process to the OGP model during the year ended 30 September 2016 amounted to €1.4m. Of this amount €432k relates to transition delays identified in 2014-15. The remainder of the transition items identified in 2014-15 have been successfully transitioned to OGP frameworks or contracts. The University's expenditure with suppliers, including both recurrent and research costs and capital costs during the year amounted to €91m.
- During the year ended 30 September 2016 the allocation of buyer resources is prioritised to procurement competitions with the best opportunities to deliver additional savings.
- The University conducts a review annually of aggregate spend on commodities. Such reviews by their very nature can be undertaken only on a retrospective basis. The review will inform whether a revised procurement strategy is required for such commodities as aggregate annual spend has now exceeded the €25,000 threshold for tendering. The University is of the view that such expenditure remains compliant as the University did not know as it committed to the expenditure that the threshold would be exceeded. For the year ended 30 September 2016 the University review of aggregate spend has identified total expenditure of €749,014 with 19 suppliers (average spend of € 39,422), that requires evaluation as to whether a revised procurement strategy is required. Had the University been aware of the aggregation impact the procurement process conducted may have been a different to the one followed for these transactions. Within this expenditure three written quotations were obtained for all transactions exceeding €5,000. Instances of aggregate spend identified in the review for 2014-15 have been substantially progressed and there remains five cases out of the twenty three cases identified which are ongoing challenges, four of these cases have been delayed due to negotiations with incumbent suppliers on their rights to renewal. Notwithstanding the foregoing, to the best of UL's knowledge and belief, the University has been compliant with its procurement procedures.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

- **Asset Disposal** – The disposal of assets by the University is carried out in accordance with the University’s fixed assets disposal process. A revised University of Limerick Disposal/Transfer of Assets Policy that is in compliance with the 2012 National Code of Governance is in place. Additionally, the University maintains a Fixed Asset Register which is subject to annual audit by the Office of the Comptroller & Auditor General and the Management Auditors of the University. To the best of UL’s knowledge and belief, the University has been compliant with these processes.

1.9 **Capital Projects:** To the best of the University’s knowledge and belief, the University’s practices in the development of capital projects are consistent with the Department of Public Expenditure and Reform Circular 13/13: the Public Spending Code: Expenditure Planning, Appraisal & Evaluation in the Public Service – Standard Rules & Procedures.

1.10 **Travel Policy:** The University implements Government travel policy requirements through its Travel & Subsistence Policy approved by Governing Authority. The Policy in place for the year ended 30 September 2016 was effective from 1 October 2013 and was updated and approved by Governing Authority in March 2016.

On 29 May 2015 the University received correspondence from the Higher Education Authority (HEA) attaching an alleged “protected disclosure” concerning what the HEA described as “poor or bad practice in the Finance Department”. The allegations raised included the area of Travel and Subsistence. The University immediately engaged their Internal Auditors to examine the allegations. Whilst a number of issues were raised, no specific detail was provided and therefore the Internal Auditors contacted the HEA on a number of occasions asking them to obtain specific information. As a result of specific information not being available the University engaged the Internal Auditor to perform a general review of Travel and Subsistence at the University. This review was performed in September 2015 and covered the period 1 March 2014 to 31 August 2015. The Internal Auditor reported that “based on the work we have performed, we have not identified in the areas reviewed, and in the samples selected, any critical weaknesses that would indicate a systematic breakdown in internal controls surrounding the Travel and Subsistence process”. The review identified a number of areas for improvement and these improvements are being implemented.

In October 2015 the HEA requested Mazars to carry out a review into the processes employed by UL to inquire into certain allegations which included the allegations referred to in the previous paragraph. During this review Mazars on 8 January 2016 provided the University with the specific information regarding the allegations referred to in the correspondence received on 29 May 2015. Upon receipt of this information, the University completed a management review of the items presented, and engaged the Internal Auditor to carry out an independent review of the financial allegations. The inquiry process in respect of the matters raised did not identify any instances of irregular practices, financial wrongdoing or financial mismanagement. The Mazars review made a total of 15 recommendations, however, none of these related to the implementation of travel policy by the University.

The processing of Travel and Subsistence claims has been the subject of intense review arising from the allegations received from the HEA. The University is satisfied that based on the process of enquiry followed and the validation of that process when independently reviewed by Mazars that the allegations were unsupported by the evidence provided. The University is satisfied that there are robust controls in place in relation to the payment of travel related expense. To the best of the University’s knowledge and belief the requirements of Government travel policy are being implemented throughout the University.

1.11 **Value for Money:** To the best of the University’s knowledge and belief, the University has followed the Guidelines on Achieving Value for Money in Public Expenditure as set out in the address by the Minister for Finance on 20 October 2005 and communicated to the universities.

1.12 **Taxation:** The University seeks to be compliant with taxation laws and is committed to ensuring that all known tax liabilities are paid at the relevant due dates.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

1.13 **Child Protection:** The University of Limerick’s Child Protection Guidelines comply with Children First – National Guidance for the Protection and Welfare of Young Children 2011 and are being implemented. The University’s subsidiary companies have local Child Protection Policies in place that conform with Children First and are implemented. Written confirmation of implementation was received by the University’s Health & Safety Officer, who is also the University’s Child Protection Officer. The ARC receives an annual report on the implementation of the University’s Child Protection Guidelines and verification that the University’s subsidiary companies’ policies are being applied. This is subsequently reported to Governing Authority by the Committee.

1.14 **Fees/Expenses for members of Governing Authority:** Expenses paid to external members of Governing Authority are in accordance with the Guidelines from the Department of Finance. These are included in the University’s Annual Reports. Details of the fees and expenses paid to external members of Governing Authority for year ended 30 September 2016 are as follows:

| | External Governing Authority Members |
|-------------------------|---------------------------------------------|
| Fees Payable | Nil |
| Expenses Payable | €5,577 |

1.15 **Code of Governance – Subsidiaries:** The University’s subsidiary company Plassey Campus Centre DAC (PCC) that includes the University Concert Hall DAC has a Code of Governance in place that is based on the UL Code of Governance and the 2012 National Code. In line with the provisions of the Code, PCC Board of Directors approved a Code of Conduct for Board members and a Code of Conduct for Employees during 2016. Furthermore, PCC submits an annual Statement of Governance to its Board and subsequently to the Governing Authority Finance Committee. A similar Code of Governance for Unijobs Ltd was approved by its Board in December 2015, a Code of Conduct for Members of this Board was approved in September 2016 and a Code of Conduct for Employees is expected to be in place by December 2017. The University of Limerick Alumni Association DAC Code of Governance was approved by its Board in June 2016 and a Code of Conduct for Members of the Board was approved in September 2016. A Code of Conduct for Employees is expected to be in place by December 2017. Statements of Governance for Year Ended 30 September 2016 for both Unijobs Ltd and the UL Alumni Association Ltd were presented to their respective Boards in early 2017 and subsequently, to the Governing Authority Finance Committee.

1.16 **Health & Safety:** The University of Limerick recognises its responsibilities and duties under The Safety Health & Welfare at Work Act 2005 including all relevant regulations and codes of practice, and is committed to ensuring, in so far as is reasonably practicable the health, safety and welfare of employees, students, visitors and other persons who may be affected by its activities. In this regard, the University has an appointed Health & Safety Officer and a Health & Safety Statement setting out the management of safety, health and welfare at the University. This Statement is monitored for implementation. In addition, reports on health and safety are considered by the ARC on a bi-annual basis and reported to the Governing Authority.

1.17 **Good Faith Reporting – Protected Disclosures Act 2014:** The University of Limerick’s Protected Disclosures Policy & Procedures were developed in accordance with Guidelines issued by DPER. The Policy & Procedures were approved by the Governing Authority in April 2016. The University’s Anti-Fraud Policy was also approved at the same meeting.

1.18 **Governing Authority Meetings:** During the period under review there were eight meetings of the Governing Authority. The attendance record of members of Governing Authority at those meetings is attached as Appendix 1.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

- 1.19 **Audit & Risk Management Committee meetings:** The Governing Authority ARC met on six occasions in the period under review and the attendance record of members of the Committee is attached as Appendix 2.
- 1.20 **Review of Governing Authority Performance:** Work has commenced on the development of a comprehensive review of the performance of the Governing Authority. This review will be facilitated by the Quality Support Unit of the University in early 2017.

2. INTERNAL CONTROL

- 2.1 **General:** Governing Authority acknowledges that it has overall responsibility for the University's system of internal control, including that of its subsidiary companies. The system covers all material controls including financial, operational and compliance controls and risk management systems that support the achievement of the University's Strategic Plan, the achievement of the Strategic Plans/objectives of its subsidiary companies and the implementation of University policies and procedures while safeguarding the public and other funds and assets for which the University is responsible.
- 2.2 The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the aims and objectives of the Strategic Plan or the implementation of University policies and procedures, or to conduct its affairs in an orderly and legitimate manner. To that extent it can, therefore, only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an on-going 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. Management of risk has always been an integral part of the management of the University and its subsidiaries. In keeping with best practice, the University's Risk Management Policy was adopted by the Governing Authority in 2010. In February 2016 the Policy was reviewed and resultant amendments approved by Governing Authority. This Policy sets out a framework for the embedding of risk management throughout the University (including its subsidiaries). The Fundamental Risk Register for the University was reviewed, updated and approved by the University's Executive Committee in April 2017 and will be submitted to the ARC and subsequently to the Governing Authority. Rollout of the Risk Management Policy is on-going across all faculties, divisions, subsidiaries and major research centres of the University. There is a schedule in place for the completion of the roll-out of any remaining local risk registers.

In detail,

- (i) The following ensure that there is an appropriate control environment in place in the University:
- Vice Presidents, Faculty Deans and Heads of Administrative Units, in fulfilling their functions, operate with clear staff structures and appropriate assignment of duties within their respective areas of responsibility. In addition, their respective units have appropriate committee/group structures in place to support the development and work of the units. These units operate in accordance with internal policies and procedures as well as corporate-level policies approved by the Governing Authority on the recommendation of its sub-committees. In addition, senior executives of the University are appointed as directors on all subsidiary company boards and they, along with the management of these subsidiaries, ensure they operate in accordance with University policies and procedures where appropriate and also in accordance with policies and procedures approved by their boards of directors.
 - Procedural manuals and guidelines on academic, financial, IT, research and HR management are available to all managers.
 - The University's Academic Council, composed in accordance with the Universities Act, 1997, meets regularly and has a range of sub-committees in place to ensure the development, review and implementation of academic related policies, regulations and procedures. These sub-committees report regularly to the Academic Council.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

- There is a robust Quality Review process in place in accordance with statutory requirements that ensures regular quality reviews of the academic and functional units across the University and the implementation of agreed recommendations arising from such reviews where practicable. The outcomes of these reviews, their implementation where practicable and follow-up reviews are reported to the Governing Authority Strategic Planning & Quality Assurance Committee. This Committee in turn reports to Governing Authority on these matters.
 - The University of Limerick is focused on providing the optimum student experience and in this regard, conducts student exit surveys to elicit where the University can improve its offerings to the students. The outcomes of these surveys are considered in detail and acted upon where practicable. Additionally, the University's Centre for Teaching & Learning works to enhance teaching and learning processes through heightening the profile and value of teaching activities, collaboratively engaging in related research and enabling key teaching innovations.
 - The University aims to facilitate the growth of relevant, sustainable research and its dissemination with the communities it serves. The Research Office has been structured to enable the achievement of this aim. The Research Office comprises the Graduate School that supports the development and delivery of postgraduate programmes and associated regulations; Research Support Services that provide advice and support to researchers and interacts with industry in order to maximise research funding, and the Technology Transfer Office that manages the University's intellectual property and provides for technology transfer working with development agencies to enhance the competitive position of existing industry and to attract investment to the region.
 - The Academic Council of the University approved a UL Research Integrity Policy in December 2016 that is in line with National Policy. In the period under review a Working Group was established to develop clinical research framework for all UL Sponsored Regulated Clinical Trials. This framework is near completion and will be submitted to Academic Council in the near future. There are in-depth procedures in place for the governance of research ethics. There is a University of Limerick Research Ethics Governance (ULREG) Committee in place that sets down policy relating to research ethics within the University and thereby mitigates risks in this area. The Committee reports to the Academic Council of the University. There are additional local Research Ethics Committees in place at Faculty level and there is provision for the establishment of specialist ethics committees as and when required. These 'local' committees report to ULREG. To the best of the University's knowledge and belief, the related policies and recommendations of local and corporate level research ethics committees are implemented throughout the University. Progress is ongoing on the furtherance of the management of the whole area of research integrity through the establishment of a dedicated support post at an appropriately senior level.
 - The Governing Authority ARC, supported by the Internal Auditor, reviews the scope and effectiveness of the University's internal controls and those of its subsidiaries, including financial, operational and compliance controls and reports regularly to the Governing Authority.
 - Regular reporting to the relevant Governing Authority sub-committees and the Governing Authority on the financial aspects of major projects being proposed and/or completed.
 - Regular reporting to the relevant Governing Authority Committee on the physical design of capital projects to ensure they complement surrounding buildings on the Campus.
 - The terms of reference of the sub-committees of the Governing Authority include the oversight of major initiatives within their remit and they report regularly to Governing Authority on such matters.
- (ii) The following processes are used to identify business risks and to evaluate their financial implications:
- The Governing Authority operates in accordance with the University of Limerick's Code of Governance which is based on the 2012 National Code. In addition, University subsidiaries operate in accordance with a Code of Governance based on the University of Limerick's Code of Governance and submit annual governance statements to Governing Authority through its Finance Committee. The University of Limerick, as a member of the IUA, looks forward to continued engagement with the HEA at sectoral level to agree an updated Code of Governance for Irish Universities based on the 2016 Code for State Bodies.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

A Risk Management Policy adopted by the Governing Authority is in place. This policy is implemented by way of a formal risk management process which involves all areas of the University, academic and administrative, in assessing and managing the risks, including the financial implications thereof, in a structured manner. This policy is also implemented in relation to the work of University subsidiaries.

- The roll-out of risk management continued in the period under review through the development of 'local' risk registers across the University and its subsidiaries. An agreed process for the review of local risk registers once established is as follows:
 - within one month of any internal audit report where a recommendation from the Internal Auditors graded as 'fundamental' is recorded;
 - following major changes to the structure, funding or strategic direction of the Faculty/Division/Unit;
 - following a specific request by the Executive Committee;
 - at least twice per annum, notwithstanding the above conditions.
 - Following the completion of a review of their local risk register, Vice Presidents/Deans/Head of Administrative Units and the senior University executives appointed to subsidiary company boards will prepare a report using the standard risk & control template and risk register template set out in the Risk Management Policy. In the case of the University, the report will be submitted to the Executive Committee for consideration and discussion on a bi-annual basis or immediately depending on the level of the risk. In the case of subsidiary companies, this report is submitted to the board of directors.
- (iii) Details of the major information systems in place such as budgets, and means of comparing actual results with budgets during the year.
- The University has established a resource allocation and budgeting system. It carries out an annual budgeting process and the resulting Annual Budget is approved by the Governing Authority Finance Committee and then the Governing Authority. Budgets are reviewed against actual during the year. Monthly reports are issued to budget-holders and financial reports are reviewed by the Governing Authority Finance Committee on a quarterly basis.
 - Subsidiary companies carry out an annual budgeting process and the budget is approved by the board of directors. Budgets are reviewed against actual during the year and quarterly reports are reviewed by the board. On an annual basis the subsidiary companies attend and report to Governing Authority on their performance for the year.
- (iv) Best practice procedures for addressing the financial implications of major business risks include:
- The University has a structured authorisation process matching the monetary limits for the signing authority on financial transactions, within specified accounts, to the appropriate grade within each area; the Head of Department/Function has overall responsibility for the delegation of signing authority within his/her area. In a devolved financial structure the Faculty Dean is accountable to the Governing Authority, through its Finance Committee, for all financial matters of his/her Faculty. The Finance Division works in partnership with and advises areas of the University in relation to compliance with legislative and other obligations on the University. A devolved financial structure also operates within subsidiary companies and the executive management are accountable to the board of directors for all financial matters. Progression on the development of a Signing Authority Policy has been deferred pending restructuring of senior management, as agreed by Governing Authority, following the new President of the University commencing his term of office on 1 May 2017.
 - Detailed procedures on handling financial transactions are published on the University website by the Finance Division. This Division also provides training to staff on a regular basis. Policies and procedures are regularly reviewed and updated as appropriate. Staff in subsidiary companies are trained as required and policies and procedures specific to the subsidiary are reviewed on a regular basis and updated where needed.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

- Finance professionals are members of the following Governing Authority Sub-Committees:
 - Audit & Risk Management Committee;
 - Finance Committee;
 - Campus Development Committee;
 - Boards of subsidiary companies.
 - Members of the Finance Division/subsidiary companies attend meetings of the Governing Authority ARC as and when required by the Committee.
 - Finance Division staff and finance staff of subsidiary companies provide direct advice and support to the campus communities in relation to financial matters.
- (v) Internal controls are monitored by:
- A programme of external quality reviews of academic and support areas, the results of which feed into the risk registers of the individual areas.
 - A review of the implementation of the National Code of Governance was undertaken by the Internal Auditors. Such reviews will continue to take place as required.
 - External Audit Opinion.
 - The ARC approves an internal audit plan on an annual basis. This plan provides for internal audit review of a range of functional areas throughout the University, including its subsidiary companies. The Committee considers subsequent Internal Audit Reports that are based on the status of internal controls within the respective functional areas and meets with the head of the functional area/subsidiary to which the reports relate. Additionally, the ARC reports to the Governing Authority on a regular basis on the outcome of such reviews. As part of its internal audit process, the University has established an Internal Audit Review Group comprising senior executives of the University whose remit is to monitor the implementation of recommendations arising from any Internal Auditor review of controls in the various functional areas. The Review Group operates in accordance with a remit set down by the Governing Authority through its ARC. The remit is also provided for in the University's Internal Audit Charter. The Review Group reports regularly to both the ARC and the Internal Auditors on the status of implementation of recommendations arising from the Internal Audit reviews. In turn the Internal Auditor undertakes a follow-up review of a sample of recommendations deemed implemented.
- 2.4 The Governing Authority confirms that there has been a review of the effectiveness of internal controls during the period to which this Statement relates and that such review was completed on 27 April 2017.
- 2.5 No weaknesses in internal control have been identified that have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or the auditor's report on the financial statements.

3. **Matters of non-compliance/weaknesses in Internal Control**

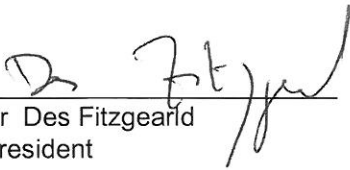
During the year under review a number of areas were selected for internal audit review. Improvements to internal controls were identified as part of this process. Remedial action were also identified and agreed with the relevant manager along with a timeframe for implementation. All of these reports were approved by Governing Authority.

On 12 May 2017 following a request to do so by the University, the Minister for Education and Skills announced the details of an independent review into governance, HR and finance practices and procedures at the University of Limerick. The HEA oversaw the review and appointed Dr Richard Thorn, President Emeritus of Institute of Technology, Sligo, to conduct the review. Dr Thorn's report was published on 8 November 2017. The University is assessing its findings and what actions it needs to take to address the issues raised in the report.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

The Governing Authority commissioned a review to bring clarity to issues raised by both the Public Accounts Committee and RTE Primetime Investigates, this review was undertaken by Deloitte. Following detailed consideration, the Governing Authority has instructed the University Executive to implement all of its recommendations and to address any other issues arising from the report. This process is now underway under the direction of the new Chief Operating Officer and Registrar, Mr. Gerry O'Brien.

On behalf of the University of Limerick


Dr. Des Fitzgearld
President

Date

4/12/2017

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

APPENDIX 1

Attendance at Governing Authority meetings 2015-2016

The Governing Authority met eight times during the period under review, 1 October 2015 – 30 September 2016. Where a member was not eligible to attend all 8 details are provided below.

| | Governing Authority Member | No. of Meetings Eligible to Attend | No. of Meetings Attended |
|-----------------------------------------------------------------------------|-----------------------------------------|------------------------------------|--------------------------|
| Chief Officer: | Professor Don Barry | 8 | 8 |
| Chancellor: | Judge John L Murray | 8 | 8 |
| Senior Officers of University (2): | Professor Paul McCutcheon | 8 | 7 |
| | Mr John Field | 8 | 8 |
| Professors/Associate Professors: (elected by such staff) | Professor Sean Arkins | 8 | 8 |
| | Professor Merritt Bucholz | 8 | 2 |
| | Dr Eoin Devereux | 1 | 1 |
| | ¹ Dr Dermot Shinnars-Kennedy | 4 | 2 |
| | Professor Colum Dunne | 8 | 4 |
| | Professor Michael Pomeroy | 8 | 7 |
| Academic & Research Staff: (elected by such staff) | Dr Sean McGrath | 8 | 5 |
| | Dr Máirtín Ó Droma | 8 | 8 |
| | Dr Wynette Redington | 8 | 6 |
| | Dr Peter Tiernan | 8 | 6 |
| Support Staff: (elected by such staff) | Ms Michelle Breen | 8 | 6 |
| | Ms Neasa Fahy O' Donnell | 8 | 6 |
| | Mr Pat Rockett | 8 | 6 |
| Elected officers of the Students' Union: | Mr Colin Clarke | 7 | 7 |
| | ² Ms Sarah Dunphy | 1 | 1 |
| | Ms Ciara Corcoran | 7 | 6 |
| | ³ Mr Caolan O'Donnell | 1 | 1 |
| | Mr Sean McKillen | 7 | 7 |
| | ⁴ Ms Aimee McKenzie | 1 | 1 |
| Nominees of Organisations: | Mr Tadhg B Kearney | 8 | 7 |
| | Ms Berni Brady | 8 | 4 |
| | Mr Bobby O' Connor | 8 | 8 |
| Nominees of Minister for Education & Skills: | Ms Breda Deedigan | 8 | 6 |
| | Mr David O' Flynn | 8 | 2 |
| | Professor Helen O'Neill | 8 | 7 |
| Persons appointed having regard to Artistic/Cultural Interests: | Ms Judith Woodworth | 8 | 7 |
| | Ms Trish Long | 8 | 4 |
| Graduates of the University of Limerick: (elected by such graduates) | Mr Fintan Breen | 8 | 5 |
| | Mr John O' Connell | 8 | 8 |
| Mayor of the Metropolitan District of Limerick: | ⁵ Cllr Jerry O'Dea | 7 | 2 |
| | ⁶ Cllr Michael Hourigan | 1 | 0 |
| Mayor of the City & County of Limerick: | ⁷ Cllr Liam Galvin | 7 | 4 |
| | ⁸ Cllr Jerry O'Dea | 1 | 0 |
| University of Limerick Foundation Nominees: | Ms Kay Doyle | 8 | 4 |
| | Mr Michael Houlihan | 8 | 7 |
| | Mr Richard Leonard | 8 | 5 |
| President, MIC: | Professor Michael Hayes | 8 | 6 |

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

- 1 Dr Shinnars-Kennedy was elected in December 2015 to fill vacancy created by the resignation of Professor Eoin Devereux.
- 2 Ms Dunphy replaced Mr Clarke as President, University of Limerick's Students' Union, (ULSU) in June 2016.
- 3 Mr O'Donnell replaced Ms Corcoran as Deputy President, ULSU in June 2016.
- 4 Ms McKenzie replaced Mr McKillen as President, University of Limerick's Postgraduate Students' Union in June 2016.
- 5 Cllr O'Dea was elected Mayor of the Metropolitan District of Limerick in June 2015.
- 6 Cllr Hourigan was elected Mayor of the Metropolitan District of Limerick in June 2016.
- 7 Cllr Liam Galvin was elected Mayor of the City and County of Limerick in June 2015.
- 8 Cllr O'Hanlon was elected Mayor of the City and County of Limerick in June 2016 and as permitted by the Local Government Reform Act 2015 he nominated Cllr O'Dea in his place on the Governing Authority.

ANNUAL STATEMENT OF GOVERNANCE AND INTERNAL CONTROL - continued

APPENDIX 2

**Attendance at Governing Authority
Audit & Risk Management Committee meetings 2015-2016**

The Audit & Risk Management Committee met on six occasions in the period under review 1 October 2015 – 30 September 2016 and their attendance record is detailed below:

Ms Breda Deedigan – attended 6 of 6 meetings;
Mrs Kay Doyle – attended 3 of 6 meetings;
Mr Tim Healy – attended 4 of 6 meetings;
Mr Michael Houlihan – attended 6 of 6 meetings;
Mr Richard Leonard – attended 5 of 6 meetings;
Mr Sean Hayes – attended 6 of 6 meetings.



Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

University of Limerick

I have audited the consolidated financial statements of the University of Limerick for the year ended 30 September 2016 under the Universities Act 1997. The financial statements comprise the consolidated and university statement of comprehensive income, the consolidated and university statement of changes in reserves, the consolidated and university statement of financial position, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the Universities Act 1997 and generally accepted accounting practice.

Responsibilities of the Governing Authority

The Governing Authority is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to bodies in receipt of substantial funding from the State in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of 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 University's circumstances, and have been consistently applied and adequately disclosed,

- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I seek to rely on evidence from an audit of the financial statements by auditors engaged by the University. I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I assess the consistency of the other information presented with the financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the University and of the University group at 30 September 2016 and of the income and expenditure of the University group for the year then ended; and
- have been properly prepared in accordance with generally accepted accounting practice.

In my opinion, the accounting records of the University were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

Emphasis of matter – deferred pension funding

Without qualifying my opinion on the financial statements, I draw attention to Note 27 Retirement Benefits.

The recognition of a deferred pension funding asset in respect of the Single Public Service Pension Scheme (€9 million) reflects statutory provisions relating to the funding of that Scheme.

The recognition of an asset of €869 million in respect of the University of Limerick Superannuation (Amendment) Scheme anticipates that funding will be provided by the State to meet

pension liabilities as they fall due. Inherent in this accounting treatment is an assumption that any income generated by the University will in the first instance be applied towards current expenses and that State funding will meet any shortfall in resources required to meet future pension liabilities.

Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the statement on governance and internal control does not reflect the University's compliance with the governance arrangements

set out in the Code of Governance of Irish Universities, or

- there are other material matters relating to the manner in which public business has been conducted.

Procurement non-compliance

The statement on governance and internal control discloses that the University procured a material level of goods and services during the year without competitive tendering.



Seamus McCarthy
Comptroller and Auditor General

7 December 2017

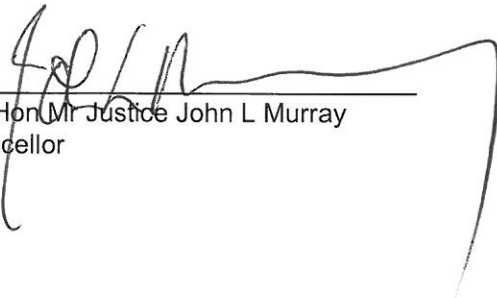
CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 30 September 2016

| | Notes | Consolidated | | University | |
|---------------------------------------------------------------------------------------------|-------|-------------------------------|-------------------------------------------------------------------------|-------------------------------|-------------------------------|
| | | 30 September 2016 €'000 | 30 September 2015 €'000 (as restated note 8,12, 15 & 23) | 30 September 2016 €'000 | 30 September 2015 €'000 |
| Income | | | | | |
| State grants | 5 | 36,174 | 34,045 | 36,174 | 34,045 |
| Academic fees | 6 | 89,630 | 86,218 | 89,630 | 86,218 |
| Research grants and contracts | 7 | 35,154 | 34,580 | 35,154 | 34,580 |
| Amortisation of deferred capital grants | 23 | 4,113 | 5,938 | 4,113 | 5,938 |
| Other operating income | 8 | 46,578 | 44,280 | 26,956 | 26,221 |
| Interest income | 9 | 498 | 1,300 | 177 | 677 |
| Donation | 26 | 1,000 | 5,315 | 1,000 | 5,315 |
| Net deferred funding for retirement benefits | 27 | 34,157 | 35,097 | 34,157 | 35,097 |
| Total income | | <u>247,304</u> | <u>246,773</u> | <u>227,361</u> | <u>228,091</u> |
| Expenditure | | | | | |
| Staff costs | 10 | 125,293 | 119,534 | 116,679 | 111,992 |
| Retirement benefit service cost | 27 | 17,722 | 18,307 | 17,722 | 18,307 |
| Other operating expenses | 11 | 65,370 | 68,636 | 61,939 | 63,417 |
| Interest payable and similar charges | 12 | 842 | 1,362 | 564 | 899 |
| Retirement benefit interest cost | 27 | 16,435 | 16,790 | 16,435 | 16,790 |
| Depreciation | 15 | 15,747 | 15,220 | 11,214 | 10,837 |
| Total expenditure | | <u>241,409</u> | <u>239,849</u> | <u>224,553</u> | <u>222,242</u> |
| Surplus before other gains and losses | | | | | |
| | | 5,895 | 6,924 | 2,808 | 5,849 |
| Gain on investments | 17 | 226 | 133 | - | - |
| Surplus for the year after depreciation of assets and before taxation and impairment | | | | | |
| | | 6,121 | 7,057 | 2,808 | 5,849 |
| Taxation | 13 | (4) | - | - | - |
| Surplus for the year | 14 | <u>6,117</u> | <u>7,057</u> | <u>2,808</u> | <u>5,849</u> |
| Actuarial loss in respect of retirement benefit scheme | 27 | 205,257 | 18,946 | 205,257 | 18,946 |
| Adjustment to deferred retirement benefit funding | 27 | (205,257) | (18,946) | (205,257) | (18,946) |
| Total comprehensive income for the financial year | | <u>6,117</u> | <u>7,057</u> | <u>2,808</u> | <u>5,849</u> |
| Represented by: | | | | | |
| Restricted comprehensive income for year | | - | - | - | - |
| Unrestricted comprehensive income for year | | 6,117 | 7,057 | 2,808 | 5,849 |
| | | <u>6,117</u> | <u>7,057</u> | <u>2,808</u> | <u>5,849</u> |

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME - continued
For the financial year ended 30 September 2016

All items of income and expenditure relate to continuing activities.

The financial statements on pages 23 to 64 were approved by the Governing Authority on 26 October 2017 and were signed on its behalf by:



The Hon Mr Justice John L Murray
Chancellor



Dr Des Fitzgerald
President

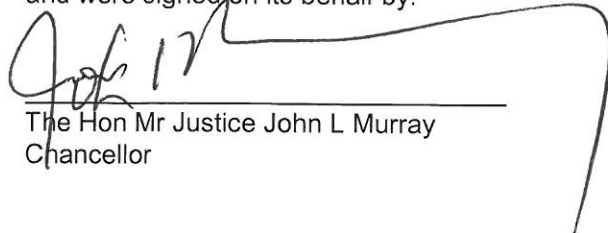
CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES
For the financial year ended 30 September 2016

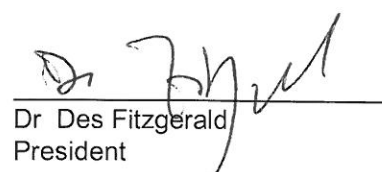
| | Total €'000 |
|---------------------------------------------------|----------------|
| Consolidated | |
| Balance at 30 September 2014 | 227,745 |
| Surplus from income and expenditure statement | 7,057 |
| Other comprehensive income | - |
| Release of restricted capital funds spend in year | - |
| Balance at 30 September 2015 | <u>234,802</u> |
| Surplus from income and expenditure statement | 6,117 |
| Release of restricted capital funds spend in year | - |
| Total comprehensive income for the year | <u>6,117</u> |
| Balance at 30 September 2016 | <u>240,919</u> |
| University | |
| Balance at 30 September 2014 | 147,724 |
| Surplus from income and expenditure statement | 5,849 |
| Other comprehensive income | - |
| Release of restricted capital funds spend in year | - |
| Balance at 30 September 2015 | <u>153,573</u> |
| Surplus from income and expenditure statement | 2,808 |
| Release of restricted capital funds spend in year | - |
| Total comprehensive income for the year | <u>2,808</u> |
| Balance at 30 September 2016 | <u>156,381</u> |

CONSOLIDATED AND UNIVERSITY STATEMENT OF FINANCIAL POSITION
For the financial year ended 30 September 2016

| | Notes | Consolidated | | University | |
|------------------------------------------------------|-------|------------------|-------------------------------------------------------|------------------|------------------------------------------------|
| | | 2016 €'000 | 2015 €'000 (as restated note 15, 20 & 21) | 2016 €'000 | 2015 €'000 (as restated note 20 & 21) |
| Non-current assets | | | | | |
| Tangible assets | 15 | 437,053 | 424,675 | 304,883 | 296,398 |
| Investment property | 16 | 5,344 | - | 5,344 | - |
| Financial assets | 17 | 3,103 | 2,602 | - | - |
| | | <u>445,500</u> | <u>427,277</u> | <u>310,227</u> | <u>296,398</u> |
| Current assets | | | | | |
| Trade and other receivables | 18 | 25,244 | 22,622 | 44,123 | 43,048 |
| Cash and cash equivalents | 19 | 115,662 | 166,045 | 90,057 | 102,527 |
| | | <u>140,906</u> | <u>188,667</u> | <u>134,180</u> | <u>145,575</u> |
| Payables: amounts falling due within one year | 20 | (143,187) | (151,063) | (103,743) | (100,895) |
| Net current (liabilities)/assets | | <u>(2,281)</u> | <u>37,604</u> | <u>30,437</u> | <u>44,680</u> |
| Total assets less current liabilities | | <u>443,219</u> | <u>464,881</u> | <u>340,664</u> | <u>341,078</u> |
| Payables: amounts falling due after one year | 21 | (202,300) | (230,079) | (184,283) | (187,505) |
| Provisions: | | | | | |
| Retirement benefit receivable | 27 | 877,777 | 638,363 | 877,777 | 638,363 |
| Retirement benefit provisions | 27 | <u>(877,777)</u> | <u>(638,363)</u> | <u>(877,777)</u> | <u>(638,363)</u> |
| Total net assets | | <u>240,919</u> | <u>234,802</u> | <u>156,381</u> | <u>153,573</u> |
| Unrestricted reserves: | | | | | |
| Revenue reserves | 29 | <u>240,919</u> | <u>234,802</u> | <u>156,381</u> | <u>153,573</u> |
| Total reserves | | <u>240,919</u> | <u>234,802</u> | <u>156,381</u> | <u>153,573</u> |

The financial statements on pages 23 to 64 were approved by the Governing Authority on 26 October 2017 and were signed on its behalf by:


The Hon Mr Justice John L Murray
Chancellor


Dr Des Fitzgerald
President

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 30 September 2016

| | Consolidated | |
|---------------------------------------------------------------------|-----------------|-----------------|
| | 2016 | 2015 |
| | €'000 | €'000 |
| Cash flow from operating activities | | |
| Surplus for the year | 6,121 | 7,057 |
| Taxation paid | (4) | - |
| Adjustment for non-cash items | | |
| Depreciation | 15,747 | 15,220 |
| Amortisation of deferred capital grants | (4,113) | (5,938) |
| Investment income | (498) | (1,300) |
| Interest payable | 842 | 1,362 |
| Operating cashflow before movement in working capital | <u>18,095</u> | <u>16,401</u> |
| Adjustment for working capital items | | |
| Decrease/(increase) in stock | - | - |
| Decrease/(increase) in trade receivables | (2,622) | (1,429) |
| Increase/(decrease) in trade payables | (5,783) | 47,209 |
| Increase/(decrease) in provisions | - | - |
| Other movements | | |
| Capital grants received (note 23) | 4,827 | 4,400 |
| Adjustment for investing or financing activities | | |
| Investment income | 498 | 1,300 |
| Interest payable | (842) | (1,362) |
| Net cash inflow from operating activities | <u>14,173</u> | <u>66,519</u> |
| Cash flows from investing activities | | |
| Purchase of investments | (501) | (1,244) |
| Purchase of investment property | (5,344) | - |
| Profit on sale of assets | 543 | 136 |
| Purchase of tangible fixed assets | (28,668) | (30,528) |
| Net cash (outflow) from investing activities | <u>(33,970)</u> | <u>(31,636)</u> |
| Cash flows from financing activities | | |
| <i>Debt due within one year:</i> | | |
| (Decrease)/increase in short term borrowings | (2,333) | (850) |
| Interest in short term lease liabilities | - | - |
| <i>Debt due after one year:</i> | | |
| (Decrease)/increase in long term borrowings | (5,183) | 17,920 |
| Decrease in long term liabilities | (23,070) | (46,648) |
| Net cash (outflow) from financing activities | <u>(30,586)</u> | <u>(29,578)</u> |
| (Decrease)/increase in cash and cash equivalents in the year | <u>(50,383)</u> | <u>5,305</u> |
| Cash and cash equivalents at beginning of year | <u>166,045</u> | <u>160,740</u> |
| Cash and cash equivalents at end of year | <u>115,662</u> | <u>166,045</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

1 General Information

The mission of the University of Limerick is to be a distinctive, pioneering and connected university that shapes the future through educating and empowering people to meet the real challenges of tomorrow.

Our vision is to be internationally recognised as a distinctively progressive, research led university that provides an engaging student experience, conducts world-class research renowned for its translational impact and is globally and locally connected in terms of its contribution to economic, social and cultural life.

Reinforced by an abiding commitment to the principles of academic freedom, we will be guided by six core values in the realisation of our vision: excellence, creativity, ethics, sustainability, community and global focus.

2 Statement of compliance

The entity financial statements have been prepared on a going concern basis and in accordance with Irish GAAP (accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102), the Companies Act 2014 and the *Statement of Recommended Practice – Accounting for Further and Higher Education*. The university has adopted FRS 102 for the first time in these entity financial statements. The date of transition to FRS 102 is 1 October 2014. Details of the transition to FRS 102 are disclosed in note 29. The University is a public benefit entity.

Application of first time adoption grants certain exemptions from the full requirements of FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken into these financial statements: Fair value or revaluation as deemed cost - as at 1 October 2014, fair value has been used as the deemed cost for certain land and buildings. In addition, the University has taken the exemption under 1.12 (b) of FRS 102 to not produce a cash flow statement for the University as it is the ultimate parent entity.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

(a) Basis of preparation

The entity financial statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets and liabilities at fair value through the statement of comprehensive income, and the measurement of freehold land and buildings at their deemed cost on transition to FRS 102 issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year. It also requires the Governing Authority to exercise its judgement in the process of applying the university's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

The prior year financial statements were restated for material adjustments on adoption of FRS102 in the current year. The functional currency the University is considered to be Euro because that is the currency of the primary economic environment in which the University operates. The consolidated financial statements are stated in Euro. Foreign operations are included in accordance with the policies set out below.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies - continued

(b) Basis of consolidation

The university's consolidated financial statements include the financial statements of the university and all of its subsidiary undertakings made up to 30 September 2016.

Subsidiaries are all entities over which the group has the power to exercise control.

University of Limerick Foundation

The financial statements of the University of Limerick Foundation are excluded from these financial statements as the Foundation is not controlled by the University of Limerick. Details of activity with the University of Limerick Foundation is set out in note 26.

(c) Going concern

The university meets its day-to-day working capital requirements through its bank facilities. The university's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the university should be able to operate within the level of its current facilities. After making enquiries, the governors have a reasonable expectation that the university has adequate resources to continue in operational existence for the foreseeable future. Therefore these entity financial statements have been prepared on a going concern basis.

The Governing Authority is satisfied that the University has adequate resources to meet its obligations as they fall due for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(d) Foreign currency

(i) Functional and presentation currency

The university's functional and presentation currency is the euro, denominated by the symbol "€" and unless otherwise stated, the financial statements have been presented in thousands ('000).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At the end of each financial year foreign currency monetary items are translated to euro using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'interest receivable and similar income' or 'interest payable and similar charges' as appropriate. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other expensing expenses'.

(e) Tangible fixed assets

Tangible fixed assets are carried at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use, applicable dismantling, removal and restoration costs and borrowing costs capitalised.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies - continued

(e) Tangible fixed assets - continued

(i) Land and buildings

The University's buildings are valued at cost or deemed cost for land and buildings measured at valuation at the date of transition to FRS102 less accumulated depreciation and accumulated impairment losses on buildings, furniture and fittings. Tangible fixed assets are not depreciated until they are brought into use. Freehold land and buildings are stated in the statement of financial position at cost as they are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic lives to the University of between 33 and 50 years.

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

Finance costs where applicable, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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.

(ii) Equipment and minor works

Equipment costing less than €25,000 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:

| | |
|---------------------------|---------------------------------------------|
| Leased assets | 5 years or primary lease period, if shorter |
| Computer equipment | 3 years |
| Equipment and minor works | Up to 10 years |
| All weather pitches | 20 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 state 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.

(iii) Donations

The University receives on occasion benefits in kind such as gifts or equipment. Items of significant value donated to the University, which if purchased, the group would treat as tangible fixed assets, are capitalised at their current value and depreciated in accordance with the policy set out above. The recognition of income is accounted for in accordance with the policy set out below.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies - continued

(f) Heritage assets

The University of Limerick has acquired many assets of unqualified historic and cultural importance to the State. This collection includes a period house (Plassey House), artworks and other paintings and artefacts.

Plassey House is part of the working infrastructure of the University campus and as such is capitalised in the statement of financial position in line with Section 17 FRS 102. All artwork purchased for the benefit of the University is capitalised in the statement of financial position at original cost and is not depreciated.

Donated archives and printed books are not capitalised in the financial statements. All costs incurred in relation to preservation and conservation are expensed as incurred.

(g) Investment properties

Investment properties comprise of properties held by the group for rental, capital appreciation or both, rather than for use in the group's business.

Investment properties are initially measured at cost. Cost comprises the purchase price plus any directly attributable expenditure.

Investment properties are subsequently measured at fair value, with all changes in fair value being recognised in the statement of comprehensive income. Fair value deficits are reflected in the revenue reserve.

(h) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The university has chosen to apply the provisions of Section 11 and 12 of FRS102 to account for all of its financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and cash equivalents, short-term deposits and investments in corporate bonds, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other receivables, cash and cash equivalents, investments in corporate bonds and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in the statement of comprehensive income. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies - continued

(h) Financial instruments - continued

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such financial assets are subsequently measured at fair value and the changes in fair value are recognised in the statement of comprehensive income, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are subsequently measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other payables, bank loans, loans from fellow group companies, preference shares and financial liability from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is treated as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

FRS102, 11.38A, 12.25A

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

(i) 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.

Trading activities undertaken by the University are administered through its subsidiary companies, which as commercial organisations are liable to Corporation Tax where applicable. Where applicable current tax is provided at amounts to be paid (or recovered) under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies – continued

(i) Taxation - continued

(i) Deferred taxation

In subsidiary companies, who do not hold a charitable status, deferred taxation is provided on all timing differences that have originated but not reversed at the statement of financial position 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 statement of financial position date.

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

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not discounted.

(j) Revenue Recognition

(i) State Grant

Grant from the Higher Education Authority and other government bodies are recognised based on the accrual model and are measured at fair value of the asset received or receivable. Grants are classified as relating either to revenue or assets. Recurrent and non-recurrent grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants from the Higher Education Authority or other government bodies received in respect of the acquisition or construction of fixed assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

(ii) Academic Fees

Academic fees are recognised in the period to which they relate. Academic fees received in advance are deferred and credited to the income and expenditure account once the service is deemed to have been performed.

(iii) Research grants and contracts

Income from research grants and contracts from government sources is recognised based on the performance/accrual model. Income from research grants and contracts from non-government sources is recognised based on the performance model i.e income is recognised to the extent that performance-related conditions have been met.

Research grants from non-government sources

Income from grants from non-government sources is recognised in the Statement of Comprehensive Income when performance related conditions are met. If a restriction in use but no performance related condition exists, the income is recorded in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies - continued

(j) Revenue Recognition - continued

Grants with unfulfilled performance related conditions are held as deferred income until such time as the conditions are met, at which point the income is recorded in the Statement of Comprehensive Income.

Grants with restrictions are recorded within the Statement of Comprehensive Income on entitlement of the income and subsequently retained within a restricted reserve until such time that the expenditure is incurred in line with the restriction.

(iv) Donations

The most common classes of such transactions are:

1) *Donations with no restrictions*

Donations with no restrictions include amounts given to the University by way of cash or asset with no restriction as to how the donation should be used. Such donations are recorded in the Statement of Comprehensive Income on entitlement to the income.

2) *Donations with restrictions*

Donations with restrictions are recorded in the Statement of Comprehensive Income on entitlement to the income. The restricted income received is held in the temporarily restricted reserve until such time that the expenditure is incurred in accordance with the restrictions.

(v) Income from short-term deposits

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

(vi) Rental income and other rental charges

Rental income arising on rent and other charges relating to the student villages and sports facilities is recognised on an accruals basis and as the service is provided.

(vii) Other income

Other income is recognised in the financial statements on an accruals basis.

(k) Leasing

(i) Finance leases

Finance leases transfer substantially all the risks and rewards incidental to ownership to the lessor.

At the commencement of the finance lease term the university recognises its right of use and obligation under a finance lease as an asset and a liability at the amount equal to the fair value of the leased asset, or if lower, at the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the university's incremental borrowing rate is used. Incremental and directly attributable costs incurred in negotiating and arranging a finance lease are included in the cost of the asset.

Assets under finance leases are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at the end of each financial year.

The minimum lease payments are apportioned between the outstanding liability and finance charges, using the effective interest method, to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating leases

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor. Payments under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies - continued

(l) Investments

Investments are stated at cost less any permanent diminution in value. Investment income is recognised on an accruals basis. Investments included in current assets have a maturity of 12 months or less.

(m) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those qualifying assets, until such time as the qualifying assets are substantially ready for their intended use or sale. The university has elected to treat the date of transition to FRS 102 (1 October 2014) as the commencement date of the capitalisation of borrowings costs on qualifying assets.

All other borrowing costs are recognised in the statement of comprehensive income in the financial year in which they are incurred.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Bank deposits which have original maturities of more than three months are not cash and cash equivalent and are presented as current asset investments.

(o) Employee benefits

The university provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits (in the form of defined benefit or defined contribution retirement benefit plans). A subsidiary company operates a performance related bonus up to an agreed monetary value (see note 10).

(i) Short term employee benefits

Short term employee benefits, including paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The university operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income when the university has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(ii) Post-employment benefits

Defined contribution plan

The university operates a defined contribution plan for certain employees. A defined contribution plan is a retirement benefit plan under which the university pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the university in independently administered funds. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies - continued

(o) Employee benefits - continued

Defined benefit pension schemes

(i) UL Superannuation scheme

The pension benefits for employees are governed by the University of Limerick Superannuation (Amendment) Scheme (UL Superannuation Scheme).

The University operates an unfunded defined benefit pension scheme, the University of Limerick Superannuation (Amendment) Scheme, which is funded annually on a pay as you go basis from monies provided by the Higher Education Authority and from contributions deducted from staff salaries.

The University believes that it operates as an agent in the operation of the Scheme and does not contribute formally to the Scheme. The University believes that the liability in respect of the benefits payable to employees who are under UL Superannuation Scheme will be repaid in full by the HEA/State.

In accordance with FRS 102 Section 28.28, the University believes that it is virtually certain that the HEA/State will reimburse all of the expenditure required to settle the defined benefit obligation, and it recognises a reimbursable asset (plan asset), an amount corresponding to the unfunded deferred liability for pensions. Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit method. The defined benefit pension charge to operating surplus comprises the current service cost and past service costs. The excess of the matching deferred asset is presented in the income and expenditure account as net deferred funding for pensions. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the other comprehensive income for the year in which they occur.

(ii) The Single Public Service Pension Scheme

The Single Public Service Pension Scheme commenced with effect from 1 January 2013. Most new employees after this date in the University will be members of the Single Scheme which is an unfunded defined benefit scheme, funded annually on a pay as you go scheme from monies provided by the HEA. Pension contributions are remitted to the Department of Public Expenditure and Reform. The University is prescribed in S.I. No 584 of 2012 as a relevant authority for the purposes of the single Scheme. Future benefits accruing to Scheme members have been provided for in these financial statements. It is the University's opinion (in accordance with Section 44 of the 2012 Act) that any liability in respect of the Single Scheme would be offset by an equivalent asset in respect of future State funding. Accordingly the University recognises an asset, an amount comprising the unfunded deferred liability for pensions as the liabilities are considered to be guaranteed by the State.

(p) Provisions and contingencies

(i) Provisions

Provisions are liabilities of uncertain timing or amount.

Provisions are recognised when the university has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies - continued

(p) Provisions and contingencies - continued

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income, presented as part of 'interest payable and similar charges' in the financial year in which it arises.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

In particular:

- (i) Restructuring provisions are recognised when the university has a legal or constructive obligation at the end of the financial year to carry out the restructuring. The university has a constructive obligation to carry out a restructuring when there is a detailed, formal plan for the restructuring and the university has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected; and
- (ii) Provision is not made for future operating losses.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised as a liability because it is not probable that the university will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognised as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(q) Grants

Capital government grants (other than Land) are treated as deferred income, which is credited to the income and expenditure account on the same basis as the related assets are depreciated.

Non-government Capital Grants are accounted for under the performance model and are recognised in the Statement of Comprehensive Income when the performance related conditions have been met.

The university has made a transition adjustment to FRS102 for non-government capital grants, where the performance related conditions have been met, the value of such grants not previously released to income have been released to retained earnings.

(r) Impairment of non-financial assets

At the end of each financial year date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash-generating unit) is estimated.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

3 Summary of significant accounting policies - continued

(r) Impairment of non-financial assets - continued

The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset (or cash-generating unit) and from its ultimate disposal. In measuring value-in-use pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued. If the asset has been revalued the impairment loss is recognised in other comprehensive income to the extent of the revaluation gains accumulated in equity in respect of that asset. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior financial years. A reversal of an impairment loss is recognised in the statement of comprehensive income, unless the asset is carried at a revalued amount.

(s) Leased assets

Operating leases

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

4 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical accounting estimates and assumptions

The governors make estimates and assumptions concerning the future in the process of preparing the University financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible fixed assets

The annual depreciation on tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on future refurbishment plans, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of the tangible fixed assets, and note 3(e) for the useful economic lives for each class of tangible fixed assets.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

4 Critical accounting judgements and key sources of estimation uncertainty - continued

(a) Critical accounting estimates and assumptions - continued

(ii) Impairment of receivables

The directors make an assessment at the end of each financial year of whether there is objective evidence that a trade or other debtor is impaired. When assessing impairment of trade and other receivables, the directors consider factors including the current credit rating of the debtor, the age profile of outstanding invoices, recent correspondence and trading activity, and historical experience of cash collections from the debtor.

(iii) University of Limerick Foundation

The financial statements of the University of Limerick Foundation are excluded from these financial statements as the Foundation is not controlled by the University of Limerick. Details of activity with the University of Limerick Foundation is set out in note 26.

(iv) Recoverability of Bad Debts

The provision for bad debt is calculated based on management's expectation on the recoverability of debt. In calculating the provision for bad debt the following factors are considered: age of the debt, the default history and current situation of the debtor and current market conditions.

(v) Employee Benefits

The accrual for holidays earned but not taken is based on estimates of total holiday leave less leave taken.

(vi) Pension Provisions

The pension provision is calculated based on actuarial assumptions provided by an actuary annually. The actuarial assumptions include discount rates, salary increases, pension increases and inflation rates.

5 State grants

| | Consolidated & University | |
|--|---------------------------|-------|
| | 2016 | 2015 |
| | €'000 | €'000 |

| | | |
|-----------------------------------------------|--------|--------|
| State grants allocated for recurrent purposes | 36,174 | 34,045 |
|-----------------------------------------------|--------|--------|

All of the above grant income was received from the Higher Education Authority.

| | | |
|-----------------------------------------------------|---------|---------|
| State grant received in respect of current year | 35,614 | 34,878 |
| State grant deferred from prior accounting year | 5,671 | 4,838 |
| State grant deferred to subsequent accounting years | (5,111) | (5,671) |
| | 36,174 | 34,045 |

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

| 6 Academic fees | Consolidated & University | | | |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------|---------------|---------------|
| | 2016 | | 2015 | |
| | €'000 | | €'000 | |
| Academic fee income | 88,433 | | 85,071 | |
| Miscellaneous fee income | 1,197 | | 1,147 | |
| Total fees paid by or on behalf of individual students | <u>89,630</u> | | <u>86,218</u> | |
| A total of €28,388,849 (2015: €28,947,833) included in academic fee income was paid directly by the Higher Education Authority. | | | | |
| 7 Research grants and contracts | Consolidated & University | | | |
| | 2016 | | 2015 | |
| | €'000 | | €'000 | |
| State and semi-state | 27,243 | | 26,104 | |
| European Union | 3,071 | | 3,150 | |
| Industry | 2,472 | | 2,884 | |
| Other | 2,368 | | 2,442 | |
| | <u>35,154</u> | | <u>34,580</u> | |
| 8 Other operating income | Consolidated | | University | |
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| | | (as restated) | | |
| Ancillary services and other self-funded programmes | 12,865 | 11,780 | 12,865 | 11,780 |
| Residences | 11,707 | 10,864 | - | - |
| Other rental and concession income | 2,747 | 2,265 | 2,111 | 1,631 |
| Sports facility income | 3,820 | 3,715 | - | - |
| Contract labour services | 1,768 | 1,320 | - | - |
| Car park income | 242 | 258 | 242 | 258 |
| Library income | 28 | 32 | 28 | 32 |
| Research overheads | 2,402 | 2,540 | 2,402 | 3,540 |
| Employee retirement benefit contributions | 3,329 | 3,397 | 3,329 | 3,397 |
| Funded post income | 1,776 | 1,591 | 1,776 | 1,591 |
| Concert Hall | 1,219 | 1,047 | - | - |
| Other self-funded income | 2,171 | 2,887 | 2,171 | 2,887 |
| Gain in disposal of undertaking | - | 558 | - | 558 |
| Other income | 2,504 | 2,026 | 2,032 | 547 |
| | <u>46,578</u> | <u>44,280</u> | <u>26,956</u> | <u>26,221</u> |
| 9 Interest income | Consolidated | | University | |
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| Interest income | <u>498</u> | <u>1,300</u> | <u>177</u> | <u>677</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

10 Staff costs

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

| | Consolidated | | University | |
|-------------------------------------------|---------------|---------------|---------------|---------------|
| | 2016 €'000 | 2015 €'000 | 2016 €'000 | 2015 €'000 |
| | Number | Number | Number | Number |
| Teaching and research | 806 | 774 | 806 | 774 |
| Library & information | 40 | 44 | 40 | 44 |
| Information technology | 52 | 52 | 52 | 52 |
| Buildings | 47 | 44 | 47 | 44 |
| Central administration and other services | 444 | 452 | 444 | 452 |
| Other | 354 | 292 | - | - |
| Total | 1,743 | 1,658 | 1,389 | 1,366 |

| | Consolidated | | University | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2016 €'000 | 2015 €'000 | 2016 €'000 | 2015 €'000 |
| Salaries and wages* | 102,270 | 98,239 | 94,105 | 91,127 |
| Social welfare | 7,910 | 7,623 | 7,560 | 7,288 |
| Retirement benefit costs | 15,113 | 13,672 | 15,014 | 13,577 |
| | 125,293 | 119,534 | 116,679 | 111,992 |

*Salaries and wages include payments for all full and part time staff and any other costs in respect of their employment relationship with the University.

The board of a subsidiary Plassey Campus CLG following a review of the year ahead and review of performance of current year put in place an annual fund of €15,000 to provide for performance related pay for staff involved in the development of summer business in the residences. This is a highly competitive market. During 2016 €14,000 of this fund was awarded to staff.

| | 2016 €'000 | 2015 €'000 |
|----------------------------------------------------------------|---------------|---------------|
| Retirement benefit related costs | | |
| Employer retirement benefit costs | 7,935 | 6,767 |
| Incremental retirement benefit costs underwritten by the State | 17,722 | 18,307 |
| Current service cost | 25,657 | 25,074 |

(ii) Governors

No payments were made in the current or previous year to any governor for work undertaken in their role as governor. However of the 35 members of the Governing Authority, 15 are also members of staff of the University, of whom 3 are key management personnel. Their salaries are therefore included in the key management note below, while the other 12 members' salaries are stated separately below.

NOTES TO THE FINANCIAL STATEMENTS - continued

For the financial year ended 30 September 2016

10 Staff costs - continued**(iii) Key management compensation**

The total remuneration for key management personnel for the year totalled €2,567k (2015: €2,600k). Key management personnel are both Governing Authority and Senior Managers, the compensation of both split out as follows:

| | Consolidated | | University | |
|-----------------------------------------|----------------|----------------|----------------|----------------|
| | 2016 Number | 2015 Number | 2016 Number | 2015 Number |
| Governing Authority (staff members) | 13 | 13 | 12 | 12 |
| Governing Authority (non-staff members) | 20 | 20 | 20 | 20 |
| Senior management (9 employees) | 9 | 9 | 9 | 9 |
| | <u>42</u> | <u>42</u> | <u>41</u> | <u>41</u> |

| | Consolidated | | University | |
|-----------------------------------------|---------------|---------------|---------------|---------------|
| | 2016 €'000 | 2015 €'000 | 2016 €'000 | 2015 €'000 |
| Governing Authority (staff members) | 1,346 | 1,371 | 1,188 | 1,222 |
| Governing Authority (non-staff members) | - | - | - | - |
| Senior management (9 employees) | 1,379 | 1,378 | 1,379 | 1,378 |
| | <u>2,725</u> | <u>2,749</u> | <u>2,567</u> | <u>2,600</u> |

The University has adopted a starting value of €60,000 to identify higher paid staff. Staff remuneration, in salary bands of €10,000 using €60,000 as the starting value is as follows.

| Salary bands | Consolidated | | University | |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 30 September 2016 | 30 September 2015 | 30 September 2016 | 30 September 2015 |
| €60,000 to €69,999 | 146 | 128 | 146 | 128 |
| €70,000 to €79,999 | 134 | 154 | 133 | 153 |
| €80,000 to €89,999 | 98 | 106 | 97 | 105 |
| €90,000 to €99,999 | 38 | 33 | 38 | 33 |
| €100,000 to €109,999 | 38 | 27 | 38 | 27 |
| €110,000 to €119,999 | 12 | 11 | 11 | 10 |
| €120,000 to €129,999 | 7 | 5 | 6 | 4 |
| €130,000 to €139,999 | 46 | 47 | 46 | 47 |
| €140,000 to €149,999 | 2 | 3 | 2 | 3 |
| €150,000 to €159,999 | 2 | 1 | 2 | 1 |
| €160,000 to €169,999 | 1 | 1 | 1 | 1 |
| €170,000 to €179,999 | 1 | 1 | 1 | 1 |
| €180,000 to €189,999 | 1 | 1 | 1 | 1 |
| €190,000 to €199,999 | - | - | - | - |
| €200,000 to €210,000 | - | - | - | - |
| €210,000 to €219,999 | 1 | 1 | 1 | 1 |
| €220,000 to €229,999 | - | 1 | - | 1 |
| Total | <u>527</u> | <u>520</u> | <u>523</u> | <u>516</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

| 11 Other operating expenses | Consolidated | | University | |
|--------------------------------------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| Consumables | 2,305 | 2,304 | 2,256 | 2,266 |
| Heat, light, water and power | 3,631 | 3,758 | 3,032 | 2,886 |
| Repairs and general maintenance | 5,845 | 5,704 | 5,528 | 5,445 |
| Travel | 3,070 | 3,691 | 3,068 | 3,690 |
| Student village management and maintenance | 1,155 | 1,149 | - | - |
| Equipment maintenance | 726 | 411 | 726 | 411 |
| Security | 1,717 | 1,608 | 1,444 | 1,359 |
| Telephone and administration | 796 | 845 | 406 | 467 |
| Advertising, promotions and publications | 1,573 | 1,393 | 1,272 | 1,128 |
| Subscriptions | 628 | 657 | 627 | 656 |
| Software licences | 1,638 | 1,435 | 1,456 | 1,315 |
| Audit and professional | 3,798 | 4,589 | 3,687 | 4,447 |
| Rent and rates | 706 | 2,026 | 153 | 184 |
| Ancillary and other self-funded programmes | 9,443 | 8,368 | 9,443 | 8,368 |
| Research expenditure | 17,058 | 19,271 | 17,058 | 19,271 |
| Capitation | 1,197 | 1,015 | 1,197 | 1,015 |
| Contract labour | 1,768 | 1,320 | 1,768 | 1,320 |
| Other expenses | 3,041 | 4,281 | 4,895 | 5,699 |
| Books and periodicals | 676 | 701 | 676 | 701 |
| Contract cleaning | 2,973 | 3,052 | 1,757 | 1,843 |
| Agent commission | 962 | 487 | 962 | 487 |
| Insurance | 664 | 571 | 528 | 459 |
| | <u>65,370</u> | <u>68,636</u> | <u>61,939</u> | <u>63,417</u> |

| | Consolidated | | University | |
|-------------------------------------------------------------------------|--------------|------------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| Other operating expenses include: | | | | |
| Auditors' remuneration: | | | | |
| - External audit - management auditor | 121 | 113 | 68 | 60 |
| - C&AG | 31 | 22 | 31 | 22 |
| - Internal audit | 95 | 80 | 95 | 80 |
| Other services from either external or internal audit service providers | <u>292</u> | <u>645</u> | <u>271</u> | <u>654</u> |

External audit fee includes the audit fee paid in respect of the audit of Plassey Campus Centre Limited and its subsidiaries and the audit of the University of Limerick.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

| 12 Interest payable and similar charges | Consolidated | | University | |
|-----------------------------------------------------|--------------|--------------|---------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| | | | (as restated) | |
| On bank loans, overdrafts and other loans: | | | | |
| Wholly repayable within 5 years, not by instalments | 278 | 179 | 278 | 179 |
| Wholly repayable within 5 years, by instalments | 31 | 215 | - | - |
| Wholly repayable in more than 5 years | 533 | 968 | 286 | 720 |
| Total | 842 | 1,362 | 564 | 899 |

Interest is payable on loans taken out to build new residential accommodation for students. This activity is carried out by a subsidiary undertaking: Plassey Campus Centre Limited.

| 13 Taxation | Consolidated | | University | |
|------------------------------------------------------|--------------|-------|------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| (a) Current taxation: | | | | |
| Irish corporation tax on surplus for the year | 4 | - | - | - |
| Adjustments in respect of prior years | - | - | - | - |
| Current tax charge/(credit) for the year | 4 | - | - | - |
| Deferred tax: | | | | |
| Origination and reversal of timing differences | - | - | - | - |
| Effect of reduction in tax rate on opening liability | - | - | - | - |
| Deferred tax charge/(credit) for the year | - | - | - | - |
| | 4 | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

13 Taxation - continued

- (b) The current tax charge for the year differs from the current charge that would result from applying the standard rate of Irish corporation tax to the surplus for the year. The differences are explained below:

| | Consolidated | | University | |
|--------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| Surplus on continuing operations after depreciation of assets before taxation | <u>6,121</u> | <u>7,057</u> | <u>2,808</u> | <u>5,849</u> |
| Surplus before tax multiplied by the average rate of Irish corporation tax for the year of 12.5% | 765 | 882 | 351 | 731 |
| Effects of: | | | | |
| Surplus not subject to Irish corporation tax | <u>(761)</u> | <u>(882)</u> | <u>(351)</u> | <u>(731)</u> |
| Current tax charge/(credit) for the year | <u>4</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Provision for taxation has not been made in the University or its relevant subsidiary companies as they were established for charitable and educational purposes only. The income of subsidiary companies is exempt from taxation once it is applied in furthering the charitable objectives of the companies. The income of Plassey Campus Arena Limited is exempt from taxation also once it is applied to the sole purposes of promoting athletic or amateur games or sports.

14 Surplus

| | 2016 | 2015 |
|-------------------------------------------------|--------------|--------------|
| | €'000 | €'000 |
| The surplus for the year is made up as follows: | | |
| University's surplus for the year | 2,808 | 5,849 |
| Surplus generated by subsidiary undertakings | <u>3,309</u> | <u>1,208</u> |
| Consolidated surplus for the year | <u>6,117</u> | <u>7,057</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

| 15 Tangible fixed assets | Land and buildings | Minor works | Computer equipment | Equipment | Assets in course of construction | Leased assets | Total |
|-----------------------------------------------------------------|--------------------|-------------|--------------------|----------------|----------------------------------|----------------|---------------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| CONSOLIDATED | | | | | | | |
| Cost | | | | | | | |
| At 30 September 2015 (Restated) | 490,562 | 2,197 | 7,603 | 62,072 | 462 | 536 | 563,432 |
| Additions | 19,337 | 214 | 1,031 | 7,255 | 831 | - | 28,668 |
| Transfers | - | - | - | - | - | - | - |
| Disposals | - | - | (60) | (2,632) | - | - | (2,692) |
| At 30 September 2016 | 509,899 | 2,411 | 8,574 | 66,695 | 1,293 | 536 | 589,408 |
| Depreciation | | | | | | | |
| At 30 September 2015 (Restated) | 90,366 | 1,349 | 7,372 | 39,134 | - | 536 | 138,757 |
| Charge for year | 11,029 | 247 | 555 | 3,917 | - | - | 15,748 |
| Disposals | - | - | (60) | (2,090) | - | - | (2,150) |
| At 30 September 2016 | 101,395 | 1,596 | 7,867 | 40,961 | - | 536 | 152,355 |
| Net book value | | | | | | | |
| At 30 September 2016 | 408,504 | 815 | 707 | 25,734 | 1,293 | - | 437,053 |
| At 30 September 2015 (Restated) | 400,196 | 848 | 231 | 22,938 | 462 | - | 424,675 |
| Assets held under finance leases | | | | | | | |
| Included above are assets held under finance leases as follows: | | | | | | | |
| Administration assets | | | | | | | |
| | | | 2016 | 2016 | 2016 | 2015 | 2015 |
| | | | Net book value | Net book value | Depreciation charge | Net book value | Depreciation Charge |
| | | | €'000 | €'000 | €'000 | €'000 | €'000 |
| | | | 2 | 1 | 1 | 3 | 1 |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

| 15 Tangible fixed assets - continued | | Land and buildings | Minor works | Computer equipment | Equipment | Assets in course of construction | Leased assets | Total |
|---------------------------------------------|--|--------------------|-------------|--------------------|-----------|----------------------------------|---------------|---------|
| | | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| UNIVERSITY | | | | | | | | |
| Cost | | | | | | | | |
| At 30 September 2015 | | 358,534 | 2,197 | 7,603 | 49,023 | - | 536 | 417,893 |
| Additions | | 16,186 | 214 | 1,031 | 2,771 | - | - | 20,202 |
| Disposals | | - | - | (60) | (2,583) | - | - | (2,643) |
| At 30 September 2016 | | 374,720 | 2,411 | 8,574 | 49,211 | - | 536 | 435,452 |
| Depreciation | | | | | | | | |
| At 30 September 2015 | | 84,428 | 1,349 | 7,372 | 27,810 | - | 536 | 121,495 |
| Charge for year | | 7,462 | 247 | 555 | 2,950 | - | - | 11,214 |
| Disposals | | - | - | (60) | (2,080) | - | - | (2,140) |
| At 30 September 2016 | | 91,890 | 1,596 | 7,867 | 28,680 | - | 536 | 130,569 |
| Net book value | | | | | | | | |
| At 30 September 2016 | | 282,830 | 815 | 707 | 20,531 | - | - | 304,883 |
| At 30 September 2015 | | 274,106 | 848 | 231 | 21,213 | - | - | 296,398 |

The net book value of tangible fixed assets held under finance leases amounted to €0k. The depreciation charge in relation to these assets amounted to €0k.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

15 Tangible assets- continued

During the years ended 30 September 2006 and 2007 additional accommodation was provided in Cappavilla Village by third party investors. A subsidiary company is to manage these facilities for a subsequent ten year period and at the end of the relevant respective period has the option of purchasing Cappavilla Village for €34.06m (note 20 and 21).

It is anticipated that these options will be exercised and in accordance with FRS102, Cappavilla Village, and the related liabilities of €34.06m (note 20 and 21) are included in the group's statement of financial position. In the event of the options being exercised the principal economic benefits and risks associated with these assets will rest with the group and ultimate legal title will rest with the group also.

Plassey Village, Kilmurry Village, Thomond Village, Dromroe Village, Cappavilla Village Residences, Quigley Residences and William Brennan Court were stated at open market value, which was determined following a formal independent valuation by DTZ Sherry Fitzgerald Limited at 30 September 2014. The university applied the transition exemption in Section 35 of FRS102 and used this previous valuation as the deemed cost for certain freehold land and buildings on transition to FRS102. The deemed cost of the freehold land and buildings will be depreciated over the remaining useful lives of the freehold land and buildings. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to the statement of comprehensive income.

Heritage assets

Period house

Plassey House is part of the working infrastructure of the University campus and as such is capitalised in the statement of financial position in line with FRS 102 section 17.

Artwork, archives and printed books

Artwork purchased for the benefit of the University is capitalised in the statement of financial position at original cost and is not depreciated. The value of artwork capitalised in the statement of financial position is €138k (2015: €21k). Archives, printed books and other artefacts donated to the University have not been capitalised as these are, in effect, inalienable, held in perpetuity, are mostly irreplaceable and are not readily realisable. They are neither disposed of for financial gain nor encumbered in any manner. Artwork, archives and printed books have been valued for insurance purposes at €7.01m (2015: €7.26m).

Artwork

The University is the permanent home of several art collections, including:

- The National Self-Portrait Collection of Ireland
- The Watercolour Society of Ireland Collection
- The O'Malley Sculpture Collection
- The Irish American Cultural Institute's O'Malley Collection
- The Armitage Collection
- The Medical Art Collection

The University's own Arts Collection includes outdoor sculptures by international artists including Michael Warren, Peter Logan, Alexandra Wejchert, James McKenna, Tom Fitzpatrick, Antony Gormley and Sean Scully. These sculptures have added significantly to the artistic and cultural ambience of the University and the region.

The University of Limerick seeks to acquire, preserve and provide access to unique and distinct materials including rare books, manuscripts and other primary sources, as well as strong collections of supporting published materials.

Archives

The University of Limerick houses a range of archival collections of private origin, including estate collections, the papers of noted literary and political figures, as well as collections of local interest. The archives are made available for consultation in the Reading Room.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

15 Tangible assets- continued

During 2016, the University of Limerick signed an agreement to assume care of the Bolton Library, a collection of 12,000 early printed books, manuscripts and incunabula of exceptional academic and bibliographic importance. A valuation of this collection has not yet been carried out.

Printed Books

The University of Limerick seeks to acquire, preserve and provide access to unique and distinct materials including rare books, manuscripts and other primary sources, as well as strong collections of supporting published materials.

| Three year summary of heritage assets | 2016 €'000 | 2015 €'000 | 2014 €'000 |
|---------------------------------------|---------------|---------------|---------------|
| Artwork | | | |
| Opening balance - valuation | 3,590 | 3,564 | 3,520 |
| Additions – cost | 109 | 26 | 44 |
| Closing balance | <u>3,699</u> | <u>3,590</u> | <u>3,564</u> |
| Archives | | | |
| Opening balance - valuation | 1,348 | 1,348 | 1,295 |
| Additions – valuation | - | - | 53 |
| Change in valuation | (10) | - | - |
| Closing balance - valuation | <u>1,338</u> | <u>1,348</u> | <u>1,348</u> |
| Printed books | | | |
| Opening balance - valuation | 2,323 | 2,323 | 2,223 |
| Additions – valuation | - | - | 100 |
| Change in valuation | (350) | - | - |
| Closing balance - valuation | <u>1,973</u> | <u>2,323</u> | <u>2,323</u> |

| 16 Investment property | Consolidated | | University | |
|-------------------------|---------------|---------------|---------------|---------------|
| | 2016 €'000 | 2015 €'000 | 2016 €'000 | 2015 €'000 |
| Munster training centre | 5,344 | - | 5,344 | - |
| | <u>5,344</u> | <u>-</u> | <u>5,344</u> | <u>-</u> |

The Munster training centre is leased to Munster Rugby on a 15 year lease, commencing from September 2016.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

17 Financial instruments

The carrying values of the Group's and University's financial assets and liabilities are summarised by category below:

| | Group | | University | |
|-------------------------------------------------------------------------|-------|-------|------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| Financial assets | | | | |
| <i>Measured at fair value through statement of comprehensive income</i> | | | | |
| - Investments in listed equity instruments | 3,103 | 2,602 | - | - |
| - Current asset listed investments | - | - | - | - |
| <i>Debt instruments measured at amortised cost</i> | | | | |
| - Long term loans receivable | - | - | - | - |
| <i>Measured at undiscounted amount receivable</i> | | | | |
| - Trade and other receivables | 7,995 | 7,057 | 4,497 | 4,420 |
| - Amounts due from subsidiary undertakings | - | - | 20,502 | 21,839 |
| <i>Equity instruments measured at cost less impairment</i> | | | | |
| - Fixed asset investments in unlisted equity instruments | - | - | - | - |
| - Current asset unlisted investments | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

| 17 Financial instruments - continued | Consolidated | | University | |
|------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2016 €'000 | 2015 €'000 | 2016 €'000 | 2015 €'000 |
| Financial liabilities | | | | |
| <i>Measured at amortised cost</i> | | | | |
| Loans payable | 60,833 | 66,016 | 53,809 | 57,505 |
| Obligations under finance leases | - | - | - | - |
| <i>Measured at undiscounted amount payable</i> | | | | |
| Bank overdraft | 6,062 | 8,395 | 4,286 | 6,177 |
| Trade and other payables | 19,382 | 24,494 | 3,350 | 9,793 |
| Amounts owed to subsidiary companies | - | - | 2,244 | 601 |

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

| | 2016 €'000 | 2015 €'000 |
|----------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <i>Interest income and expense</i> | | |
| Total interest income for financial assets at amortised cost | 498 | 1,300 |
| Total interest expense for financial liabilities at amortised cost | 1,099 | 1,442 |
| <i>Fair value gains and losses</i> | | |
| On financial assets (including listed investments), measured at fair value through statement of comprehensive income | 226 | 133 |
| <i>Impairment losses</i> | | |
| On financial assets measured at amortised cost | - | - |
| On unlisted equity instruments measured at cost less impairment | - | - |
| Investments at the year-end were held as follows: | 2016 €'000 | 2015 €'000 |
| Management funds | <u>3,103</u> | <u>2,602</u> |

Managed funds represent units in a managed fund operated by State Street Global Advisors and Kleinworth Benson Investors. The market value as at 30 September 2016 of these funds was €1,141,300 (2015: €1,065,029) and €1,961,202 (2015: €1,536,704) respectively.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016
17 Financial instruments - continued

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

| Subsidiary undertaking name | % Control | Activity |
|-----------------------------------------------|------------------|-----------------------------------------------------------------------------|
| Incorporated | | |
| Plassey Campus Centre CLG | 100% | Property Holding and Rental |
| Plassey Trust Company CLG | 100% | Property Holding and Rental |
| Plassey Campus Developments Limited | 100% | Construction Contracting |
| Kilmurry Village CLG | 100% | Property Rental (non trading) |
| Plassey Campus Arena CLG | 100% | Operating the University Arena |
| Mountainridge Unlimited Company | 100% | Providing assistance to new student accommodation initiatives (non trading) |
| Adaremount Unlimited Company | 100% | Management Company (non trading) |
| Cariad Limited | 100% | Property Holding (non trading) |
| Marketing Centre for Small Business Limited | 100% | Marketing Support |
| University Concert Hall CLG | 100% | Venue for artistic performances and other activities |
| Unijobs DAC | 100% | Recruitment company |
| University of Limerick Alumni Association DAC | 100% | Alumni relationships |

All the subsidiary companies are incorporated in the Republic of Ireland and their registered offices are at Plassey House, University of Limerick, Limerick.

Other undertakings

| | | |
|---------------------------------------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bearna Medical Limited | 15% | Development of novel bone cements and grafts. |
| Crescent Diagnostics Limited | 1.7% | Development of new biomarker that uses finger nail structure to assess bone health. |
| Powervation Limited (Date of disposal: 23 July 2015) | 0.79% | Development of digital power IC solutions that optimise power supply performance and efficiencies for manufacturers of electronic systems used in computing, netcomms, storage and other applications. |
| Cauwill Technologies Limited | 15% | Providing a single coherent technology to empower the mobile, web and personal navigation experience. |
| LearnOpt Limited | 15% | Feature rich software solutions for CPD organisations to help their members manage their own CPD progress. |
| IRIS Electronic Information Services CLG | 14% | Providing cross-catalogue searching of catalogues, and facilities and services for the purchasing of online and digital information products. |
| Poli Pico Limited | 8% | Printing high density protein/antibody/DNA microarrays |
| ALR Innovations Limited | 15% | Manufacture and sale of LED recycling equipment |
| Class Medical Limited | 15% | Medical device design and manufacturing |
| Transgero Limited | 1% | Risk management services |
| Farm Hedge | 15% | On-farm weather risk information |
| Vanadium Instruments Limited | 15% | Battery technology |
| Irish Document Delivery Services Ltd | 14% | Database searching and document ordering service. |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

| 18 Trade and other receivables | Consolidated | | University | |
|------------------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| Trade receivables | 7,147 | 6,379 | 4,433 | 4,371 |
| Research grants and contracts receivable | 10,589 | 10,070 | 10,589 | 10,070 |
| State grant receivable - HEA | 1,912 | 1,357 | 1,912 | 1,357 |
| Academic fees receivable | 3,096 | 3,261 | 3,096 | 3,261 |
| Prepayments | 1,652 | 877 | 1,652 | 877 |
| Amounts due from subsidiary undertakings | - | - | 22,377 | 23,063 |
| Other receivables | 848 | 678 | 64 | 49 |
| | <u>25,244</u> | <u>22,622</u> | <u>44,123</u> | <u>43,048</u> |
| | | | | |
| 19 Cash at bank and in hand | Consolidated | | University | |
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| Cash at bank including balances held on short term deposit | 97,013 | 105,632 | 90,057 | 102,527 |
| Restricted bank balances | 18,649 | 60,413 | - | - |
| | <u>115,662</u> | <u>166,045</u> | <u>90,057</u> | <u>102,527</u> |
| | | | | |
| 20 Payables - Amounts falling due within one Year | Consolidated | | University | |
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| | | (as restated) | | (as restated) |
| Trade payables | 2,838 | 2,355 | 1,634 | 1,491 |
| Research grants and contracts in advance | 53,847 | 50,243 | 53,847 | 50,243 |
| Academic fees received in advance | 16,295 | 16,533 | 16,295 | 16,533 |
| State grant received in advance - HEA | 5,111 | 5,671 | 5,111 | 5,671 |
| Accruals | 7,720 | 4,795 | 7,295 | 4,430 |
| Bank loans and overdrafts (note 22) | 6,062 | 8,395 | 4,286 | 6,177 |
| Amounts owed to subsidiary undertaking | - | - | 2,244 | 601 |
| Other taxation and social security | 3,165 | 2,879 | 2,619 | 2,574 |
| Other payables | 19,966 | 22,139 | 5,299 | 8,302 |
| Village buyback option (i) | 23,070 | 33,180 | - | - |
| Deferred capital grants (note 23) | 5,113 | 4,873 | 5,113 | 4,873 |
| | <u>143,187</u> | <u>151,063</u> | <u>103,743</u> | <u>100,895</u> |

- (i) A subsidiary company manages the Cappavilla Village Phase 1 residence complexes and the other payables relates to an option to purchase the accommodation facilities in the next 12 months. It is anticipated that this option will be exercised and on this basis the asset and liability are recognised in the fellow subsidiary undertaking's statement of financial position in line with FRS102 (see note 15).

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

21 Payables - Amounts falling due after one year

| | Consolidated | | University | |
|-----------------------------------|----------------|--------------------------------|----------------|--------------------------------|
| | 2016 €'000 | 2015 €'000 (as restated) | 2016 €'000 | 2015 €'000 (as restated) |
| Bank loans (note 22) | 60,833 | 66,016 | 53,809 | 57,505 |
| Long term payables (i) | 10,993 | 34,063 | - | - |
| Deferred capital grants (note 23) | 130,474 | 130,000 | 130,474 | 130,000 |
| | <u>202,300</u> | <u>230,079</u> | <u>184,283</u> | <u>187,505</u> |

- (i) A subsidiary company manages the Cappavilla Village Phase 2 residences complex and the long term payables relates to an option to purchase this accommodation at the end of 10 years. It is anticipated that this option will be exercised.

22 Borrowings

| | Consolidated | | University | |
|-----------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2016 €'000 | 2015 €'000 | 2016 €'000 | 2015 €'000 |
| (a) Bank loans and overdrafts | | | | |
| Bank loans and overdrafts are repayable as follows: | | | | |
| Amounts due within one year | 6,062 | 8,395 | 4,286 | 6,177 |
| Due between one and two years | 5,741 | 2,827 | 4,104 | 1,071 |
| Due between two and five years | 15,453 | 7,952 | 12,205 | 3,678 |
| Due after more than five years | 39,639 | 55,237 | 37,500 | 52,756 |
| Total | <u>66,895</u> | <u>74,411</u> | <u>58,095</u> | <u>63,682</u> |

(b) Security details

The borrowings of the subsidiary companies are secured as follows:

Bank of Ireland hold

- A letter of guarantee from Plassey Trust Company Limited for amounts totalling €6 million.
- A legal charge over land and buildings at Plassey, Co. Limerick, known as Plassey Village, stamped to a total of €4 million.
- A first legal charge over land and buildings at Plassey, Co. Limerick, known as Kilmurry Village (Phase 1), stamped to €4 million.
- A legal charge over Plassey Village Phase 1, Phase 2 and Phase 3.
- A legal charge over Brennan Court Apartments.
- A first legal charge over the leasehold interest in property at the Sports Pavilion and All Weather Pitches.
- A letter of guarantee from University of Limerick.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

22 Borrowings - continued

(b) Security details - continued

KBC Bank Ireland plc hold (in respect of the facility of €2 million)

- (a) A first fixed charge over land and buildings at Plassey, Co. Limerick, known as Kilmurry Village (Phase 2).
- (b) An assignment over the lease of Kilmurry Village (Phase 2) to Kilmurry Village and a charge over the rental payments.
- (c) A joint and several guarantee from Plassey Campus Developments Limited and Plassey Trust Company Limited.
- (d) An undertaking by the University of Limerick Foundation, in relation to funding received, that the repayment of such funds be subordinated in favour of the bank.

The European Investment Bank provided part of the funding necessary for the University's capital expenditure programme. The facility is repayable over a maximum of 20 years (2033) and currently incurs interest at Euribor plus a margin.

23 Deferred capital grants

| | State €'000 (as restated) |
|----------------------------------------------------|---------------------------------|
| Consolidated and University | |
| At 1 October 2015 | |
| Buildings | 124,454 |
| Equipment | 10,419 |
| Total | <u>134,873</u> |
| Received during the year | |
| Buildings | 2,813 |
| Equipment | 2,014 |
| Total | <u>4,827</u> |
| Amortised to income and expenditure account | |
| Buildings | (2,383) |
| Equipment | (1,730) |
| Total | <u>(4,113)</u> |
| At 30 September 2016 | |
| Buildings | 124,884 |
| Equipment | 10,703 |
| Total | <u>135,587</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016
24 Analysis of changes in net funds

| | At 30 September 2015 €'000 | Cash flow €'000 | At 30 September 2016 €'000 |
|---------------------|-------------------------------------|--------------------|-------------------------------------|
| Consolidated | | | |
| Cash | 166,045 | (50,383) | 115,662 |
| Bank overdraft | (8,395) | 2,333 | (6,062) |
| | <u>157,650</u> | <u>(48,050)</u> | <u>109,600</u> |
| Loans | (66,016) | 5,183 | (60,833) |
| Total | <u>91,634</u> | <u>(42,867)</u> | <u>48,767</u> |
| University | | | |
| Cash | 102,527 | (12,470) | 90,057 |
| Bank overdraft | (6,177) | 1,891 | (4,286) |
| | <u>96,350</u> | <u>(10,579)</u> | <u>85,771</u> |
| Loans | (57,505) | 3,696 | (53,809) |
| Total | <u>38,845</u> | <u>(6,883)</u> | <u>31,962</u> |

25 Capital commitments

| | Consolidated | | University | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| Contracted for but not provided | 30,180 | 22,995 | 30,180 | 22,995 |
| Authorised but not contracted out | 1,825 | 25,486 | 1,825 | 25,486 |
| | <u>32,005</u> | <u>48,481</u> | <u>32,005</u> | <u>48,481</u> |

Future minimum lease payments under non-cancellable operating leases at the end of the financial year were:

| | Consolidated | | University | |
|---------------------------------------------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | €'000 | €'000 | €'000 | €'000 |
| Payments due | | | | |
| Not later than one year | 252 | 240 | 252 | 240 |
| Later than one year and not later than five years | 1,131 | 1,083 | 1,131 | 1,083 |
| Later than five years | <u>3,304</u> | <u>3,604</u> | <u>3,304</u> | <u>3,604</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

26 Related parties

The University has availed of exemptions permitted under Section 33.1.A FRS 102.

University of Limerick Foundation

During the year the University contributed €387k (2015: €340k) towards the running costs of the Foundation. During the year the University received funding from the University of Limerick Foundation of €5,858k (2015: €9,205k). This funding was received for the following purposes:

| | 2016 | 2015 |
|-------------------------------------------------------------|--------------|--------------|
| | €'000 | €'000 |
| Funding completed capital projects included in other income | 1,000 | 5,315 |
| Funded posts | 903 | 1,256 |
| Research grants and contracts | 2,895 | 1,060 |
| Ancillary projects included in other operating income | 372 | 815 |
| Scholarships included in student fee income | 688 | 759 |
| | <u>5,858</u> | <u>9,205</u> |

The net assets of the University of Limerick Foundation at 31 August 2016 were €6.5m (2015: €6.2m).

Plassey Campus Developments

Plassey Campus Developments was the principal contractor associated with ongoing property development contracts totalling €13,746,202 in the year (2015: €17,349,504) on behalf of the University of Limerick. Representatives of the University are members of Plassey Campus Centre Company Limited by Guarantee. At the statement of financial position date €1,489,057 (2015: €1,652,054) was outstanding in respect of such work.

Plassey Campus Arena CLG

| | 2016 | 2015 |
|------------------------------------|----------------|---------------|
| | € | € |
| <i>Income:</i> | | |
| University of Limerick | 233,192 | 233,192 |
| <i>Receivable at 30 September:</i> | | |
| University of Limerick | <u>274,667</u> | <u>66,518</u> |

University Concert Hall CLG

The University Concert Hall Limited provides lecture facilities to the University of Limerick as part of its normal trading activities.

The value of the facilities provided during the year amounted to €36,989 (2015: €56,987).

The balance due to the University of Limerick at the year end amounted to €50,375 (2015: €25,189).

The balance due by University of Limerick at the year end amounted to €154,863 (2015: €27,528).

Other related parties

Other related parties include Limerick City Council and Limerick City Corporation. Donations received from these parties were as follows:

| | 2016 | 2015 |
|-----------------------------|---------------|---------------|
| | € | € |
| Donations received | | |
| Limerick County Council (i) | 17,000 | 17,000 |
| | <u>17,000</u> | <u>17,000</u> |

(i) Limerick Local Authorities have an ex officio member serving on the Board of Directors of University Concert Hall Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

27 Retirement benefits

The University operates both defined benefit and defined contribution retirement benefit schemes.

Defined contribution retirement benefit scheme

The University operates a defined contribution scheme to cater for the specific circumstances of its employees. This scheme seeks to ensure that both the requirements of the relevant employees and the responsibilities of the University are properly addressed. The retirement benefit charge for the period represents contributions payable by the University to the scheme and amounted to €99k (2015: €95k).

Defined benefit pension scheme

The University operates a defined benefit pension scheme, the University of Limerick Superannuation (Amendment) Scheme, which is funded annually on a "pay as you go" basis from monies provided by the Higher Education Authority and from contributions deducted from staff salaries. The scheme provides for a retirement benefit and retirement lump sum based on pensionable pay on the date of retirement (average salary used if promoted within the last 3 years of service), and spouse's and children's pensions. Staff employed prior to 1 January 2006 must retire when they reach the age of 65. For staff employed after that date, there is no compulsory retirement age; an employee may retire at any time after reaching age 65. The scheme includes an actuarially reduced early retirement facility from age 55.

Single public service retirement benefit scheme

The Single Public Service Pension Scheme (Single Scheme), which the University operates on behalf of the Department of Public Expenditure & Reform, is the defined benefit pension scheme for pensionable public servants appointed on or after 1 January 2013 in accordance with the Public Service Pension (Single Scheme and Other Provisions) Act 2012. The scheme provides for a retirement benefit and retirement lump sum based on career-average pensionable remuneration, and spouse's and children's pensions. The minimum pension age is 66 years (rising in line with State pension age changes). It includes an actuarially-reduced early retirement facility from age 55. Pensions in payment increase in line with the consumer price index.

The valuation prepared under FRS 102 Section 28 has been based on an actuarial valuation on 16 February 2017 by a qualified independent actuary to take account of the requirements of FRS 102 in order to assess the scheme liabilities at 30 September 2016 and 2015. The financial assumptions used to calculate scheme liabilities are:

| Valuation method | At | At |
|-------------------|------------------------|------------------------|
| | 30 September 2016 | 30 September 2015 |
| | Projected Unit % | Projected Unit % |
| Discount rate | 1.50 | 2.60 |
| Inflation rate | 1.75 | 2.00 |
| Salary increases | 3.25 | 3.50 |
| Pension increases | 2.25 | 2.50 |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

27 Retirement benefits - continued

On foot of EU Directive, the Protection of Employee Acts 2001 and 2003 extended pension benefits to part-time and fixed term workers. The University immediately entered into negotiations with the University Sector and relevant Government Departments in relation to the funding of these statutory liabilities.

Unfunded liability for retirement benefits

The University recognises an asset, an amount corresponding to the unfunded deferred liability for retirement benefits. The University believes that it operates as an agent in the operation of the UL Superannuation Scheme and does not contribute financially to the Scheme. The University believes that it is virtually certain that the State will reimburse all of the expenditure required to settle the defined benefit obligation, and in accordance with FRS 102 recognises a reimbursable amount.

The University also recognises a reimbursable asset value under FRS102 in respect of the Single Scheme as the obligations and liabilities under the Single Scheme are guaranteed by the State.

| Consolidated and University | 2016 | 2015 |
|---------------------------------------------------------------------------------------------|------------------|-----------------|
| | €'000 | €'000 |
| Analysis of amount charged to operating profit: | | |
| Current service cost | 25,657 | 25,001 |
| Past service cost | - | - |
| Total operating charge | <u>25,657</u> | <u>25,001</u> |
| Analysis of the amount credited to other finance income: | | |
| Expected return on scheme assets | - | - |
| Interest on scheme liabilities | (16,435) | (16,790) |
| Net return | <u>(16,435)</u> | <u>(16,790)</u> |
| Analysis of the amount recognised in statement of total recognised gains and losses: | 2016 | 2015 |
| | €'000 | €'000 |
| Actual less expected return on scheme assets | | |
| Experience (loss)/gain | (53,463) | 18,946 |
| Changes in assumptions | (151,794) | - |
| Actuarial (loss)/gain recognised in Statement of comprehensive income | <u>(205,257)</u> | <u>18,946</u> |
| <i>Movement in present value of defined benefit obligation</i> | 2016 | 2015 |
| | €'000 | €'000 |
| At 1 October | 638,363 | 622,212 |
| Current service cost | 25,657 | 25,074 |
| Interest cost | 16,435 | 16,790 |
| Plan members - contributions | 4,578 | 4,523 |
| Actuarial loss/(gain) | 205,257 | (18,946) |
| Insurance premium for risk benefits | - | (821) |
| Benefits paid | (12,513) | (10,469) |
| At 30 September | <u>877,777</u> | <u>638,363</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016
27 Retirement benefits - continued

| <i>Analysis of movement in pension receivable during the year</i> | Consolidated & University | |
|-------------------------------------------------------------------|---------------------------|----------------|
| | 2016 | 2015 |
| | €'000 | €'000 |
| Pension receivable at beginning of year | 638,363 | 622,212 |
| Actuarial loss/(gain) | 205,257 | (18,946) |
| Incremental pension cost underwritten by the State (note 10) | 17,722 | 18,307 |
| State underwritten finance charge | 16,435 | 16,790 |
| Employer contributions | 7,935 | 6,767 |
| Members contributions | 4,578 | 4,523 |
| Insurance premium for risk benefits | - | (821) |
| Benefits paid | (12,513) | (10,469) |
| At 30 September | <u>877,777</u> | <u>638,363</u> |

In accordance with the accounting policy on page 32, the total amount required to fund the retirement benefit deficit at 30 September 2016 amounts to €877,777,000 (2015: €638,363,000).

Within this figure, €8.6m (2015: €Nil) relates to the accrued liability for the single Public Service Pension Scheme (Single Scheme).

| History of actuarial gains and losses | 2016 €'000 | 2015 €'000 | 2014 €'000 | 2013 €'000 | 2012 €'000 |
|--------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Difference between expected & actual return on scheme assets | - | - | - | - | - |
| Expressed as a percentage of scheme assets | 0% | 0% | 0% | 0% | 0% |
| Experience gains & (losses) on scheme liabilities | (53,463) | 18,946 | 15,348 | (12,554) | 10,235 |
| Expressed as a percentage of scheme liabilities | (6.1%) | 3.0% | 2.5% | (2.5%) | 2.3% |
| Total amount recognised in statement of comprehensive income | (205,257) | 18,946 | 86,466 | 36,556 | 88,896 |
| Expressed as a percentage of scheme liabilities | (23.4%) | 3.0% | 13.9% | 7.2% | 20.2% |

28 Events after the reporting period

Since the end of the financial year the University drew down the remaining €50m of the approved EIB Loan. There were no other significant events since the reporting period which could have implications for these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

29 Explanation of Transition to FRS102

This is the first year that the University has presented its financial statements under Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous Irish GAAP were for the year ended 30 September 2015 and the date of transition to FRS 102 was therefore 1 October 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

| Reconciliation of reserves | Note | Consolidated | | University | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|------------------|------------------|------------------|------------------|
| | | 2014 €'000 | 2015 €'000 | 2014 €'000 | 2015 €'000 |
| Reserves reported under previous Irish GAAP | | 325,032 | 331,773 | 280,668 | 286,361 |
| Adjustments to reserves on transition to FRS 102 | | | | | |
| 1. Recognition of income from capital grants using the performance model | (a) | 90,783 | 94,381 | 81,731 | 85,915 |
| 2. Recognition of cost of accruing for holiday pay. | (b) | (1,502) | (1,505) | (1,446) | (1,446) |
| 3. Recognition of increase in value of fixed assets and change in depreciation arising from the transition exemption in section 35 of FRS 102 deeming the valuation of buildings as their cost. | (c) | 36,356 | 35,011 | - | - |
| 4. Listed investments recorded at market value. | (d) | 730 | 864 | - | - |
| 5. Reclassification of deferred capital grants to payables | (e) | <u>(227,193)</u> | <u>(229,253)</u> | <u>(216,768)</u> | <u>(220,788)</u> |
| Restated Reserves under FRS102 | | 224,206 | 231,271 | 144,185 | 150,042 |
| 6. Prior period adjustment - Release of deferred income | Note 30 | <u>3,539</u> | <u>3,531</u> | <u>3,539</u> | <u>3,531</u> |
| Reserves reported under FRS 102 including prior period adjustment | | <u>227,745</u> | <u>234,802</u> | <u>147,724</u> | <u>153,573</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

29 Explanation of Transition to FRS102 - continued

| Reconciliation of surplus for the year ended 30 September 2015 | Note | €'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------|--------------|
| Surplus for the financial year under previous Irish GAAP | | 4,681 |
| 1. Recognition of income from capital grants using the performance model | (a) | 3,598 |
| 2. Change in depreciation arising from the transition exemption in section 35 of FRS 102 deeming the valuation of buildings as their cost | (c) | (1,345) |
| 3. Recognition of income arising from recording managed funds at market value instead of cost. | | 131 |
| 4. Release of deferred income | Note 30 | (8) |
| | | <u>7,057</u> |

(a) Non government grants

The University has adopted the performance model for non-government capital grants which are recognised on receipt unless there are performance related conditions. If performance related conditions exist, grants are deferred within payables and released to the statement of comprehensive income over the period during which the conditions are met. At the transition date, deferred capital grants of €90.8m (€81.7m: University only) with no performance related conditions were released to the unrestricted reserve.

(b) Holiday pay accrual

FRS 102 requires the University to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the balance sheet date. The accrual results in an additional €1.502m (€1.45m: University only) of accruals at 1 October 2014. During 2014/15 there was an additional €3k (€Nil: University only) of holiday entitlement, which resulted in the accrual increasing to €1.505m at 30 September 2015.

(c) Plassey Village, Kilmurry Village, Thomond Village, Dromroe Village, Cappavilla Village Residences, Quigley Residences and William Brennan court were stated at open market value, which was determined following a formal independent valuation by DTZ Sherry Fitzgerald Limited at 30 September 2014. The university applied the transition exemption in Section 35 of FRS 102 and used this previous valuation as the deemed cost for certain freehold land and buildings on transition to FRS102. The deemed cost of the freehold land and buildings will be depreciated over the remaining useful lives of the freehold land and buildings. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to the statement of comprehensive income in equity. The effect of this transition is to increase the cost of land and buildings in 2015 by €16.0m (2014: €16.0m) and to reduce the accumulated depreciation in 2015 by €19.0m (2014: €20.4m).

(d) Managed funds

Under previous Irish GAAP the University recorded managed funds investments at cost. On transition to FRS 102 the University has recorded managed funds at market value instead of cost model.

(e) Government grants

The University continues to adopt the accruals basis for government capital grants. The revised SORP requires government grants to be disclosed as deferred income within trade and other payables and released to the statement of comprehensive income on a systematic basis over the useful life of the asset. Previously, government capital grants were disclosed in reserves. The impact at date of transition was to increase payables due after one year and reduce net assets by €227.2m (2015: €229.3m).

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

30 Prior Period Adjustment – release of deferred income

Under the Section 39 the University Act, the University is required to keep accounts in such form as may be approved by An tÚdarás. Accordingly the University has prepared Financial Statements in accordance with historically agreed harmonised format jointly developed by the universities, the Higher Education Authority, and the Comptroller & Auditor General. The University also prepares consolidated financial statements under generally accepted accounting principles (GAAP). As part of the process of preparing the GAAP accounts reclassification adjustments were required to account for certain items, presented as research activity in the HEA accounts, to be reclassified as ancillary/other income in the GAAP financial statements. The income for these projects was not fully matched to expenditure and as a result, over a long number of years, income on a small number of research cost centres was deferred instead of being recognised in the period.

This requires a restatement of prior period revenue reserves. This income has now been released to the Statement of Comprehensive Income 2015: €8K, (prior years €3.539m see Note 30).

31 Circular 13/2014 - Management of and accountability for grants from exchequer funds

This information is required by circular 13/2014 issued on 26 September 2014 by the Department of Expenditure and Public Reform. It is not a requirement under FRS 102.

RESEARCH GRANTS

| | Research Income | Receivables | Payables |
|--------------------------------------------|----------------------------|--------------------|-----------------|
| | €'000 | €'000 | €'000 |
| Exchequer Funding | | | |
| Science Foundation Ireland | 11,362 | 1,676 | 13,434 |
| Enterprise Ireland | 8,178 | 1,230 | 4,358 |
| Dept. of Agriculture, Food & Marine | 718 | 425 | 445 |
| Health Research Board | 929 | 176 | 732 |
| Irish Research Council | 1,838 | 169 | 1,597 |
| Higher Education Authority | 1,098 | 1,700 | 311 |
| State – other | 1,226 | 409 | 1,102 |
| Environment Protection Agency | 489 | 188 | 235 |
| Teagasc | 166 | 31 | 60 |
| Other including overheads | 1,239 | 447 | 10,072 |
| Sub-total State | 27,243 | 6,451 | 32,346 |
| Non Exchequer Funding | | | |
| Industry | 2,472 | 1,807 | 4,341 |
| European Commission | 3,072 | 859 | 3,359 |
| Other | 2,367 | 673 | 2,940 |
| Sub-total Non-Exchequer | 7,911 | 3,339 | 10,640 |
| Total Research | 35,154 | 9,790 | 42,986 |
| Other self-funded and ancillary activities | | | |
| Balances | | 799 | 10,862 |
| Total | 35,154 | 10,589 | 53,848 |

NOTES TO THE FINANCIAL STATEMENTS - continued
For the financial year ended 30 September 2016

31 Circular 13/2014 - Management of and accountability for grants from exchequer funds - continued

BUILDINGS CAPITAL GRANTS

| | Cash Receipts | | Expenditure | |
|-------------------------|--------------------|------------------------|--------------------|------------------------|
| | Exchequer €'000 | Non Exchequer €'000 | Exchequer €'000 | Non Exchequer €'000 |
| HEA | 3,497 | | 3,497 | |
| Limerick County Council | 166 | | 166 | |
| Clare County Council | 150 | | 150 | |
| Total | 3,813 | - | 3,813 | - |

RECURRENT GRANT

| | Cash Receipts | | Expenditure | |
|--------------|--------------------|------------------------|--------------------|------------------------|
| | Exchequer €'000 | Non Exchequer €'000 | Exchequer €'000 | Non Exchequer €'000 |
| HEA | 35,614 | | 36,174 | |
| Total | 35,614 | - | 36,174 | - |

32 Approval of financial statements

The financial statements were approved by the Governing Authority on 26 October 2017.

APPENDIX NOT FORMING PART OF THE UNIVERSITY'S FINANCIAL STATEMENTS AND NOT AUDITED
BY THE COMPTROLLER AND AUDITOR GENERAL

The University of Limerick Foundation

Annual Report

Financial Year Ended 31 August 2016

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DIRECTORS AND OTHER INFORMATION

Board of Directors

Loretta Brennan Glucksman (Chairman) (USA)
Daniel Barry (resigned 1 May 2017)
Charles F Feeney
Harry Fehily
Kenneth Gorman (USA)
Rose Hynes
Paul Kimball (USA)
Dr James McCarron (USA)
John Murray
Michael O'Keefe (USA)
Michael Houlihan
Paul O'Connell
Ralph Parkes
John Ryan (USA)
Dermot Smurfit
Daniel Tierney
Michael Tiernan
Dr Edward Walsh
William Whelan (resigned 27 October 2016)
Patrick Gerard Boland
Kathleen O'Toole
Richard Meaney (appointed 30 November 2016)
Desmond Fitzgerald (appointed 1 May 2017)

Solicitors

Holmes O'Malley Sexton
Bishopsgate
Henry Street
Limerick

Bankers

Bank of Ireland
International Banking Division
Baggott Street
Dublin 4

Bank of Ireland
University Branch
Plassey
Limerick

Chief Executive Officer

David Cronin

Secretary and Registered Office

Niall Murphy
Plassey House
University of Limerick
Plassey Technological Park
Limerick

Registered Number: 147116

Charitable Status Number: CHY 9688

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Bank Place
Limerick

DIRECTORS' REPORT

The directors present their report and the financial statements of The University of Limerick Foundation ("the company") for the financial year ended 31 August 2016.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of the company's assets, liabilities and financial position at the end of the financial year and of the surplus or deficit of the company for the financial year. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and the surplus or deficit of the company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the company;
- enable, at any time, the assets, liabilities, financial position and surplus or deficit of the company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legal status

The University of Limerick Foundation ("the company") is a company limited by guarantee. The liability of the members (of which there are 11) in the event of a winding up is limited to €1.27 each. The guarantee continues for one year after membership of the company ceases.

The company has been granted charitable exemption by the Revenue Commissioners.

Principal activities and business review

The company's principal activity is the furtherance of education and research, in particular the furtherance of education and research carried out by the University of Limerick and other educational, research and development bodies associated with the University of Limerick. The directors consider any events that could lead to a substantial reduction in donations and income received as the principal risk faced by the company. The directors are satisfied that there are relationships in place and being developed at present that mitigate this risk.

Income decreased by 35%, primarily arising from decreased donations and gifts received during the year to €7,091,869 (2015: €10,902,504), however expenditure decreased due to a decrease in research and development grants payment in the year.

DIRECTORS' REPORT - continued

Accounting records

The measures taken by the directors to secure compliance with the company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at Plassey House, University of Limerick, National Technological Park, Limerick.

Results

The company's surplus for the financial year was €255,666 (2015: €237,978). The directors recommend that this be added to the reserves brought forward.

Future developments

The directors foresee no significant changes in the principal activities of the company in the foreseeable future.

Disclosure of information to auditors

The directors in office at the date of this report have each confirmed that:

- as far as he/she is aware, there is no relevant audit information of which the company's statutory auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

Directors and secretary

The Constitution of the Company require the directors to retire by rotation. The names of the persons who were directors and secretary at any time during the year ended 31 August 2016 are set out on page 2. Unless indicated otherwise they served as directors and secretary for the entire year. The following changes were made to the directors and secretary who held office during the year:

Directors:

Kathleen O'Toole (appointed 11 June 2016)

Events since the balance sheet date

There have been no significant events since the balance sheet date.

Statutory auditors

The statutory auditor, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On behalf of the board

Loretta Brennan Glucksman
Desmond Fitzgerald

30 May 2017



Independent auditors' report to the members of The University of Limerick Foundation

Report on the financial statements

Our opinion

In our opinion, The University of Limerick Foundation's financial statements (the "financial statements"):

- give a true and fair view of the company's assets, liabilities and financial position as at 31 August 2016 and of its surplus and cash flows for the year then ended;
 - have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
 - have been properly prepared in accordance with the requirements of the Companies Act 2014.
-

What we have audited

The financial statements comprise:

- the balance sheet as at 31 August 2016;
- the income and expenditure account for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements 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), including FRS 102 "The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.



Matter on which we are required to report by exception

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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 company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

David O'Malley
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Limerick
6 June 2017

INCOME AND EXPENDITURE ACCOUNT
Financial Year Ended 31 August 2016

| | Notes | 2016 € | 2015 € |
|-------------------------------------------|-------|------------------|-------------------|
| Income | | | |
| Donations and gifts | | 7,091,869 | 10,902,504 |
| Bank interest | | 21,738 | 99,478 |
| | 5 | <u>7,113,607</u> | <u>11,001,982</u> |
| Other operating income | | | |
| Gain on market value of investments | 8 | <u>346,818</u> | <u>431,780</u> |
| Expenditure | | | |
| Fundraising, publicity and administration | | 808,958 | 656,366 |
| Research and development grants | | 6,395,801 | 10,539,418 |
| | | <u>7,204,759</u> | <u>11,195,784</u> |
| Surplus for the financial year | 6 | <u>255,666</u> | <u>237,978</u> |

All amounts above relate to continuing operations.

The company had no comprehensive income apart from that reflected in the income and expenditure account above and, therefore, no separate statement of comprehensive income is presented.

BALANCE SHEET
31 August 2016

| | | 2016 € | 2015 € |
|--------------------------------------------------------|----|---------------------|---------------------|
| Fixed assets | | | |
| Financial assets | 8 | <u>5,927,750</u> | <u>6,590,447</u> |
| Current assets | | | |
| Short term investments | | 3,023,582 | 3,015,557 |
| Cash at bank and in hand | | 17,035,834 | 7,579,593 |
| Debtors | 9 | <u>48,732</u> | <u>288,005</u> |
| | | 20,108,148 | 10,883,155 |
| Creditors - amounts falling due within one year | 10 | <u>(19,499,871)</u> | <u>(11,193,241)</u> |
| Net current assets/(liabilities) | | <u>608,277</u> | <u>(310,086)</u> |
| Net assets | | <u>6,536,027</u> | <u>6,280,361</u> |
| Permanent endowment fund | | 5,692,473 | 5,468,305 |
| Venture capital fund | | 420,221 | 457,985 |
| Income and expenditure account | | 423,333 | 354,071 |
| Total equity | 15 | <u>6,536,027</u> | <u>6,280,361</u> |

On behalf of the board

Loretta Brennan Glucksman
Desmond Fitzgerald

STATEMENT OF CHANGES IN EQUITY
Financial Year Ended 31 August 2016

| | Venture capital fund € | Permanent endowment fund € | Income & expenditure account € | Total € |
|---------------------------------------------------|---------------------------------|-------------------------------------|-----------------------------------------|------------------|
| Balance at 1 September 2014 | 518,192 | 5,135,708 | 388,483 | 6,042,383 |
| Investment (losses)/gains for the financial year | (33,593) | 465,373 | - | 431,780 |
| Endowment payments for the financial year | - | (132,776) | - | (132,776) |
| Surplus/(deficit) for the financial year | - | - | (61,026) | (61,026) |
| Total comprehensive income for the financial year | <u>(33,593)</u> | <u>332,597</u> | <u>(61,026)</u> | <u>237,978</u> |
| Transfers | <u>(26,614)</u> | <u>-</u> | <u>26,614</u> | <u>-</u> |
| Balance at 31 August 2015 | <u>457,985</u> | <u>5,468,305</u> | <u>354,071</u> | <u>6,280,361</u> |
| Investment (losses)/gains for the financial year | (28,249) | 375,067 | - | 346,818 |
| Endowment payments for the financial year | - | (150,899) | - | (150,899) |
| Surplus/(deficit) for the financial year | - | - | 59,747 | 59,747 |
| Total comprehensive income for the financial year | <u>(28,249)</u> | <u>224,168</u> | <u>59,747</u> | <u>255,666</u> |
| Transfers | <u>(9,515)</u> | <u>-</u> | <u>9,515</u> | <u>-</u> |
| Balance at 31 August 2016 | <u>420,221</u> | <u>5,692,473</u> | <u>423,333</u> | <u>6,536,027</u> |

CASH FLOW STATEMENT

Financial Year Ended 31 August 2016

| | Notes | 2016 € | 2015 € |
|-----------------------------------------------------|-------|------------------|------------------|
| Net cash inflow/(outflow) from operating activities | 11 | 8,433,013 | (386,721) |
| Servicing of finance and return on investments | 12 | 1,105,637 | 241,405 |
| Capital expenditure and financial investment (net) | 13 | <u>(74,384)</u> | <u>(115,313)</u> |
| | | | |
| Increase/(decrease) in cash | | <u>9,464,266</u> | <u>(260,629)</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

Financial Year Ended 31 August 2016

| | 2016 € | 2015 € |
|--------------------------------------------|-------------------|-------------------|
| Increase/(decrease) in cash | 9,464,266 | (260,629) |
| Balance at the beginning of financial year | <u>10,595,150</u> | <u>10,855,779</u> |
| Balance at end of financial year | <u>20,059,416</u> | <u>10,595,150</u> |

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The University of Limerick Foundation ("the company") is incorporated as a company limited by guarantee in the Republic of Ireland. The company's principal activity is the furtherance of education and research, in particular the furtherance of education and research carried out by the University of Limerick and other educational, research and development bodies associated with the University of Limerick.

At 31 August 2016 there were 11 guarantors whose guarantee is limited to €1.27 each. The guarantee continues for one year after membership of the company ceases.

2 Statement of compliance

The financial statements have been prepared on a going concern basis and in accordance with Irish GAAP (Accounting Standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2014.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 for the first time in these financial statements. Details of the transition to FRS 102 are disclosed in note 16.

(a) Basis of preparation

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

(b) Going concern

The company meets its day-to-day working capital requirements from donations received. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore these financial statements have been prepared on a going concern basis.

(c) Income

Income comprises donations and income on investments.

Donations received that have performance obligations attached are accounted for on an accruals basis. Donations are deferred to the balance sheet until such time as the performance related criteria have been met. Uncommitted donations are recognised on a cash receipts basis.

The use of income earned by the permanent endowment fund is restricted to certain types of expenditure. The excess of this income over expenditure is transferred to the permanent endowment fund.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(d) Receipts in kind

No value is attributed to donations received in kind from the University of Limerick and other third parties.

(e) Taxation

There is no charge to taxation as the company has been granted charitable exemption by the Revenue Commissioners.

(f) Financial assets and investments

Financial assets and investments are held at fair value. Changes in fair values are presented in the income and expenditure account.

(g) Foreign currencies

Income and expenses arising in foreign currencies are translated into Euro at the exchange rate ruling on the dates of the transactions.

Assets and liabilities in foreign currencies are translated into Euro at the rate ruling at the balance sheet date. All exchange differences arising during the year are dealt within the income and expenditure account.

(h) Employee benefits

The company provides a range of benefits to employees, including short term employee benefits such as paid holiday arrangements and post-employment benefits (in the form of defined contribution pension plans).

(i) Short term employee benefits

Short term employee benefits, including paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service.

(ii) Post-employment benefits

Pension benefits are funded over each relevant employees' service life by way of contributions to a separately administered fund. Annual contributions are charged to the income and expenditure account in the year to which they relate.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

(j) Financial instruments

The company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and cash equivalents, short-term deposits and investments, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(j) Financial instruments - continued

Trade and other debtors, cash and cash equivalents, investments and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors and loans and financial liability from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the entity's accounting policies

The directors make estimates and assumptions that affect the reported amount of assets and liabilities. On an ongoing basis, management re-evaluates these estimates. The most significant estimates relate to the recognition of income and deferred income based on the performance obligations of a donation received. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The actual amounts may vary from the estimates used in the preparation of the accompanying financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

| | | |
|------------------------------|------------------|-------------------|
| 5 Donations and gifts | 2016 | 2015 |
| | € | € |
| Unrestricted | 632,675 | 656,966 |
| Restricted | 6,480,932 | 10,345,016 |
| | <u>7,113,607</u> | <u>11,001,982</u> |

| | | |
|--------------------------------------------------------------|----------------|----------------|
| 6 Surplus of income over expenditure | 2016 | 2015 |
| | € | € |
| Surplus of income over expenditure is stated after charging: | | |
| Wages and salaries | 283,611 | 302,032 |
| Social insurance | 30,488 | 30,366 |
| Pension costs | 238,972 | 44,689 |
| | <u>553,071</u> | <u>377,087</u> |

There was €Nil (2015: €15,000) redundancy costs included in wages and salaries for the year ended 31 August 2016.

| | | |
|-------------------------|---------------|--------------|
| | 2016 | 2015 |
| | € | € |
| Directors' remuneration | - | - |
| Auditors' remuneration | <u>10,533</u> | <u>8,033</u> |

| | | |
|-----------------------------------------------------------------------------------------------|----------|----------|
| 7 Employer information | 2016 | 2015 |
| (i) The average number of persons employed during the year (including shared employees), was: | | |
| Management and administration | <u>4</u> | <u>4</u> |

(ii) Key management compensation

Key management includes members of senior management. The compensation paid or payable to key management for employee services is shown below. Compensation paid and payable includes salaries, social insurance costs and post employment benefits.

| | | |
|-----------------------------------|----------------|----------------|
| | 2016 | 2015 |
| | € | € |
| Senior management | <u>389,657</u> | <u>215,045</u> |
| Total key management compensation | <u>389,657</u> | <u>215,045</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued

| 8 Financial assets | Managed funds € | BOI seed funds € | Total € |
|--------------------------------------------|-----------------------|------------------------|------------------|
| Financial year ended 31 August 2015 | | | |
| At 1 September 2014 | 5,667,089 | 518,192 | 6,185,281 |
| Invested | - | 115,313 | 115,313 |
| Divested | - | (141,927) | (141,927) |
| Fair value gain/(loss) on investments | 465,373 | (33,593) | 431,780 |
| At 31 August 2015 | <u>6,132,462</u> | <u>457,985</u> | <u>6,590,447</u> |
| Financial year ended 31 August 2016 | | | |
| At 1 September 2015 | 6,132,462 | 457,985 | 6,590,447 |
| Invested | - | 74,384 | 74,384 |
| Divested | (1,000,000) | (83,899) | (1,083,899) |
| Fair value gain/(loss) on investments | 375,067 | (28,249) | 346,818 |
| At 31 August 2016 | <u>5,507,529</u> | <u>420,221</u> | <u>5,927,750</u> |

Financial assets represent units in managed and equity funds operated by State Street Global Advisors, Kleinwort Benson Investors and an investment in the Bank of Ireland Seed and Early Stage Equity Fund. The carrying values of the investments are as follows:

| | 2016 € | 2015 € |
|--------------------------------------|------------------|------------------|
| State Street Global Advisors | 2,402,084 | 2,633,061 |
| Kleinwort Benson Investor Funds | 3,105,445 | 3,499,401 |
| BOI Seed and Early Stage Equity Fund | 420,221 | 457,985 |
| | <u>5,927,750</u> | <u>6,590,447</u> |

The company together with a number of project partners, entered into a Limited Partnership Agreement in respect of the Bank of Ireland Seed and Early Stage Equity Fund in 2009, whereby it committed €1 million to the fund. The fund consists of investments in a number of high potential start-up unlisted entities.

| 9 Debtors - amounts falling due within one year | 2016 € | 2015 € |
|--------------------------------------------------------------|-------------------|-------------------|
| Debtors and other receivables | <u>48,732</u> | <u>288,005</u> |
| 10 Creditors - amounts falling due within one year | 2016 € | 2015 € |
| Deferred income (performance related donations) | 19,230,761 | 11,043,587 |
| Accruals | 75,609 | 125,501 |
| Trade creditors | 173,498 | 8,800 |
| Other creditors including tax and social insurance | 20,003 | 15,353 |
| | <u>19,499,871</u> | <u>11,193,241</u> |
| Other creditors including tax and social insurance comprise: | | |
| Income tax deducted under PAYE | 10,552 | 8,392 |
| Pay related social insurance | 9,451 | 6,961 |
| | <u>20,003</u> | <u>15,353</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| 11 Reconciliation of surplus of income over expenditure on ordinary activities to net cash inflow/(outflow) from operating activities | 2016 € | 2015 € |
| Surplus for the year | 255,666 | 237,978 |
| Increase in creditors | 8,306,630 | 131,509 |
| Decrease/(increase) in debtors | 239,273 | (224,950) |
| Interest income | (21,738) | (99,478) |
| Gain on investments | (346,818) | (431,780) |
| Net cash inflow/(outflow) from operating activities | <u>8,433,013</u> | <u>(386,721)</u> |
| | | |
| 12 Servicing of finance and returns on investments | 2016 € | 2015 € |
| Interest received | 21,738 | 99,478 |
| Proceeds from disposal of financial assets | 1,083,899 | 141,927 |
| | <u>1,105,637</u> | <u>241,405</u> |
| | | |
| 13 Capital expenditure and net financial investment | 2016 € | 2015 € |
| Payments to acquire financial assets | <u>(74,384)</u> | <u>(115,313)</u> |

14 Related party transactions

During the year the company received donations and other income in respect of fundraising events in the amount of €82,226 (2015: €35,136) from directors of the company and related parties.

15 Equity

A description of the nature of each component of equity is provided below.

The movement in each component of equity in the current and previous financial year is provided in the Statement of Changes in Equity.

Venture capital fund

This represents funds allocated specifically for investment in domestic start up operations. Movements represent additional amounts invested, gains or losses on market value and/or on disposals of any of these investments.

Permanent endowment fund

This represents monies received to provide for a permanent endowment to fund scholarships and other activities in the University of Limerick on an annual basis.

Income and expenditure account

This represents the accumulated unrestricted surplus from the entity's operations.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under Irish GAAP were for the year ended 31 August 2015. The date of transition to FRS 102 was 1 September 2014. Set out below are the changes in accounting policies which reconcile the surplus for the financial year ended 31 August 2015 and the total reserves as at 1 September 2014 and 31 August 2015 between Irish GAAP as previously reported and FRS 102.

| | 2015 € | |
|--------------------------------------------------------|--------------------------|------------------------|
| Surplus for the financial year | | |
| Irish GAAP - as previously reported | | <u>53,585</u> |
| Adjustments: | | |
| Fair value of financial assets | 345,323 | |
| Derecognition of donations received to deferred income | <u>(160,930)</u> | |
| Total adjustment to surplus for the financial year | | <u>184,393</u> |
| Revised FRS 102 surplus for the financial year | | <u>237,978</u> |
| Total reserves | 1 September 2014 € | 31 August 2015 € |
| Irish GAAP - as previously reported | 15,051,571 | 15,105,156 |
| Adjustments: | | |
| Fair value of financial assets | 1,873,468 | 2,218,791 |
| Deferred income adjustment | <u>(10,882,656)</u> | <u>(11,043,586)</u> |
| FRS 102 | <u>6,042,383</u> | <u>6,280,361</u> |

17 Events since balance sheet date

There were no significant events since the balance sheet date.

18 Approval of financial statements

The financial statements were approved by the directors on 30 May 2017.