National College of Ireland
(A company limited by guarantee and not having a share capital)

Directors' Report and Financial Statements

Year Ended 30 June 2014

CONTENTS

DIRECTORS AND OTHER INFORMATION

Current Board of Directors

Mr Denis O'Brien - Chairman
Mr William Attley
Fr Noel Barber S.J.
Ms Áine Casey
Mr James Duffy
Professor Áine Hyland
Dr Phillip Matthews
Mr Brendan McGinty
Mr Peter McLoone
Mr Paul Stynes
Mr Eddie Sullivan
Dr Tony White

Solicitors

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

Ivor Fitzpatrick & Co
Solicitors
44/45 St. Stephen's Green
Dublin 2
Ireland

President Emeritus

Professor Joyce O'Connor

Secretary and Registered Office

Mr John McGarrigle
Mayor Street
International Financial Services Centre
Dublin 1
Ireland

Registered Number: 134303

CHY Number: 9928

Bankers

Bank of Ireland
Ranelagh
Dublin 6
Ireland

Allied Irish Bank
IFSC
Dublin 1
Ireland

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 30 June 2014.

Statement of directors' responsibilities for financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish law.

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that financial year. Under that law the directors have elected to prepare the financial statements in accordance with Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Financial Reporting Council and promulgated by The Institute of Chartered Accountants in Ireland. In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with the requirements of the Companies Acts 1963 to 2013 and the European Communities (Companies: Group Accounts) Regulations, 1992. They 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.

Principal activities

The principal activity of the company is the provision of educational services.

Legal status

The National College of Ireland is a company incorporated under the Companies Acts 1963 to 2013 limited by guarantee and not having a share capital. The company is exempt from corporation tax.

Proper books

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account include the use of appropriate systems and procedures and the employment of competent and reliable persons. The books of account are kept at the college's premises at Mayor Street, International Financial Services Centre, Dublin 1.

Results

The surplus for the year is set out in the income and expenditure account on page 8.

Fair review of development and performance of the business and of its position

The college continues to operate in an increasingly competitive environment. Notwithstanding this, the College has been successful in growing revenues through widening programme provision and attracting new EU and international students to its courses. In particular, the development of new postgraduate programmes such as MBA, MSc Marketing, MSc Finance and MSc Cloud Computing and new undergraduate programmes such as BA Psychology, have contributed to this growth. The College has also been particularly successful in securing funding for the HEA's Springboard initiatives for both business and computing programmes.

The directors are satisfied with the financial position as at 30 June 2014 as stated in the balance sheet on page 10.

DIRECTORS' REPORT - continued

Description of the principal risks and uncertainties

NCI derives a major part (70%) of its revenues from private sources, including student fees, commercial income, donations, and sponsorship. The balance of the funding (30%) is provided by the State through the “Free Fees” Initiative and a core grant from the Department of Education and Skills. The limitation (unique to this institution) on the number of students funded through the Free Fees initiative to 925 students and the relatively low level of the core grant income as a percentage of total income, puts NCI at a considerable financial disadvantage compared to fully funded institutions who are funded directly by the HEA. Notwithstanding this lower level of funding, any material reduction would represent a significant risk to the College.

The significant revenues secured by NCI over the last four years through the HEA’s Springboard and ICT funding initiatives will decline as the State reduces labour market activation funding with economic recovery and increasing employment rates. These revenues will have to be ‘replaced’ with fees from fee-paying students as these funds are withdrawn.

In order to continue the enhancement of its reputation and its position within the sector, the College continues to update its curriculum and delivery modes so that it meets the current and emerging needs of its learners and its industry partners.

Future developments

The college will continue its commitment to increasing revenues through driving growth in student numbers on existing programmes from both domestic and international markets, and through the development of partnerships with industry for the development of career-oriented educational programmes.

The college does not own all of the buildings on the IFSC campus. It had a call option under which it could acquire the remaining elements (student residences) of the campus at a predetermined price prior to 30 September 2013 (see note 23). As that call option was not commercially attractive it was not exercised. The College does however have sufficient capacity to expand its teaching facilities within its current campus to cater for opportunities arising in the short to medium term.

Retirement benefits

The College operates both a Defined Benefit Pension Scheme and, with effect from April 2014, a Defined Contribution Pension Scheme for staff.

Defined Benefit Scheme

A number of cost saving measures were implemented within the College in 2011, one of which was to freeze the accrual of service in the NCI Pension Scheme (defined benefit scheme) with effect from 1 August 2011 for a period of two years.

The significant increase in contributions required to fund the resumption of the service accrual under the existing pension scheme was considered by the directors to be unsustainable. In July 2013 the Trustees of the NCI Pension Scheme were asked by the College to consider a number of proposals for pension arrangements that were considered by the directors to be financially sustainable. After consideration of legal and actuarial advice, and following consultation with scheme members, the Trustees decided to apply to the Pensions Authority for permission to amend the scheme to align the retirement age with the State Pension. The application was approved by the Pensions Authority in July 2014. This change to the scheme has resulted in an actuarial past service gain of €1,000,216 which has been reflected in the Income & Expenditure Account for the year to 30 June 2014, and is reflected as a reduction in the scheme liabilities. Contributions to this scheme resumed with effect from 1 August 2013, and the cost of resuming accrual of service is reflected in these financial statements.

A decision was made by the directors of NCI to close the NCI Pension Scheme (defined benefit scheme) to new members with effect from 1 April 2014.

Defined Contribution Scheme

A Defined Contribution Pension Scheme was put in place with Bank of Ireland Life in April 2014. The College makes contributions to this scheme on a matching basis to those made by participating staff at rates of 4%, 6% or 8% as elected by each individual employee.

DIRECTORS' REPORT - continued

Directors and secretary
The names of the current directors and the secretary are set out on page 2.

The following changes have taken place since 1 July 2013:

Mr. Aaron McGee retired on 1 July 2013 and was replaced by Mr. James Duffy on the same date.

Professor Áine Hyland and Mr Eddie Sullivan retired by rotation on 1 November 2013 and were reappointed on the same date.

Ms Sarah Duignan retired as a director on 1st November 2013 and was replaced by Ms Áine Casey on the 22nd November 2013.

Transactions involving directors
With the exception of the item disclosed in note 25, there were no contracts or arrangements of any significance in relation to the business of the company in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the year ended 30 June 2014.

Related party transactions
Details of related party transactions are disclosed in note 25 to the financial statements.

Subsidiary companies
The information required by Section 158 of the Companies Act, 1963 is shown at note 26 of the financial statements.

Subsequent events
There have been no significant events affecting the company since the year end.

Auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the board

Brendan McGinty

Phillip Matthews

17 October 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATIONAL COLLEGE OF IRELAND

We have audited the financial statements of National College of Ireland for the year ended 30 June 2014 which comprise the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Statement of Movement in Accumulated Surplus, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with 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 193 of the Companies Act, 1990 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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. In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the company's affairs as at 30 June 2014 and of its surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013.

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATIONAL COLLEGE OF IRELAND - continued

Matters on which we are required to report by the Companies Acts 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company; and
- The financial statements are in agreement with the books of account.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

John Dunne
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

24 October 2014

INCOME AND EXPENDITURE ACCOUNT
Year Ended 30 June 2014

	Notes	Educational activities €	Enterprise €	2014 €	2013 €
Gross income	2	17,896,075	1,567,027	19,463,102	17,847,544
Operating expenses	3	(17,751,867)	(1,188,538)	(18,940,405)	(17,340,505)
Operating surplus before exceptional past service gain on pension scheme		144,208	378,489	522,697	507,039
Exceptional past service gain on pension scheme	5, 21	1,000,216	-	1,000,216	-
Operating surplus		1,144,424	378,489	1,522,913	507,039
Interest receivable and similar income		23,379	-	23,379	53,769
Interest payable and similar charges	4	(205,525)	-	(205,525)	(234,622)
Surplus for the year retained	5	962,278	378,489	1,340,767	326,186

Gross income and operating surplus arose solely from continuing activities.

There is no difference between the operating surplus for the year and the surplus retained for the year stated above, and their historical cost equivalents.

On behalf of the board

Brendan McGinty

Phillip Matthews

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year Ended 30 June 2014

	Note	2014 €	2013 €
Surplus for the year		1,340,767	326,186
Actuarial loss in respect of pension scheme	21	(531,167)	(804,336)
Total recognised gains/(losses) since last financial statements		809,600	(478,150)

STATEMENT OF MOVEMENT IN ACCUMULATED SURPLUS
Year Ended 30 June 2014

	2014 €	2013 €
Balance at 1 July	2,141,858	2,620,008
Total recognised gains/(losses) for the year	809,600	(478,150)
Accumulated surplus at 30 June	2,951,458	2,141,858

BALANCE SHEET
As at 30 June 2014

	Notes	2014 €	2013 €
Fixed assets			
Tangible assets	6	33,366,806	34,203,809
Financial asset	7	230	230
		33,367,036	34,204,039
Current assets			
Debtors	8	1,830,487	1,634,593
Cash at bank and in hand		2,554,162	2,690,001
		4,384,649	4,324,594
Creditors - Amounts falling due within one year	9	(4,821,383)	(5,068,538)
Net current liabilities		(436,734)	(743,944)
Total assets less current liabilities		32,930,302	33,460,095
Less:			
Creditors - Amounts falling due after more than one year	10	(10,648,185)	(11,311,729)
Net assets excluding net pension liability		22,282,117	22,148,366
Pensions			
Pension scheme net deficit	21	(2,757,697)	(3,018,010)
Net assets including net pension liability		19,524,420	19,130,356
Financed by:			
Reserves			
Development reserve	13	16,572,962	16,988,498
Accumulated surplus		2,951,458	2,141,858
Total reserves	14	19,524,420	19,130,356

On behalf of the board

Brendan McGinty

Phillip Matthews

CASH FLOW STATEMENT
Year Ended 30 June 2014

	Notes	2014 €	2013 €
Net cash inflow from operating activities	15	1,105,177	1,347,452
Returns on investments and servicing of finance	16	(182,146)	(180,853)
Net cash outflow from capital transactions	17	(464,108)	(502,212)
Financing	18	(594,762)	(580,684)
(Decrease)/Increase in cash in year	20	(135,839)	83,703

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

The significant accounting policies and estimation techniques adopted by the College are as follows:

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the Companies Acts 1963 to 2013 and the European Communities (Companies: Group Accounts) Regulations 1992 and Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland).

Accounting convention

The financial statements have been prepared under the historical cost convention. The currency which is used in these financial statements is the Euro which is denoted by the symbol €.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost of fixed assets on a straight line basis over their expected useful lives at the following annual rates.

Buildings and sculpture	2%
Paintings	2%
Car park	2%
Equipment, furniture and fittings	20%
Computer equipment	$33^1/_3$%
Motor vehicles	25%

Development reserve

Development reserve income is amortised to the income and expenditure account over the estimated useful life of the leasehold building.

Income

All income other than donations is accounted for on an accruals basis, and is recognised in the income and expenditure account as the relevant services are performed. Donations are accounted for when received or when their receipt is considered certain, and are recognised in the income and expenditure account as the related costs are incurred or when specific donor imposed conditions (if any) have been satisfied.

Library books

No value has been placed on the books in the library. Expenditure on books is written off in the year in which it is incurred.

Leased assets

Assets held under finance leases are capitalised and included with similar owned assets in the balance sheet. Obligations under finance leases are included with creditors, analysed between amounts falling due within one year and amounts due after more than one year.

Fixed assets which are held under finance leases are depreciated over the shorter of the lease term or their useful lives.

Costs in respect of operating leases are charged to the income and expenditure account over the lease term.

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES - continued

Retirement benefits

The College operates both a Defined Benefit Pension Scheme and, with effect from April 2014, a Defined Contribution Pension Scheme for staff.

<u>Defined Benefit Scheme</u>

Pension benefits under the defined benefit scheme are funded over the employees' period of service by way of contributions to a managed fund. The college's annual contributions are based on actuarial advice. Defined benefit pension scheme assets are measured at fair value. Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet as a liability. The defined benefit pension charge to operating result comprises the current service cost and past service costs/(gains) and any termination charge. The excess of the expected return on scheme assets over the interest cost on the scheme liabilities is presented in the income and expenditure account as other finance income. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of total recognised gains and losses for the year in which they occur.

<u>Defined Contribution Scheme</u>

Contributions in respect of the College’s defined contribution Pension Scheme are charged to the income and expenditure account in the period to which they relate.

Grants

Capital grants relating to fixed assets are treated as deferred credits and are amortised to the income and expenditure account annually over the related fixed assets’ useful lives.

Revenue grants are credited to the income and expenditure account on an accruals basis.

Bad debts

Known bad debts are written off and provision is made against any amounts the recovery of which appears doubtful.

Changes in accounting policies

The financial statements have been prepared using the same accounting policies as set out in the financial statements for the year ended 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting basis

The financial statements have been prepared on a going concern basis.

2 Gross income

	2014	2013
	€	€
Student fees	14,060,349	12,514,265
Department of Education and Skills	1,957,918	1,994,732
Other income	3,444,836	3,338,547
	19,463,103	17,847,544
Educational activities	17,896,076	16,155,362
Enterprise	1,567,027	1,692,182
	19,463,103	17,847,544

3 Operating expenses

	2014	2013
	€	€
Property expenses	1,098,637	1,064,357
Enterprise expenses	1,188,538	1,198,772
Academic overheads	10,400,198	9,152,126
Central administration	1,512,352	1,269,490
Library	863,394	731,659
IT expenses	1,743,993	1,649,997
Student services	1,181,860	1,012,663
Accreditation bodies and miscellaneous costs	294,866	369,171
Depreciation	1,301,111	1,536,812
Amortisation of capital grants	(229,008)	(229,006)
Amortisation of development reserve	(415,536)	(415,536)
	18,940,405	17,340,505
Educational activities	17,751,867	16,141,733
Enterprise	1,188,538	1,198,772
	18,940,405	17,340,505

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Operating expenses - continued

(a) Employees and remuneration

The average number of persons (excluding associate lecturers) employed by the company in the financial year was 172 (2013: 162). There were 68 (2013: 52) equivalent full-time associate lecturers. All were engaged in either the provision of educational services, research or administration.

	2014	2013
	€	€
Staff costs are comprised of:		
Wages and salaries	9,952,129	8,960,045
Social welfare	1,006,477	877,656
Pension costs – see note (a)	604,170	127,936
	11,562,776	9,965,637

(a) Pension contributions resumed in August 2013, following a two year freeze.

4 Interest payable and other charges

	2014	2013
	€	€
Finance lease interest	24,241	35,183
Bank interest and charges on bank loans wholly repayable after 5 years	181,284	199,439
	205,525	234,622

5 Surplus for the year

	2014	2013
	€	€

(a) The surplus for the year is stated after charging/(crediting):

	2014	2013
Exceptional past service gain on pension scheme	(1,000,216)	-
Depreciation	1,301,111	1,536,812
Amortisation of capital grants	(229,008)	(229,006)
Amortisation of development reserve	(415,536)	(415,536)
Directors' remuneration - management and academic services	349,344	304,310
Finance lease interest	24,241	35,183

Directors' remuneration

	2014	2013
Emoluments:		
- for services as directors	-	-
- for other services	349,344	304,310
	349,344	304,310

Directors' remuneration includes the remuneration of employees of the College who also serve on the Board of Directors, and reflects the restoration of pay & pension rates during the year 2013/14.

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Surplus for the year - continued

(b) Auditors' remuneration
Remuneration for the statutory audit and other services carried out by the company's statutory auditors exclusive of VAT:

	2014 €	2013 €
- statutory audit	71,500	69,500
- other assurance services	-	-
- tax advisory services	-	-
- other non-audit services	-	9,750
	71,500	79,250

(c) National College of Ireland has been granted charitable status by the Revenue Commissioners and is exempt from Corporation Tax.

NOTES TO THE FINANCIAL STATEMENTS - continued

6 (a) Fixed assets

	Paintings	Leasehold buildings	Computer equipment	Equipment fixtures/fittings	Motor vehicles	Research building	Car park	Sculpture	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 30 June 2013	15,825	24,395,998	8,908,758	2,272,389	83,754	12,170,721	4,427,243	741,333	53,016,021
Additions	-	-	451,648	12,460	-	-	-	-	464,108
Disposals	-	-	(3,357,779)	(133,801)	-	-	-	-	(3,491,580)
At 30 June 2014	15,825	24,395,998	6,002,627	2,151,048	83,754	12,170,721	4,427,243	741,333	49,988,549
Depreciation									
At 30 June 2013	2,387	5,191,874	8,476,882	1,926,223	83,754	2,162,983	796,905	171,204	18,812,212
Charge for the year	317	487,445	347,799	121,116	-	243,395	88,545	12,494	1,301,111
Disposals	-	-	(3,357,779)	(133,801)	-	-	-	-	(3,491,580)
At 30 June 2014	2,704	5,679,319	5,466,902	1,913,538	83,754	2,406,378	885,450	183,698	16,621,743
Net book value									
At 30 June 2014	13,121	18,716,679	535,725	237,510	-	9,764,343	3,541,793	557,635	33,366,806
At 30 June 2013	13,438	19,204,124	431,876	346,166	-	10,007,738	3,630,338	570,129	34,203,809

The Department of Education and Skills holds a charge on the leasehold buildings for 40 years as security for grants of €8,888,166 given by the Department which would become payable in the event of the disposal of the building or change of use.

(b) Included in the schedule of fixed assets are the following assets held under finance leases:

	Equipment, fixtures/fittings	Computer equipment	Total 2014	Total 2013
	€	€	€	€
Cost	166,878	530,826	697,704	2,810,449
Accumulated depreciation	(150,708)	(507,166)	(657,874)	(2,600,439)
Net book value	16,170	23,660	39,830	210,010
Depreciation for year	55,620	114,560	170,180	327,505

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Financial assets

	Notes	2014 €	2013 €
Loan due from Origin 8 Partnership	23	-	29,203,976
Amount due to Origin 8 Partnership	23	-	(25,394,762)
Amount due from Origin 8 Partnership		-	3,809,214
Provision against net amount recoverable on the exercise of property buyback option	23	-	(3,809,214)
Amount due from Origin 8 Partnership		-	-
Shares in North Wall Quay/Mayor Street Management Limited		130	130
Shares in Campus Crèche Limited	26	100	100
		230	230

8 Debtors (amounts falling due within one year)

	2014 €	2013 €
Department of Education and Skills Grant	146,583	330,332
Prepaid expenses	721,432	522,895
Other debtors	962,472	781,366
	1,830,487	1,634,593

9 Creditors (amounts falling due within one year)

	Notes	2014 €	2013 €
Bank loans	28	375,000	309,156
Academic fees received in advance		874,357	561,780
Other income received in advance		232,752	452,686
PAYE/PRSI		570,152	418,744
Other creditors and accruals		2,035,239	2,366,219
Amounts owed to Origin 8 Partnership relating to the purchase of the Research Building and car park	23	435,655	435,655
Obligations under finance leases		69,216	295,286
Deferred income capital grants	11	229,012	229,012
		4,821,383	5,068,538

10 Creditors - (amounts falling due after more than one year)

	Notes	2014 €	2013 €
Bank loans	28	2,026,438	2,401,369
Obligations under finance leases		-	59,605
Deferred income - capital grants	11	8,621,747	8,850,755
		10,648,185	11,311,729

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Deferred income - capital grants

	2014 €	2013 €
At 1 July	9,079,767	9,308,773
Received during the year	-	-
Amortised during the year	(229,008)	(229,006)
At 30 June	8,850,759	9,079,767
Shown as:		
Creditors: Amounts falling due within one year	229,012	229,012
Amounts falling due after more than one year	8,621,747	8,850,755
	8,850,759	9,079,767

Capital grants are in respect of the college's IFSC campus and computer equipment and will be taken to income over the expected useful lives of the related assets.

12 Maturity of debt

The maturity profile of the debt comprising bank loans and obligations under finance leases at 30 June was as follows:

	2014 €	2013 €
In one year or less, or on demand	444,216	604,442
In more than one year but not more than two years	450,000	459,228
In more than two years but not more than five years	1,400,000	1,552,103
In more than five years	176,438	449,642
	2,470,654	3,065,415

13 Development reserve

This represents the surplus of donations received over direct expenses.

	2014 €	2013 €
Balance at 1 July	16,988,498	17,404,034
Transfer to income and expenditure account	(415,536)	(415,536)
Balance at 30 June	16,572,962	16,988,498

The development reserve, which represents donated funds for the college's IFSC campus, is being taken to the income and expenditure account over the expected useful life of the college buildings.

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Reconciliation of movement in total reserves

	2014	2013
	€	€
Balance at 1 July	19,130,356	20,024,042
Transfer from Development Reserve to Income and Expenditure account (note 13)	(415,536)	(415,536)
Total recognised gains/(losses) relating to the year	809,600	(478,150)
Balance at 30 June	19,524,420	19,130,356

Total reserves at 30 June 2014, excluding the amount relating to the net pension liability of €2,757,697 (2013: €3,018,010) are €22,282,117 (2013: €22,148,366).

15 Reconciliation of operating surplus to net cash flow from operating activities

	2014	2013
	€	€
Operating surplus for year	1,522,913	507,039
Depreciation charge	1,301,111	1,536,812
Amortisation of capital grants	(229,008)	(229,006)
Amortisation of development reserve	(415,536)	(415,536)
Pension movement in creditors	(791,480)	(65,141)
(Increase)/decrease in debtors	(195,894)	(145,155)
(Decrease)/increase in creditors	(86,929)	158,439
Net cash inflow from operating activities	1,105,177	1,347,452

16 Returns on investment and servicing of finance

	2014	2013
	€	€
Interest received	23,379	53,769
Interest paid	(181,284)	(199,439)
Interest and charges on finance leases	(24,241)	(35,183)
Net cash outflow from returns on investment and servicing of finance	(182,146)	(180,853)

17 Capital transactions

	2014	2013
	€	€
Payments to acquire tangible fixed assets	(464,108)	(502,212)
Net cash outflow from capital transactions	(464,108)	(502,212)

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Financing

	2014 €	2013 €
Decrease in finance leases	(285,675)	(380,684)
Decrease in loan principal	(309,087)	(200,000)
Net cash outflow from financing	(594,762)	(580,684)

19 Reconciliation of net cash flow to movement in net funds/(debt)

	2014 €	2013 €
(Decrease)/increase in cash in year	(135,839)	83,703
Cash outflow from debt and lease financing	594,762	580,683
Change in net funds resulting from cash flows	458,923	664,386
Movement in net funds in the year	458,923	664,386
Net debt at beginning of year	(375,415)	(1,039,801)
Net cash/(debt) at end of year	83,508	(375,415)

20 Analysis of changes in net funds/(debt)

	30 June 2013 €	Cash flow €	30 June 2014 €
Net cash			
Cash at bank and in hand	2,690,001	(135,839)	2,554,162
Net cash	2,690,001	(135,839)	2,554,162
Debt			
Finance leases	(354,891)	285,675	(69,216)
Term loan	(2,710,525)	309,087	(2,401,438)
	(3,065,416)	594,762	(2,470,654)
Net debt	(375,415)	458,923	83,508

21 Pension scheme

(a) Defined Benefit Scheme

During the year the College operated a defined benefit pension scheme with assets held in an externally administered fund. The scheme is externally funded and is contributory. The fund is valued at least every three years by a professionally qualified independent actuary on both discontinuance and going concern basis. The rates of contribution are calculated by the actuary using the projected unit method. The actuary reviews the rates for continued appropriateness in the intervening years.

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Pension scheme - continued

As a result of cost saving measures implemented by NCI it was agreed to freeze the accrual of service in the NCI Pension Scheme with effect from 1 August 2011 for a period of two years. Minimum employer contributions to fund the past service deficit continued to be made during this time based on recommendations from the plan actuary. No employee contributions related to current service were made during this time. Full employer and employee contributions resumed with effect from August 2013. The employer contributions payable to the scheme at the year-end date were €44,423 (2013: €8,602).

The scheme was closed to new members with effect from 1 April 2014, and has been amended to align retirement ages with the State Pension – see the Directors' Report (page 4) for further details.

In addition to making contributions for retirement benefits, the College also pays insurance premiums for the death in service and disability benefits associated with each member of the pension scheme.

A full actuarial valuation of the scheme on which the amounts recognised in the financial statements are based, was carried out at 30 June 2014, by a qualified independent actuary.

The following amounts recognised in the balance sheet were measured in accordance with the requirements of Financial Reporting Standard 17:

	2014 €	2013 €
Total market value of assets	7,813,172	6,461,572
Present value of schemes' liabilities	(10,570,869)	(9,479,582)
Net pension liability	(2,757,697)	(3,018,010)

The following amounts have been recognised in the performance statements for the year ended 30 June 2014 and 30 June 2013 under the requirements of FRS17.

	2014 €	2013 €
Charged to operating result		
Current service cost	(572,781)	(4,821)
Past service gain/(cost)	1,000,216	(125,553)
	427,435	(130,374)
(Charged)/credited to other financial income/(charges)		
Expected return on pension scheme assets	359,114	341,823
Interest on pension scheme liabilities	(366,623)	(355,008)
Net charge	(7,509)	(13,185)
Analysis of amount recognised in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	581,790	408,546
Experience gains and losses arising on the scheme liabilities	71,079	(67,410)
Changes in assumptions underlying the present value of the scheme liabilities	(1,184,036)	(1,145,472)
Actuarial loss recognised in the statement of total recognised gains and losses	(531,167)	(804,336)

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Pension scheme - continued

The cumulative actuarial loss recognised in the statement of total recognised gains and losses up to and including the financial year ended 30 June 2014 is €3,586,956 (2013: €3,055,789).

The fair value of assets in the scheme and the expected rates of return were:

	Long-term annual rate of return expected at 30 June 2014	Market value at 30 June 2014 €	Long-term annual rate of return expected at 30 June 2013	Market value at 30 June 2013 €
Equities	6.10%	5,938,011	7.0%	4,846,179
Bonds	2.60%	1,171,976	3.5%	1,227,699
Property	5.60%	-	6.5%	-
Other	1.00%	703,185	1.0%	387,694
		7,813,172		6,461,572

Basis of expected return on scheme assets
The expected return on scheme assets was determined by considering the expected returns available on each of the assets underlying the current investment policy. Expected returns on fixed interest investments are based on gross redemption yields at the reporting date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The main financial assumptions used in the valuation were:

Annual	2014	2013
Rate of increase in salaries	3.0%	3.0%
Rate of increase in pensions in payment	2.0%	2.0%
Discount rate	3.2%	3.9%
Inflation assumption	2.0%	2.0%

Assumptions regarding future mortality are set based on advice from published statistics and experience. The average life expectancy in years for a pensioner retiring aged 65 is as follows:

	2014	2013
Male - currently aged 65	20.6	21.4
Female - currently aged 65	22.3	23.1
Male - currently aged 45	24.8	25.8
Female - currently aged 45	26.5	27.6

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Pension scheme - continued

	Pension assets €'000	Pension liabilities €'000	Pension deficit €'000
Movement in scheme assets and liabilities 2014			
At 30 June 2013	6,462	(9,480)	(3,018)
Current service cost	-	(573)	(573)
Interest on scheme liabilities	-	(366)	(366)
Expected return on scheme assets	359	-	359
Actual less expected return on scheme assets	582	-	582
Experience gains on liabilities	-	71	71
Change in actuarial assumptions	-	(1,184)	(1,184)
Past service losses/gains	-	1,000	1,000
Contributions by plan participants	226	(226)	-
Risk premium	(29)	29	-
Payments out	(158)	158	-
Employer contributions paid (including risk premium)	371	-	371
At 30 June 2014	7,813	(10,571)	(2,758)

The best estimate of employer contributions expected to be paid to the scheme in the next financial year is €340,000.

The actual return on pension scheme assets for the year was €940,904 (2013: €750,369).

	Pension assets €'000	Pension liabilities €'000	Pension deficit €'000
Movement in scheme assets and liabilities 2013			
At 30 June 2012	5,713	(7,992)	(2,279)
Current service cost	-	(5)	(5)
Interest on scheme liabilities	-	(355)	(355)
Expected return on scheme assets	342	-	342
Actual less expected return on scheme assets	409	-	409
Experience gains on liabilities	-	(68)	(68)
Change in actuarial assumptions	-	(1,145)	(1,145)
Past service losses/gains	-	(126)	(126)
Contributions by plan participants	22	(22)	-
Risk premium	(27)	27	-
Payments out	(206)	206	-
Employer contributions paid (including risk premium)	209	-	209
At 30 June 2013	6,462	(9,480)	(3,018)

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Pension scheme - continued

History of experience gains and losses for the year ended 30 June 2014

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Present value of the scheme liabilities	(10,571)	(9,480)	(7,992)	(7,218)	(6,416)
Fair value of plan assets	7,813	6,462	5,713	5,355	4,460
Net pension deficit	(2,758)	(3,018)	(2,279)	(1,863)	(1,956)
Difference between expected and actual return on plan assets	582	409	(26)	(38)	397
Percentage of plan assets	7.6%	6.3%	(0.4%)	(0.7%)	(8.9%)
Experience gains and (losses) on scheme liabilities	71	(67)	260	220	159
Percentage of scheme liabilities	0.7%	(0.7%)	3.3%	3.05%	2.5%
Total recognised in statement of total recognised gains/(losses)	(531)	(804)	(558)	181	(318)
Percentage of the present value of the scheme liabilities	5.0%	(8.5%)	7.0%	2.52%	(5.0%)

(b) Defined Contribution Scheme

On 1 April 2014, the defined benefit scheme was closed to new entrants. Since the scheme closed, the College established a defined contribution scheme to provide benefits to new employees and existing employees who were not already members of the defined benefit scheme. The College pays contributions to this scheme on a matching basis to those made by participating staff at rates of 4%, 6% or 8% as elected by each individual employee. The defined contribution pension charge is based on contributions made to the defined contribution scheme during the year which amounted to €8,580. Contributions payable at the year end amounted to €3,317.

22 Student numbers

During the year there were 1,665 (2013: 1,617) full time day students in the College. The total number of students attending courses was 3,585 (2013: 3,204).

NOTES TO THE FINANCIAL STATEMENTS - continued

23 IFSC Campus

NCI entered into a number of agreements for the construction and financing of a new college campus in the Dublin Docklands area on lands provided by the Dublin Docklands Development Authority ("DDDA"). DDDA transferred the site to NCI under two leases:

- one lease is for the original site which DDDA agreed to grant to NCI, free of charge subject to the rental referred to below and,
- the second lease which is for an additional adjoining site, which DDDA agreed to grant to NCI for €2.86m (IR£2.25m).

Both leases commenced in 1997 and are for 200 year terms ending in 2196.

The rent for the original site is a nominal amount for the first twenty years from 1 January 1997, provided NCI continues to provide educational and related services on the site. After 20 years, the annual rent will be permanently reduced to a nominal amount. In the event that educational and related services are not provided the rent of the site will be €761,843 per annum, subject to five yearly upward reviews. The annual rent for the additional site is a nominal amount.

NCI sub-contracted its obligations under the development agreement with DDDA to Origin 8 Partnership and Origin 8 Development Limited ("Origin 8"). NCI granted one lease of the entire site to Origin 8 for 200 years less 3 days on the same terms and conditions as NCI agreed with the DDDA. Origin 8 constructed a new college campus for NCI on the site, including a research building, student residence, car park and early learning centre.

Origin 8 sub-leased the college element of the development to NCI on a lease which expires in 2196 at a premium of €25.39m and a nominal annual rent.

NCI agreed to loan €29.20m to Origin 8 free of interest with repayment no later than 30th September 2013. This loan was fully drawndown by Origin 8. €3.8m of this loan was written off in the audited financial statements of 30 June 2010. The remainder of the loan (€25.39m) was offset against the amount of the lease premium on the college element of the development as provided for in the terms of the loan agreement.

NCI purchased the research building and car park for €15.23m in the year to June 2005. Up to 30 June 2007, NCI paid €14.8m in part payment for these assets. The balance of the purchase price is €0.436m and will be paid from donations as they are received.

NCI had a call option to purchase the remainder of the campus, being the student residence and early learning centre, 10 years after completion of the development works (being no later than 30 September 2013), for €26.2m (or €24.9m, if the early learning centre was not included). NCI did not exercise the option to purchase the remainder of the campus. In March 2014 the outstanding loans on the student residences were purchased from the Special Liquidator to Irish Bank Resolution Corporation (IBRC) by a third party.

NOTES TO THE FINANCIAL STATEMENTS - continued

24 Capital commitments

In addition to the item outlined in note 23 above, NCI had the following capital commitments as at 30 June 2014:

	2014 €	2013 €
Contracted for	-	-
Authorised but not contracted for	18,450	55,968
	18,450	55,968

25 Related party transactions

Included in debtors is €4,840 (2013: €1,678 in creditors) being the excess of receipts over expenditure from Campus Crèche Limited, a wholly owned subsidiary of the company. During the year, NCI paid annual rent of €95,000 (2013: €95,000) and other administrative costs totalling €12,106 (2013: €10,696) on behalf of Campus Crèche Limited.

Transactions between National College of Ireland and NCI Foundation Limited are classified as related party transactions, as a result of both entities being subject to common influence. During the year, the college did not receive any funds from NCI Foundation Limited. There was no balance payable to or receivable from NCI Foundation Limited at 30 June 2014 (2013: €nil).

A donation of €300,000 was provided to the College during the year by an organisation that is controlled by the Chairman. From this, there was a balance receivable as at 30 June 2014 of €100,000.

26 Investment in group undertakings

Name of undertaking	Country of incorporation	Principle activity	Company's interest	Loss for year	Net liabilities
Campus Crèche Ltd	Ireland	Lease of Crèche	100%	€ 4,204	€(42,806)

The registered office of Campus Crèche Ltd is Mayor Street, IFSC, Dublin 1.

Under the European Communities (Companies: Group Accounts) Regulations 1992, The National College of Ireland is not required to prepare consolidated financial statements as it has availed of the exemption available under Regulation 10.

NOTES TO THE FINANCIAL STATEMENTS - continued

27 Grants and grants-in-aid

Below are grants received by NCI in the current financial year:

Name of grant making agency	Name of grant programme	Total grant allowed €	Term of grant	Grant accounted for in the current financial statements €	Capital provided	Whether and how the use of the grant is restricted
Department of Education and Skills	Grant in lieu of tuition fees	3,703,449	Sept 2013 to June 2014	3,703,449	-	Restricted to recoupment of undergraduate fees for academic year 2013/2014 in respect of eligible students attending full time undergraduate courses
Department of Education and Skills	Core Grant	1,981,500	Jan 13 to Dec 13	977,768	-	Educational activities
Department of Education and Skills	Core Grant	1,961,500	Jan 14 to Dec 14	980,750	-	Educational activities
Pobal	N.E.Y.A.I.	344,907	Jun 11 to Jul 14	75,099	-	Restricted solely to the NEYAI Project
Department of Education and Skills	HEA Tutor Support	40,500	Jan 14 to Dec 14	27,000	-	Restricted solely to tutor support service
HEA, Department of Education and Skills, European Social Fund	HEA Student Assistance Fund	114,032	Sept 12 to Aug 13	66,150	-	Restricted to provision of financial aid to students experiencing financial hardship
HEA, Department of Education and Skills, European Social Fund	HEA Student Assistance Fund	52,827	Sept 13 to Aug 14	25,535	-	Restricted to provision of financial aid to students experiencing financial hardship

NOTES TO THE FINANCIAL STATEMENTS - continued

27 Grants and grants-in-aid - continued

Name of grant making agency	Name of grant programme	Total grant allowed €	Term of grant	Grant accounted for in the current financial statements €	Capital provided	Whether and how the use of the grant is restricted
HEA, Department of Education and Skills, European Social Fund	HEA Fund for Students with Disabilities	132,251	Sept 12 to Aug 13	132,251		Restricted to provision of learning aids to students with disabilities
HEA, Department of Education and Skills, European Social Fund	HEA Fund for Students with Disabilities	156,000	Sept 13 to Aug 14	156,000		Restricted to provision of learning aids to students with disabilities
HEA, Department of Education and Skills	Springboard	1,157,658	May 2013 to Aug 2014	1,077,911		Provision of training and education programmes to the unemployed
HEA, Department of Education and Skills	Springboard	349,375	Jan 2014 to Jan 2015	174,688		Provision of training and education programmes to the unemployed
HEA, Department of Education and Skills	ICT Skills	275,400	Feb 2013 to Jun 2014	275,400		An initiative under which suitably qualified applicants can pursue a course of higher education in ICT.
HEA, Department of Education and Skills	ICT Skills	153,000	Feb 2014 to Jan 2015	76,500		An initiative under which suitably qualified applicants can pursue a course of higher education in ICT
European Commission - Research: The Seventh Framework Programme	FP7	159,089	Oct 12 to Sep14	72,248		Funding of Paraphrase Project

NOTES TO THE FINANCIAL STATEMENTS - continued

28 Financial commitments and guarantees

The College has term loan facility with Bank of Ireland of €2.4 million. As security for this facility, Bank of Ireland holds a first legal mortgage over the College's Research Building and car park.

The terms of facilities and repayment of the loan were restructured during 2013 and the loan is now repayable within 78 months of the date of the revised facilities letter dated 1 July 2013. Monthly interest payments apply with lump sum capital repayments being made each October, January and June.

Capital repayments on the borrowings commenced in January 2013.

29 Comparatives

Certain comparatives have been re-grouped and restated where necessary for classification and comparative purposes.

30 Approval of financial statements

The financial statements were approved by the Governing Body on 17 October 2014.