



**ANNUAL REPORT & ACCOUNTS**  
YEAR ENDED : 31ST JULY 2005

2004 - 2005

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YEAR ENDED: 31 JULY 2005

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## **UNIVERSITY'S PROFESSIONAL ADVISORS**

### **Bankers**

#### **Royal Bank of Scotland plc**

23 Sauchiehall Street  
Glasgow G2 3AD

### **External Auditors**

#### **PricewaterhouseCoopers LLP**

Chartered Accountants & Registered Auditor  
209 West George Street  
Glasgow G2 2LW

### **Internal Auditors**

#### **KPMG LLP**

Chartered Accountants  
24 Blythswood Square  
Glasgow G2 4QS

### **Solicitors**

#### **MacRoberts**

Solicitors  
152 Bath Street  
Glasgow G2 4TB

## AN INTRODUCTION TO GLASGOW CALEDONIAN UNIVERSITY

Glasgow Caledonian University is a modern University, with over 15,000 students studying for undergraduate, postgraduate and research degrees across its eight academic schools. Close links with employers ensure that programmes are highly relevant and that they help to equip students with the appropriate skills to be successful in their chosen careers. Growing research capacity ensures not only that the curriculum is fully informed by the latest research but that the University, through knowledge transfer and consultancy, can make a significant contribution to the economy of the West of Scotland.

In 2002, the University agreed its vision for the year 2010:

*GCU will be entrepreneurial. We will change to be actively focused on exploring and creating opportunities to become Scotland's most dynamic, confident, innovative, inclusive and responsive University, working in partnership with all our stakeholders in responding to and shaping their demand for our learning, research and consultancy services.*

*Thus we aim to be: -*

- *Entrepreneurial in approach*
- *Innovative in programmes, learning, research and knowledge transfer*
- *Inclusive of all sectors of society*
- *Responsive to the needs of individuals, employers and other stakeholders.*

The University has agreed the following six strategic goals which will enable it to deliver the overall vision.

*The University will be clearly differentiated from other Scottish universities through its distinctive combination of emphases on and being renowned for:*

- *Enabling all our students to achieve their full potential (including life skills for the labour market and life long learning)*
- *Providing high quality applied research to contribute to the economic development of Scotland*
- *Being responsive in meeting the needs of employers and other key stakeholders in Scotland for Knowledge Transfer, including CPD and consultancy*
- *Being an employer of first choice*
- *Providing equality of opportunity and promoting social justice*
- *Increasing the percentage of non-SFC income.*

## **REPORT FROM THE PRINCIPAL & VICE-CHANCELLOR**

In 2002 the University agreed its vision for the year 2010. In 2004-05, the focus continued to be delivering that vision through the design and implementation of a range of strategic projects, through the development of the University's infrastructure - people, buildings and technology - and by ensuring that the University's external image accurately reflects the internal developments.

### **THE STUDENT EXPERIENCE**

A major strategic project to improve the student experience and student engagement - Partners in Delivery - was launched in September 2004 and is in its second year. Under the project, a partnership agreement sets out what students and staff of the University can expect from each other. A range of opportunities is available to enhance every student's employability potential, and a leadership programme, developed by the Students' Association, is being rolled out to all students with representative duties.

The University is committed to using innovative approaches to learning and teaching. Extensive use is already made of a University-wide "Blackboard" managed learning environment. The Student Access to Services project will provide integrated and easily accessible support for students both in the new Learning Centre, now known as The Saltire Centre, and online. It will optimise IT provision of general information and advice to students so that relevant staff can focus on tailoring expert advice in person. The delivery of services will be concentrated in the new Saltire Centre hub.

The University met its targets for undergraduate programmes in 2004-05 and applications for degree programmes remain buoyant, with an increase in applications for entry in 2005 of 4.7% on the previous year. 25% of undergraduate students are admitted to the University with advanced standing, usually the result of gaining a qualification in a FE college and the University maintains close links with local colleges. 25% of students in 2003-04 were from low participation areas which is well above our benchmark of 15.3%.

Previously published data suggests that 76.5% of students who started in 2001-02 are expected to gain a degree but we know from our internal figures for more recent years that our student completion rate is continuing to improve. Over 91% of Caledonian graduates secure employment within 6 months of graduation.

### **FUNDRAISING**

A fundraising campaign was established in January 2005, with minimal investment (£100k 2004/5, £22k 2005/6). The campaign has focused on Charitable Trusts, individuals and businesses. The campaign, which was always conceived to be an initial project capitalising on the unique potential of the Saltire Centre, has met with some success so far.

### **INFRASTRUCTURE DEVELOPMENT**

Improvements in the student experience are complemented by the campus development programme to enhance the physical environment for students and staff.

During the year, work continued on the construction of the new Saltire Centre which is the most significant of the new developments within the existing campus development programme. The Saltire Centre, will provide over 1800 study spaces within a range of different and innovative environments, all designed to support modern day learning requirements. Linking the two main teaching blocks, the Saltire Centre will also provide a hub to the campus and will be the focus for the delivery of all student support services. Due originally to be opened in September 2005, the building suffered a major flood during its latter weeks of construction and so will now open at the end of January 2006.

The University continues to develop its IT infrastructure through the replacement of management information systems, investment in telephony and resilience wiring and the expansion of laptop and wireless provision. A new library system was implemented in September 2004. The ambitious programme to replace the three key management information systems has faced some delays. The new finance system is now operational, work on the human resource management system is continuing and undergoing further development, and the student record system project has recently been restarted with a proposed implementation date of September 2007.

### **RESEARCH, KNOWLEDGE TRANSFER AND COMMERCIALISATION**

The University's research, knowledge transfer and commercial development strategy seeks to maximise the contribution of research to the University's teaching and consultancy activities, and to the local and national economy. It shapes the University's ability to respond to external developments including the RAE 2008, the Funding Council's research pooling initiatives and engagement with knowledge transfer partnerships and commercialisation.

The University's research culture has been further strengthened by the development of a Graduate School which provides support and skills training for the growing number of research students from Scotland, the UK and internationally.

Eight multi-disciplinary and cross-School applied research centres were launched in 2004 in the following areas: Biomedical and Nutritional Sciences, Criminal Violence, Gerontological Care, Heritage Futures, Indoor Climate and Health, Risk and Governance, Sustainability and Vision in Health. Now in their second year of operation these Centres have already brought in research and consultancy income as well as producing significant research publications. Research in the area of health and health care is supplemented by that of the new seven-partner consortium HealthQWest, led by GCU with funding of £3.2m. Multidisciplinary Centres within the Caledonian Futures initiative, designed to pursue research, knowledge transfer, CPD and consultancy in niche areas of national and international potential, are now operational in the fields of Ethics, Forensic Investigation, Behaviour and Biopsychology. Each Centre is led by an externally recruited senior academic.

The two existing University spin-out companies, Biopta and Glycologic, have enjoyed sustained growth. The development of further commercialisation has been boosted by the award of Proof of Concept funding to the value of £367K for two initiatives: Virtual Call Centre Software Agents in Grid Infrastructure and Optically Isolated Partial Discharge Sensor. The University is currently engaged in 13 Knowledge Transfer Partnerships with companies that include Mortons, Network First Ltd and Cadbury Schweppes.

Major grants awarded to the University include:

- SEEKIT (Sustainability Centre) £85.8K
- EPSRC Grants (Built and Natural Environment) £508K
- Equal Community Initiative (Sociology) £189K

Research income is currently 6.3% of the University's total income, and Research, CPD and other Academic income is some 40% of the total Research, Teaching and other SFC grants, providing an indication of the significant contribution from non-SFC sources.

#### **MEETING EMPLOYER NEEDS**

The University is improving its responsiveness to employer needs by investing in an additional three Caledonian Business Development Managers and through the Caledonian Ambassadors project which will use GCU Alumni to actively promote GCU, its services and programmes. Over the year, the University has been developing a new marketing strategy focusing on the business sector, including the public and voluntary sectors.

#### **INTERNATIONAL ACTIVITIES**

The growth of international activity is considered central to the development of the University. This includes the internationalisation of our programmes of study and effective marketing of the University Brand overseas. In 2004/05 the University attracted almost 1,000 international (European and overseas) students from over 90 countries across the globe. For 2005 entry there has been an impressive 48% increase in applications from

overseas students compared to the previous year. In-country provision of GCU programmes has also been expanded and includes not only the highly successful Caledonian College of Engineering in Oman (CCEO) but new agreements with the East Asia School of Business and the Hong Kong Computer Institute. There is a growing presence in China. The University has developed Memorandum of Agreement with eleven reputable Chinese Universities for student articulation.

#### **PEOPLE FOR 2010**

The University's Human Resources Strategy includes a range of projects to create an environment in which staff can deliver the 2010 vision. The most prominent elements of the Strategy are an innovative leadership and management programme which will enable transformational leadership and effective transactional management, leading change in challenging times; and the implementation of new pay and reward arrangements in 2006. These are being developed in partnership with the trade unions, in line with the National Framework Agreement for the Modernisation of Pay Structures. The University is also investing in the health and well being of its staff by developing a new Occupational Health Strategy and infrastructure. Additionally an Oracle HR Management Information System is being implemented as part of a strategic project to deliver process excellence.

#### **EQUALITY AND DIVERSITY POLICY**

Glasgow Caledonian University is committed to promoting equality of opportunity, recognising and valuing diversity, and including all sectors of society in University life. The Equality and Diversity Policy and Strategy are being implemented by a range of activities which include awareness raising initiatives such as the University's highly successful [ALLinclusive] campaign, and improved monitoring of the staff and student profile. Additionally the University is committed to meeting its duties under the Disability Discrimination Act 1995 and promoting good practice in relation to disability. As an employer, the University is committed to ensuring that both applicants for employment and existing staff are not discriminated against on any grounds.

#### **VALEDICTORY**

This will be the last full year on which I report as Principal. In each of the last seven years we have been able to report a financial surplus and progress in developing academic activities. This is a tribute to the efforts of all University staff and to the wise counsel from the Court and in particular from the Finance and General Purposes Committee.

#### **DR I A JOHNSTON, CB, DL**

Principal and Vice-Chancellor  
08 December 2005

## RESPONSIBILITIES OF THE UNIVERSITY COURT

In accordance with the Glasgow Caledonian University (Scotland) Order of Council 1993, the Court of Glasgow Caledonian University is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with The Glasgow Caledonian University (Scotland) Order of Council 1993, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of Glasgow Caledonian University, the University Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Court has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court also has responsibility for ensuring that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe.

There is a requirement on the Court to ensure there is a sound system of internal control in place to support the inclusion of a full corporate governance statement in the annual accounts.

To evaluate the effectiveness of internal control, the University uses the framework developed by the British Universities Finance Directors Group (BUFDG). This framework incorporates the necessary elements for a full corporate governance statement including risk management, the control environment, membership and operation of the Governing Body, corporate strategy, budgetary control, remuneration, audit and review of controls.

Annually, the Audit Committee receives a report in the form of an evidence matrix which details the evidence of activity against each of the elements of the BUFDG framework for the year just ended. It is by considering this evidence that the Audit Committee decides whether a full corporate governance statement can be included in the annual accounts.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material mis-statement or loss.

#### **UNIVERSITY COURT MEMBERS**

Miss Maria Stafford  
(Chairman to 31.07.05)

Dr Ian A Johnston, CB, DL  
Principal and Vice-Chancellor

Ms Elaine Allen (to 31.07.05)

Mr Antony Brian

Mr G Martin F Cheyne  
(Chairman from 01.08.05)

Ms Alison Culpan

Dr Dorothy Ferguson (from 01.08.05)

Dr Neil F Grant (to 31.07.05)

Ms Wilma Grosset

Dr Pramod Jauhar

Ms Marianne Keeney (from 01.08.05)

Mr Ralph M Leishman  
Vice-Chairman

Mr Michael Lennon (from 01.08.05)

Mr John N Maclean

Dr Rajan Madhok (from 01.08.05)

Mr Stephen McCafferty

Ms Fionna McChlery (to 31.07.05)  
President of the Students' Association

Professor Prem C Misra (to 31.07.05)

Mr Hugh O'Neill

Mr Henry Perfect (from 01.08.05)

Dr Adrian Pierotti (to 31.07.05)

Mr Alexander O Pratt

Mr John Queen (from 01.08.05)

Mr Danny Rafferty (to 31.07.05)

Mr Ben Rogers (from 01.08.05)  
President of the Students' Association

Mr Ian Smith

Dr Alison M Spaul

Professor John R Tarrant

Mr Ken Zaremski

#### **MEMBERS OF FINANCE AND GENERAL PURPOSES COMMITTEE**

Mr Ralph M Leishman  
Chairman

Dr Ian A Johnston, CB, DL  
Principal and Vice-Chancellor

Mr John Boyle (from 06.12.04)  
Executive Director of Finance

Dr Dorothy Ferguson (from 01.08.05)

Professor Cliff Hardcastle

Mr Hugh O'Neill

Mr Henry Perfect (from 01.08.05)

Mr Ben Rogers (from 01.08.05)  
President of the Students' Association

Ms A Rooney (to 06.12.04)  
University Secretary

Ms Fionna McChlery (to 31.07.05)  
President of the Students' Association

Dr Adrian Pierotti (to 31.07.05)

Dr Alison M Spaul (to 31.07.05)

Mr Ken Zaremski

#### **MEMBERS OF AUDIT COMMITTEE**

Mr John N Maclean  
Chairman

Professor Grete Birtwistle

Mr Antony Brian

Dr Neil F Grant (to 31.07.05)

Dr Pramod Jauhar (to 31.07.05)

Mr Michael Lennon (from 01.08.05)

Dr Rajan Madhok (from 01.08.05)

Mr Ian Smith (from 01.08.05)

## **CORPORATE GOVERNANCE STATEMENT**

### **INTRODUCTION**

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

### **STATEMENT OF FULL COMBINED CODE COMPLIANCE**

In the opinion of the Court, the University complies with all the provisions of the Combined Code in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2005.

### **UNIVERSITY COURT**

In 2004-05 the University Court met seven times and has six standing committees through which it conducts its business. Each committee has formally constituted terms of reference. These committees comprise a Finance and General Purposes Committee, an Audit Committee, a Court Membership Committee, a Staff Policy Committee, a Remuneration Committee and a Health and Safety Committee. In addition, the Court has an Away Day which includes reviewing its own effectiveness.

The Finance and General Purposes Committee, among other things, recommends to the Court the University's annual revenue and capital budgets, and monitors performance in relation to approved budgets and the major capital programmes.

The Court Membership Committee considers nominations for vacancies in the Court membership. The University has a responsibility to ensure that appropriate training is given to Court members as required.

The Remuneration Committee determines the remuneration of members of the Executive, including the Principal. Details of the remuneration of senior post-holders for the year ended 31 July 2005 are set out in note 6 to the financial statements and are reported in full in confidence to the whole Court.

In 2004-05 the Audit Committee met five times, with the University's external and internal auditors in attendance. The Audit Committee advises the University on the appointment of the internal and external auditors and the auditors' remuneration, and assesses the effectiveness of the internal auditors. The Committee may meet privately with both the internal and external auditors if it wishes.

The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with a three-year strategic plan and a specific annual agreed plan of input, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the University's business and monitors adherence to the regulatory requirements.

Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the committee.

## **CORPORATE STRATEGY**

The University has a comprehensive strategic planning process in place which delivers both short and medium term strategic objectives, SMART targets and key performance indicators. Court members are fully involved in the deliberations on strategic development and the Court, as a whole, receives the final Strategic Plan, including the financial estimates from the University Executive Board for approval. The University also has a comprehensive estates strategy which is reviewed regularly by the University Executive Board and Court.

## **UNIVERSITY COURT STATEMENT ON INTERNAL CONTROL**

The University's Court is ultimately responsible for the University's system of internal control and, as accountable officer, the Principal is responsible for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement or loss.

There is a robust Court committee and Executive group structure which operates effectively via remits, standing orders, reserved powers, minutes and action plans. The main Executive Resourcing Group receives monthly comprehensive reports on budgetary matters with out-turns monitored against targets. In addition, quarterly financial reports are presented to the Finance and General Purposes Committee and to Court.

There is a full scheme of delegated authority covering all University staff plus comprehensive financial procedures and an expenses manual. The University Executive Board and the relevant Court sub-committees receive reports on health and safety and staff-related issues plus any major strategic developments.

The University has an established approach to the identification and management of risk which is based partly on the risk-jury methodology. There is a strategic risk register which is reviewed annually by Court, Audit Committee and the University Executive Board and includes impact analysis and mitigating actions. In addition, there is a Business Continuity Plan which continues to be developed. As new legislation arrives, actions are taken by internal committees to ensure compliance, and committee papers prepared must indicate how the actions proposed address compliance with legislation. All schools and departments have operating plans which identify risk and weakness, and discussions are underway to convert such information into a more formal risk register approach.

All major projects require to be set up and run under formal project management arrangements. An internal control weakness with regard to the Management Information Systems was identified during 2003/04. Significant progress was made in year, with work continuing during 2004/05 and future years to review and improve our IT control. The university runs all projects under PRINCE2 methodology, has a dedicated Executive member to lead the projects and employs an overall programme manager covering all IT projects.

The Audit Committee receives regular reports from the internal auditors. There is a three-year strategic audit plan which is developed using a risk-based and compliance approach. At its meeting on 24 October 2005, the Audit Committee reviewed the evidence matrix on internal control presented by the Executive Director of Finance and agreed that the evidence provided enabled a full corporate governance statement to be included in the 2004/05 annual accounts.

The Court is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2005 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Court and accords with the Turnbull guidance, as applicable to the higher education sector.

## **GOING CONCERN**

The Court considers that the University has adequate resources to continue in operational existence for the foreseeable future.

## **MR MARTIN CHEYNE**

Chairman of University Court  
08 December 2005

# REPORT OF THE CHAIRMAN OF THE FINANCE & GENERAL PURPOSES COMMITTEE

## SCOPE OF THE ACCOUNTS

The accounts presented to the University Court comprise the consolidated results of the University and its subsidiary undertaking. The subsidiary undertakes activities which, for legal or commercial reasons, are more appropriately channelled through a limited company. Its principal activities are in the provision of training, consultancy and research.

The accounts have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions, and in accordance with applicable accounting standards.

## RESULTS FOR THE YEAR

The University's Consolidated Income, Expenditure and Results for the year to 31 July 2005 are summarised as follows:

	2004/2005	2003/2004
	£000	£000
<b>Income</b>	91,604	86,846
<b>Sales of Fixed Assets</b>	3,481	1,473
<b>Expenditure</b>	90,206	85,605
<b>Surplus</b>	4,879	2,714
<b>Historical Cost Adjustments</b>	814	740
<b>Historical Costs Surplus</b>	5,693	3,454

The financial performance is considered to be satisfactory with overall University budget targets having been achieved. The total surplus will again be re-invested in the University.

## INCOME

Total turnover has increased by 5% to £92m. Income from external activities within Schools has increased by 16% compared with the previous year. The University achieved its budgeted student number targets for 2004/5 keeping within the Funding Council's upper threshold for eligible full-time undergraduate students. The Nursing Contract, with a turnover of £6.9m, made a significant contribution to the University's financial performance.

## KEY PERFORMANCE INDICATORS

### • Short-Term Liquidity

(ratio of current Assets to current Liabilities)

2004/05 0.34

2003/04 0.63

The decrease is reflected in the reduction of the cash position due to funding the campus development programme from internal resources.

### • Long-Term Solvency

(ratio of Long Term Debt to Total Assets)

2004/05 0.05

2003/04 Nil

### • International Student Fee Income

2004/05 £2.427m

2003/04 £1.759m

Reflects a significant increase in overseas students.

### • % RAE and Non-RAE Research Income to Total Income

2004/05 6.3%

2003/04 6.4%

### • % Commercial and Other Income to Total Income

2004/05 18.6%

2003/04 19.5%

Although there has been an increase year on year, there has been a slight decrease in percentage terms relative to total turnover.

## NET ASSETS

The consolidated Net Assets of the University at 31 July 2005 amounted to £98.6m. These assets were represented by Endowments £0.4m, Revaluations £39.6m, Income and Expenditure Account £52.2m and Deferred Capital Grants £6.4m.

## CAPITAL PROJECTS

The £41.4m eight-year programme for campus development, which commenced in July 2002, is well underway and within budget. The major building investment, the £20m Saltire Centre, is nearing completion and will be in use from January 2006.

Other projects such as the £2.1m conversion to IP Telephony have enhanced the IT and communication infrastructure of the University.

The previously reported delays to the MIS projects were addressed in 2004/05 and progressed as follows:

- Oracle Financials - went live 1 August 2005
- Oracle HR - ongoing and targeting 2006
- Student Record System - target September 2007.

## CASH FLOW

The net cash inflow arising from the year's operating activities was £2.7m. After spending £12m on capital projects, drawing down £4.5m of the Allied Irish loan and returns on investment of £0.2m, there was a net cash outflow of £4.6m. This reflects the University's strategy of funding, as far as possible, the major capital projects from within its own resources before resorting to the loan facility (see below).

## LONG-TERM FINANCING AGREEMENTS

The University has a £15m revolving loan facility from the Allied Irish Bank which at the year end had £4.5m drawn down. It is anticipated that it will continue to be drawn down in part during 2005/06.

## PAYMENT OF CREDITORS

It is the University's policy to obtain the best terms of business and, thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms.

## LOOKING FORWARD

The 2004 spending review, which originally covered the period 2005/06 to 2007/08 shows the total resources available to higher education increasing by 18% in real terms, mainly for research and pay reform. It also promises significant additional capital investment for learning and teaching infrastructure. Although not a research intensive University, this review provides some comfort for the University in challenging times as it moves forward with its 2010 vision and related developments despite no planned real increase in the review for the teaching unit of resource. Of particular significance to the long-term financial strategy are the following developments:

- next phase of the campus development programme which may involve a further newbuild on the campus
- implementation of the framework agreement involving a full-scale job evaluation exercise and subsequent assimilation of staff onto a single pay spine and national pay rounds
- recruitment and retention of key staff
- the next Research Assessment Exercise in 2008 and the University's submission which will trigger funding for 2009 onwards
- replacement of the student records system and completion of HR system project
- reducing SFC compensation for STSS employer contributions
- implementation of 2010 vision and the generation of non-SFC income.

## CONCLUSION

The University Court continues to keep the long-term financial position under review. Overall, good progress was made with the planned developments for 2004/05 and the specific 2010 projects, and the University remains in a healthy financial position. This has been achieved through the efforts of all staff and I would like to thank them on behalf of the University Court for their continued efforts.

## MR RALPH M LEISHMAN

Chairman of the Finance & General Purposes Committee  
08 December 2005

**INDEPENDENT AUDITORS’  
REPORT TO THE UNIVERSITY  
COURT OF GLASGOW  
CALEDONIAN UNIVERSITY**

**W**e have audited the financial statements which comprise the consolidated Income and Expenditure Account, the Balance Sheet, the consolidated Cash Flow Statement, the consolidated Statement of Total Recognised Gains and Losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the Statement of Accounting Policies.

**RESPECTIVE RESPONSIBILITIES OF THE  
UNIVERSITY COURT AND THE AUDITORS**

**T**he University Court’s responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Scottish Higher Education Funding Council, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom law and accounting standards is set out in the Statement of the Court’s Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the University Court in accordance with the financial memorandum with the Scottish Higher Education Funding Council. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the Further and Higher Education (Scotland) Act 1992 governing the institution and where appropriate with the financial memorandum with the Scottish Higher Education Funding Council. We also report to you if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Chairman of the Finance and General Purposes Committee and Corporate Governance Statement.

We also review the statement of internal control (included as part of the Corporate Governance Statement) and comment if the statement is inconsistent with our knowledge of the institution. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution’s corporate governance procedures or its risk and control procedures.

## OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2005, and of the surplus of income over expenditure and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education;
- in all material respects, income from the Scottish Higher Education Funding Council, grants and income for specific purposes and from other restricted funds administered by the university have been applied only for the purposes for which they were received;
- in all material respects, income has been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 August 1996 (incorporating 1998 revisions) with the Scottish Higher Education Funding Council.

## BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Higher Education Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University Court in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditor, Glasgow  
08 December 2005

The maintenance and integrity of the Glasgow Caledonian University website is the responsibility of the University Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention, modified to include land and buildings and investments at valuation, and in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education Institutions and in accordance with applicable accounting standards. They conform to guidance published by the Funding Council.

### BASIS OF CONSOLIDATION

The consolidated accounts include the accounts of the University and its subsidiary undertaking for the year ended 31 July 2005.

The profits and losses of the subsidiary undertaking are included within "other operating income" in the Consolidated Income and Expenditure Account. The Balance Sheet reflects full consolidation.

The consolidated accounts do not include the accounts of Glasgow Caledonian University Students' Association as it is a separately constituted organisation in which the University has no financial interest, control or significant influence over policy decisions.

### RECOGNITION OF INCOME

Income from the Scottish Funding Council, revenue grants, tuition fees and other services rendered are credited to the Income and Expenditure Account and included on a receivable basis. Income from specific endowments and donations, research grants and contracts is matched to the expenditure incurred during the year, together with any related contributions towards overhead costs.

All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

Grants received for capital purposes are credited to the deferred grant account and released to match the depreciation or amortisation of the related expenditure.

### PENSION SCHEMES

The two principal pension schemes for the University's staff are the Scottish Public Pensions Agency (Teachers Section) and Strathclyde Pension Fund. The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The Funds are valued by Actuaries, the rates of contribution payable being determined by the trustees on the advice of the Actuaries. Pension costs are assessed on the latest actuarial valuations of the Schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the Institution benefits from the employee's services. Variations from regular cost are spread over the expected average remaining working lifetime of Members of the Schemes after making allowances for future withdrawals.

The University also provides enhanced pensions to former employees who accepted early retirement and provision is made on an actuarial basis for the liability to those former employees at the time of their retirement.

## LAND AND BUILDINGS

Freehold land and buildings are stated at valuation, less a provision for depreciation. The basis of valuation is depreciated replacement cost and the valuation as at 8 September 2005 was provided by Ryden, Chartered Surveyors. Buildings under construction are included at cost.

Land and buildings considered surplus to requirements are shown at the lower of book value and market value.

Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected remaining useful lives of 40 to 50 years, and in the case of new buildings a useful life of 50 years has been adopted.

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

## EQUIPMENT & FURNITURE

Equipment and furniture, including IT hardware and software, costing less than £10,000 per individual item or group of related items, are charged to the Income and Expenditure Account in the year of acquisition. All other equipment and furniture are capitalised.

Capitalised equipment and furniture are stated at cost or, in the case of specialised laboratory equipment, at valuation based on depreciated replacement cost.

Depreciation is provided over the following periods:

Computer equipment	3 years
General equipment	5 - 8 years
Furniture	5 - 10 years
Fixture & Fittings	10 years

Where equipment and furniture are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the Income and Expenditure Account over the expected useful life of the assets concerned.

## LEASES

Assets obtained under finance leases are capitalised in the Balance Sheet and are depreciated over the shorter of the estimated useful life of the asset or the term of the lease. The interest element of the rental obligations is charged to the Income and Expenditure Account evenly over the period of the lease.

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

## INVESTMENTS

Investments are included in the Balance Sheet at market value with the exception of the investment in the Subsidiary Company Undertaking which is stated at cost.

Investments that are not listed on the Stock Exchange are carried at historical cost.

## STOCKS

Stocks are stated at the lower of cost and net realisable value.

## CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

## MAINTENANCE OF PREMISES

The cost of routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

## TAXATION STATUS

The University has been recognised as a charity by the Inland Revenue for the purposes of Section 505 Income and Corporation Taxes Act 1988. It is also entitled under Section 1(7) of the Law Reform (Miscellaneous Provisions)(Scotland) Act 1990 to describe itself as a Scottish Charity and its charity number is SC021474. The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT is charged to the Income and Expenditure Account as it is incurred.

The University's subsidiary company is subject to Corporation Tax and VAT in the same way as any commercial organisation.

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

For the Year ended 31 July 2005

	Note	2004/2005 £000	2003/2004 £000
<b>Income</b>			
Funding Council Grants	1	50,282	46,267
Academic Fees and Education Contracts	2	20,663	19,590
Research Grants and Contracts	3	3,411	3,720
Other Operating Income	4a	17,059	16,983
Endowments Income and Interest Receivable	5	189	286
<b>Total Income</b>		<b>91,604</b>	<b>86,846</b>
<b>Expenditure</b>			
Staff Costs	6	58,715	54,946
Depreciation	10	3,728	3,296
Other Operating Expenses	7	27,739	27,188
Interest Payable	8	24	175
<b>Total Expenditure</b>	9	<b>90,206</b>	<b>85,605</b>
<b>Surplus after Depreciation of Assets at Valuation and Tax</b>		<b>1,398</b>	<b>1,241</b>
Sale of Fixed Asset	4b	3,481	1,473
<b>Surplus after Depreciation of Assets at Valuation, Disposal of Assets and Tax</b>		<b>4,879</b>	<b>2,714</b>
Transfer from Accumulated Income within Specific Endowments		(4)	13
<b>Surplus for the Year Retained within Reserves</b>		<b>4,875</b>	<b>2,727</b>

The income and expenditure account is in respect of continuing activities.

**STATEMENT OF HISTORICAL COST SURPLUSES**

For the Year ended 31 July 2005

	Note	2004/2005 £000	2003/2004 £000
<b>Surplus after Depreciation of Assets at Valuation, Disposal of Assets and Tax</b>		<b>4,879</b>	<b>2,714</b>
Historical Cost Depreciation difference on Buildings	18	814	740
<b>Historical Cost Surplus</b>		<b>5,693</b>	<b>3,454</b>

**BALANCE SHEETS**

As at 31 July 2005

	Note	Consolidated		University	
		2005 £000	2004 £000	2005 £000	2004 £000
<b>Fixed Assets</b>					
Tangible Assets	10	115,173	97,170	115,173	97,170
Investments	11	2,155	2,004	2,265	2,114
		<u>117,328</u>	<u>99,174</u>	<u>117,438</u>	<u>99,284</u>
<b>Endowment Asset Investments</b>	12	<u>361</u>	<u>357</u>	<u>361</u>	<u>357</u>
<b>Current Assets</b>					
Stocks		102	99	102	99
Debtors	13	3,874	3,650	3,821	4,113
Cash at Bank and in Hand		219	3,894	-	3,264
		<u>4,195</u>	<u>7,643</u>	<u>3,923</u>	<u>7,476</u>
<b>Creditors: Amounts Falling Due Within One Year</b>	14	<u>(11,547)</u>	<u>(12,038)</u>	<u>(11,385)</u>	<u>(11,981)</u>
<b>Net Current Liabilities</b>		<u>(7,352)</u>	<u>(4,395)</u>	<u>(7,462)</u>	<u>(4,505)</u>
<b>Total Assets Less Current Liabilities</b>		<u>110,337</u>	<u>95,136</u>	<u>110,337</u>	<u>95,136</u>
<b>Creditors: Amounts Falling Due After more than one year</b>	15	(4,500)	-	(4,500)	-
<b>Provisions for Liabilities and Charges</b>	16	<u>(7,221)</u>	<u>(6,499)</u>	<u>(7,221)</u>	<u>(6,499)</u>
<b>Total Net Assets</b>		<u>98,616</u>	<u>88,637</u>	<u>98,616</u>	<u>88,637</u>
<b>Deferred Capital Grants</b>	17	<u>6,492</u>	<u>5,887</u>	<u>6,492</u>	<u>5,887</u>
<b>Endowments</b>					
Specific	12	<u>361</u>	<u>357</u>	<u>361</u>	<u>357</u>
<b>Reserves</b>					
Revaluation Reserve	18	39,569	35,888	39,569	35,888
Income and Expenditure Account	18	52,194	46,505	52,194	46,505
		<u>91,763</u>	<u>82,393</u>	<u>91,763</u>	<u>82,393</u>
<b>Total Funds</b>		<u>98,616</u>	<u>88,637</u>	<u>98,616</u>	<u>88,637</u>

The accounts on pages 10 to 26 were approved by the University Court on 08 December 2005 and signed on its behalf by:

**Mr Martin Cheyne**  
Chairman of University Court

**Mr R M Leishman**  
Chairman of Finance  
and General Purposes Committee

**Dr I A Johnston, CB, DL**  
Principal and Vice-Chancellor

**CONSOLIDATED CASH FLOW STATEMENT**

For the Year ended 31 July 2005

	Note	2004/2005 £000	2003/2004 £000
<b>Net Cash Inflow from Operating Activities</b>	<b>22</b>	2,669	5,509
Returns on Investments and Servicing of Finance	<b>23</b>	189	286
Capital Expenditure and Financial Investment	<b>24</b>	(11,986)	(9,073)
Acquisitions and Disposals		-	-
Management of Liquid Resources		-	-
Financing	<b>25</b>	4,500	(2,000)
Decrease in Cash in the year		<u>(4,628)</u>	<u>(5,278)</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

For the Year ended 31 July 2005

	Note	2004/2005 £000	2003/2004 £000
<b>Decrease in Cash in the Year</b>		(4,628)	(5,278)
(Decrease) in Short Term Deposits		-	-
(Increase)/Decrease in Debt		(4,500)	2,000
Movement in Net Funds in the year		<u>(9,128)</u>	<u>(3,278)</u>
Net Funds at 1 August		4,030	7,308
Net Funds at 31 July	<b>26</b>	<u>(5,098)</u>	<u>4,030</u>

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES**

For the Year ended 31 July 2005

	Note	2004/2005 £000	2003/2004 £000
Surplus after Depreciation of Assets at Valuation and Tax		4,879	2,714
Revaluation of Assets:			
Revaluation of Fixed Assets	<b>18</b>	4,495	6,984
Unrealised gain/(loss) on Endowment Investment	<b>12</b>	10	(10)
		<u>9,384</u>	<u>9,688</u>

**NOTES TO THE ACCOUNTS**

For the Year ended 31 July 2005

<b>1 Funding Council Grants</b>	<b>2004/2005</b>	<b>2003/2004</b>
	<b>£000</b>	<b>£000</b>
Scottish Funding Council Recurrent Grant	43,293	41,416
Specific Grants		
Research	2,339	1,958
Other	1,561	828
Funding for Increased STSS Contributions	1,245	1,007
SRIF Grants	596	604
Deferred Capital Grants Released		
Buildings and Minor Works (Note 17)	750	313
Equipment (Note 17)	498	141
	<u>50,282</u>	<u>46,267</u>

<b>2 Academic Fees and Education Contracts</b>	<b>2004/2005</b>	<b>2003/2004</b>
	<b>£000</b>	<b>£000</b>
Full-Time Students (UK and EU)	10,287	10,362
Part-Time Students (UK and EU)	1,070	1,062
Overseas Students (Non-EU)	2,427	1,759
Education Contracts - Nursing Contract	6,879	6,407
	<u>20,663</u>	<u>19,590</u>

Note: In both notes 1 and 2 the disclosure of the 2003/04 balances have been restated to take into account the disclosure requirements of the Accounts Direction issued by the Scottish Funding Council.

<b>3 Research Grants and Contracts</b>	<b>2004/2005</b>	<b>2003/2004</b>
	<b>£000</b>	<b>£000</b>
Grants and Contracts	3,411	3,720
	<u>3,411</u>	<u>3,720</u>

This sum includes Industrial and Government-funded Research Grants and contracts. It excludes SFC funding for research shown in Note 1.

<b>4a Other Operating Income</b>	<b>2004/2005</b>	<b>2003/2004</b>
	<b>£000</b>	<b>£000</b>
Residences, Catering and Conferences	2,469	2,211
Other University Services	6,379	6,141
Rental Income	5,259	5,259
Other Income	2,952	3,372
	<u>17,059</u>	<u>16,983</u>

<b>4b Profit on Sale of Fixed Assets</b>	<b>2004/2005</b>	<b>2003/2004</b>
	<b>£000</b>	<b>£000</b>
Net Gain of Sale of Asset - Gibson Halls (04/05)/Chesterfield Playing Fields (03/04)	3,481	1,473
	<u>3,481</u>	<u>1,473</u>

Note: Under the terms of the contract for the sale of Gibson Hall, an additional sum may become due and, if so, this will be realised in a future accounting period.

<b>5 Endowment Income and Interest Receivable</b>	<b>2004/2005</b>	<b>2003/2004</b>
	<b>£000</b>	<b>£000</b>
Transferred from Specific Endowments	34	52
Other Interest Receivable	155	234
	<u>189</u>	<u>286</u>

	2004/2005	2003/2004
<b>6 Staff Costs</b>	<b>£000</b>	<b>£000</b>
Wages and Salaries	49,502	46,613
Social Security Costs	3,906	3,641
Other Pension Costs	5,307	4,692
	<u>58,715</u>	<u>54,946</u>
	<u><u>58,715</u></u>	<u><u>54,946</u></u>
	2004/2005	2003/2004
Analysed as:	£000	£000
Staff on Permanent Contracts	47,421	45,076
Staff on Temporary Contracts	11,294	9,870
	<u>58,715</u>	<u>54,946</u>
	<u><u>58,715</u></u>	<u><u>54,946</u></u>
Emoluments, including non-superannuable elements, of the Principal and Vice-Chancellor	165	160
Benefits in Kind	1	1
Employers' Pension Contributions*	<u>27</u>	<u>23</u>
	<u><u>165</u></u>	<u><u>160</u></u>

\*The above includes standard pension contributions of £16k to the STSS and £11k in respect of an Unapproved Unfunded Retirement Benefit Scheme (UURBS).

At 31 July 2005 an actuarial valuation required additional provision of £105k which has been included in the pension provision above. UURBS provides the necessary funding to achieve the same pension benefits as for other staff. The base salary for 2004/05 was £165,057 compared with £160,250 for 2003/04.

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

	2004/2005	2003/2004
	<b>Number</b>	<b>Number</b>
Academic	736	705
Technical	88	90
Administrative	463	442
Others	148	143
	<u>1,435</u>	<u>1,380</u>
	<u><u>1,435</u></u>	<u><u>1,380</u></u>

	2004/2005	2003/2004
<b>Remuneration of Other Higher Paid Staff, including Non-Superannuable Elements, but Excluding Employers' Pension Contributions</b>	<b>Number</b>	<b>Number</b>
£70,000 - £79,999	9	4
£80,000 - £89,999	2	4
£90,000 - £99,999	2	-
£100,000 - £109,999**	1	-

\*\*†Includes a severance payment approved by the University's Remuneration Committee.

NOTES TO THE ACCOUNTS

Continued

	2004/2005	2003/2004
	£000	£000
<b>7 Other Operating Expenses</b>		
Rentals and Leases	6,126	6,048
Other Expenses (including advertising, consultancy, bad debt, printing and stationery)	4,626	4,900
Consumables and Maintenance	3,674	3,948
Joint Courses	396	295
Computer and Other Equipment	1,367	1,413
Travel and Subsistence	923	929
Books and Periodicals	1,334	1,203
Residences, Catering and Conferences	294	311
Rates, Heat, Light, Water and Power	1,086	1,057
Professional Fees	1,264	1,079
Repairs and General Maintenance	1,445	1,577
Research Students	1,121	819
Staff Development	899	906
Grants to Students Association	472	424
Telephone	288	221
Financing Charges	26	22
Student Placements and Expenses	59	56
Childcare	57	69
Pension Provision	634	592
 Auditors' Remuneration:		
External Auditors' Remuneration	44	42
Internal Auditors' Remuneration	73	73
Other Services from External Auditors	-	-
Internal Auditors	71	24
 Grant Assisted Works:		
Building and Minor Works	412	506
Equipment	1,048	674
	<u>27,739</u>	<u>27,188</u>
 <b>8 Interest Payable</b>	<b>£000</b>	<b>£000</b>
Loans not wholly repayable within five years	24	175
Other Interest	-	-
	<u>24</u>	<u>175</u>

	Staff Costs	Other Operating Expenses	Depreciation	Interest Payable	2004/2005 Total	2003/2004 Total
	£000	£000	£000	£000	£000	£000
<b>9 Analysis of Expenditure by Activity</b>						
Academic Departments	30,350	4,233	454	-	35,037	33,260
Academic Services	3,264	1,911	113	-	5,288	5,501
Research Grants and Contracts	1,898	1,572	-	-	3,470	3,643
Residences, Catering and Conferences	809	311	106	-	1,226	1,228
Premises	-	8,108	1,974	-	10,082	10,448
Administration	9,930	5,237	1,001	24	16,192	13,849
Other Expenses	12,464	6,367	80	-	18,911	17,676
 Total per Income and Expenditure Account	<u>58,715</u>	<u>27,739</u>	<u>3,728</u>	<u>24</u>	<u>90,206</u>	<u>85,605</u>

NOTES TO THE ACCOUNTS

Continued

	Freehold Land & Buildings £000	Fixtures & Fittings £000	Assets Under Construction £000	Equipment and Furniture £000	Total £000
<b>10 Tangible Assets</b>					
<b>Consolidated &amp; University</b>					
<b>Valuation/Cost</b>					
At 1 August 2004: Valuation/Cost	89,030	-	6,117	4,961	100,108
Additions	-	-	14,650	3,246	17,896
Adjustment	(84)	-	-	-	(84)
Disposals	(576)	-	-	-	(576)
Transfers	(268)	268	(474)	474	-
Revaluation	2,548	-	-	-	2,548
	<u>90,650</u>	<u>268</u>	<u>20,293</u>	<u>8,681</u>	<u>119,892</u>
<b>Depreciation</b>					
At 1 August 2004	-	-	-	2,938	2,938
Charge for Year	1,947	27	-	1,754	3,728
Revaluation	(1,947)	-	-	-	(1,947)
	<u>-</u>	<u>27</u>	<u>-</u>	<u>4,692</u>	<u>4,719</u>
<b>Net Book Value</b>					
At 1 August 2005	<u>90,650</u>	<u>241</u>	<u>20,293</u>	<u>3,989</u>	<u>115,173</u>
At 1 August 2004	<u>89,030</u>	<u>-</u>	<u>6,117</u>	<u>2,023</u>	<u>97,170</u>

Buildings with a net book value of £35.7m have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

The "Adjustment" line above refers to expired building retentions.

	Consolidated		University	
	2005 £000	2004 £000	2005 £000	2004 £000
<b>11 Investments</b>				
Treasury Index Linked Stocks	1,984	1,863	1,984	1,863
Subsidiary Undertaking at cost	-	-	110	110
Other Investments	171	141	171	141
	<u>2,155</u>	<u>2,004</u>	<u>2,265</u>	<u>2,114</u>

The Treasury Index Linked Stocks are earmarked to provide the enhanced element of the pensions to those employees who retired in 1994/95 under the Scottish Funding Council "New Blood" scheme. The historical cost of these investments was £1.261m.

The University owns 100% of Glasgow Caledonian University Company Ltd, which is regarded as a subsidiary undertaking. It was incorporated to develop and control the commercial exploitation of certain non-recurrent grant activities relating mainly to consultancy assignments and short courses. Costs incurred by the University in respect of work undertaken by the subsidiary undertaking are recharged to the company.

The above investment in the subsidiary undertaking represents 110,000 £1 ordinary shares in Glasgow Caledonian University Company Ltd. During the year to 31 July 2005 GCUC Ltd paid £274,000 Gift Aid to the University (2004, £222,000).

The "Other Investments" represents an investment in a Britannic Unit Trust Saving Scheme. This investment was originally intended to redeem an Alba Life Loan. This loan has since been repaid in full.

<b>12 Endowments</b>	<b>£000</b>
At 1 August 2004	357
Appreciation of Endowment Asset Investments	10
Income for the year	34
Transferred to income and expenditure account	(40)
	<hr/>
At 31 July 2005	<b>361</b>
	<hr/> <hr/>
Represented by	
Investments Revalued	92
Funds within University Bank Account	269
	<hr/>
	<b>361</b>
	<hr/> <hr/>
At 31 July 2005 the endowments comprise:	
Fellowships and Chairs	1
Prizes and Scholarships	144
Books	12
Other Funds	204
	<hr/>
	<b>361</b>
	<hr/> <hr/>

Investments represent UK listed equities and gilts. The historical cost of investments shown above is £17,044.

	Consolidated		University	
	2005	2004	2005	2004
<b>13 Debtors: Amounts Falling Due Within One Year</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade Debtors	2,470	2,022	2,172	2,198
Other Debtors	294	288	287	288
Subsidiary Undertakings	-	-	345	668
Prepayments and Accrued Income	1,110	1,340	1,017	959
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>3,874</b>	<b>3,650</b>	<b>3,821</b>	<b>4,113</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Consolidated		University	
	2005	2004	2005	2004
<b>14 Creditors: Amounts Falling Due Within One Year</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank Overdraft	947	-	947	-
Trade Creditors	22	3,201	-	3,168
Subsidiary Undertakings	-	-	-	-
Social Security and Other Taxation Payable	2,192	2,093	2,192	2,093
Accruals and Deferred Income	8,386	6,744	8,246	6,720
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>11,547</b>	<b>12,038</b>	<b>11,385</b>	<b>11,981</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Trade creditors were zero at the year end due to payment arrangements for the implementation of a new finance system. This resulted in a corresponding increase in accruals.

	Consolidated & University	
	2005	2004
	£000	£000
<b>15 Creditors: Amounts Falling Due After More Than One Year</b>		
Allied Irish Bank	4,500	-
	<b>4,500</b>	<b>-</b>

	Consolidated and University Pensions	
	£000	
<b>16 Provision For Liabilities and Charges</b>		
At 1 August 2004		6,499
Expenditure in the Period		(415)
Revaluation Adjustment		117
Additional Provision Required in Year		856
Transfer to Provisions		164
		<b>7,221</b>
At 31 July 2005		<b>7,221</b>

The pension provision represents future pension liabilities in respect of former employees who retired under early retirement schemes. These include liabilities inherited from University pre-merger institutions (£2.5m) and SFC new blood schemes 1994/95 and 1995/96 (£1.6m).

The "Transfer to Provisions" relates to the pension provision for the Principal previously reported under creditors.

The capital equivalent of future annual commitments has been based on an actuarial valuation at 31 July 2005 by Hymans Robertson, Actuaries and Consultants.

	Buildings	Equipment	Total
	£000	£000	£000
<b>17 Deferred Capital Grants</b>			
<b>University &amp; Consolidated</b>			
At 1 August 2004	5,490	397	5,887
Receivable during the year	-	1,853	1,853
Released to Income and Expenditure Account	(750)	(498)	(1,248)
	<b>4,740</b>	<b>1,752</b>	<b>6,492</b>
At 31 July 2005	<b>4,740</b>	<b>1,752</b>	<b>6,492</b>

	Revaluation Reserve	University & Consolidated Reserves		
		Restricted Funds	General Funds	Total
	£000	£000	£000	£000
<b>18 University &amp; Consolidated Reserves</b>				
Balance at 1 August 2004	35,888	15,135	31,370	46,505
Surplus for the year	-	-	4,875	4,875
Inter-Fund Transfers	-	113	(113)	-
Revaluation of Tangible Fixed Assets	4,495	-	-	-
Transfer of amount equivalent to additional depreciation of Fixed Assets	(814)	-	814	814
	<b>39,569</b>	<b>15,248</b>	<b>36,946</b>	<b>52,194</b>
Balance as at 31 July 2005	<b>39,569</b>	<b>15,248</b>	<b>36,946</b>	<b>52,194</b>

The University has grouped its Reserves into two categories as described below:

Restricted Funds may only be applied for the purpose for which they were established and comprise mainly of research grants, staff development and surpluses from short courses.

General Funds include the Recurrent and Reserve Funds, Caledonian Investment Fund and University departmental funds. These funds can be applied to any activity at the discretion of the University within its constitutional powers. Also included are the surplus/deficits carried forward in the University subsidiary undertakings.

	Consolidated & University	
	2005	2004
<b>19 Lease Obligations</b>	<b>£000</b>	<b>£000</b>
Operating lease commitments in respect of land and buildings for the financial year 2005/2006 on leases expiring:		
Within one year	-	-
From 1 to 5 years	79	-
Over 5 years	5,732	5,579
	<u>5,811</u>	<u>5,579</u>

The University has an agreement with Glasgow Caledonian University Charitable Trust involving the lease and leaseback of the Library and the Govan Mbeki Health Building.

	Consolidated & University	
	2005	2004
<b>20 Capital Commitments</b>	<b>£000</b>	<b>£000</b>
Commitments contracted	3,598	15,326
Authorised but not contracted	483	2,577
	<u>4,081</u>	<u>17,903</u>

Included within commitments contracted at 31 July 2005 were the balance due to work in progress for the Saltire Centre and several modification projects.

The amounts shown as authorised but not contracted at 31 July 2005 were in respect of refurbishments and other minor works.

## 21 Contingent Liabilities

As is normal within an institution such as the University, there are a number of potential legal claims outstanding. Based on the facts known at this point in time the University's Lawyers have advised that any potential liability would not be considered material in overall financial terms.

	2004/2005	2003/2004
	<b>£000</b>	<b>£000</b>
<b>22 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities</b>		
Surplus before tax	4,879	2,714
Depreciation	3,728	3,296
Deferred Capital Grants Released to Income	(1,248)	(454)
Investment Income	(189)	(286)
Gain on Disposal of Fixed Asset	(3,481)	(1,473)
Increase in Stocks	(3)	(4)
Increase in Debtors	(224)	(535)
Increase in Creditors	(1,515)	1,850
Increase in Provisions	722	401
Net Cash Inflow from Operating Activities	<u>2,669</u>	<u>5,509</u>
	2004/2005	2003/2004
	<b>£000</b>	<b>£000</b>
<b>23 Returns on Investments and Servicing of Finance</b>		
Income from Endowments (Note 5)	34	52
Other Interest Received	155	234
	<u>189</u>	<u>286</u>

	2004/2005	2003/2004
	£000	£000
<b>24 Capital Expenditure and Financial Investment</b>		
Tangible Assets Acquired	(17,896)	(9,710)
Endowment Asset Acquired	-	-
	<u>(17,896)</u>	<u>(9,710)</u>
Deferred Capital Grants Received	1,853	437
Disposal of Property	<u>4,057</u>	<u>200</u>
	<u><u>(11,986)</u></u>	<u><u>(9,073)</u></u>

	Loans
	£000
<b>25 Analysis of Changes in Consolidated Financing During the Year</b>	
Balance at 31 July 2004	139
Revolving Credit Draw Down	<u>4,500</u>
	<u><u>4,639</u></u>
Balance at 31 July 2005	

	At 1 August	Cash Flows	Non-Cash Flows	At 31 July
	£000	£000	£000	£000
<b>26 Analysis of Changes in Net Funds</b>				
Cash at Bank and in Hand	4,169	(3,681)	-	488
Short Term Deposits	-	-	-	-
Debt due after One Year	-	(4,500)	-	(4,500)
Debt due within One Year	(139)	-	-	(139)
Bank Overdraft	-	(947)	-	(947)
	<u>4,030</u>	<u>(9,128)</u>	<u>-</u>	<u>(5,098)</u>

The opening and closing "Cash at Bank and in Hand" figures include £275k and £269k respectively which is shown on the balance sheet under Endowment Asset Investment. This can be seen in note 12.

### 27 Pension Schemes

The University participates in three separate defined benefit schemes to provide retirement benefits to employees based on final pensionable salary. Academic staff are members of the Scottish Teachers Superannuation Scheme (STSS); non academic staff are members of the Strathclyde Pension Fund (SPF); and an Unapproved Unfunded Retirement Benefits Scheme (UURBS) exists for higher paid academic staff to provide the same level of pension benefits as afforded to other academic staff. All schemes are subject to independent actuarial valuations using the projected unit method and this determines the contribution rates payable by the University.

The University continues to account for these schemes in accordance with SSAP24 and the disclosures given in (a) are those required by that standard. FRS 17 (Accounting for) Retirement Benefits was introduced in November 2000 and will become fully effective for the University in the year ended 31st July 2006. Nevertheless, transitional arrangements continue to apply and these are dealt with in (b).

(a) The University contribution rates on eligible salary and wages costs are:

Academic staff	12.5%
Administrative and Manual Staff (from 1 April 2005)	15%

	STSS	SPF
	31 March 1996	31 March 2002
Date of last actuarial valuation:		
Rate of return on investments in excess of rate of increase in salaries	2.02%	2.5%
Rate of return on investments in excess of rate of increase in pensions	3.5%	4.0%
Market value of assets at date of last valuation	£4,209m	£6,050m
Proportion of members benefits covered by actuarial valuation	93%	108%

	2004/2005	2003/2004
	£000	£000
The total pension costs for the year were:		
Normal contribution to:		
STSS	3,595	3,184
SPF	1,712	1,508
Pension Provision	<u>634</u>	<u>592</u>
	<u><u>5,941</u></u>	<u><u>5,284</u></u>

**27 Pension Schemes (continued)**

- (b) The Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund are both available to staff of more than one employer and it is not possible to identify each institution's share of the underlying assets and liabilities of the scheme. In these circumstances, FRS17 provides for contributions to schemes to be accounted for as if it were a defined contribution scheme. As such, the cost recognised within the University's Income and Expenditure account will be equal to the contribution payable to the schemes for the year.

**Unapproved Unfunded Retirement Benefit Scheme**

The Unapproved Unfunded Retirement Benefit Scheme (UURBS) is a defined benefit scheme for higher paid academic staff to provide pension benefits at the same rate as for other academic staff. The date of the most recent actuarial calculation of liabilities is 31 July 2005. This was carried out by a qualified independent actuary. The actuarial value of the liability is £285,500. Full provision for this has been made in the financial statements. This liability has been calculated assuming inflation of 2.8% per annum, investments return of 5% per annum and rate of increase in salary of 2% per annum in excess of inflation.

**The Strathclyde Pension Fund**

The Strathclyde Pension Fund provides benefits on final pensionable salary for employees of local government and some other institutions.

The assets of the Fund are held in a separately administered fund and the latest actuarial valuation of the Fund was at 31 March 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the returns on investments, inflation, rates of mortality, early retirements, staff turnover, and the rates of increase in salaries and pensions. For the valuation at 31 March 2002, it was assumed that the investment returns would be 2.5% per annum in real terms and the pensions would increase by 4% per annum in real terms.

At the date of the 2002 actuarial valuation the market value of the assets of the Fund was £6,050m and the actuarial value of assets was sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The employer's contribution rate payable by the University was 14.4% of the members' salaries until 31 March 2005 and 15% thereafter.

**The Scottish Teachers Superannuation Scheme**

The Scottish Teachers Superannuation Scheme provides benefits based on final pensionable salary for Scottish Teachers. The fund is administered by Scottish Public Pensions Agency.

An Interim report was carried out at 31 March 2001 but this has yet to be formally issued.

The latest actuarial valuation of the STSS received from the Scottish Public Pension Agency is as at 31 March 1996. The valuation shows assets of £4,209m and the valuation assumes that the investment rate of return would be 2.0% in real terms and that pensions would increase by 3.5% per annum in real terms.

The level of contribution paid by employing institutions is 12.5% of members' salaries. The total cost for 2004/05 is shown in (a) of this note and this represents the full and total extent of the university's liability in respect of this scheme.

**28 Related Party Transactions**

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

Any other transactions with related parties are already disclosed elsewhere in the accounts.

<b>29 Mature Students Bursary and Hardship Fund</b>	<b>Mature Student Bursary</b>	<b>Hardship Fund</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance brought forward	113	59	172
Funds Received in Year	533	320	853
Expenditure	(323)	(528)	(851)
Repayable to funding body (clawback)	(67)	(29)	(96)
Virements	(205)	205	-
Balance carried forward	<u>51</u>	<u>27</u>	<u>78</u>

Grants are available solely for students. The University acts only as a paying agent.

**30 Post Balance Sheets Events**

There were no Post Balance Sheet Events which would require disclosure within these accounts.