



ANNUAL REPORT & ACCOUNTS
YEAR ENDED : 31ST JULY 2006

2005 - 2006

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YEAR ENDED: 31 JULY 2006

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UNIVERSITY'S PROFESSIONAL ADVISORS

Bankers

Royal Bank of Scotland plc

23 Sauchiehall Street
Glasgow G2 3AD

Loan Facility

Allied Irish Bank (GB)

227 West George Street
Glasgow G2 2ND

External Auditors

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditor
Conference House
152 Morrison Street
The Exchange
Edinburgh EH3 8EB

Internal Auditors

PricewaterhouseCoopers LLP

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

Solicitors

MacRoberts

Solicitors
152 Bath Street
Glasgow G2 4TB

AN INTRODUCTION TO GLASGOW CALEDONIAN UNIVERSITY

Glasgow Caledonian University (GCU) 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 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 and recently approved a new vision for 2015 which will be captured in a new corporate plan. In 2005-06, the focus continued to be delivering the 2010 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 third 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 are 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 and set up the Caledonian Academy in 2006 to recognise and support professionalism in teaching and learning. The Student Access to Services project has provided integrated and easily accessible support for students both in The Saltire Centre and online. The delivery of services is concentrated in the new highly acclaimed Saltire Centre hub. The Saltire won a prize for architecture in the 2006 RIBA Awards.

The University exceeded its targets for undergraduate programmes in 2005/06, although full-time undergraduate places remain capped by the Funding Council. Applications for degree programmes remain buoyant, with an increase in applications for entry in 2006 of 1.25% on the previous year. 23% of undergraduate students who entered the University in 2005-06 were admitted with advanced standing, usually the result of gaining a qualification in a FE college and the University maintains close links with local colleges. 29% of students in 2004-05 were from low participation areas which is well above our benchmark of 15%. 671 overseas students were registered with Glasgow Caledonian in 2005-06, an increase of 38% from the previous year.

Over 90% of Glasgow Caledonian graduates secure employment or undertake further study within 6 months of graduation. The University is committed to enhancing the student experience further and appointed a Pro Vice Chancellor for student experience in April 2006.

FUNDRAISING

The University has recently appointed a new Director of Development to drive forward a substantive programme of fundraising. The Director takes up his post in January 2007.

INFRASTRUCTURE DEVELOPMENT

During the year, construction of the new Saltire Centre was completed and the Centre opened its doors to students in January 2006. The Centre provides over 1,800 study spaces within a range of different and innovative learning environments, supported by wireless IT infrastructure. Situated at the very heart of the campus, the Saltire Centre links the University's two main teaching blocks and houses the one-stop shop delivery of all student support services.

RESEARCH, KNOWLEDGE TRANSFER AND COMMERCIALISATION

The University's aims in research, knowledge transfer and commercial development are to maximise the impact of the University's intellectual capital in contributing to economic, social, healthcare, and community development and regeneration in Scotland. The University has been developing a strategy for our submission to Research Assessment Exercise 2008 focusing on its strengths.

The University continues to receive recognition from the Scottish Funding Council for its research achievements, via the now well established HealthQWest consortium, the invitation to be part of the Scottish Centre for Criminal Justice Research, and research pooling in Engineering.

The University's Graduate School was launched to promote the development of research culture by means of a poster event headlined by an outstanding talk by Professor Sir Andrew Huxley, Nobel Laureate. The University was notified of additional funding from the Scottish Funding Council of £163K to assist in the development of the postgraduate research environment via the provision of studentships, in line with the recommendations of the Roberts review.

The University continues to develop its research and knowledge transfer activities in eight multi-disciplinary and cross-School applied research centres. These are Biomedical and Nutritional Sciences, Criminal Violence, Gerontological Care, Heritage Futures, Indoor Climate and Health, Risk and Governance, Sustainability and Vision in Health. The University will review its overall research strategy in the coming year.

The University has continued to commercialise the outputs of its research. Biopta, a life sciences company that originated at the University is now included in a case study of how to use public sector support mechanisms for commercialisation in Scotland. The company recently launched their instrument for screening the effectiveness of drugs to the market. Glycologic Ltd, a carbohydrate drug delivery company spun out in 2002, and based in the University incubator in the Charles Oakley Building, has signed a number of technology licensing agreements and is anticipating significant and profitable future growth as a result of these deals. As a result of a Caledonian Futures academic appointment in the Forensic DNA area, the University agreed to house a related service based spinout company (Crucial Genetics) in the Charles Oakley Building with the intention of stimulating further the research base in Biological Sciences. Two Scottish Enterprise Proof of Concept projects commenced at the University in 2005-06: Virtual Call Centre Software Agents in Grid Infrastructure; and Optically Isolated Partial Discharge Sensor. Both are currently on track to develop their IPR positions and initiate commercial exploitation during 2007. The University is progressing three other IPR project developments via a technology talent initiative to support CEO designates to develop business plans (ERDF funded project jointly with the University of Glasgow, Strathclyde University and Scottish Enterprise Glasgow).

The University has further developed its reputation in the area of Knowledge Transfer Partnerships (KTPs), with new DTI grants awarded to projects in collaboration with IES, Fyne Homes, Novograp and Jenkins and Marr. Opportunities for KTP projects with public sector partners are currently being explored for the first time.

Research income is currently 8% of the University's total income.

This year the University appointed an Executive Director of Business Development and Commercialisation whose main objective is to increase the income generation from non-publicly funded sources. The new Executive Director took up his role in mid-November 2006.

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

In 2005 the University increased its number of overseas students by 38%, with 671 students coming from over 90 countries across the globe. For 2006 entry there has been a continued upsurge in interest from overseas with a 48% increase in applications from overseas students compared to the previous year. The University has undertaken promotional activities in countries including Taiwan, India, China, Nigeria, Pakistan and Malaysia, to raise the profile of the University and its programmes. The University continues to build up a world-wide network of recruitment agents who provide invaluable in-market advice to prospective Caledonian students in over 25 countries.

The University provides opportunities for overseas students to study GCU programmes in their home country. The Caledonian College of Engineering in Oman (CCEO) is an exemplar of such arrangements, with over 1,000 students now studying GCU undergraduate degree programmes in Oman. From September 2006, selected MSc programmes in Engineering and Business are also being offered at CCEO for the first time.

The CCEO was recently visited by the Quality Assurance Agency and was found to be delivering to the highest standards expected of a UK degree, which is a clear endorsement of the quality of teaching in Oman and the robustness of the quality arrangements and partnership model in place.

The University has expanded its overseas delivery with the signing of a franchise agreement with the East Asia School of Business, to deliver the third year of selected Caledonian Business School degree programmes.

The University has agreements with eleven reputable Chinese Universities, which facilitate various forms of articulation of students from courses of study in China to a number of GCU undergraduate and postgraduate programmes. While many of these arrangements are in their infancy, there is significant potential for the future development of such activity with the possibility of more strategic long-term partnerships with Chinese institutions being pursued.

The University has plans to further extend its activities overseas and is considering opportunities to develop our overseas delivery on a larger scale in China and India.

PEOPLE FOR 2010

The University's Human Resources Strategy is being delivered through a range of high level projects which actively support the University's vision. The most prominent elements of the Strategy are: an innovative and highly successful leadership and management programme, which is equipping managers to lead change in challenging times, focusing on the skills and qualities of 'transformational' leaders and the competencies of effective 'transactional' managers; the implementation of unified pay and grading arrangements in 2006 (which are being developed in partnership with the trade unions); and the longer term development of a reward culture which encourages excellent performance. Alongside this, the University is developing a 'Business Partner' approach, which involves HR working closely with managers to help them gain a competitive advantage through maximising the potential of their staff, supported by the new Oracle HR Management Information System. Finally the University's significant investment in a new Occupational Health Strategy and infrastructure is bearing fruit in terms of better support for staff and managers and the development of proactive approaches to support their health and wellbeing.

As GCU refines its strategies and portfolio, it is important to focus on the culture for success. The leadership and management development programme for the Senior Management Team explored some key strategic issues for GCU and helped delineate the nature and scope of changes required. Building on this platform, Organisational Development is planning a range of interventions that will help change the culture of GCU and the University has recently appointed a new Head of Organisational Development with a national reputation in the sector.

EQUALITY AND DIVERSITY POLICY

Equality and diversity continues to be mainstreamed across University functions through the implementation of the Equality and Diversity Policy and Strategy. A wide range of activities help to demonstrate the University's commitment to promoting equality of opportunity, and recognising and valuing diversity. A tailored approach to training with individual Schools and Departments has been developed to ensure that staff have appropriate knowledge and information on equality and diversity issues. The Disability Equality Scheme is being developed and has been informed by consultation with staff and students. Impact assessment of policies and procedures continue at School and Department level. The University's equality and diversity work continues to have a national impact; there was key involvement in the Equality Challenge Unit's Scottish Liaison Group and Annual Conference, and the University also piloted the Universities Scotland Race Equality in the Curriculum Toolkit. The University is also to be featured in the Diverse Britain 2007 commemorative book, which is part of a national celebration of the European Commission's year for equal opportunity in 2007, and highlights innovative approaches to equality and diversity. An article focusing on previous and future phases of the successful [ALLInclusive] promotional campaign, as well as other key activities, will further enhance the University's reputation; the book will be presented to key individuals and organisations, including heads of state, chairs of FTSE 350 companies, and chief executives.

DISABILITY POLICY

The University gives equal consideration to all applications for employment regardless of disability, and where a candidate with a disability is the best person for the job, full consideration is given to what reasonable adjustments are necessary to ensure the requirements of the job can be adequately fulfilled.

Where existing employees become disabled it is the University's policy, wherever practicable, to support employees in continuing employment by making appropriate adjustments where necessary. Members of staff who have a disability are employed under the same terms and conditions as their able-bodied colleagues and the University provides training, career development and promotion opportunities to all staff, regardless of their disability wherever appropriate.

PROFESSOR PAMELA GILLIES

Principal and Vice-Chancellor
07 December 2006

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 and is required to present audited financial statements for each financial year.

The Court is responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the University and to 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 of 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;
- the financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the University will continue in operation.

The Court has a responsibility to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Further and Higher Education (Scotland) Act 1992, the University's Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and hence to take reasonable steps to prevent and detect fraud;
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure; and
- ensure sound corporate governance and the proper conduct of the University's operations.

COURT MEMBERS

UNIVERSITY COURT MEMBERS

Mr G Martin F Cheyne
Chairman
Dr Ian A Johnston, CB, DL
Principal and Vice-Chancellor (to 28.02.06)
Professor Pamela Gillies
Principal and Vice-Chancellor (from 01.03.06)
Mr Michael Bochel
President of the Students' Association (from 01.08.06)
Mr Antony Brian
Ms Alison Culpan
Dr Dorothy Ferguson
Ms Wilma Grosset
Dr Pramod Jauhar
Ms Marianne Keeney
Mr Ralph M Leishman
Vice-Chairman
Mr Michael Lennon
Mr John N Maclean
Dr Rajan Madhok
Mr Stephen McCafferty
Mr Hugh O'Neill
Mr Henry Perfect
Mr Alexander O Pratt
Mr John Queen
Mr Ben Rogers
President of the Students' Association (to 31.07.06)
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 (to 31.07.06)
Mr Ken Zaremski
Chairman (from 01.08.06)
Dr Ian A Johnston, CB, DL
Principal and Vice-Chancellor (to 28.02.06)
Professor Pamela Gillies
Principal and Vice-Chancellor (from 01.03.06)
Mr Michael Bochel
President of the Students' Association (from 01.08.06)
Mr John Boyle
Director of Finance
Dr Dorothy Ferguson
Professor Cliff Hardcastle
Mr Hugh O'Neill
Mr Henry Perfect
Mr Ben Rogers
President of the Students' Association (to 31.07.06)

MEMBERS OF AUDIT COMMITTEE

Mr John N Maclean
Chairman
Professor Grete Birtwistle
Mr Antony Brian
Mr Michael Lennon
Dr Rajan Madhok
Mr Ian Smith

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 2006.

UNIVERSITY COURT

In 2005-06 the University Court met six 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 postholders for the year ended 31 July 2006 are set out in note 6 to the financial statements and are reported in full in confidence to the whole Court.

In 2005-06 the Audit Committee met four 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 risk based 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.

Senior executives attend meetings of the Audit Committee as necessary but 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 designated Accounting 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 Board receives monthly comprehensive reports on budgetary matters with outturns 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.

In keeping with good practice, the Court will review its governance arrangements during 2006/07.

All major projects require to be set up and run under formal project management arrangements. The University runs all major IT projects under PRINCE2 methodology, has a dedicated Executive member to lead the projects and employs an overall programme manager covering all IT projects.

The University has an established approach to the identification and management of risk which is based partly on a 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.

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 2006 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.

During the year, the internal auditors undertook a review of the risk management arrangements and made several recommendations on how the University could improve its approach to risk strategy and risk management. These will be implemented in 2006/07.

CONCLUSION

The University is compliant with The Combined Code on Corporate Governance but recognises the need to improve its system of risk management control.

MR MARTIN CHEYNE

Chairman of University Court
07 December 2006

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 2006 are summarised as follows:

	2005/06	2004/05
	£000	£000
Income	<u>97,644</u>	<u>92,594</u>
Sales of Fixed Assets	<u>1,918</u>	<u>3,481</u>
Expenditure	<u>96,750</u>	<u>91,196</u>
Surplus	<u>2,812</u>	<u>4,879</u>
Historical Cost Adjustments	<u>652</u>	<u>814</u>
Historical Costs Surplus	<u><u>3,464</u></u>	<u><u>5,693</u></u>

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 £98m. Income from external activities within Schools has increased by 24% compared with the previous year. The University achieved slightly more than its budgeted student number targets. However, it exceeded the Funding Council's upper threshold for eligible full-time undergraduate students. As a consequence, the additional tuition fees received were offset by the Funding Council's grant penalty claw-back (c£89k). The Nursing Contract, with a turnover of £7.3m, made a significant contribution to the University's financial performance.

KEY PERFORMANCE INDICATORS

- **Short-Term Liquidity**
(ratio of current Assets to current Liabilities)
2005/06 0.69
2004/05 0.36
- **Long-Term Solvency**
(ratio of Long Term Debt to Total Assets)
2005/06 0.05
2004/05 0.05
- **International Student Fee Income**
2005/06 £4.007m
2004/05 £2.427m
- **% RAE and Non-RAE Research Income to Total Income**
2005/06 7.9%
2004/05 6.3%
- **% Commercial and Other Income to Total Income**
2005/06 16.4%
2004/05 18.6%

NET ASSETS

The consolidated Net Assets of the University at 31 July 2006 amounted to £101m. These assets were represented by Endowments £0.4m, Revaluations £39.8m, Income and Expenditure Account £54.9m and Deferred Capital Grants £5.9m.

CAPITAL PROJECTS

The £41.4m eight-year programme for campus development, which commenced in July 2002, is almost complete and within budget. The major building investment, the £21m Saltire Centre, was completed and has been in use since January 2006.

In addition significant capital funds were spent on ensuring that the Saltire Centre has been fitted out with the most up to date technology including wireless networking, lap top hire and self service book withdrawal.

Work is underway on the refurbishment of the Caledonian Library and Information Centre (CLIC) and William Harley buildings to create a new CPD Centre and administrative accommodation, which will free up valuable teaching space and allow the Students Association to move to the North Hanover Street building. The combined budget for these projects is £2.7m.

CASH FLOW

The net cash inflow arising from the year's operating activities was £2.3m. After spending £2.8m on capital projects, drawing down a further £1m of the loan, there was a net cash inflow of £0.5m. 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 which at the year end had £5.5m drawn down. It is anticipated that the facility will continue to be available during 2006/07.

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. The amount of interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 was nil.

LOOKING FORWARD

The Government's 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 to a 2015 vision and related developments despite no planned real increase in the teaching unit of resource. Of particular significance to the long-term financial strategy are the following developments:

- 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 the Oracle HR system project
- new 2015 vision and the generation of non-SFC income
- a £3.8m strategic investment fund has been established to take the University forward towards the new 2015 vision.

CONCLUSION

The University Court continues to keep the long-term financial position under review. Overall, good progress was made with the planned developments for 2005/06 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 KEN ZAREMSKI

Chairman of the Finance & General Purposes Committee
07 December 2006

INDEPENDENT AUDITORS' REPORT TO THE COURT OF GLASGOW CALEDONIAN UNIVERSITY

We have audited the financial statements of Glasgow Caledonian University for the year ended 31 July 2006, which comprises the income and expenditure account, the balance sheet, the cashflow statement, the statement of recognised gains and losses and the related notes.

This report is made solely to the University Court. Our audit work has been undertaken so that we might state to the Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University's Court, for our audit work, for this report or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF COURT AND AUDITORS

The University's Court is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education institutions, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), as described in the statement of responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Institutions. We also report to you whether, in our opinion, in all material respects income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied for the purposes for which they were received and whether income has been applied in accordance with the University's financial memorandum with the Scottish Funding Council and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Report by the Chairman of the Finance and General Purposes Committee is not consistent with the financial statements, if the University has not kept proper accounting records, if 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 by the Chairman of the Finance and General Purposes Committee and the Corporate Governance Statement.

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 2006, and of its surplus for the year ended 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 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, funds provided by The Scottish Funding Council were applied in accordance with the financial memorandum and any other terms and conditions attached to them for the year ended 31 July 2006.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Scottish 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 Court in the preparation of the financial statements and of whether the accounting policies are appropriate to the University'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 us 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.

RSM ROBSON RHODES LLP

Chartered Accountants and Registered Auditors, Edinburgh
07 December 2006

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 in accordance with the provisions of Financial Reporting Standard Number 2.

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 three principal pension schemes for the University's staff are the Scottish Public Pensions Agency (Teachers Section) and Strathclyde Pension Fund and the Universities Superannuation Scheme. 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	5 - 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 2006

	Note	2005/2006 £000	2004/2005 £000
INCOME			
Funding Council Grants	1	53,130	50,282
Academic Fees and Education Contracts	2	23,026	20,663
Research Grants and Contracts	3	4,262	3,411
Other Operating Income	4a	17,123	18,031
Endowments Income and Interest Receivable	5	<u>103</u>	<u>207</u>
TOTAL INCOME		<u>97,644</u>	<u>92,594</u>
EXPENDITURE			
Staff Costs	6	62,826	59,220
Depreciation	10	4,259	3,728
Other Operating Expenses	7	29,532	28,224
Interest Payable	8	<u>133</u>	<u>24</u>
TOTAL EXPENDITURE	9	<u>96,750</u>	<u>91,196</u>
Surplus after Depreciation of Assets at Valuation and Tax		894	1,398
Sale of Fixed Asset	4b	1,918	3,481
Surplus after Depreciation of Assets at Valuation, Disposal of Assets and Tax		<u>2,812</u>	<u>4,879</u>
Transfer to Accumulated Income within Specific Endowments		<u>(12)</u>	<u>(4)</u>
Surplus for the Year Retained within Reserves		<u><u>2,800</u></u>	<u><u>4,875</u></u>

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

STATEMENT OF HISTORICAL COST SURPLUSES

For the Year ended 31 July 2006

	Note	2005/2006 £000	2004/2005 £000
Surplus after Depreciation of Assets at Valuation, Disposal of Assets and Tax		2,812	4,879
Historical Cost Depreciation difference on Buildings	18	<u>652</u>	<u>814</u>
Historical Cost Surplus		<u><u>3,464</u></u>	<u><u>5,693</u></u>

BALANCE SHEETS

As at 31 July 2006

	Note	Consolidated		University	
		2006 £000	2005 £000	2006 £000	2005 £000
Fixed Assets					
Tangible Assets	10	114,864	115,173	114,864	115,173
Investments	11	2,262	2,155	2,372	2,265
		117,126	117,328	117,236	117,438
Endowment Asset Investments	12	380	361	380	361
Current Assets					
Stocks		91	102	91	102
Debtors	13	6,422	3,874	6,286	3,821
Cash at Bank and in Hand		61	219	-	-
		6,574	4,195	6,377	3,923
Creditors: Amounts Falling Due Within One Year	14	(10,131)	(11,547)	(10,044)	(11,385)
Net Current Liabilities		(3,557)	(7,352)	(3,667)	(7,462)
Total Assets Less Current Liabilities		113,949	110,337	113,949	110,337
Creditors: Amounts Falling Due After more than one year	15	(5,500)	(4,500)	(5,500)	(4,500)
Provisions for Liabilities and Charges	16	(7,434)	(7,221)	(7,434)	(7,221)
Total Net Assets		101,015	98,616	101,015	98,616
Deferred Capital Grants	17	5,965	6,492	5,965	6,492
Endowments					
Specific	12	380	361	380	361
Reserves					
Revaluation Reserve	18	39,834	39,569	39,834	39,569
Income and Expenditure Account	18	54,836	52,194	54,836	52,194
		94,670	91,763	94,670	91,763
Total Funds		101,015	98,616	101,015	98,616

The accounts on pages 13 to 27 were approved by the University Court on 07 December 2006 and signed on its behalf by:

Mr Martin Cheyne
Chairman of University Court

Mr Ken Zaremski
Chairman of Finance
and General Purposes Committee

Professor Pamela Gillies
Principal and Vice-Chancellor

CONSOLIDATED CASH FLOW STATEMENT

For the Year ended 31 July 2006

	Note	2005/2006 £000	2004/2005 £000
Net Cash Inflow from Operating Activities	22	2,322	2,669
Returns on Investments and Servicing of Finance	23	(28)	189
Capital Expenditure and Financial Investment	24	(2,810)	(11,986)
Acquisitions and Disposals		-	-
Management of Liquid Resources		-	-
Financing	25	1,000	4,500
Increase / (Decrease) in Cash in the year		<u>484</u>	<u>(4,628)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the Year ended 31 July 2006

	Note	2005/2006 £000	2004/2005 £000
Increase / (Decrease) in Cash in the Year		484	(4,628)
(Decrease) in Short Term Deposits		-	-
Transfer of Debt		139	-
Increase in Debt		(1,000)	(4,500)
Movement in Net Funds in the year		(377)	(9,128)
Net Funds at 1 August		(5,098)	4,030
Net Funds at 31 July	26	<u>(5,475)</u>	<u>(5,098)</u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

For the Year ended 31 July 2006

	Note	2005/2006 £000	2004/2005 £000
Surplus after Depreciation of Assets at Valuation and Tax		2,812	4,879
Revaluation of Assets:			
Revaluation of Fixed Assets Buildings	18	-	4,495
Appreciation of Fixed Asset Investments		107	-
Appreciation on Endowment Asset Investment	12	6	10
		<u>2,925</u>	<u>9,384</u>

NOTES TO THE ACCOUNTS

For the Year ended 31 July 2006

	2005/2006	2004/2005
	£000	£000
1 Funding Council Grants		
Scottish Funding Council		
Recurrent Grant	44,231	43,293
Specific Grants		
Research	3,407	2,339
Other	1,614	1,561
Funding for Increased STSS Contributions	1,286	1,245
SRIF Grants	47	596
LTIF Funding	1,887	-
Deferred Capital Grants Released		
Buildings and Minor Works (Note 17)	119	750
Equipment (Note 17)	539	498
	<u>53,130</u>	<u>50,282</u>
2 Academic Fees and Education Contracts		
UK and EU Student Fees	11,657	11,357
Overseas Students (Non-EU)	4,007	2,427
Education Contracts - Nursing Contract	7,362	6,879
	<u>23,026</u>	<u>20,663</u>
3 Research Grants and Contracts		
Grants and Contracts	4,262	3,411
	<u>4,262</u>	<u>3,411</u>
<p>This sum includes Industrial and Government-funded Research Grants and contracts. It excludes SFC funding for research shown in Note 1.</p>		
4a Other Operating Income		
Residences, Catering and Conferences	2,754	2,469
Other University Services	8,178	6,379
Rental Income	2,630	5,259
Other Income	1,794	2,678
Subsidiary Undertaking	1,767	1,246
	<u>17,123</u>	<u>18,031</u>
4b Profit on Sale of Fixed Assets		
Net Gain on Sale of Asset - Gibson Halls	1,918	3,481
	<u>1,918</u>	<u>3,481</u>
<p>Note: Under the terms of the contract for the sale of Gibson Hall, an additional sum became due. This is reflected in 2005/2006.</p>		
5 Endowment Income and Interest Receivable		
Transferred from Specific Endowments	33	34
Other Interest Receivable	70	173
	<u>103</u>	<u>207</u>

	2005/2006	2004/2005
	£000	£000
6 Staff Costs		
Wages and Salaries	52,836	49,951
Social Security Costs	4,291	3,962
Other Pension Costs	5,699	5,307
	<u>62,826</u>	<u>59,220</u>

	2005/2006	2004/2005
	£000	£000
Analysed as:		
Staff on Permanent Contracts	48,863	47,926
Staff on Temporary Contracts	13,963	11,294
	<u>62,826</u>	<u>59,220</u>

Out Going Principal

Emoluments, including non-superannuable elements, of the Principal and Vice-Chancellor	131	165
Benefits in Kind	4	1
Employers' Pension Contributions*	<u>22</u>	<u>27</u>

*The above includes standard pension provision contributions of £9k to the STSS and £13k in respect of an Unapproved Unfunded Retirement Benefit Scheme (JURBS). The base salary for 2005/06 was £189,000 compared with £165,057 for 2004/05.

New Principal

Emoluments, including non-superannuable elements, of the Principal and Vice-Chancellor	77	-
Employers' Pension Contributions*	<u>11</u>	<u>-</u>

The base salary for 2005/06 was £153,000.

Average Staff Numbers by Major Category

	2005/2006	2004/2005
	Number	Number
Academic	880	875
Technical	88	91
Administrative	803	747
Others	114	112
	<u>1,885</u>	<u>1,825</u>

**Remuneration of Other Higher Paid Staff,
including Non-Superannuable Elements,
but Excluding Employers' Pension Contributions**

	2005/2006	2004/2005
	Number	Number
£70,000 - £79,999	6	9
£80,000 - £89,999	5	2
£90,000 - £99,999	2	2
£100,000 - £109,999	-	1

	2005/2006	2004/2005
7 Other Operating Expenses	£000	£000
Consumables and Maintenance	4,346	3,674
Rentals and Leases	3,554	6,126
Repairs and General Maintenance	2,688	1,445
Other Expenses	2,369	2,411
Professional Fees	1,551	1,264
Rates, Heat, Light, Water and Power	1,401	1,086
Books and Periodicals	1,254	1,334
Research Students	1,211	1,121
Staff Development	1,075	899
Travel and Subsistence	936	923
Computer and Other Equipment	815	1,367
Advertising Costs	707	458
Pension Provision	635	634
Bad Debt Write Off and Provisions	635	62
Grants to Students Association	532	472
Printing and Stationery	456	470
Payment to External Bodies	451	205
Subsidiary Undertaking	439	485
Joint Courses	379	396
Residences, Catering and Conferences	369	294
Postage Costs	284	238
Staff Recruitment	282	334
Furniture and Fittings	276	160
Telephone	224	288
External Examiners	217	210
Student Placements and Expenses	173	59
Overseas Recruitment	166	78
Irrecoverable Insurance Costs	128	-
Childcare	125	57
Financing Charges	34	26
Auditors' Remuneration:		
External Auditors' Remuneration	48	44
Internal Auditors' Remuneration	70	73
Other Services from External Auditors	-	-
Internal Auditors	4	71
Grant Assisted Works:		
Building and Minor Works	356	412
Equipment	1,342	1,048
	<u>29,532</u>	<u>28,224</u>
	2005/2006	2004/2005
Other Operating Expenses Include:	£000	£000
Hire of Plant and Machinery- Operating Leases	260	231
Hire of other Assets- Operating Leases	3,284	5,721
	<u>3,284</u>	<u>5,721</u>
	2005/2006	2004/2005
8 Interest Payable	£000	£000
Loans not wholly repayable within five years	133	24
Other Interest	-	-
	<u>133</u>	<u>24</u>

NOTES TO THE ACCOUNTS

Continued

9 Analysis of Expenditure by Activity	Other Staff Costs	Operating Expenses	Depreciation	Interest Payable	2005/2006 Total	2004/2005 Total
	£000	£000	£000	£000	£000	£000
Academic Departments	30,825	3,981	518	-	35,324	35,037
Academic Services	5,537	4,504	794	-	10,835	8,899
Research Grants and Contracts	2,533	1,651	-	-	4,184	3,470
Residences, Catering and Conferences	793	409	-	-	1,202	1,226
Premises	15	10,022	2,786	-	12,823	10,082
Administration	8,495	3,627	161	133	12,416	12,581
Other Expenses	13,739	4,899	-	-	18,638	18,911
Subsidiary Undertaking	889	439	-	-	1,328	990
Total per Income and Expenditure Account	62,826	29,532	4,259	133	96,750	91,196

10 Tangible Assets Consolidated & University Valuation/Cost	Freehold Land and Buildings	Fixtures & Fittings	Assets Under Construction	Equipment and Furniture	Total
	£000	£000	£000	£000	£000
At 1 August 2005: Valuation/Cost	90,650	268	20,293	8,682	119,893
Additions	4,937	575	131	1,892	7,535
Write Off to I & E	-	-	(627)	-	(627)
Disposals	(2,958)	-	-	(199)	(3,157)
Transfers	18,906	549	(19,666)	211	-
At 31 July 2006: Valuation/Cost	111,535	1,392	131	10,586	123,644
Depreciation					
At 1 August 2005	-	(27)	-	(4,693)	(4,720)
Charge for Year	(2,374)	(197)	-	(1,688)	(4,259)
Disposal	-	-	-	199	199
	(2,374)	(224)	-	(6,182)	(8,780)
Net Book Value					
At 1 August 2006	109,161	1,168	131	4,404	114,864
At 1 August 2005	90,650	241	20,293	3,989	115,173

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 "write off to I&E" refers to items capitalised last year which following further consideration would have been more appropriately classed as revenue items.

The "disposal" figure of £2,958k refers to the costs linked to the damage caused by a flood in the Saltire Centre prior to the building coming into use. The majority of this damage was covered by insurance but a small amount (£128k) was not and appears in other expenditure (Note 7).

11 Investments	Consolidated		University	
	2006	2005	2006	2005
	£000	£000	£000	£000
Treasury Index Linked Stocks	2,072	1,984	2,072	1,984
Subsidiary Undertaking at cost	-	-	110	110
Other Investments	190	171	190	171
	2,262	2,155	2,372	2,265

11 Investments (continued)

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 2006 GCUC Ltd paid £457,000 Gift Aid to the University (2005, £274,000).

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.

12 Endowments	£000
At 1 August 2005	361
Appreciation of Endowment Asset Investments	6
Income for the year	33
Transferred to income and expenditure account	<u>(20)</u>
 At 31 July 2006	 <u>380</u>
 Represented by	
Investments Revalued	99
Funds within University Bank Account	<u>281</u>
	<u>380</u>
 At 31 July 2006 the endowments comprise:	
Fellowships and Chairs	1
Prizes and Scholarships	154
Books	12
Other Funds	<u>213</u>
	<u>380</u>

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

	Consolidated		University	
	2006	2005	2006	2005
13 Debtors: Amounts Falling Due Within One Year	£000	£000	£000	£000
Trade Debtors	3,351	2,470	2,735	2,172
Other Debtors	467	294	467	287
Subsidiary Undertakings	-	-	569	345
Prepayments and Accrued Income	<u>2,604</u>	<u>1,110</u>	<u>2,515</u>	<u>1,017</u>
	<u>6,422</u>	<u>3,874</u>	<u>6,286</u>	<u>3,821</u>

Included within Prepayments and Accrued Income is a balance of £518k in relation to monies recoverable from an insurance claim. A provision of £372k has been made against this balance due to a disputed item.

	Consolidated		University	
	2006	2005	2006	2005
14 Creditors: Amounts Falling Due Within One Year	£000	£000	£000	£000
Bank Overdraft	317	947	317	947
Trade Creditors	1,677	22	1,677	-
Subsidiary Undertakings	-	-	-	-
Social Security and Other Taxation Payable	1,434	2,192	1,423	2,192
Accruals and Deferred Income	<u>6,703</u>	<u>8,386</u>	<u>6,627</u>	<u>8,246</u>
	<u>10,131</u>	<u>11,547</u>	<u>10,044</u>	<u>11,385</u>

Trade creditors were zero at the year end of 2004/05 due to payment arrangements for the implementation of a new finance system. This resulted in a corresponding increase in accruals.

15 Creditors: Amounts Falling Due After More Than One Year	Consolidated & University	
	2006	2005
	£000	£000
Loan Facility	5,500	4,500
	5,500	4,500

16 Provision For Liabilities and Charges	Consolidated & University Pensions	
	£000	
At 1 August 2005		7,221
Expenditure in the Period		(423)
Revaluation Adjustment		299
Additional Provision Required in Year		240
Transfer to Provisions		395
Transfer from Provisions		(298)
At 31 July 2006		7,434

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 capital equivalent of future annual commitments has been based on an actuarial valuation at 31 July 2006 by Hymans Robertson, Actuaries and Consultants.

The "Transfer from Provisions" relates to the transfer of the pension to the former Principal.

The "Transfer to Provisions" relates to the pension provision for employees transferred under the Nursing Contract arrangements in 1996 who had enhanced pension benefits. This was previously held under General Reserves.

17 Deferred Capital Grants	Buildings	Equipment	Total
	£000	£000	£000
University & Consolidated			
At 1 August 2005	4,740	1,752	6,492
Receivable during the year	-	132	132
Released to Income and Expenditure Account	(120)	(539)	(659)
At 31 July 2006	4,620	1,345	5,965

18 University & Consolidated Reserves	University & Consolidated Reserves			
	Revaluation Reserve	Restricted Funds	General Funds	Total
	£000	£000	£000	£000
Balance at 1 August 2005	39,569	15,248	36,946	52,194
Surplus for the year	-	-	2,800	2,800
Inter-Fund Transfers	-	461	(461)	-
Transfer to Revaluation Reserve	810	-	(810)	-
Appreciation of Investments	107	-	-	-
Transfer of amount equivalent to additional depreciation of Fixed Assets	(652)	-	652	652
Balance as at 31 July 2006	39,834	15,709	39,127	54,836

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 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 undertaking.

Transfer to Revaluation Reserve refers to unrealised gains on Fixed Asset Investments previously treated as General Funds.

19 Lease Obligations

At 31st July 2006 the University had annual commitments under non-cancellable operating leases as follows:

	Consolidated & University	
	2006	2005
	£000	£000
Land and buildings		
Expiring within one year	-	-
Expiring within two to five years	81	79
Expiring in over five years	<u>945</u>	<u>5,732</u>
	<u>1,026</u>	<u>5,811</u>

The University had an agreement with Glasgow Caledonian University Charitable Trust involving the lease and leaseback of the Library and the Govan Mbeki Health Building. This agreement ended during the year.

	Consolidated & University	
	2006	2005
	£000	£000
Other		
Expiring within one year	141	215
Expiring within two to five years	38	38
Expiring in over five years	<u>39</u>	<u>-</u>
	<u>218</u>	<u>253</u>

20 Capital Commitments

	Consolidated & University	
	2006	2005
	£000	£000
Commitments contracted	1,718	3,598
Authorised but not contracted	<u>2,410</u>	<u>483</u>
	<u>4,128</u>	<u>4,081</u>

Included in the 2006 figures are the refurbishment projects to CLIC and the William Harley buildings.

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.

22 Reconciliation of Consolidated Operating	2005/2006	2004/2005
Surplus to Net Cash Inflow from Operating Activities	£000	£000
Surplus before tax	2,812	4,879
Depreciation	4,259	3,728
Deferred Capital Grants Released to Income	(659)	(1,248)
Write off expenditure previously capitalised	627	-
Interest Payable	113	-
Interest Receivable	(85)	(189)
Gain on Disposal of Fixed Asset	(1,918)	(3,481)
Decrease / (increase) in Stocks	11	(3)
Increase in Debtors	(2,031)	(224)
Increase in Creditors	(1,020)	(1,515)
Increase in Provisions	213	722
	<u>2,322</u>	<u>2,669</u>
Net Cash Inflow from Operating Activities	<u>2,322</u>	<u>2,669</u>

23 Returns on Investments and Servicing of Finance	2005/2006	2004/2005
	£000	£000
Interest Paid	(113)	-
Income from Endowments (Note 5)	33	34
Other Interest Received	52	155
	<u>(28)</u>	<u>189</u>
	<u>(28)</u>	<u>189</u>

24 Capital Expenditure and Financial Investment	2005/2006	2004/2005
	£000	£000
Tangible Assets Acquired	(7,300)	(17,896)
Deferred Capital Grants Received	132	1,853
Disposal of Property	1,918	4,057
Insurance Compensation	2,440	-
	<u>(2,810)</u>	<u>(11,986)</u>
	<u>(2,810)</u>	<u>(11,986)</u>

25 Financing	2005/2006	2004/2005
	£000	£000
Debt due beyond a year:		
Draw down on revolving credit facility	1,000	4,500
Repayments of amounts borrowed	-	-
	<u>1,000</u>	<u>4,500</u>
Net cash inflow from financing	<u>1,000</u>	<u>4,500</u>

26 Analysis of Changes in Net Funds	At 1 August	Cash Flows	Non-Cash Flows	At 31 July
	£000	£000	£000	£000
Cash at Bank and in Hand	488	(146)	-	342
Short Term Deposits	-	-	-	-
Debt due after One Year	(4,500)	(1,000)	-	(5,500)
Debt due within One Year	(139)	-	139	-
Bank Overdraft	(947)	630	-	(317)
	<u>(5,098)</u>	<u>(516)</u>	<u>139</u>	<u>(5,475)</u>
	<u>(5,098)</u>	<u>(516)</u>	<u>139</u>	<u>(5,475)</u>

The opening and closing "Cash at Bank and in Hand" figures include £269k and £281k 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 four 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) or the Universities Superannuation Scheme (USS); non academic staff are members of the Strathclyde Pension Fund (SPF); and an Unapproved Unfunded Retirement Benefits Scheme (UURBS) existed for higher paid academic staff to provide the same level of pension benefits as afforded to other academic staff; this scheme closed during the year following the retirement of the former Principal. All schemes are subject to independent actuarial valuations.

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

Academic staff (STSS)	12.5%
Academic staff (USS)	14.0%
Administrative and Manual Staff (SPF)	15.6%

	STSS 31 March 2001	SPF 31 March 2002	USS 31 March 2002
Date of last actuarial valuation:	31 March 2001	31 March 2002	31 March 2002
Rate of return on investments in excess of rate of increase in salaries	2%	2.1%	2.3%
Rate of return on investments in excess of rate of increase in pensions	3.5%	3.6%	3.3%
Market value of assets at date of last valuation	£10,769m	£6,050m	£19,938m
Proportion of members benefits covered by actuarial valuation	100%	108%	101%
		2005/2006	2004/2005
The total pension costs for the year were:		£000	£000
Normal contribution to:			
STSS		3,825	3,595
SPF		1,863	1,712
USS		11	-
Pension Provision		<u>635</u>	<u>634</u>
		<u>6,334</u>	<u>5,941</u>

The Scottish Teachers Superannuation Scheme (STSS), the Strathclyde Pension Fund (SPF) and the Universities Superannuation Scheme (USS) are all 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 on a consistent and reasonable basis. Accordingly the University has utilised the provisions of FRS17 whereby the contributions to schemes 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.

This Scheme was in operation for part of the year but it has now been closed following the retirement of the former Principal. Due to terms introduced in the Finance Act 2004 relating to accessibility of pensions the provision no longer appears in the financial statements and the University has no further outstanding liabilities.

The Strathclyde Pension Fund

The Strathclyde Pension Fund provides benefits on final pensionable salary for employees of local government and some other institutions. This scheme, a multi-employer defined benefits scheme covers past and present employees. It is not possible to identify the University's share of the underlying liabilities of this scheme on a consistent and reasonable basis and contributions to the scheme are therefore accounted for as if it were a defined contribution scheme. The cost recognised within the income and expenditure account is equal to the contributions payable to the scheme for the year.

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. Key financial assumptions underpinning the valuation at 31 March 2002 were that the nominal rate of return on investments was 6.2% (real rate 3.6%), the nominal rate of pay increases was 4.1% (real rate 1.5%) and that the nominal price inflation and pension increases were 2.6% (real rate 0.0%).

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 15% of the members' salaries until 31 March 2006 and 15.6% thereafter.

27 Pension Schemes (continued)**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. It is not possible to identify the University's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and contributions to the scheme are therefore accounted for as if it were a defined contribution scheme. The cost recognised within the income and expenditure account is equal to the contributions payable to the scheme for the year.

An actuarial review as at 31 March 2001 was issued in June 2006 by the Government Actuary.

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 £10,769m and the valuation assumes that the investment rate of return would be 2% 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. This will increase to 13.5% from 1st April 2007. The total cost for 2005/06 is shown earlier in this note and this represents the full and total extent of the University's liability in respect of this scheme.

Universities Superannuation Scheme (USS)

The Universities Superannuation Scheme provides benefits on final pensionable salary for staff within Higher Education. This is a defined benefit scheme which is externally funded and the assets of the scheme are held in a separate trustee administered fund. It is not possible to identify each participating institution's share of the underlying assets and liabilities of the scheme and contributions to the scheme are therefore accounted for as if it were a defined contribution scheme. The cost recognised within the income and expenditure account is equal to the contributions payable to the scheme for the year.

The funds are valued every three years by professionally qualified independent actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuation of the scheme and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme after making suitable allowances for future withdrawals.

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.

29 Childcare and Hardship Fund

	Childcare Fund	Hardship Fund	Total
	£000	£000	£000
Balance brought forward	51	27	79
Funds Received in Year	222	689	911
Expenditure	(58)	(582)	(640)
Repayable to funding body (clawback)	(113)	(148)	(261)
Virements	(81)	81	-
Balance carried forward	21	67	89

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.



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DESIGNED & PRINTED BY: **PRINT DESIGN SERVICES, GLASGOW CALEDONIAN UNIVERSITY**
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FRONT COVER: THE SALTIRE CENTRE, BACK COVER: THE GOVAN MBEKI BUILDING