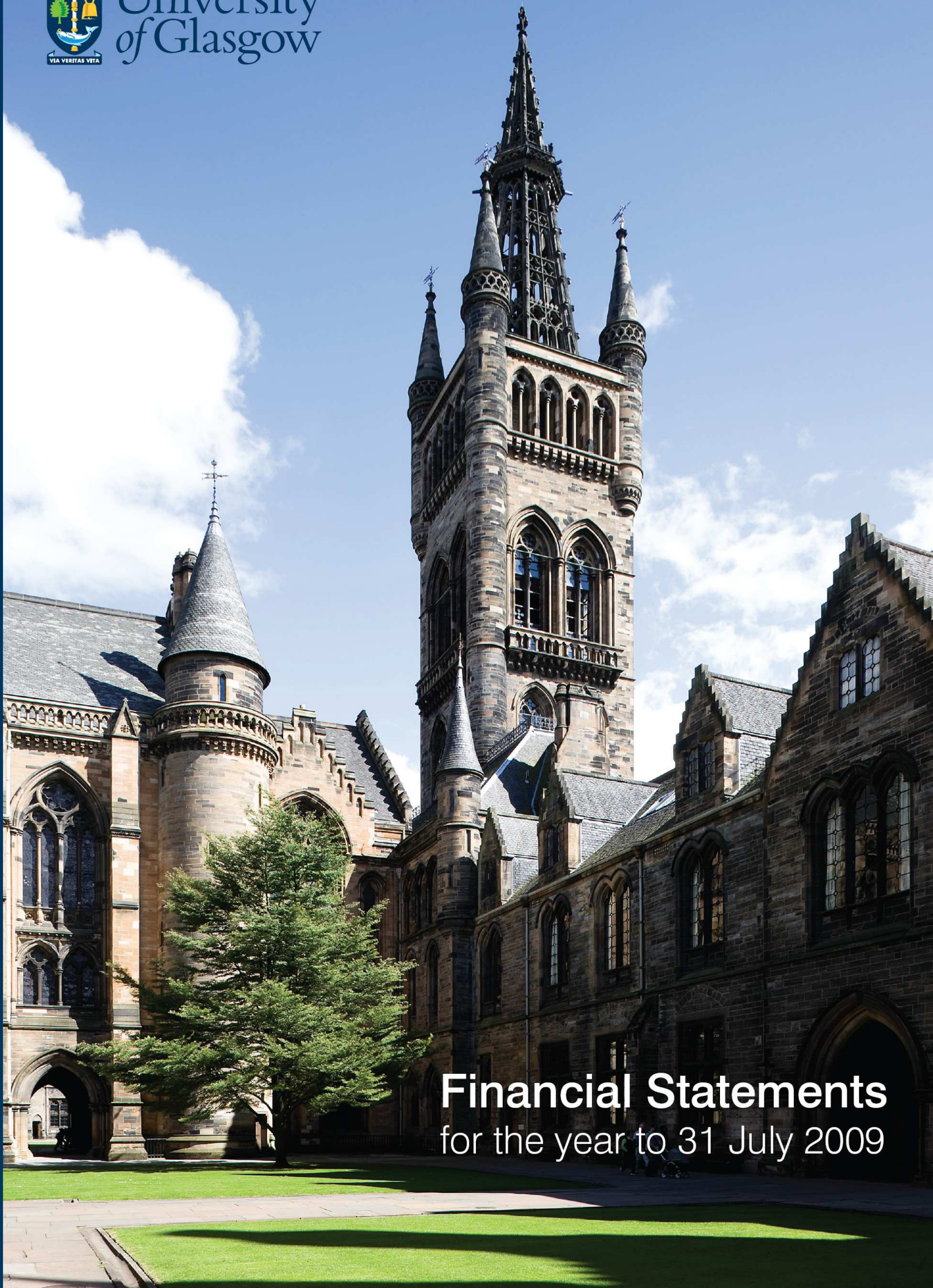




University
of Glasgow



Financial Statements
for the year to 31 July 2009

CONTENTS

Page	
2-6	Operating and Financial Review
7-8	Corporate Governance Statement
9	Statement of the Responsibilities of Court
10	Membership of Court and Committees
11	Independent Auditors' Report to Court
12-13	Statement of Principal Accounting Policies
14	Consolidated Income and Expenditure Account and Consolidated Statement of Historical Cost Surpluses
15	Consolidated Statement of Total Recognised Gains and Losses
16-17	Balance Sheets
18	Consolidated Cash Flow Statement and Reconciliation of Net Cash Flow to Movement in Net Funds
19-40	Notes to the Financial Statements

OPERATING AND FINANCIAL REVIEW for the year ended 31 July 2009

This Operating and Financial Review describes the main trends and factors underlying the University of Glasgow's ("the University's") performance during the year to 31 July 2009 ("2008-9"). It has been prepared in line with the guidance provided on the Operating and Financial Review issued by the UK Accounting Standards Board in January 2006.

History

The University is the fourth oldest university in the English-speaking world. Founded in 1451 it has earned an international reputation for research innovation, for connecting with experts in global business, and for inspiring thinkers, from the eminent scientist Lord Kelvin, to the father of economics Adam Smith. Building on such vast experience, the University is a member of the elite Russell Group of 20 major research universities and is in the top 1% of the world's universities today (*Times Higher Education Supplement*).

Principal operations

Study and research at the University is grouped into nine faculties made up of broadly related departments. These faculties are:

- Faculty of Arts;
- Faculty of Biomedical and Life Sciences;
- Faculty of Education;
- Faculty of Engineering;
- Faculty of Information and Mathematical Sciences;
- Faculty of Law, Business and Social Sciences;
- Faculty of Medicine (including Dentistry and Nursing);
- Faculty of Physical Sciences;
- Faculty of Veterinary Medicine.

The majority of operations are carried out on the University's main Gilmorehill campus in the west end of Glasgow. The University educates more than 15,000 undergraduate students, 5,000 postgraduate students and 5,000 adult learners. Finding community within diversity, the University attracts students from more than 100 countries, as well as academics from around the globe. In addition, as a venue for international conferences and a hub of cultural interest, the University is also a major contributor to the cultural and commercial life of the country.

Constitution, governance and regulation

Founded by Papal Bull in 1451, much of the University's modern constitutional framework derives from the Universities (Scotland) Act 1966, which updated and expanded on the Universities (Scotland) Acts 1858 to 1932. These Acts make provision for the main statutory bodies and officers of the University - the Court, the Senate, the General Council, the Chancellor, the Principal and Vice Chancellor, and the Rector - and set out the powers and duties of the statutory bodies and officers, as well as specifying the composition of the statutory bodies.

From 1858 until 1966 the University exercised its powers using Ordinances. These were drafted by the University and given legal authority by the Privy Council after approval by the General Councils of the other Scottish Universities. The Universities (Scotland) Act 1966 enabled the University to

exercise its powers using Resolutions. These are issued by the University Court of the University of Glasgow ("Court") after consultation with the University community. In a few restricted areas, mainly of constitutional import, Ordinances are still required.

Court is responsible for the management and regulation of the financial affairs of the University, ensuring compliance with the Financial Memorandum and associated guidance as published by the Scottish Further and Higher Education Funding Council ("Scottish Funding Council"). A full statement of Court's responsibilities, membership and corporate governance arrangements are detailed within these financial statements.

The University is a charity and is registered with the Office of the Scottish Charity Regulator under number SC004401. The Principal is the chief executive officer appointed by Court who is directly accountable to the chief executive officer of the Scottish Funding Council for the institution's proper use of funds.

Building on excellence

The University's mission is to undertake leading-edge, internationally competitive research while offering a flexible learning environment that encourages students and staff to achieve their goals. Through its status as a leading international university, the University works with business, industry and the community to sustain and add value to Scottish culture and society, the natural environment and the UK economy.

In 2006 the University published 'Building on Excellence', which set out the University's ambitions to be one of the best universities in the world, by being an outstanding place for research, teaching and learning. By 2010 the University aims to be:

- in the UK's top ten universities, and in the world's top 50 research-intensive universities;
- an international leader in research across the physical sciences, life sciences, social sciences and humanities;
- renowned internationally for enquiry-led learning in a knowledge culture shaped by the University's research environment;
- recognised as a leading postgraduate university, renowned for the quality and breadth of its provision;
- a university which attracts and retains the very best staff;
- a great place to study, research and work.

The objectives will be pursued whilst ensuring that the University remains in a financially sustainable position, allowing capacity for investment for the future.

Performance during the year

During 2008-9, the University has made progress towards its objectives. Progress is measured through the use of a number of quantitative key performance indicators ("KPIs"). The KPIs have been discussed and approved by Court and are presented and reviewed on an annual basis. Qualitative measures are also used in order to gauge progress against objectives where quantitative measures are less relevant.

OPERATING AND FINANCIAL REVIEW

continued

Externally the University's reputation, as measured by the UK league tables, continues to improve. The University is now ranked inside the top 20 in the Guardian University Guide (17, up 3 from 2008) and the Times Good University Guide (19, up 1). Globally the University is ranked within the top 100 universities in the world as compiled by Times Higher Education – Quacquarelli Symonds. After recording the UK's largest rise in the tables in 2008, 2009 saw a slight reversal, dropping from 73 to 79.

Teaching

The University's commitment to teaching and learning excellence has been demonstrated with the results of the 2009 National Student Survey, which showed 90% satisfaction among final year students. This is not only a 4% improvement over 2008 but means that the University has met its target a year ahead of schedule and placed the University 6th equal amongst UK universities. The result is due to the commitment of staff and the impact of significant investment made in the learning environment. Although pleased with the result the University is not complacent. The headline 90% satisfaction figure is a summary of a complex range of issues important to students and the University continues to work on those areas that remain below our benchmark targets, particularly in providing feedback to students.

2009 saw the opening of the Fraser Building, a one stop shop for student needs including registration, careers guidance, fee payments and a medical practice. The University has also signed a contract with an external software supplier to provide a new student record system that will support students from application through matriculation and study, to their life as alumni. Together with the continuation of Teaching Excellence Awards these investments should further enhance the student experience.

The University met its home undergraduate recruitment target for 2008-9 and grew its Taught Postgraduate numbers by 3%.

Investment in marketing and recruitment activity that commenced late in the 2007-8 financial year saw undergraduate applications to the University (for entry in October 2009) increase by 12% (against a national growth of 7%) with increases of 13% from England, 13% from the EU and 16% from Wales. This represents, on average, more than 6.5 applications for every available undergraduate place and has led to the University increasing its minimum entry requirements for the majority of its courses.

Applications to Postgraduate Taught Programmes for 2009 entry increased by 42% over 2008-9. Nearly all of this growth is from applications from outside the UK. The University's outstanding reputation for research, learning and teaching, and its investment in facilities is contributing to make the University an attractive choice for the best postgraduate students from across the globe.

Research

December 2008 saw the publication of the results of the national Research Assessment Exercise ("RAE"). The University performed well, having submitted to 48 of the 67 subject areas of the RAE. This was one of the broadest submissions in the UK. 18 of the submissions were ranked in the UK's top 10 and 14 were rated best in Scotland. There were particularly noteworthy outcomes in Accounting and Finance, Cardiovascular Medicine, Cancer Studies, Electrical and Electronic Engineering, English, History of Art and Physics. Over 75% of staff submitted to the RAE had their research classified as being either world leading or internationally excellent. Overall the University was ranked 14th in the UK in Research Fortnight's Research Power Table.

During the year the University continued to grow its research income. Of particular note during the year was, as the result of a major national competition, the announcement by the Medical Research Council ("MRC") to invest over the next five years to support the University-MRC Centre for Virology Research.

High quality research students and early career researchers are being attracted to the University through the use of studentship and fellowship schemes, many of which are supported by external fundraising and aimed at stimulating new cross-disciplinary collaborations.

Postgraduate Research Students registered for a degree grew by 7% over 2007-8 whilst applications for entry in 2009-10 increased by 22% with the majority of the growth coming from the UK and Europe.

Research student satisfaction with their university experience is measured through the pan-UK Postgraduate Research Experience Survey (PRES). In 2009, overall satisfaction levels across all areas improved on 2008. In particular, satisfaction with the opportunities available to undertake research and generic skills training increased by 11.6% and 12.8%, respectively.

The University has also been working to ensure doctoral research students submit their theses within 4 years of starting their degree. By 2009, 77% of full-time students achieved this goal, ahead of the 70% target set for 2012.

Internationalisation

The University has seen a significant increase in international (outside the EU) student numbers over the past five years. The growth trend slowed during 2007-8 but grew by 19% in 2008-9. There has also been growth of nearly 50% in international applications for entry in 2009-10. This reflects the efforts put into marketing and the appointment in 2007-8 of 6 senior academics as regional champions to lead the development of strategy in key global regions. This includes the promotion of a wide range of international activities from recruitment to research, alumni events, institutional links and industry networking.

The International Partnership Development Fund was also established in 2008-9 to develop sustainable and mutually beneficial international partnerships between the University and quality academic institutions and education providers worldwide. 23 partnership projects have been funded including collaboration between the Science and Education Faculties and the Indian Government, who selected Glasgow as one of only three UK partnership institutions, to help establish a range of world-class institutions in India.

Last year the University established a partnership with Glasgow International College ("GIC") to offer academic skills and English language courses that prepare international students for entry to the University's undergraduate and postgraduate programmes. GIC achieved its first year recruitment target and is on track to meet its target in 2009-10. GIC is likely to become an increasingly important asset in our international recruitment strategy for the future.

The University's international student community has shown its satisfaction with the quality of education and support available at Glasgow, recording impressive results in the 2009 International Student Barometer. According to the survey, the University's international students are amongst the most satisfied within the Russell Group of major research universities with 90% overall satisfaction, up from 88% in 2008.

OPERATING AND FINANCIAL REVIEW continued

The Careers Adviser for international students has embarked on a programme of international visits to develop a greater awareness and understanding of overseas labour markets; to nurture links with employers and other universities and to develop relationships with prospective students and alumni. This is in response to international students providing feedback to the University expressing a wish for more help in finding appropriate employment on graduation.

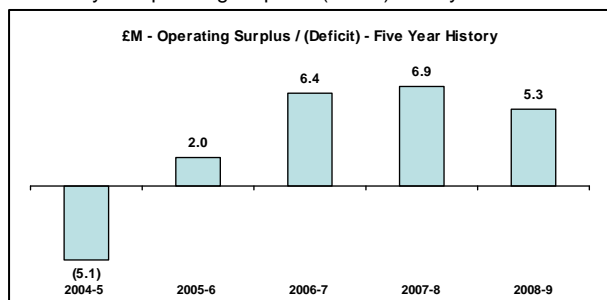
Income and expenditure

The University enjoyed another successful year financially as follows:

	2009	2008 <small>(as restated)</small>
	£000	£000
Income	421,152	397,073
Expenditure	415,855	390,132
Operating surplus	5,297	6,941
Gain on disposal	225	-
Other items	(940)	(986)
Surplus retained within reserves	4,582	5,955

The operating surplus results continue the positive trend set in recent years following a decade of operating deficits. This is despite the impact of salary inflation and an adverse swing of £2.9m in the return on finance calculated under FRS 17.

The five year operating surplus / (deficit) history is as follows:



Total income grew in the year by 6.1% with the main movements as follows:

- Income from the Scottish Funding Council grew by 4.4% with large increases in research postgraduate and knowledge transfer grants (11.7% and 23.2% respectively). The teaching and research recurrent grants also grew by 1.8% and 2.1%;
- Income from tuition fees and education contracts grew by 13.9%. The largest movement was in full time overseas students, with income growing by 22.0% reflecting the investment made in recruitment in this area;
- Income from research grants and contracts grew by 7.9% with strong growth in research council income (18.2%);
- Other income grew by 3.6% with the main growth area in residences and catering which reflects the opening of new catering facilities in the Fraser Building and the purchase of a new student residence building in early 2009;

- Income from endowments and investments reduced by 30.5%. Interest receipts reduced by 48.1% due to the reduction in the Bank of England interest rates. The net return on pension scheme under FRS 17 moved to an interest payable during the year as the return on assets was less than the notional interest charged on liabilities. These adverse movements were offset by endowment income which grew by 0.9%.

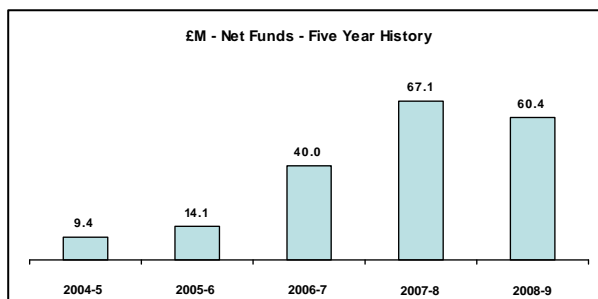
Total expenditure grew in the year by 6.6% with the main movements as follows:

- Staff costs grew by 6.8% with 5.9% of the increase due to inflation and incremental wage movements, including a 5.0% sector wide increase in October 2008. Headcount increased by 0.9%;
- Other operating expenses increased by 5.1% with the largest growth in premises (32.6%), due to increased utility costs and additional investment in maintenance;
- Depreciation increased by 5.7% as capital investment in the estate continued;
- Interest payable was £1.9m, reflecting a finance charge under FRS 17 (this was a £0.9m interest receivable in 2007-8).

Net funds and cash flow

Net funds decreased in the year by £6.7m to a closing balance of £60.4m at 31 July 2009.

The five year net funds history is as follows:



The main cash inflows were within operating activities (+£5.6m) and return on investments and servicing of finance (+£6.2m).

The main cash outflow was on capital expenditure where investment in the estate continued. Capital expenditure in the year, net of deferred capital grants received, was £18.3m with the major projects being:

- Purchase of a stand-alone student residence property with 400 bedroom units which has been named the 'Maclay Residences';
- Completion of the re-development of the former 'Hub' building, which has been named the Fraser Building, a fulcrum for student services across the University;
- Completion of a new build small animal hospital at the Garscube campus;
- Purchase of a nanofabrication facility from an external commercial organisation.

OPERATING AND FINANCIAL REVIEW

continued

FRS 17 pension liability

The FRS 17 pension liability for the University of Glasgow Pension Scheme has increased in the year from £56.4m to £63.9m. The increase is due to a reduction in the value of the underlying pension assets in line with market movements.

The University has also adopted the accounting requirements of FRS 17 for its participation in the Strathclyde Pension Fund. This pension liability had previously been accounted as a defined contribution scheme. As at 31 July 2009, the scheme liability is £2.1m (2008 £2.3m).

Investment performance

The past financial year has seen a continuation of the turbulence in global stock markets and this is reflected in a decrease in the value of endowment asset investments from £120.5m to £102.5m. The performance of the fund managers continues to be monitored by the Investment Advisory Committee against targets set annually.

Creditor policy

The University aims to pay all of its suppliers promptly. The terms of payment of the University are 30 days from the date of invoice but specific terms and conditions can be agreed for certain suppliers if required. As at 31 July 2009 the University's outstanding payments represented approximately 37 days purchases (2008 - 48 days).

Treasury management

The financing and liquidity of the University and its exposure to financial risk is overseen by Court through the Finance Committee. Each year as part of the financial budgeting process, three year rolling forecasts are prepared which consider the likely cash position of the University given the assumed operational movements and planned investment in fixed assets and working capital. This enables the Finance Committee to consider any future borrowing requirements in a timely manner.

The University's non endowment cash balances are primarily held in the form of interest bearing deposits with financial institutions. The deposits can be invested in temporary cash deposits with the major UK clearing banks and building societies up to a maximum of twenty five million pounds with any one institution which must be rated at a minimum of AA or have been quasi nationalised. This is for a maximum of three months per deposit. The University is exposed to changing interest rates, although the exposure is viewed as low given that interest income accounts for less than 1% of the total income of the University in 2008-9.

Accounting policies

The University financial statements have been prepared in accordance with the Statement of Principal Accounting Policies as set out on pages 12 to 13. The principal accounting policies are in accordance with the Statement of Recommended Practice for Higher Education ("SORP") issued by Universities UK in 2007. The format of the financial statements reflects the format as required by the 2007 SORP. The notes to the financial statements reflect best practice guidance given by the British Universities Finance Directors' Group and also any requirements issued by the Scottish Funding Council in its annual accounts instructions. Where a prior year restatement is required, this is disclosed within the Statement of Principal Accounting Policies.

Disability policy

The University is committed to the implementation of a policy to achieve equality of opportunity for students, members of staff and potential members of staff, and to meeting the requirements of the Disability Discrimination Act 2005. To enable the University to fulfil its mission statement the aim is to build an inclusive and supportive environment which meets the needs of all staff, students and visitors to the University. The Disability Policy provides a framework for promoting disability equality with the aim of identifying and removing any barriers which exist for disabled people using the University's facilities, and enabling them to access as fully as possible all education, employment, social and leisure opportunities.

Equality and diversity policy

The University is committed to ensuring that the creativity, innovation and talents of its people are fully utilised. The University community is made up of a wide range of people with diverse backgrounds and circumstances, which is valued and regarded as a great asset. The University has developed a policy that aims to challenge discrimination, promote and implement equality measures, progress social justice and to strive to ensure that no one is disadvantaged. The policy also looks to ensure that the University complies with all current and relevant anti-discrimination legislation. By adopting this policy the University accepts its responsibility to ensure that discrimination does not take place and that everyone in the University is treated fairly and equally.

Ethical investment policy

It is the role of Court to set out the ethical platform on which the University's endowment asset investments are managed. Court instructs its investment managers, through the Investment Advisory Committee, to invest University funds only with those companies who meet the criteria set for ethical investment. The criterion set by the University in addition to the investment managers' own ethical investment policies is that investment in companies substantially involved in tobacco is prohibited. ("Substantially" in this context is interpreted as resulting in more than 10% of profit being derived from that sector). It is the role of the Investment Advisory Committee to maximise the potential returns on investments within such restrictions as established by Court.

Future developments

Court remains committed to the principles of 'Building for Excellence' which laid out the University's strategic ambitions through to 2010 and has commenced consultation on the strategic plan for the next cycle, which will be published during 2010. In addition the University will review and consult on its organisational structure with a view to developing a structure which enhances the academic competitiveness of the University, whilst ensuring a more agile and efficient decision-making process.

2008-9 saw the University deliver an operating surplus for the fourth consecutive year whilst maintaining a healthy net funds balance. The financial plans for the next three years were submitted to the Scottish Funding Council in June 2009 and project that this position will be maintained whilst continuing to invest for the future.

The Senior Management Group assesses the strategic risks that the University faces on a regular basis and identifies and executes appropriate abatement plans. The main risks are broadly unchanged during the year but with increased risk on the factors that will impact income.

OPERATING AND FINANCIAL REVIEW

continued

The risk of a reduction in Funding Council grants has increased during the year, as public sector finances come under pressure from government budgetary deficits. There is also a risk that current recurrent funding distributed under the Funding Council's 'Horizon Fund' is reallocated to other Scottish Government priorities adversely impacting the University's level of funding. The potential impact will not be known until the first quarter of 2010 but estimates have ranged from a real cut in funding of 2.5% - 7.5% in 2010-11. The University continues to engage in dialogue with the Scottish Government to influence the ongoing debate.

Current budgets reflect significant planned expenditure on corporate systems to support the management of the student lifecycle and human resource processes as well as replace the University's telephone system. There is significant risk inherent within system projects of this magnitude and appropriate governance structures have been developed to manage those risks.

The University has an ambitious capital plan with significant investment planned across the campus over the next 10-15 years. The University campus also has a large number of old listed buildings which have a significant backlog of outstanding maintenance. Provision has been made within current budgets for the plan to be executed with no requirement for external loan financing projected within the next three years.

Overseas student numbers grew by 19% in 2008-9 after a flat performance in 2007-8. Future budgets continue to target double digit growth in this area. The relative weakness of sterling is a positive factor at present, but the international market remains extremely competitive and there is a risk that fee levels are undercut by leading institutions in other countries. The University continues to invest in recruitment and conversion activity to mitigate this risk.

Investment income has reduced during 2008-9 due to a reduction in interest rates. The current low interest rate environment has been factored into future budgets. Dividend income from endowments has remained broadly flat during the year, and continues to exceed the current level of annual expenditure, despite a reduction in the value of the underlying assets. This is being closely monitored and current budgets have assumed that the level of dividends will reduce during 2009-10.

Research volume has continued to grow in recent years but is expected to start to flatten out as the level of funding available to research councils and charities reduces. The outcome of the Research Assessment Exercise also redistributed income between units of assessment within the University. The potential impact of these movements is being assessed and an institutional response is being developed.

The October 2008 pay settlement was linked to the retail price index ("RPI") which peaked at 5%. This was 2% higher than budgetary expectations. National negotiations are ongoing on the pay settlement for 2009-10.

The University of Glasgow Pension Scheme will be formally valued as at April 2010 and there is a risk of a further increase in contributions given the current balance sheet valuation. The University has budgeted for additional payments on top of the normal employer contributions to the scheme. Employer contributions to the University Superannuation Scheme ("USS") will increase in October 2009 and this has been factored into budgets. USS have indicated that further increases may be necessary and the University is engaged at sectoral level on this matter.

Energy costs have stabilised during the year but a level of volatility in the markets remains.

Summary

The University has made good progress in recent years on its strategic ambitions whilst ensuring that its underlying finances are robust and sustainable. The financial risks outlined show the challenging environment that the University operates within and this is expected to continue as both global uncertainty and local fiscal pressures remain in place. Court continues to emphasise that strong financial management is essential and believes that the investments made by the University over recent years and planned for the future will provide a solid base from which the University can build and achieve its ambitions.

Professor Anton Muscatelli
Principal

Andrew Christie
Convener of the Finance Committee

Robert Fraser
Director of Finance

16 December 2009

CORPORATE GOVERNANCE STATEMENT

31 July 2009

Introduction

The University Court of the University of Glasgow ("Court") is committed to exhibiting best practice in all aspects of corporate governance relevant to the higher education sector.

This summary describes the manner in which Court has applied the principles of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in 2008. In addition due regard has been taken of the Turnbull Committee guidance on internal control as amended by the British Universities Finance Directors Group in its 2006 guidance, the Guide for Members of Higher Education Governing Bodies in the UK as issued by the Committee of University Chairmen in 2004 and the Annual Accounts direction as issued by the Scottish Further and Higher Education Funding Council ("Scottish Funding Council"). Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Statement of combined code compliance

In the opinion of the members of 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 2009.

University governance

Much of the University's modern constitutional framework derives from the Universities (Scotland) Act 1966, which updated and expanded on the Universities (Scotland) Acts 1858 to 1932. These Acts make provision for the three main statutory bodies in the governance of the University - Court, the Senate and the General Council.

Court

The University's governing body is Court. Its powers have been defined over a number of years, commencing in 1858, when the Court was first established, and are set out in a series of Acts of Parliament, the Universities (Scotland) Acts, 1858-1966. These Acts are supplemented by sections of other Acts and certain Ordinances, promulgated by the University and approved by the Monarch in Council. Ordinances have been enacted to extend the powers available to Court, or to clarify the powers which Court believes it has but which are not explicit in the Acts.

Court has ultimate responsibility for the deployment of resources in the University, and for the strategic plans of the institution. It does not normally generate proposals, but receives them from other bodies within the University - most notably the Senate and the Senior Management Group. It also has a monitoring role in relation to the overall performance of the University, and it holds the Principal accountable for the effective and efficient management of the University. With the Senate, it is responsible for the well-being of students and for the reputation of the University. It is also responsible for the well-being of staff.

Court has 25 members and consists of the Rector (who is elected by the student body), the Principal, the Chancellor's Assessor, a representative of Glasgow City Council, five assessors elected by the General Council, seven assessors elected by Senate, two employee representatives, the President of the Students' Representative Council, one assessor elected by the Students' Representative Council, and five co-opted members. Court members who are not members of the University staff or student body are referred to as "lay members". The current composition reflects the University's wish to have the appropriate level of expertise needed to govern a modern Higher Education institution. The Rector presides at Court but responsibility for chairing the meeting lies

with the senior lay governor, currently the Chancellor's Assessor. Meetings of Court are normally held five times a year.

Court conducts its business through seven committees, each having formally constituted terms of reference.

The **Finance Committee** monitors the financial performance of the University and its associated legal entities. It considers financial policies and issues and makes recommendations to Court on these matters having regard to the importance of financial sustainability. It also considers the annual financial statements and revenue / capital budgets of the University and its associated legal entities and makes recommendations to Court thereon. The Committee is chaired by a lay member of Court and normally meets five times a year.

The **Audit Committee** oversees the arrangements for external and internal audit of the University's financial and management systems and of activities and processes related to these systems. The Committee is chaired by a lay member of Court and normally meets four times a year, with the University's external and internal auditors in attendance.

The **Remuneration Committee** makes recommendations to Court on the process of determining salary awards for senior staff and will determine the Principal's remuneration in the absence of the Principal. Details of the remuneration of senior post-holders for the year ended 31 July 2009 are set out in note 6 to the financial statements. The Committee is chaired by a lay member of Court.

The **Human Resources Committee** develops policies required to implement the University's human resources strategy and will make recommendations to Court thereon. The Committee will also review the implementation of policy and raise awareness throughout the University of the importance that senior management place on human resource issues. The Committee is chaired by a lay member of Court.

The **Nominations Committee** makes recommendation to Court on co-opted members and on the chairmanship of Court Committees having regard to the skills and experience required. The institution has a process in place to ensure appropriate training is given to governing body members as required.

The **Estates Committee** develops and maintains strategic estate plans for consideration by Court taking into account academic need, resource implications and the importance of environmental sustainability. The Committee is chaired by a lay member of Court.

The **Health, Safety and Environment Committee** provides a forum within which consultation and discussion may take place between representatives of University management and representatives of staff and students on health, safety, environmental and sustainability matters. The Committee will also make representations and recommendations to Court as required. The Committee is chaired by an academic member of staff.

In respect of its strategic and development responsibilities, Court receives recommendations and advice from the **Senior Management Group**. The Deans of the Faculties, Vice Principals and other senior officers are members of the Senior Management Group which is convened by the Principal. It meets on a monthly basis and presents a report to each meeting of Court on matters considered since Court's last meeting.

CORPORATE GOVERNANCE STATEMENT

31 July 2009

The Senate

Senate is the senior academic body of the University. Legally and constitutionally Senate is responsible for the academic activity of the University and is responsible for the maintenance of the University's academic standards. Membership of Senate is drawn from the University's academic and non academic staff population and the University's students.

The General Council

The General Council comprises the graduates of the University and has a statutory right to comment on matters which affect the well-being and prosperity of the University.

Statement of internal control

Court is ultimately responsible for the University's system of internal control and as chief executive 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 misstatement or loss.

The Senior Management Group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms. A key control is the Principal's Budget Briefing which takes place in May of each year. This meeting is attended by the Deans and faculty resource officers. The Budget Briefing provides a forum for the Principal and the Deans to discuss the key strategic issues within each faculty. These meetings are also attended by the Vice Principal for Strategy and Resources and senior staff from the Finance Office and the Planning Office.

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed

audit recommendations and the internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers summarised 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 and the Committee meets the internal and external auditors on their own for independent discussions.

The governing body receives regular reports from the senior management team and the Audit Committee.

The governing body is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, and that it has been in place throughout the year ended 31 July 2009 and up to the date of approval of the annual report and financial statements.

Going concern

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

Joy Travers
Chancellor's Assessor
16 December 2009

STATEMENT OF THE RESPONSIBILITIES OF COURT

The University Court of the University of Glasgow ("Court") is responsible for the administration and management of the affairs of the University. Amongst its duties, which are summarised in a formal Statement of Primary Responsibilities, Court is required to present audited financial statements for each financial year.

Court is responsible for keeping proper accounting records 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 Universities (Scotland) Acts 1858 - 1966, the Education Reform Act 1988, the Further and Higher Education (Scotland) Act 1992, the Statement of Recommended Practice on Accounting for Further and Higher Education issued in 2007, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed with the Scottish Funding Council for Further and Higher Education ("Scottish Funding Council"), 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, 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 and that the financial statements are prepared on the going concern basis unless it is inappropriate to assume that the University will continue in operation. 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.

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 Financial Memorandum with the Scottish Funding Council and any other conditions which the Scottish Funding Council may from time to time prescribe. Court also has a responsibility to 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; take reasonable steps to prevent and detect fraud and to ensure that reasonable steps have been taken to secure the economic, efficient and effective management of the University's resources and expenditure.

The key elements in the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets and regular reviews of academic performance and quarterly reviews of financial results and forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Court;
- comprehensive Financial Regulations detailing financial controls and procedures;
- an Internal Audit service whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of Court, has reviewed the effectiveness of the system of internal control. 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 misstatement or loss. Court is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the year ended 31 July 2009 and for the period to the date of the approval of the annual report and financial statements. This process accords with the internal control guidance as applicable to the higher education sector.

David Newall
Secretary of Court

On behalf of Court
16 December 2009

MEMBERSHIP OF COURT AND COMMITTEES

Members of Court as at the date of approval of the financial statements are as follows, together with an indication of the Committees on which they serve, the expiry date of their current term of office and whether they are lay members of Court who received no remuneration from the University.

	Expiry date	Committee Membership	Lay Member
The Rector Rt Hon Charles Kennedy MP	(Mar 2011)		*
The Principal and Vice-Chancellor Professor Anton Muscatelli	(Sep 2014)	(FC) (HRC) (EC) (NC) (RC)	
The Chancellor's Assessor Mrs Joy Travers	(Dec 2009)	(FC) (RC) (NC)	*
Assessor of City of Glasgow Council Councillor Jim Mackechnie	(Sep 2011)		*
General Council Assessors			
Mr Alan Macfarlane	(Jul 2010)	(HRC) (NC)	*
Mr David Ross	(Dec 2013)	(RC)	*
Mr David Anderson	(Jul 2012)	(HRC) (RC)	*
Mr Kevin Sweeney	(Jul 2010)	(AC)	*
Ms Susan Dunsmore	(Jul 2012)		*
Senate Assessors			
Professor Muffy Calder	(Jul 2012)	(HRC)	
Dr Olwyn Byron	(Jul 2011)	(FC) (NC)	
Professor Eleanor Gordon	(Jul 2012)	(HRC)	
Professor Alan Owen	(Jul 2013)	(EC)	
Dr Gordon Hay	(Jul 2013)	(HRC)	
Professor Keith Millar	(Dec 2009)	(EC)	
Professor Adrienne Scullion	(Jul 2013)	(FC)	
Employee Representatives			
Ms Susan Ashworth	(Jan 2010)		
Mr Alex Ross	(Jul 2010)		
Co-opted Members of Court			
Andrew Christie	(Dec 2009)	(FC)	*
Dr Robin Easton	(Dec 2013)	(HESC)	*
Mr Peter Daniels	(Dec 2013)	(FC) (EC)	*
Professor Michael Scott-Morton	(Mar 2014)		*
(One role was vacant at the date of approval of the financial statements)			
President of the Students' Representative Council Ms Laura Laws	(Jun 2010)	(FC)	*
Assessor of the Students' Representative Council Mr Tommy Gore	(Oct 2010)		*
Secretary of Court Mr David Newall		(EC) (HRC) (NC) (HSEC)	

The Committees of Court, as identified in the Corporate Governance statement are:

Finance Committee (FC);
 Estates Committee (EC);
 Human Resources Committee (HRC);
 Audit Committee (AC);
 Remuneration Committee (RC);
 Nominations Committee (NC);
 Health, Safety and Environment Committee (HSEC).

INDEPENDENT AUDITORS' REPORT TO COURT

We have audited the Group and University financial statements for the year ended 31 July 2009 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, Consolidated Statement of Historical Cost Surpluses, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Funds and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Court and auditors

Court is responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards, the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable United Kingdom law as set out in the Statement of Responsibilities of the University Court of the University of Glasgow.

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 in accordance with accounting principles generally accepted in the United Kingdom and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

We also report to you if the University has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with the Scottish Further and Higher Education Funding Council ("Scottish Funding Council").

We read other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises the Operating and Financial Review, the Corporate Governance Statement, the Statement of the Responsibilities of Court, and the Membership of Court and Committees. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with

the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Financial Memorandum 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 judgments made by 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 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with accounting principles generally accepted in the United Kingdom of the state of affairs of the Group and of the University as at 31 July 2009, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 January 2006 with the Scottish Funding Council.

Ernst & Young LLP
Registered Auditor
Glasgow
16 December 2009

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historic cost convention, modified to include listed investments at their market value, to incorporate certain land and buildings at a revalued amount and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, and applicable Accounting Standards. The financial statements also conform to guidance published by the Scottish Further and Higher Education Funding Council.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University Court of the University of Glasgow ("Court") and its subsidiary companies. Also consolidated are the results of the University of Glasgow Trust, an independent charity, set up to collect donations and disburse them for the benefit of the University. The financial statements do not consolidate the results of the University of Glasgow students' unions due to the degree of their independence.

Changes in accounting policy

The financial statements to 31 July 2009 have adopted the accounting requirements of Financial Reporting Standard 17 'Retirement Benefits' for its participation in the Strathclyde Pension Fund. This pension liability had previously been accounted as a defined contribution scheme as it was not possible to identify the University's share of the underlying assets and liabilities. The prior year comparative has been restated to allow comparability. The impact of the prior year adjustment is a reduction in net assets as at 1 August 2007 and 1 August 2008 of £1,253k and £2,282k respectively being the inclusion of the pension liability at those dates. The impact on the results for the years ended 31 July 2008 and 31 July 2009 is to increase the surplus on continuing operations by £77k and £32k respectively.

Income recognition

Funding council recurrent block grants are accounted for in the period to which they relate.

Tuition fee income is stated net of any discounts and is credited to the income and expenditure account over the period in which the students are studying. Bursaries and scholarships are accounted for gross as expenditure and are not netted from fee income.

Income from grants for sponsored research is included in direct relation to the extent of direct and indirect expenditure incurred on each project during the year.

Income received in respect of the acquisition or construction of fixed assets is treated as deferred capital grants. The grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from grants for earmarked purposes is only included to the extent of expenditure incurred on each project during the year.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Increases / decreases in value arising on the revaluation or disposal of endowment assets, ie the appreciation / depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset and crediting or debiting the endowment fund and reported in the statement of total recognised gains and losses.

Land and buildings

Land and buildings are stated at cost or valuation. Building costs include any internal costs associated with bringing the asset into use. Freehold land is not depreciated. Depreciation on buildings is provided using the straight line method to write off the cost or valuation of each property (other than freehold land) over its expected useful life within the range 10 years to 300 years. On an annual basis a review of assets with an estimated life of over 50 years is performed to identify indicators of impairment. For new projects, depreciation is calculated on individual elements within the total cost, each regarded as having a differing useful life. On adoption of FRS 15, the University followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997 and 1999, but not to adopt a policy of revaluation on these properties in the future.

Heritage assets

The University holds heritage assets across several locations including; the Hunterian Museum and Art Gallery, special collections within the library and archive services. Heritage assets are also held by individual departments across the University campus. It is not considered practicable to obtain valuations for the collections of artefacts owing to the diverse nature of the assets and the lack of comparable market values. The University does not therefore recognise these assets on its balance sheet.

Equipment

Equipment costing less than £25k per individual item or group of related items is written off in the year of acquisition. Equipment over £25k per individual item is capitalised and is stated at cost. Where equipment is acquired for research purposes and is funded with the aid of a specific grant then it is capitalised and depreciated as above, except that the minimum value is £50k. Equipment assets are depreciated over the lower of four years, or the life of the project that the equipment is associated with.

Software

Software purchases costing less than £25k per individual item are written off in the year of acquisition. Where software is supplied with hardware, software is not normally split out from the hardware cost and is therefore depreciated in line with the policy on equipment. Software purchases over £25k per individual item are capitalised and stated at cost. The capitalised cost will include the cost of any internal time required to bring the software into use, where this can be clearly attributed. Software assets are depreciated over the lower of four years, or the life of the project that the software is associated with, from the year that the software is commissioned.

Investments

Listed investments are stated at their market value on the balance sheet date. Unlisted investments, including investment in subsidiary holdings, are stated at the lower of cost or valuation. Cash on term deposit held on behalf of endowment funds is included in endowment asset investments and not within current assets. This reflects more accurately the restricted nature of cash held for endowment funds. Income from investments held for endowment funds is credited directly to these funds.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

continued

Endowments and donations

Charitable donations, where the full amount of the donation is to be expended and there is no restriction to a particular objective by the donor, are treated as income in the year in which they are received.

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge of the associated tangible fixed asset.

Where the University receives a donation with the condition that the capital element must be maintained but the income thereon can be applied, the donation is accounted for as a permanent endowment. There are two main types:

- Restricted permanent endowment - the capital fund is maintained and the income must be applied to a particular objective specified by the donor;
- Unrestricted permanent endowment - the capital fund is maintained but the income thereon can be applied to the general purposes of the institution and is therefore unrestricted.

Where the trustees have the power of discretion to convert endowed capital into income, and the donation is restricted to a particular objective specified by the donor, the donation is treated as a restricted expendable endowment.

Stocks

Stocks are valued at the lower of purchase cost or net realisable value and include stocks in the refectories, the halls of residence, the farm and at certain main stores. Other stocks held in academic departments are written off to the income and expenditure account in the year in which the expenditure is incurred.

Agency arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body or other body, where the institution is exposed to minimal risk and enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the income and expenditure account of the institution. The balances and movement on these funds are disclosed in note 27 to the financial statements.

Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly the institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by s505 of ICTA 1988 or section 256 of the Taxation of Charitable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The institution receives no similar exemption in respect of Value Added Tax.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and at the bank, deposits repayable on demand and bank overdrafts but excludes any assets held as endowment asset investments. Liquid resources include term deposits held as part of the University's treasury management activities but exclude any assets held as endowment asset investments.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Provisions, contingent liabilities and contingent assets

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

Contingent liabilities are disclosed by way of a note when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than a present asset arising from a past event.

Pensions

The University participates in a number of defined benefit pension schemes. For the University of Glasgow Staff Pension Scheme and the Strathclyde Pension Scheme, the expected cost of providing pensions is recognised in the income and expenditure account on a systematic basis over the expected average lives of members of the funds. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The expected return on assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in pension finance costs within interest payable or in pension finance income within endowment and investment income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

For the other multi-employer schemes that the University participates in, it is not possible to identify each participating institution's share of the underlying assets and liabilities. Contributions are therefore recognised as if they were defined contribution schemes and are charged to the income and expenditure account in the period in which they become payable.

Leases

Expenditure on fixed assets acquired under finance leases and the related lease obligations is capitalised in so far as the costs exceed the University's capitalisation threshold.

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

Intra group transactions

Gains or losses on any intra group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2009

		2009	2008
	Note	£000	(as restated) £000
Income			
Funding body grants	1	156,248	149,635
Tuition fees and education contracts	2	75,654	66,425
Research grants and contracts	3	126,022	116,840
Other income	4	56,616	54,666
Endowment and investment income	5	<u>6,612</u>	<u>9,507</u>
Total income		<u>421,152</u>	<u>397,073</u>
Expenditure			
Staff costs	6	235,720	220,686
Other operating expenses	7	161,157	153,295
Depreciation	11	17,065	16,151
Interest and other finance costs	9	<u>1,913</u>	<u>-</u>
Total expenditure		<u>415,855</u>	<u>390,132</u>
Surplus after depreciation of tangible fixed assets at valuation and before exceptional items			
		5,297	6,941
Exceptional items: continuing operations			
Disposal of fixed assets	10	<u>225</u>	<u>-</u>
Surplus on continuing operations after depreciation of assets at valuation and disposal of fixed assets			
		5,522	6,941
Surplus for the year transferred to accumulated income in endowment funds			
	14	<u>(940)</u>	<u>(986)</u>
Surplus for the year retained within general reserves			
		<u>4,582</u>	<u>5,955</u>

All items of income and expenditure arise from continuing operations

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES

for the year ended 31 July 2009

		2009	2008
	Note	£000	(as restated) £000
Surplus for the year retained within general reserves		4,582	5,955
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	22	<u>3,745</u>	<u>5,114</u>
Historical cost surplus for the year		<u>8,327</u>	<u>11,069</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2009

	Note	2009 £000	2008 (as restated) £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of fixed assets		5,522	6,941
Unrealised (losses) / gains on investments	22	(49)	22
Depreciation of endowment asset investments	14, 21	(20,763)	(15,358)
New endowment bequests	14, 21	1,866	1,509
Actuarial loss in respect of pension schemes	22, 30	<u>(9,046)</u>	<u>(23,477)</u>
Total recognised losses for the year		(22,470)	(30,363)
Prior year adjustments: Recognition of further FRS 17 liabilities		<u>(2,282)</u>	
Total losses since last annual report		<u>(24,752)</u>	
Reconciliation:			
Opening reserves and endowments as previously stated		316,194	345,528
Prior year adjustments: Recognition of further FRS 17 liabilities		<u>(2,282)</u>	<u>(1,253)</u>
Opening reserves and endowments as restated		313,912	344,275
Total recognised losses for the year		<u>(22,470)</u>	<u>(30,363)</u>
Closing reserves and endowments		<u>291,442</u>	<u>313,912</u>

BALANCE SHEETS
as at 31 July 2009

		Consolidated 2009	University 2009	Consolidated 2008 (as restated)	University 2008 (as restated)
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	11	463,764	463,764	433,795	433,791
Investments	13	4,379	2,711	4,404	2,735
		<u>468,143</u>	<u>466,475</u>	<u>438,199</u>	<u>436,526</u>
Endowment assets	14	<u>102,548</u>	<u>102,548</u>	120,505	120,505
Current assets					
Stock		740	626	626	547
Debtors	15	52,680	56,481	53,982	57,281
Short term investments	16	56,318	56,318	61,201	61,201
Cash at bank and in hand	16	4,228	1,458	6,030	3,401
		<u>113,966</u>	<u>114,883</u>	121,839	122,430
Less: Creditors – amounts falling due within one year	17	<u>(119,789)</u>	<u>(119,365)</u>	<u>(118,150)</u>	<u>(117,964)</u>
Net current (liabilities) / assets		<u>(5,823)</u>	<u>(4,482)</u>	3,689	4,466
Total assets less current liabilities		564,868	564,541	562,393	561,497
Less: Creditors – amounts falling due after more than one year	18	(148)	(148)	(167)	(167)
Less: Provisions for liabilities	19	(4,660)	(4,660)	(4,780)	(4,780)
Net assets excluding pension liability		560,060	559,733	557,446	556,550
Net pension liability	30	<u>(66,013)</u>	<u>(66,013)</u>	<u>(58,686)</u>	<u>(58,686)</u>
Net assets including pension liability		<u>494,047</u>	<u>493,720</u>	<u>498,760</u>	<u>497,864</u>

BALANCE SHEETS
as at 31 July 2009

		Consolidated 2009	University 2009	Consolidated 2008 (as restated)	University 2008 (as restated)
	Note	£000	£000	£000	£000
Represented by:					
Deferred income	20	202,605	202,605	184,848	184,848
Endowment funds					
Expendable	21	18,726	18,726	22,383	22,383
Permanent	21	<u>83,822</u>	<u>83,822</u>	<u>98,122</u>	<u>98,122</u>
		<u>102,548</u>	<u>102,548</u>	<u>120,505</u>	<u>120,505</u>
Reserves					
Income and expenditure excluding pension liability	22	84,957	84,635	78,349	77,456
Pension liability	22, 30	<u>(66,013)</u>	<u>(66,013)</u>	<u>(58,686)</u>	<u>(58,686)</u>
Income and expenditure including pension liability		18,944	18,622	19,663	18,770
Revaluation reserve	22	<u>169,950</u>	<u>169,945</u>	<u>173,744</u>	<u>173,741</u>
		<u>188,894</u>	<u>188,567</u>	<u>193,407</u>	<u>192,511</u>
Total funds		<u>494,047</u>	<u>493,720</u>	<u>498,760</u>	<u>497,864</u>

The financial statements on pages 2 to 40 were approved by the University Court of the University of Glasgow on 16 December 2009 and were signed on its behalf by:

Professor Anton Muscatelli
Principal

Andrew Christie
Convener of the Finance Committee

Robert Fraser
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2009

	Note	2009 £000	2008 £000
Net cash inflow from operating activities	23	<u>5,643</u>	<u>34,272</u>
Return on investments and servicing of finance			
Income from endowments	21	4,251	4,212
Interest received	5	<u>1,927</u>	<u>3,710</u>
Net cash inflow from returns on investments and servicing of finance		<u>6,178</u>	<u>7,922</u>
Capital expenditure			
Endowment assets acquired and received		(41,440)	(38,102)
Receipt from the sale of endowment assets		39,800	37,961
New bequests	21	1,866	1,509
Payments to acquire tangible assets	11	(47,034)	(32,269)
Deferred capital grants received	20	28,780	17,473
Proceeds of sale of property		<u>225</u>	<u>-</u>
Net cash outflow from capital expenditure		<u>(17,803)</u>	<u>(13,428)</u>
Net cash (outflow) / inflow before management of liquid resources		(5,982)	28,766
Management of liquid resources			
Cash transferred from / (to) term deposits		4,883	(24,948)
Cash transferred to endowments	14	(733)	(1,755)
(Decrease) / increase in cash in the year	28	<u>(1,832)</u>	<u>2,063</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

for the year ended 31 July 2009

	Note	2009 £000	2008 £000
(Decrease) / increase in cash in the year	28	(1,832)	2,063
Cash (outflow) / inflow of liquid resources	28	<u>(4,883)</u>	<u>24,948</u>
Movement in net funds in the year		(6,715)	27,011
Net funds at 1 August	28	67,104	40,093
Net funds at 31 July	28	<u>60,389</u>	<u>67,104</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2009

	2009	2008
	£000	(as restated) £000
1 Funding body grants		
Main teaching grant	84,307	82,811
Main quality research grant	41,344	40,487
Research postgraduate grant	5,430	4,861
Knowledge transfer grant	4,010	3,256
Infrastructure grants	5,096	2,609
Deferred capital grants released in the year (note 20)	4,158	3,101
Other funding council grants	11,903	12,510
	<u>156,248</u>	<u>149,635</u>
2 Tuition fees and education contracts		
Home and EU students	34,119	30,963
Overseas students	24,635	20,199
Short courses	5,449	4,576
Other fees	837	762
Research support grants	10,614	9,925
	<u>75,654</u>	<u>66,425</u>
3 Research grants and contracts		
Research councils	47,618	40,296
Charities	32,336	31,013
UK government	10,817	11,255
European commission	5,202	5,042
UK industry	21,632	23,203
Overseas	3,196	1,978
Other sources	3,336	3,255
Deferred capital grants released in year (note 20)	1,885	798
	<u>126,022</u>	<u>116,840</u>
4 Other Income		
Residences and hospitality services	17,813	15,756
Other services rendered	17,190	17,048
Deferred capital grants released in year (note 20)	3,491	4,171
Health authorities	3,738	3,873
Other income	14,384	13,818
	<u>56,616</u>	<u>54,666</u>
5 Endowment and investment income		
Income from expendable endowments (note 21)	758	787
Income from permanent endowments (note 21)	3,493	3,425
Endowment management fees	434	599
Income from short-term investments	1,927	3,710
Net return on pension scheme (note 30)	-	986
	<u>6,612</u>	<u>9,507</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

6 Staff costs	2009	2008
	£000	(as restated) £000
By expense type:		
Salaries	187,833	184,766
Social security costs	14,204	14,216
Other pension costs (note 30)	33,683	21,704
	<u>235,720</u>	<u>220,686</u>
By staff category:		
Academic departments	111,657	109,620
Academic services	17,129	15,494
Research grants and contracts	61,939	53,770
Residences and hospitality services	3,414	3,105
Premises	12,700	11,691
Administration	18,889	18,203
Other	9,992	8,803
	<u>235,720</u>	<u>220,686</u>
Emoluments of the Principal:		
Salary and benefits	248	230
Contribution in respect of pensions	35	32
	<u>283</u>	<u>262</u>
Aggregate compensation for loss of office paid to former higher paid employees:		
Compensation paid	306	-
Pension benefits	197	-
	<u>503</u>	<u>-</u>
	2009	2008
	Number	Number
Average full time equivalent staff members by major category:		
Academic departments	1,845	1,846
Academic services	588	567
Research grants and contracts	891	876
Residences and hospitality services	135	132
Premises	483	472
Administration	566	564
Other	390	396
	<u>4,898</u>	<u>4,853</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

6 Staff costs (continued)

Remuneration of higher paid staff, including NHS merit awards, but excluding employer's pension contributions and termination payments fell within the following ranges:

	2009		2008	
	Number		Number	
	Non clinical	Clinical	Non clinical	Clinical
£70,001 - £80,000	83	5	81	10
£80,001 - £90,000	58	10	37	13
£90,001 - £100,000	24	19	20	12
£100,001 - £110,000	18	9	10	13
£110,001 - £120,000	7	5	2	5
£120,001 - £130,000	-	5	2	8
£130,001 - £140,000	3	8	3	6
£140,001 - £150,000	3	9	-	9
£150,001 - £160,000	-	6	-	7
£160,001 - £170,000	1	8	1	8
£170,001 - £180,000	-	7	-	11
£180,001 - £190,000	-	8	-	4
£190,001 - £200,000	-	7	-	5
£200,001 - £210,000	-	3	-	3
£210,001 - £220,000	-	2	-	-
£220,001 - £230,000	1	1	2	3
£230,001 - £240,000	-	-	-	-
£240,001 - £250,000	1	-	-	-

	2009	2008
	£000	£000
7 Other operating expenses		
Academic departments	40,405	38,753
Academic services	8,090	9,138
Research grants and contracts	51,307	51,852
Residences and hospitality services	12,696	11,197
Premises	31,156	23,491
Administration	11,044	10,734
Agency staff	992	836
Other	5,467	7,294
	161,157	153,295

Other operating expenses include the following fees (excluding VAT) in respect of services provided to the group for:

External auditors remuneration in respect of audit services	66	65
External auditors remuneration in respect of non-audit services	14	12
Internal auditors remuneration in respect of audit services	195	212
Internal auditors remuneration in respect of non-audit services	34	29

8 Taxation

The University is recognised as a charity by HMRC. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to charitable purposes.

No tax liability arises in the year from the non charitable activities of the University.

NOTES TO THE FINANCIAL STATEMENTS

continued

	2009	2008	
	£000	£000	
9 Interest and other finance costs			
Net finance cost on pension scheme (note 30)	<u>1,913</u>	<u>-</u>	
	<u>1,913</u>	<u>-</u>	
10 Exceptional items: continuing operations			
Surplus on disposal of land and buildings	<u>225</u>	<u>-</u>	
	<u>225</u>	<u>-</u>	
11 Tangible assets			
<u>Consolidated:</u>			
Cost or valuation :			
As at 1 August 2008	727,634	58,998	786,632
Additions at cost	<u>40,947</u>	<u>6,087</u>	<u>47,034</u>
As at 31 July 2009	<u>768,581</u>	<u>65,085</u>	<u>833,666</u>
Depreciation :			
As at 1 August 2008	(306,283)	(46,554)	(352,837)
Charge for the year	<u>(11,184)</u>	<u>(5,881)</u>	<u>(17,065)</u>
As at 31 July 2009	<u>(317,467)</u>	<u>(52,435)</u>	<u>(369,902)</u>
Net Book Value :			
As at 31 July 2009	<u>451,114</u>	<u>12,650</u>	<u>463,764</u>
As at 31 July 2008	<u>421,351</u>	<u>12,444</u>	<u>433,795</u>
<u>University:</u>			
Cost or valuation :			
As at 1 August 2008	727,634	58,697	786,331
Additions at cost	<u>40,947</u>	<u>6,091</u>	<u>47,038</u>
As at 31 July 2009	<u>768,581</u>	<u>64,788</u>	<u>833,369</u>
Depreciation :			
As at 1 August 2008	(306,283)	(46,257)	(352,540)
Charge for the year	<u>(11,184)</u>	<u>(5,881)</u>	<u>(17,065)</u>
As at 31 July 2009	<u>(317,467)</u>	<u>(52,138)</u>	<u>(369,605)</u>
Net Book Value :			
As at 31 July 2009	<u>451,114</u>	<u>12,650</u>	<u>463,764</u>
As at 31 July 2008	<u>421,351</u>	<u>12,440</u>	<u>433,791</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

11 Tangible assets (continued)

Valuations were carried out in 1997 and 1999 using depreciated replacement cost, assuming replacement of buildings on the basis of equivalent reinstatement and continuation of University occupation and use. The transitional rules set out in FRS 15: Tangible Fixed Assets were applied on implementing FRS 15. Accordingly the 1997 and 1999 valuation amounts are being retained and will not be updated other than for asset disposals. The consolidated cost or valuation balance as above includes £503,375k relating to the 1997 valuation and £9,652k relating to the 1999 valuation.

Property owned by the University includes academic buildings, student residences and other associated properties including a conference centre, a sports centre and a museum and art gallery, none of which is considered to be inalienable. The University has an agreement with Glasgow Student Villages Ltd (GSV) whereby certain of the University's Halls of Residence were sold to that company with the University having a future option to repurchase the properties. The financial statements reflect the economic substance of these transactions and as such these assets are still included in the land and buildings of the University although legal title has passed to GSV. There are no other restrictions on the realisation of property except that the proceeds of sale of any building acquired with public funds must be handled in a manner consistent with the conditions of the Financial Memorandum.

Freehold land and buildings contains £20,549k (2008 - £19,531k) of assets that are under construction and have not yet received a charge for depreciation.

12 Heritage assets

It is not considered practicable to obtain valuations for the collections of artefacts defined as heritage assets, owing to the diverse nature of the assets and the lack of comparable market values. The University does not therefore recognise these assets on its Balance Sheet.

The University holds heritage assets across several locations with the main collections in the following areas:

The Hunterian Museum and Art Gallery

The University of Glasgow's Hunterian Museum and Art Gallery is Scotland's oldest public museum and is rated as one of the top museums in Scotland. The entire collection, cared for by the Hunterian Museum and Art Gallery, is fully accredited by the Museum, Library and Archive Council and is formally recognised by the Scottish Government as being a 'collection of national significance for Scotland'.

The museum is home to over a million items ranging from fossils to coins and medals. The Museum houses specific collections such as a permanent display based around the life and work of Lord Kelvin and displays dedicated to the history of medicine in Scotland which includes the eminent Scottish physician and obstetrician William Hunter's own medical collection from the 18th century. The Hunterian Art Gallery includes works by the Scottish colourists Peplow and Cadell and a display of works drawn from the estate of the American artist James McNeill Whistler, bequeathed to the Hunterian. The Charles Rennie Mackintosh Collection is the largest single holding of his work comprising over 800 drawings, designs and watercolours.

The Anatomy Museum and Zoology Museum are also managed by the Hunterian Museum and Art Gallery. The Anatomy Collections consist of William Hunter's medical teaching material from his career and range from skeletal material to taxidermy. The Zoology Museum houses most of the major groups of animals but has particular strength in insects which constitutes 90% of the 600,000 specimens.

There were no significant additions or disposals during the year.

NOTES TO THE FINANCIAL STATEMENTS

continued

12 Heritage assets (continued)

Special Collections

The University of Glasgow's Special Collections Department is one of the foremost resources in Scotland for academic research and teaching. The collection has been built up over a period of more than 500 years and now contains more than 200,000 manuscript items and approximately 200,000 printed works, including over 1,000 incunabula (books published before 1501). The collection covers a wide range of subjects including humanities, social and economic history and the history of science and medicine. Holdings in areas such as medieval and renaissance manuscripts and emblem literature are of world importance.

The following collections were donated to the University during the financial year: the papers of the Scottish painter Bet Low (1924-2007); a substantial collection of correspondence (c 700 letters) of the banker and inventor, Patrick Miller (1731-1815); a collection of papers relating to William Thomson, Lord Kelvin (1824-1907) and his nephew, James Thomson Bottomley (1845-1926).

No heritage assets have been disposed of during the year.

Archive Services

Glasgow University Archive Services holds the official records of the University created and accumulated since its foundation in 1451, including University related records deposited by staff, alumni and associated organisations, and the records of predecessor institutions. It also manages the Scottish Business Archive consisting of collections of historical business records dating from the 18th century to the present day.

The only significant acquisition during the year was the design archive of Stoddard International plc which was purchased at a cost of £98,325. The acquisition was funded by income received from external sources. There were no significant disposals during the year.

	Consolidated	University	Consolidated	University
	2009	2009	2008	2008
	£000	£000	£000	£000
13 Investments				
Treasury stock at market value	2,078	2,065	2,351	2,339
Unlisted investments at cost	68	646	68	396
Listed investments at market value	2,233	-	1,985	-
	4,379	2,711	4,404	2,735

The University has a direct interest of 100% in both the ordinary share capital and preference share capital of GU Holdings Limited and Kelvin Nanotechnology Limited. GU Holdings Limited in turn owns 100% of the ordinary share capital of the following companies:

- GU Developments Limited;
- GU Heritage Retail Limited;
- Gilmorehill Leaseco (1996) Limited*;
- Gilmorehill Leasing Limited*;
- Gilmorehill Power Management Limited*;
- Dunwilco (675) Limited*;
- Gilmorehill Site Developments Limited*.

* Indicates companies that are dormant.

These companies are incorporated in the consolidated financial statements. In addition the University of Glasgow Trust, an independent charity set up to collect donations and disburse them for the benefit of the University generally, is consolidated in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

continued

		2009		2008	
		£000		£000	
14	Endowment assets (Consolidated and University)				
	Balance at 1 August		120,505		133,368
	New endowments invested		1,866		1,509
	Decrease in market value of investments		(20,763)		(15,358)
	Increase in cash balances held for endowment funds		940		986
	Balance at 31 July		102,548		120,505
	Represented by				
	Listed investments at market value		96,710		115,400
	Cash on hand and at bank		5,838		5,105
	Total endowment assets		102,548		120,505
		Consolidated	University	Consolidated	University
		2009	2009	2008	2008
		£000	£000	£000	£000
15	Debtors				
	Amounts falling due within one year :				
	Research grants and contracts	32,893	32,893	26,880	26,880
	Prepayments and other sundry debtors	7,176	6,796	11,425	11,032
	Capital projects	2,104	2,104	3,685	3,685
	Salaries recoverable externally	1,630	1,630	2,973	2,973
	Courses, consultancies and contracts	3,819	3,819	3,749	3,749
	Amounts due from subsidiaries	-	4,181	-	3,692
		47,622	51,423	48,712	52,011
	Amounts falling due after more than one year:				
	Lease incentive	5,058	5,058	5,270	5,270
		5,058	5,058	5,270	5,270
		52,680	56,481	53,982	57,281
16	Cash balances				
	Short term investments	56,318	56,318	61,201	61,201
	Cash at bank and in hand	4,228	1,458	6,030	3,401
		60,546	57,776	67,231	64,602

NOTES TO THE FINANCIAL STATEMENTS

continued

	Consolidated 2009 £000	University 2009 £000	Consolidated 2008 (as restated) £000	University 2008 (as restated) £000
17 Creditors: amounts falling due within one year				
Research grants and contracts	46,595	46,595	41,365	41,365
Sundry creditors	13,486	13,402	12,957	12,923
Accruals and sundry provisions	41,729	41,546	45,157	45,132
Courses, consultancies and contracts	10,040	10,040	10,958	10,958
Bank overdraft	157	-	127	-
Employment cost liabilities	7,782	7,782	7,586	7,586
	<u>119,789</u>	<u>119,365</u>	<u>118,150</u>	<u>117,964</u>

The University acts as guarantor for the overdrafts of subsidiary companies which total £157k (2008 - £127k).

18 Creditors: amounts falling due after more than one year

Severance liabilities	<u>148</u>	<u>148</u>	<u>167</u>	<u>167</u>
	Funded pension liability: St Andrew's College £000	Unfunded pension liability: St Andrew's College £000	FSSU and ex-gratia pension liability £000	Total £000
19 Provisions for liabilities (Consolidated and University)				
As at August 1 2008	2,570	2,170	40	4,780
Income	55	-	-	55
Transfer from income & expenditure account	98	59	-	157
Utilised in year	<u>(153)</u>	<u>(179)</u>	<u>-</u>	<u>(332)</u>
As at July 31 2009	<u>2,570</u>	<u>2,050</u>	<u>40</u>	<u>4,660</u>

A valuation of the pension liability at 31 July 2009 was carried out by the University's appointed independent actuary, PricewaterhouseCoopers.

NOTES TO THE FINANCIAL STATEMENTS

continued

	Deferred grants		Other deferred income £000	Total £000
	Funding council £000	Other sources £000		
20 Deferred income				
(Consolidated and University)				
As at August 1 2008:				
Buildings	90,586	48,792	-	139,378
Equipment	6,664	773	-	7,437
Residences	-	-	38,033	38,033
	<u>97,250</u>	<u>49,565</u>	<u>38,033</u>	<u>184,848</u>
Income received and receivable in the year :				
Buildings	21,840	2,378	-	24,218
Equipment	776	3,786	-	4,562
	<u>22,616</u>	<u>6,164</u>	<u>-</u>	<u>28,780</u>
Released to income and expenditure account in the year :				
Buildings	3,095	2,320	-	5,415
Equipment	1,063	3056	-	4,119
Residences	-	-	1,489	1,489
	<u>4,158</u>	<u>5,376</u>	<u>1,489</u>	<u>11,023</u>
Balance as at 31 July 2009:				
Buildings	109,331	48,850	-	158,181
Equipment	6,377	1,503	-	7,880
Residences	-	-	36,544	36,544
	<u>115,708</u>	<u>50,353</u>	<u>36,544</u>	<u>202,605</u>

The 'other deferred income' represents a capital sum which was received by the University in respect of an agreement with Glasgow Student Villages Ltd, a company limited by guarantee and with charitable status, which was completed in the financial year to 31 July 2002, whereby certain of the University's Halls of Residence were sold to that company. The agreement provides that the company shall operate and maintain the residences to agreed standards and that the University shall continue to market and allocate rooms to students and provide them with pastoral care. This amount will be released to the Income and Expenditure Account over the 32 year period of the agreement. The University has a future option to repurchase the properties. The financial statements reflect the economic substance of these transactions. Accordingly the tangible assets involved, £40.1m (2008 - £41.1m) are included in land and buildings. In certain circumstances a liability may arise on the University in respect of the obligations of GSV to its bankers (see note 25).

NOTES TO THE FINANCIAL STATEMENTS

continued

	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2009 Total £000	2008 Total £000
21 Endowment funds						
(Consolidated and University)						
As at 1 August						
Capital value	3,288	84,629	87,917	19,972	107,889	122,227
Accumulated income	433	9,772	10,205	2,411	12,616	11,141
	<u>3,721</u>	<u>94,401</u>	<u>98,122</u>	<u>22,383</u>	<u>120,505</u>	<u>133,368</u>
Transfers between endowments	(421)	1,331	910	(910)	-	-
	<u>3,300</u>	<u>95,732</u>	<u>99,032</u>	<u>21,473</u>	<u>120,505</u>	<u>133,368</u>
New endowments	1	995	996	870	1,866	1,509
Investment income	117	3,376	3,493	758	4,251	4,212
Expenditure	(69)	(2,576)	(2,645)	(666)	(3,311)	(3,226)
Decrease in market value of investments	(570)	(16,484)	(17,054)	(3,709)	(20,763)	(15,358)
As at 31 July	<u>2,779</u>	<u>81,043</u>	<u>83,822</u>	<u>18,726</u>	<u>102,548</u>	<u>120,505</u>
Represented by:						
Capital value	2,413	69,938	72,351	16,182	88,533	107,889
Accumulated income	366	11,105	11,471	2,544	14,015	12,616
	<u>2,779</u>	<u>81,043</u>	<u>83,822</u>	<u>18,726</u>	<u>102,548</u>	<u>120,505</u>

During the year Court was granted the power to change the use of dormant endowments following an application to the Privy Council. In June 2009 Court approved the transfer of a number of endowments that had not been used for five years, to be used to fund Postgraduate scholarships.

NOTES TO THE FINANCIAL STATEMENTS

continued

	Consolidated 2009 £000	University 2009 £000	Consolidated 2008 (as restated) £000	University 2008 (as restated) £000
22 Reserves				
Income and expenditure reserve				
As at 1 August	78,349	77,456	70,637	69,078
Surplus retained for the year	4,582	5,153	5,955	6,719
Transfer from revaluation reserve	3,745	3,745	5,114	5,016
Transfer to pension liability reserve	<u>(1,719)</u>	<u>(1,719)</u>	<u>(3,357)</u>	<u>(3,357)</u>
As at 31 July	<u>84,957</u>	<u>84,635</u>	<u>78,349</u>	<u>77,456</u>
Pension liability reserve				
As at 1 August	(58,686)	(58,686)	(38,566)	(38,566)
Actuarial loss (note 30)	(9,046)	(9,046)	(23,477)	(23,477)
Transfer from income and expenditure reserve	<u>1,719</u>	<u>1,719</u>	<u>3,357</u>	<u>3,357</u>
As at 31 July	<u>(66,013)</u>	<u>(66,013)</u>	<u>(58,686)</u>	<u>(58,686)</u>
Revaluation reserve				
As at 1 August	173,744	173,741	178,836	178,559
Transfer from revaluation reserve in respect of:				
Depreciation on revalued assets	(3,745)	(3,745)	(5,114)	(5,016)
(Decrease) / increase in market value of general investments	<u>(49)</u>	<u>(51)</u>	<u>22</u>	<u>198</u>
As at 31 July	<u>169,950</u>	<u>169,945</u>	<u>173,744</u>	<u>173,741</u>

NOTES TO THE FINANCIAL STATEMENTS

 continued

	2009	2008
	£000	(as restated) £000
23 Reconciliation of operating surplus to the net cash inflow from operating activities		
Operating surplus	5,297	6,941
Depreciation	17,065	16,151
Deferred capital grants released to income (note 20)	(9,534)	(8,070)
Deferred residences income released to income (note 20)	(1,489)	(1,489)
Change in value of investments	(24)	187
Interest receivable (note 5)	(1,927)	(3,710)
Endowment expenditure (note 21)	(3,311)	(3,226)
Endowment management fee (note 5)	(433)	(599)
Increase in stocks	(114)	(92)
(Increase) / decrease in debtors	(1,880)	3,373
Increase in creditors	4,772	29,139
(Decrease) / increase in provisions	(120)	10
Pension costs less contributions payable	(1,719)	(3,357)
Endowment transfer	(940)	(986)
	<hr/>	<hr/>
Net cash inflow from operating activities	5,643	34,272
	<hr/>	<hr/>
24 Capital commitments	2009	2008
	£000	£000
Consolidated and University		
Commitments contracted at 31 July	7,791	19,491
Authorised but not contracted at 31 July	11,145	9,404
	<hr/>	<hr/>
	18,936	28,895
	<hr/>	<hr/>

25 Contingent liability

During the financial year to 31 July 2002 the University concluded an agreement with Glasgow Student Villages Ltd (GSV) a company limited by guarantee and with charitable status, whereby certain of the University's Halls of Residence were sold to that company. The agreement provides that the company shall operate and maintain the residences to agreed standards and that the University shall continue to market and allocate rooms to students and provide them with pastoral care. The University has a future option to repurchase the properties. The financial statements reflect the economic substance of these transactions. Accordingly the tangible assets involved, £40.1m (2008 - £41.1m) are included in land and buildings. In certain circumstances a liability may arise on the University in respect of the obligations of GSV to its bankers. In the view of the University, at this time, it is unlikely that a material liability will arise in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

continued

26 Post balance sheet events

There are no events subsequent to the date of the balance sheet that have any material impact on these financial statements.

	2009		2008	
	HE Childcare Fund £000	HE Discretionary Fund £000	Total £000	Total £000
27 Amounts disbursed as agent				
As at 1 August	31	108	139	30
Funds received in year	219	1,073	1,292	1,158
Expenditure	(179)	(1,268)	(1,447)	(1,076)
Virements	(74)	74	-	-
Interest	3	14	17	27
As at 31 July	-	1	1	139
		As at 1 Aug 2008 £000	Cash Flows £000	As at 31 July 2009 £000
28 Analysis of changes in net funds				
Cash at bank and in hand		6,030	(1,802)	4,228
Bank overdraft		(127)	(30)	(157)
Sub-Total		5,903	(1,832)	4,071
Short term investments		61,201	(4,883)	56,318
Net funds		<u>67,104</u>	<u>(6,715)</u>	<u>60,389</u>

Had the cash held under endowment asset investments (note 14) been included above, the net cash outflow would have been £6.0m with net funds at 31 July 2009 of £66.2m compared to £72.2m at 31 July 2008. However to reflect more accurately the restricted nature of the cash held for endowments the University considers the exclusion of this cash from the above figures gives a fairer view of the University's net funds.

29 Disclosure of related party transactions

Due to the nature of the University's operations and the composition of the University Court of the University of Glasgow ("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 Court may have an interest. All transactions involving organisations in which a member of Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. In line with the Committee of University Chairmen guidance, all members of Court are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Pension schemes

The University participates in the following pension schemes:

- a) The University of Glasgow Pension Scheme (UGPS);
- b) The Strathclyde Pension Fund (SPF);
- c) The Universities Superannuation Scheme (USS);
- d) The Scottish Teachers Superannuation Scheme (STSS);
- e) The National Health Service Superannuation Scheme (NHSSS);
- f) The Federated Superannuation Scheme for Universities (FSSU).

The total pension costs for the University were as follows:

	2009	2008
	£000	£000
USS - contributions paid *	25,933	15,930
UGPS - charge to income and expenditure account *	7,128	5,271
SPF - charge to income and expenditure account	129	120
Other Schemes - contributions paid	493	383
	33,683	21,704

*With effect from 1 October 2008, members of the USS and UGPS schemes may elect to give up a portion of their contractual gross pay equal to their employees' pension contribution as part of a HMRC approved salary sacrifice scheme. No changes to staff pensionable salaries or total pension scheme contributions arise from this arrangement. The 2009 figures within note 6 to the financial statements reflect the reduced gross pay earned by staff under this arrangement. The 2009 total pension costs shown above and in note 6 reflect the increased employer contributions under this arrangement. Employer contribution percentage rates quoted below represent only the employer's contribution rates specified by the scheme trustees.

For both the UGPS and SPF, pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuation of the scheme. The expected cost of providing staff pensions is recognised in the income and expenditure account on a systematic basis over the expected average remaining lives of members of the pension funds, in accordance with FRS 17: "Retirement benefits" and recognises retirement benefits as the benefits are earned and not when they are due to be paid. The consolidated balances for UGPS and SPF as shown in the financial statements and associated notes are as follows:

	2009	2008
	£000	£000
<u>Deficit in schemes at 31 July</u>		
UGPS	(63,949)	(56,393)
SPF	(2,064)	(2,293)
Total deficit in the schemes	(66,013)	(58,686)
<u>Amount recognised in Statement of Total Recognised Gains and Losses</u>		
UGPS	(9,261)	(22,371)
SPF	215	(1,106)
Total actuarial losses for the year	(9,046)	(23,477)
<u>Total net (finance charge) / return (note 5, 9)</u>		
UGPS	(1,847)	918
SPF	(66)	68
Total net (finance charge) / return for the year	(1,913)	986

Due to the mutual nature of the other schemes, the University is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Pension schemes (continued)

a) UGPS

This is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The fund is 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.

A full actuarial valuation was carried out at 1 April 2007 and updated to 31 July 2009 by a qualified independent actuary. The major assumptions used are shown below.

	2009	2008	2007
Discount rate	6.00%	5.90%	5.60%
Retail price inflation	3.40%	3.60%	3.25%
Rate of increase in salaries	4.40%	4.60%	4.25%
Rate of increase to pensions in payment	3.40%	3.60%	3.25%

The weighted average life expectancies used to determine benefit obligations are as follows.

	<u>2009</u>		<u>2008</u>	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	18.6	21.4	18.6	21.4
Member age 45 (life expectancy at age 65)	20.4	23.2	20.4	23.1

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

	Long term rate of return expected at 31 July 2009	Value at 31 July 2009 £000	Long term rate of return expected at 31 July 2008	Value at 31 July 2008 £000	Long term rate of return expected at 31 July 2007	Value at 31 July 2007 £000
Equities	7.00%	154,138	7.00%	139,642	7.50%	151,904
Bonds	-	-	5.00%	16,237	5.00%	15,361
Property	-	-	7.00%	1,624	7.50%	1,707
Cash	0.50%	625	5.00%	4,871	5.75%	1,707
Total		<u>154,763</u>		<u>162,374</u>		<u>170,679</u>

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS 17:

	Value at 31 July 2009 £000	Value at 31 July 2008 £000	Value at 31 July 2007 £000
Total market value of assets	154,763	162,374	170,679
Present value of liabilities	(218,712)	(218,767)	(207,981)
Deficit in the scheme	<u>(63,949)</u>	<u>(56,393)</u>	<u>(37,302)</u>

The University has contributed 19.5% of pensionable salaries over the year to 31 July 2009 and expects to make similar contributions over the next year. The University also made an additional contribution of £2.2m in the year to 31 July 2009 and expects to make an additional payment of £0.85m during the next year.

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Pension schemes (continued)

a) UGPS (continued)

	2009	2008
	£000	£000
Operating profit:		
Current service cost	<u>(7,128)</u>	<u>(5,271)</u>
Total operating charge	<u>(7,128)</u>	<u>(5,271)</u>
Other finance income:		
Expected return on scheme assets	11,054	12,605
Interest cost	<u>(12,901)</u>	<u>(11,687)</u>
Total net (finance charge) / return	<u>(1,847)</u>	<u>918</u>
Total pension cost recognised in the income and expenditure account	<u><u>(8,975)</u></u>	<u><u>(4,353)</u></u>
Statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	(21,974)	(24,705)
Experience gains and losses arising on the scheme liabilities	-	3,915
Change in assumptions underlying the present value of the scheme liabilities	<u>12,713</u>	<u>(1,581)</u>
Actuarial losses recognised in the STRGL	<u><u>(9,261)</u></u>	<u><u>(22,371)</u></u>

The cumulative amount recognised in the STRGL to date is £(26,144)k.

	2009	2008
	£000	£000
Movements in present value of scheme assets during the year:		
Assets at beginning of the year	162,374	170,679
Movement in year:		
Expected return on scheme assets	11,054	12,605
Actuarial losses	(21,974)	(24,705)
Contributions by the employer	10,680	7,633
Contributions by the scheme participants	176	1,941
Benefits paid	<u>(7,547)</u>	<u>(5,779)</u>
Assets at the end of the year	<u>154,763</u>	<u>162,374</u>

	2009	2008
	£000	£000
Movements in present value of scheme liabilities during the year:		
Liabilities at beginning of the year	218,767	207,981
Movement in year:		
Current service cost	7,128	5,271
Interest cost	12,901	11,687
Experience gains	-	(3,915)
Change in assumptions	(12,713)	1,581
Contributions by the scheme participants	176	1,941
Benefits paid	<u>(7,547)</u>	<u>(5,779)</u>
Liabilities at the end of the year	<u>218,712</u>	<u>218,767</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Pension schemes (continued)

a) UGPS (continued)

Details of the experience gains and losses for the years
to 31 July:
£000

	2009	2008	2007	2006	2005
Fair value of scheme assets	154,763	162,374	170,679	149,871	130,522
Present value of scheme liabilities	<u>218,712</u>	<u>218,767</u>	<u>207,981</u>	<u>185,782</u>	<u>177,976</u>
Deficit in the scheme	<u>(63,949)</u>	<u>(56,393)</u>	<u>(37,302)</u>	<u>(35,911)</u>	<u>(47,454)</u>

Experience (losses) and gains on scheme assets:

Amount £000	(21,974)	(24,705)	7,869	9,502	17,883
Percentage of scheme assets	(14%)	(15%)	5%	6%	14%

Experience gains and (losses) on scheme liabilities:

Amount £000	-	3,915	(400)	(86)	166
Percentage of scheme liabilities	-	2%	(0%)	(0%)	0%

b) SPF

This is an externally funded, multi-employer, defined benefit scheme which is contracted out of S2P. The element of SPF attributable to the University covers former members of staff at St Andrew's College of Education and the Scottish Centre for Research in Education ("SCRE"). SPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which pensions and other related benefits are paid out in accordance with the provisions of the Local Government Pension Scheme. This scheme is a multi-employer defined benefits scheme and covers past and present employees.

A valuation of the University's benefit obligation in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2008 valuation results, rolled forward onto the FRS 17 assumptions at 31 July 2009. The major assumptions used are shown below.

	2009	2008	2007
Discount rate	6.00%	5.90%	5.60%
Retail price inflation	3.40%	3.60%	3.25%
Rate of increase in salaries	4.40%	4.60%	4.25%
Rate of increase to pensions in payment	3.40%	3.60%	3.25%

The weighted average life expectancies used to determine benefit obligations are as follows.

	<u>2009</u>		<u>2008</u>	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	18.6	21.4	18.6	21.4
Member age 45 (life expectancy at age 65)	20.4	23.2	20.4	23.1

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Pension schemes (continued)

b) SPF (continued)

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

	Long term rate of return expected at 31 July 2009	Value at 31 July 2009 £000	Long term rate of return expected at 31 July 2008	Value at 31 July 2008 £000	Long term rate of return expected at 31 July 2007	Value at 31 July 2007 £000
Equities	7.00%	6,223	7.00%	6,170	7.50%	6,502
Bonds	4.50%	1,233	5.00%	1,223	5.00%	1,289
Property	7.00%	820	7.00%	813	7.50%	857
Cash	0.50%	369	5.00%	351	5.75%	360
Total		<u>8,645</u>		<u>8,557</u>		<u>9,008</u>

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS 17:

	Value at 31 July 2009 £000	Value at 31 July 2008 £000	Value at 31 July 2007 £000
Total market value of assets	8,645	8,557	9,008
Present value of liabilities	(10,709)	(10,850)	(10,272)
Deficit in the scheme	<u>(2,064)</u>	<u>(2,293)</u>	<u>(1,264)</u>

The University paid contributions to the Fund at 16.8% for former SCRE staff and at 18.5% for former St Andrew's staff until 31 March 2009. From 1 April 2009, contribution rates have been reassessed and for former SCRE staff the contribution is 20.5% and for former St Andrew's staff the employer contribution is 22.0%. Additionally the University has paid £65k of deficit contributions since 1 April 2009.

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Pension schemes (continued)

b) SPF (continued)

	2009	2008
	£000	£000
Operating profit:		
Current service cost	<u>(129)</u>	<u>(120)</u>
Total operating charge	<u>(129)</u>	<u>(120)</u>
Other finance income:		
Expected return on scheme assets	567	637
Interest cost	<u>(633)</u>	<u>(569)</u>
Total net (finance charge) / return	<u>(66)</u>	<u>68</u>
Total pension cost recognised in the income and expenditure account	<u>(195)</u>	<u>(52)</u>
Statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	(325)	(867)
Change in assumptions underlying the present value of the scheme liabilities	<u>540</u>	<u>(239)</u>
Actuarial gains / (losses) recognised in the STRGL	<u>215</u>	<u>(1,106)</u>
Movements in present value of scheme assets during the year:	2009	2008
	£000	£000
Assets at beginning of the year	8,557	9,008
Movement in year:		
Expected return on scheme assets	567	637
Actuarial losses	(325)	(867)
Contributions by the employer	209	129
Contributions by the scheme participants	48	46
Benefits paid	<u>(411)</u>	<u>(396)</u>
Assets at the end of the year	<u>8,645</u>	<u>8,557</u>
Movements in present value of scheme liabilities during the year:	2009	2008
	£000	£000
Liabilities at beginning of the year	10,850	10,272
Movement in year:		
Current service cost	129	120
Interest cost	633	569
Change in assumptions	(540)	239
Contributions by the scheme participants	48	46
Benefits paid	<u>(411)</u>	<u>(396)</u>
Liabilities at the end of the year	<u>10,709</u>	<u>10,850</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Pension schemes (continued)

b) SPF (continued)

Details of the experience gains and losses for the years

to 31 July:

£000

	2009	2008	2007
Fair value of scheme assets	8,645	8,557	9,008
Present value of scheme liabilities	<u>(10,709)</u>	<u>(10,850)</u>	<u>(10,272)</u>
Deficit in the scheme	<u>(2,064)</u>	<u>(2,293)</u>	<u>(1,264)</u>

Experience losses on scheme assets:

Amount £000	(325)	(867)
Percentage of scheme assets	(4%)	(10%)

There were no experience gains or losses on scheme liabilities.

c) USS

This is a defined benefit scheme that is externally funded and contracted out of the State Second pension. The assets of the scheme are held in a separate trustee-administered fund. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest published actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme specific funding regime introduced by the Pensions Act 2004 which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The valuation was carried out using the projected unit method. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 4.6% per annum, (which includes an additional assumed investment return over gilts of 2%), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables - no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates.

At the valuation date, the market value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pensions Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Pension schemes (continued)

c) USS (continued)

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme-specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions. On the FRS 17 basis, using an AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 89%.

The next formal triennial actuarial valuation is due at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the institution was £25.9m (2008 - £15.9m). This includes £8.0m of contributions made on behalf of employees under the salary sacrifice arrangement (2008 - £7.8m paid by employees directly). There were £1.5m (2008 - £1.5m) of outstanding contributions at the balance sheet date. The contribution rate payable by the University was 14% of pensionable salaries.

d) STSS

Former members of the academic staff of St Andrew's College of Education are covered by STSS, which is a multi-employer defined benefits scheme. The scheme is an unfunded, contributory and voluntary membership scheme.

An actuarial valuation of the scheme was carried out in accordance with Regulation H2 of the Teachers' Superannuation (Scotland) Regulations (1992) by the Government Actuary's Department (GAD) as at 31 March 2005. Historically, the STSS has met only the cost of the basic pensions awarded to teachers and their dependants, with the cost of pension increases being met directly by the Exchequer. Under a previous agreement in 1991 it was agreed that from 31 March 2001, amongst other things, employer contributions would cover the full cost of benefits including pension increases.

As a result of the 31 March 2005 valuation the employers' contribution was increased, with effect from 1 April 2009 to 14.9% of pensionable salaries. Employees' regular contribution remained at 6.4% of pensionable salary (effective 1 April 2007).

The total pension cost for the institution was £152k (2008 - £151k). This includes £12k (2008 - £12k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £70k (2008 - £71k) and £15k (2008 - £15k) in respect of additional voluntary contributions.

e) NHSSS

This is a multi-employer defined benefits scheme. Historically the scheme has operated on the basis that it is responsible only for the cost of the basic benefits payable to members and their dependants, with the cost of pension increases being met directly by the Exchequer. However, from 1 April 2004, the cost of pension increases has been met by an increase in the employers' contribution rate.

An actuarial investigation of the scheme was carried out by the Government Actuary's Department covering the five year period from 1 April 1999 to 31 March 2004. As a result of this investigation the employers' contribution rate has been reduced to 13.5% from its previous temporary rate of 14% with effect from 1 April 2009.

The total pension cost for the University was £341k (2008 - £232k). This includes £31k (2008 - £38k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £183k (2008 - £198k) and £15k (2008 - £21k) in respect of additional voluntary contributions.

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Pension schemes (continued)

f) FSSU

FSSU is a defined benefit scheme that is not contracted out of SERPS and covers a very small number of academic staff who did not transfer to USS when it was introduced in 1975. Pension provision is by means of assurance policies, selected by the member from a panel and held in trust by the Trustees. Premiums on policies are paid annually in advance by Court, which then recovers the appropriate members' contributions by deduction from salary. Adjustments are made in respect of prepaid premiums in arriving at the charge for the year. Persons retiring or who have already retired under the scheme are entitled of right to additional benefits that may arise under the FSSU Supplementation scheme. These additional benefits are unfunded and are paid direct to retired members by Court. Full provision has been made in the year for the actuarial valuation of the liabilities of this scheme. As at the balance sheet date there remains one contributing member to this scheme.

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