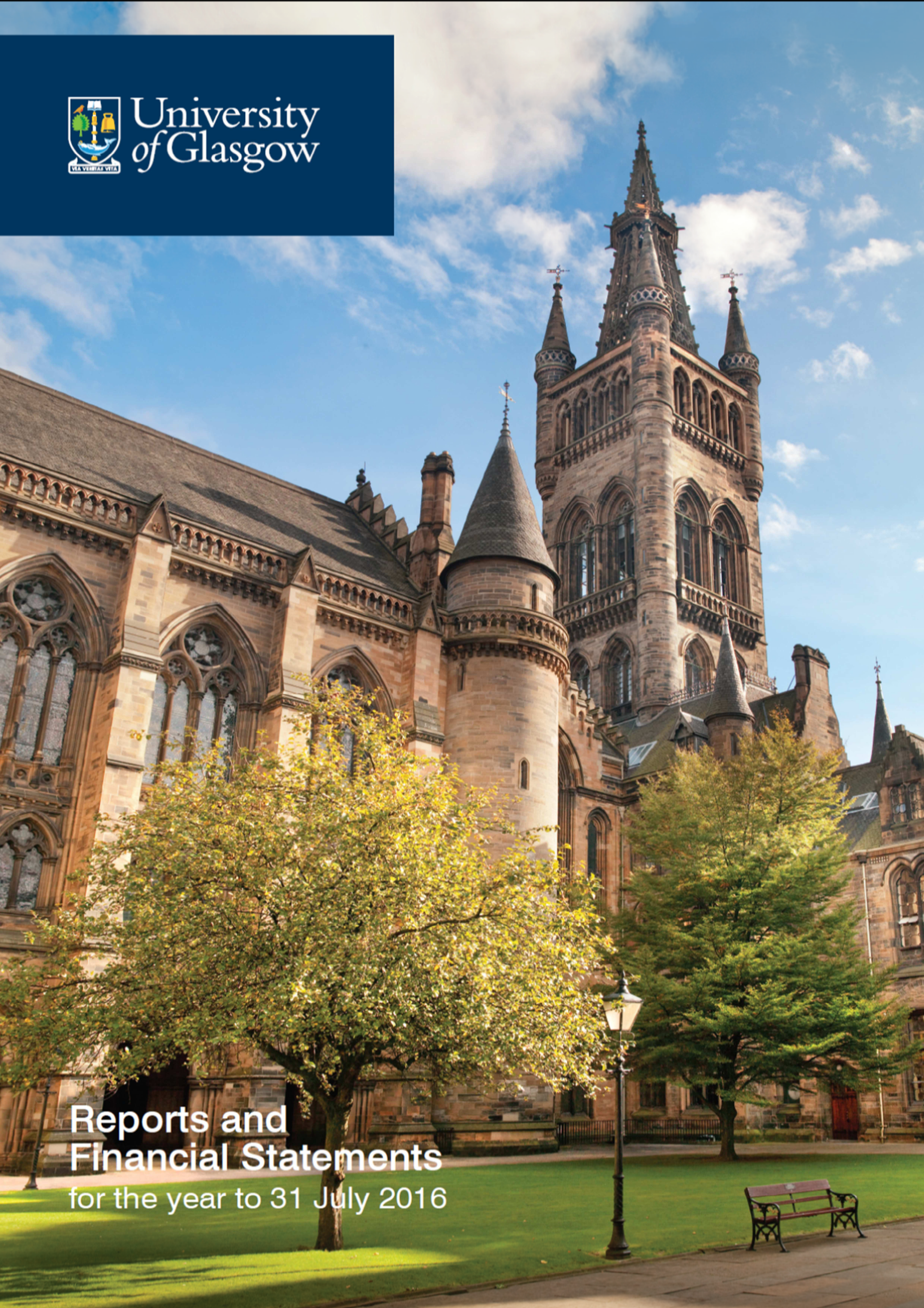
University of Glasgow



Reports and Financial Statements

for the year to 31 July 2016

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Reports

Financial Statements

Charity number: SC004401

OPERATING AND FINANCIAL REVIEW
For the year ended 31 July 2016

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 2016 ("2015-16").

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 father of economics Adam Smith to the eminent scientist Lord Kelvin. Building on such vast experience, the University is a member of the elite Russell Group of 24 major research universities and is in the top 1% of the world's universities today.

Principal operations
Study and research are grouped into four Colleges which are made up of broadly related Schools and Research Institutes. The Colleges are:

- College of Arts;
- College of Medical, Veterinary and Life Sciences;
- College of Science and Engineering;
- College of Social Sciences

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 18,100 undergraduate students, 7,500 postgraduate students and over 3,500 adult learners. Finding community within diversity, the University attracts students from more than 140 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 and Procedures. Resolutions are issued by the University Court of the University of Glasgow ("Court") after consultation with the University. Procedures are as determined by Court. In a few 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 arrangements is detailed within these reports and 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 University's proper use of funds.

Inspiring People – Changing the World
In 2015 the University published its new 5-year strategy, *Inspiring People – Changing the World.* The strategy articulates a new vision for the University – to be a world-class, world-changing university, complementing a new mission to bring inspiring people together and create a world class environment for learning and research, empowering staff and students alike to discover and share knowledge that can change the world. The strategy is articulated across three key sections:

People: the University wants to be regarded among the very finest higher education institutions in the world. For that to happen, it needs to attract the best of the best – staff and students alike. The people section details the University's strategy to attract world-class staff and talented students from every corner of the globe, and connect with the finest minds worldwide through international partnership and cooperation.

Place: The University wants to provide an internationally excellent environment which inspires its staff and students as world-class learners, researchers and professionals. The place section details its vision for world-class supporting infrastructure realised through cutting-edge facilities, best in class systems and outstanding professional support functions.

Purpose: The University exists to discover world-changing knowledge and then share it with students and society at large. The purpose section articulates its vision for internationally excellent teaching, globally significant research, and local and global civic engagement that has tangible benefits and impact for communities.

Inspiring People identifies 9 primary and 13 secondary key performance indicators (KPIs) to assess the University's progress and performance over the 2015 – 2020 strategic period. The KPIs encompass research, the student experience, internationalisation, staff satisfaction, financial health and efficiency of the estate.

The University has further established three working groups to take forward the strategy over the course of the 2015 – 2020 period and is in the process of developing an action plan to complement this work.

The Student Experience
The University's outstanding reputation for research, learning and teaching, and its investment in facilities is contributing to making the University an attractive choice for the best undergraduate and postgraduate students from across the globe.

The University has a sustained track record of high achievement in student satisfaction, which remains towards the upper end of the sector. While the University experienced a slight dip in satisfaction this year as measured by the National Student Survey (NSS) it remained at the upper end of the sector at 89%, placing the University joint third in Scotland and joint seventh in the Russell Group. Moreover, satisfaction scores within the biennial Postgraduate Research Experience Survey were shown to have increased at the time of the last survey (2015). However, the University is not complacent about the dip in the NSS satisfaction score and all areas of the University are being asked to contribute to a new action plan for further enhancements to the student experience, particularly with regard to assessment and feedback (an area of low satisfaction across the HE sector) and teaching infrastructure, which will experience a significant boost from the University's campus redevelopment plans in the coming years.

While not a direct measurement of student satisfaction or the student experience, the University's performance in national and international league tables is an important indicator of

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overall quality of provision. The University's international league table position has fluctuated in recent years with Glasgow now placed 62nd in the QS World University Rankings (2015: 62nd, 2014: 55th), 88th in the Times Higher Education league table (2015: 76th, 2014: 94th), and at its highest ever placing in the Shanghai Jiao Tong global tables. Glasgow's position in the domestic league tables remains relatively static, being placed between 24 and 30 in the three main UK tables (The Guardian, The Independent, The Sunday Times/Times).

Recruitment
The University met its Scottish domiciled and EU undergraduate recruitment target for 2015-16 whilst maintaining the high average qualification tariff for new students that the University has held for the last five years. The University had the 10th highest entry tariff in the Russell Group in 2014-15 (2015-16 data not yet available). The University has also had significant success in recruitment to taught postgraduate programmes; numbers grew by 30% in 2015-16.

Research
The University continues to win competitive research grants and in 2015-16 the University's research order book beat the previous high point set in 2014-15 by 1.5%. This growth has been facilitated by recent investments in research facilities and the recruitment of research leaders. In addition, studentship and fellowship schemes, many of which are supported by external fundraising, continue to attract research students and early career researchers to the University.

The University's focused investment in research leaders and early career researchers also led to a greatly improved performance in the 2014 Research Excellence Framework assessment (REF2014) when compared with the previous exercise conducted in 2008. The REF2014 outcomes showed that the power of the University's research (overall quality multiplied by volume) placed it 12th in the UK and 2nd in Scotland. The percentage of research judged to be 'internationally excellent' or better rose from 56% in 2008 to 81% in 2014. The percentage of research judged to be 'world leading' – the top category – has doubled to 31%.

Plans have been articulated to ensure these improvements are built upon towards the next assessment exercise expected in 2020.

Internationalisation
The University has seen steady year on year increases in entrants by students from outside the EU over the past few years, with applications for entry in 2016-17 currently on target. Our success in attracting international students to Glasgow reflects the efforts put into marketing and the promotion of a wide range of international activities over the past five years.

The University continues its partnership with Glasgow International College ("GIC") to offer academic skills and English language courses preparing international students for entry to the University's undergraduate and postgraduate programmes. Applications to GIC continue to grow.

The University's international student community has shown its satisfaction with the quality of education and support available at the University, recording very impressive results in the International Student Barometer for the past few years. According to the most recent survey, the University's international students remain amongst the most satisfied students studying at UK universities.

In recent years the University has established a number of partnerships to enable students to gain a University of Glasgow degree overseas whilst being taught by University of Glasgow staff. These partnerships are with: Singapore Institute of Technology (Singapore) offering undergraduate degrees in Engineering, Computer Science and Nursing; UESTC (Chengdu, China), undergraduate Engineering; and Nankai University (Tianjin, China), postgraduate degrees in Environmental Management, International Relations, and Urban and Regional Planning. The University has comfortably hit its Trans National Education (TNE) targets for 2015-16, with over 1,250 students studying for Glasgow degrees in these locations. Further growth is anticipated in 2016-17 and talks continue with all partners to expand the range of degrees on offer.

Outcome Agreements
During 2012-13, in return for the increased financial settlement to the HE sector, the Scottish Government indicated that it expected the SFC to ensure that improved outcomes are delivered by universities across the following areas: retention, articulation from college, accelerated degrees, access to university for people from the widest possible range of backgrounds, pattern and spread of provision, efficiency in the learning journey and of institutions, international competitiveness in research, university/industry collaboration, and entrepreneurial and employability skills of graduates.

In response, the SFC implemented Outcome Agreements with each university. Each outcome agreement contains targets that will enable the SFC to detail and report improvements back to the Scottish Government. The University's 2015-16 outcome agreement was the second year of a 3-year agreement that focussed on the following areas: knowledge exchange, research, skills growth, coherent provision and widening access.

Widening Participation
Widening Participation remains a prominent and important strategic area for the University of Glasgow. We continue to significantly exceed the MD20 recruitment targets agreed with the SFC whilst remaining within our overall student recruitment cap. This has been achieved by focusing on low progression schools and MD20 residents through specifically designed pre-entry widening participation programmes. Of particular importance has been the focus on increasing the intake to professional degrees by continuing to develop the Reach Programme. This programme now engages 3,500 pupils annually across S4-S6 and has delivered substantial increases in participation from 16% of intake for Dentistry to 27%, and 15% of intake for Medicine to 27%.

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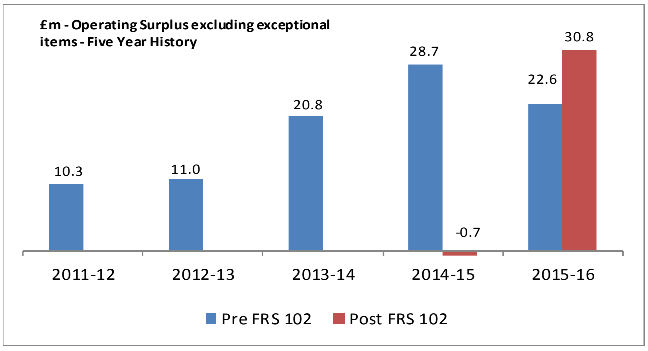
Income and expenditure

These are the University's first financial statements prepared in accordance with the new Financial Reporting Standard 102 ("FRS 102") and the new Further Education and Higher Education SORP (2015 SORP). The results for 2016 have been prepared under the new standard and the 2015 financial statements have been restated on the same basis. The transition to FRS 102 results in some significant adjustments to the financial statements which are explained in more detail in note 26 on page 46 with major adjustments also summarised below. The figures shown below and throughout the operating and financial review are the restated numbers post FRS 102 adjustments unless otherwise stated.

Overall the University enjoyed another successful year financially as follows:

	2016 £000	2015 £000
Total income	**579,934**	545,377
Total expenditure	**(549,104)**	(546,115)
Surplus/(deficit) after depreciation of PPE at valuation and before exceptional items	**30,830**	(738)
R&D tax credits ("RDEC") and deferred capital grants released	**2,618**	26,384
Contract cancellation expense	**(21,903)**	-
Surplus before other gains	**11,545**	25,646

The graph below shows the trend in operating surplus over the last five years, including the FRS 102 impact on the financial statements for 2014-15 and 2015-16:



The total movement from 2014-15 to 2015-16 can be split into movement in the underlying results (pre FRS 102) and the year on year movement in FRS 102 adjustments. The FRS 102 adjustments for each year are summarised in a graph and explained in further detail on pages 5 to 6.

Total underlying income (pre FRS 102) excluding exceptional items increased by £21.0m or 3.9% from 2014-15 to 2015-16. The year on year movement in FRS 102 adjustments during this period resulted in an increase in income of £13.6m to bring total income to £579.9m. The main movements are as follows:

- The underlying income from funding body grants decreased by £1.7m or 1.0% in 2015-16 (2014-15 increase 0.5%) following a strategic grant from the Scottish Funding Council coming to an end in 2014-15. The year on year movement in FRS 102 adjustments was minimal and resulted in a decrease in income of £0.2m. These two items combined resulted in a fall in total income of £1.9m or 1.2% from funding body grants;

- Income from tuition fees and education contracts grew by £18.7m or 13.1% to £161.6m (2014-15: £142.9m). The largest movement was in overseas students, with income growing by 19.2% (2014-15: 8.7%). There was no impact from FRS 102;

- The underlying income from research grants and contracts rose by £8.0m or 5.3% in 2015-16. The increase in research grants and contracts is due to an overall rise in successful grant applications as well as income of £2.0m received for the Quantum Technology Hub. The year on year FRS 102 adjustments increased income by £3.9m. This was as a result of additional income recognised under the performance conditional model offset by the reversal of deferred capital grants. The underlying increase and the year on year movement in FRS 102 adjustments resulted in an overall increase in total income from research grants and contracts excluding R&D tax credits (RDEC) of £11.9m or 7.3%;

- Following the introduction of legislation in the Finance Act 2013, large companies were allowed to claim R&D relief as a tax credit of 10% of qualifying expenditure. These credits were withdrawn from universities after 2014-15 resulting in a drop in RDEC recoveries to £2.6m in 2015-16, being the recognition of the finalisation of prior period estimates (2014-15: £20.4m);

- Underlying other income increased by £1.5m or 2.1%. The main movement primarily related to growth in income of £0.9m in the income recorded by the subsidiary, Kelvin Nanotechnology Ltd. The year on year FRS 102 adjustments increased income by £4.4m this was again due to additional income recognised under the performance conditions method. The underlying movement and year on year FRS 102 adjustments combined resulted in an increase in total other income increased of £5.9m or 8.5%;

- Endowment and investment income increased by 1.4%.

Total underlying expenditure excluding exceptional items increased by £24.6m or 4.7%. The year on year movement in FRS 102 adjustments resulted in a decrease in expenditure of £21.6m to bring total expenditure to £549.1m. The main movements are as follows:

- The underlying expenditure for staff costs increased by £13.1m or 4.7% in 2015-16 (2014-15 increase of £9.9m or 3.7%) due to higher salary costs, social security and other pension costs. Staff full time equivalents rose by 2.7% in the year. The year on year movement in FRS 102 adjustments for unpaid holiday pay and Universities Superannuation Scheme ("USS") provision was a reduction in expenditure of £22.2m (2014-15 increase to expenditure of £24.5m, 2015-16 increase to expenditure of £2.3m) primarily as a result of a lower movement in the USS provision in 2015-16. The underlying movement and year on year FRS 102 adjustments combined resulted in a reduction of staff costs of £9.1m or 3% to £295.0m. Excluding pension costs and social security costs there was a 0.5% increase in salary costs;

- Other operating expenses increased by 4.7%. The largest growth related to an increase of 10.1% in relation to research grants and contracts, consistent with the income growth in this area, and academic department costs, which rose by 5.4% in the year;

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- Included within the exceptional items is an expense of £21.9m relating to contract cancellation costs associated with the repurchasing of student residences from Glasgow Student Villages Ltd ("GSV") (2014-15: £nil);

- 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 six of the University's Halls of Residence were sold to that company. The agreement provided that the company would operate and maintain the residences to agreed standards and that the University would continue to market and allocate rooms to students and provide them with pastoral care. As part of the agreement the University received an upfront payment of £47.2m and agreed to pay GSV the majority of the rental income from the properties until 2034. The University had a future option to repurchase the properties. The University financial statements recorded the economic substance of the transaction. Accordingly although legal title to the assets had been sold, for accounting purposes the assets were retained on the University balance sheet. The payment received by the University along with a prepayment made to GSV for maintenance costs were deferred on the University balance sheet and recognised over the period of the contract. The University guaranteed 100% occupancy of these residences based on rental values linked to the Retail Price Index and therefore retained the risk of any void bed spaces. Over the years substantial investment has been made by third party providers in student accommodation in Glasgow and in particular in the area around the University's campus. These new residences have more modern facilities and in many instances locations that are closer to the actual campus. In summary the University faced a growing risk that the GSV residences with inflexible pricing and aging infrastructure would become difficult to fill and that the shortfall would have to be made up directly by the University;

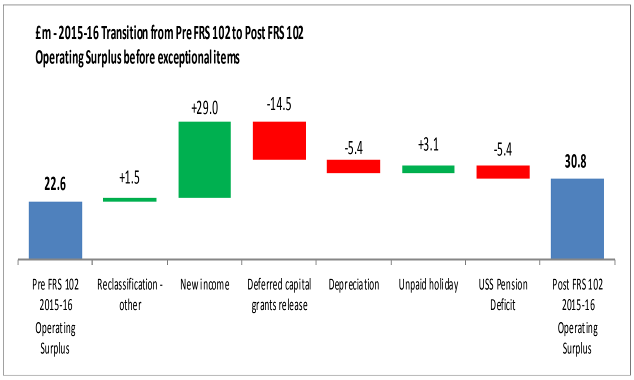
- To address these risks and to take advantage of current exceptionally low interest rates, in July 2016 the University entered into an agreement to repurchase the residences from GSV for a net payment of £64.2m (of which £2.7m represented the prepayment of maintenance costs) and entered into a more limited maintenance contract. This allows the University to gain title to the assets to allow inclusion and consideration as part of the broader campus redevelopment plans and refinance the original loan and interest swaps taken out by GSV which were ultimately charged to the University over the contract duration. To finance the transaction the University raised £70m of private placement funding. Because the original accounting left the assets on the University's balance sheet the nature of this transaction is deemed to be the buying out of a contract rather than the purchase of assets there is therefore a net charge to the income and expenditure account in 2016. In addition to addressing the risks in the original deal the overall impact of the transaction is expected to be significantly positive in cash terms for the University over the term of the funding based primarily on the reduction in the interest rates inherent in the new funding. The University has no other contracts of this type.

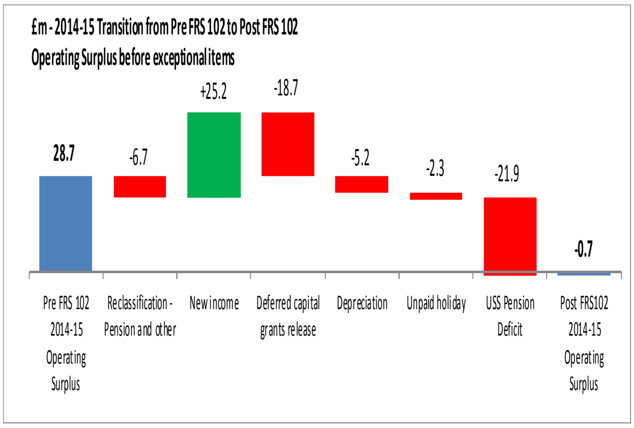
The breakdown of the net charge is as follows:

Net payment	£64.2m
Less:	
Deferred income & prepayments from 2002 deal	(£22.5m)
Prepayments from 2016 deal	(£2.7m)
Value attributed to title	(£17.1m)
Net charge	£21.9m

Impact of FRS 102

FRS 102 has a significant impact on the results. The graphs below outline the major areas of impact.





The significant differences under FRS 102 are summarised below:

- Certain items (new endowments) which were previously recognised in the statement of recognised gains and losses are now recognised in the income and expenditure account. There were also changes to how pension interest was calculated resulting in a reclassification from income to actuarial loss. This has resulted in additional income of £1.5m in 2015-16 (2014-15 a reduction in income of £6.7m);

- Revenue recognition has changed under FRS 102 whereby non-exchange transactions are now recognised when performance conditions are met. This results in donations primarily being recognised on receipt and certain grants being recognised on spend, when previously this income would have been deferred and recognised over the life of the associated asset. This has resulted in the University recognising additional income of £29.0m in 2015-16 offset by previously released deferred capital grants, reversed, amounting to £14.5m (2014-15

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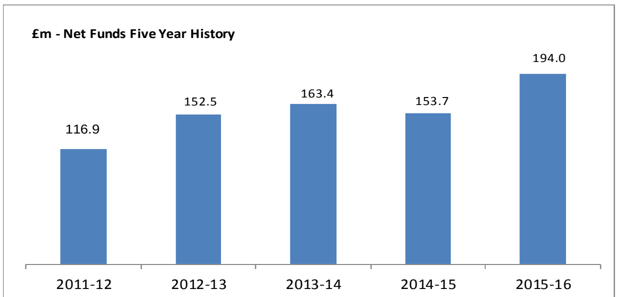
an increase to income of £25.2m offset by previously released deferred capital grants, reversed, of £18.7m);

- As a result of the University revaluing certain properties on transition to FRS 102 and componentising certain assets an additional depreciation charge of £5.4m has been recognised in 2015-16 (2014-15 additional expenditure of £5.2m);
- Under FRS 102 requirements, an unpaid holiday accrual has been recognised and this gives rise to a credit in the income and expenditure account of £3.1m in 2015-16 (2014-15 additional expenditure of £2.3m);
- As a result of the transition to FRS 102 the University is required to recognise its commitment to fund the USS deficit reduction plan resulting in additional expenditure of £5.4m in 2015-16 (2014-15 additional expenditure of £21.9m).

Net funds and cash flow
Net funds increased in the year by £40.2m to a closing balance of £194.0m at 31 July 2016. The five year net funds history is as follows:



The main cash inflow was from operating activities +£40.5m offset by investing activities (-£71.7m) and financing activities of +£71.1m. The net inflow from operating activities represents the operating surplus of £13.5m and an inflow of £66.1m related to a rise in working capital (excluding depreciation), primarily due to an increase in creditors, which includes the £70m unsecured private placement funding for the GSV deal. The main cash outflow was on capital expenditure for the year where investment in the estate continued, including £17m on the purchase of GSV title, £10m relating to the ICE building and £9m further investment in a new heating system for part of the Estate. Capital expenditure for the year was £75.8m, which was £11.2m higher than 2014-15. Capital commitments authorised but not yet contracted decreased by £12.4m in the year to £25.9m at the balance sheet date.

Pension liability
The FRS 102 pension liability for the University of Glasgow Pension Scheme (UGPS) and the Strathclyde Pension Fund (SPF) has increased in the year from £49.8m to £53.3m. The University continues to make additional contributions of £2.6m per year towards the UGPS deficit. The underlying pension assets increased during the year, however, this was offset by an increase in liabilities. Under FRS 102 the University records the present value of its deficit recovery commitments for the Universities Superannuation Scheme USS. During the year this provision increased from £46.6m to £52m.

Investment performance
In the past financial year, the value of global stock markets has risen. However the performance of the groups listed investments decreased from a gain £1.2m in 2014-15 to a loss of £2.5m in 2015-16. This principally related to one specific investment which fell significantly in the period. The value of endowment asset investments increased from £164.3m to £170.9m with new endowment bequests received during the year increasing from £1.3m to £1.5m. The increase in the market value of the endowment funds was £4.0m in the year 2015-16 compared with £4.4m in 2014-15. The performance of the fund managers continues to be monitored by the Investment Advisory Committee against targets set by the committee. These targets are reviewed regularly.

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 2016 the University's outstanding payments represented approximately 12 days' purchases. This is a decrease from 15 days in 2015. The University has no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998.

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 property, plant and equipment 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. In accordance with University policy the non-endowment cash balances of the University can be invested in temporary cash deposits with the major clearing banks, building societies and money market funds up to a maximum of thirty five million pounds with any one institution, or higher with specific approval from Finance Committee. The institution must be rated at a minimum of BBB+ (as per Standard and Poor's long term rate) with money market funds at a minimum of A+ rated. The length of deposit is a maximum of ninety five days. The University is exposed to changing interest rates, although the exposure is viewed as low given that interest income accounts for less than 0.2% of the total income of the University in 2015-16.

Accounting policies
The University financial statements have been prepared in accordance with the Statement of Principal Accounting Policies as set out on pages 14 to 17. The Financial Reporting Council issued FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland in March 2013 and subsequently updated in August 2014. The new Statement of Recommended Practice ("SORP") for Further and Higher Education was published in March 2014 in response to FRS 102 and the University's accounting policies have been revised accordingly.

A description of the impact of adopting the new SORP appears on page 46 and a detailed reconciliation between the results under the old SORP and the restated results under the new SORP appears in note 26 on pages 46 to 53. The format of the financial statements reflects the format as required by the new 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.

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Disability policy
The University is committed to the implementation of a policy to achieve equality of opportunity for students, members of staff, potential students and potential members of staff, and to meeting the requirements of all relevant external legislation. 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 equally and fairly.

Ethical investment policy
It is the role of Court to set out the ethical platform on which the University's asset investments are managed. The University's approach is set out in the Socially Responsible Investment Policy which was approved by Court in October 2009. Court requires its investment managers to commit to Socially Responsible Investment within their investment policies. In addition, it prohibits direct investment in the tobacco industry, as such investment would run counter to the University's direct interest in research. In the prior year Court also committed to a phased reduction in the University's direct investment in the fossil fuel extraction industry. The first phase of that disinvestment strategy is now being implemented, involving a reduction of 25% over the next four years. This means that, by July 2019, the value of the investments held in fossil fuel extraction will be no more than 6.4% of the University's total endowment investment.

Future developments and principal risks and uncertainties
The University's student numbers continue to grow in a controlled and sustainable manner, particularly with regards to non-Scottish UK students and postgraduate students: its postgraduate taught population rose by 30% in 2015-16, and its postgraduate researcher population rose by 49%. This influx of talent into the postgraduate pipeline in particular has provided a very welcome boost to the University's already thriving research and innovation community.

The University agreed its Outcome Agreement for 2015-16 with the SFC. The Outcome Agreement contains targets that will be monitored by the SFC over the next few years. Plans are in place to ensure that the targets are met, however, progress will be kept under review and additional investment may be required in some areas to ensure that they can be delivered.

The UK government has lifted caps on student recruitment for universities in England, Northern Ireland and Wales (RUK), allowing institutions to determine their own capacity level. Early indications suggest that the policy has increased competition to recruit the best students across the UK, particularly at the clearing stages, with many universities offering an increased number of places. The long term impact of this on our own ability to recruit the best students is not yet clear although recruitment for 2016-17 to Glasgow has been strong with no impact noted; the change has however introduced an additional element of uncertainty into financial projections for the sector as a whole. We will continue to monitor the impact of the removal of the cap and take action where necessary.

It has now been four years since Scottish Universities were first permitted to charge RUK students up to £9,000 per year. The University of Glasgow continues to implement a variable RUK fees regime in which the highest fees only apply to Medicine, Dentistry and Veterinary Medicine: all other courses over 3 years in duration are charged at £9,000 with fees waived in the final year to ensure that the University's four year Scottish undergraduate degree remains financially competitive with its 3 year RUK competitors.

Recent income growth has depended upon double digit growth in students from outside the EU. Maintaining this growth against a background of increased international competition, tougher UK Border Agency regulations and the UK Government's desire to restrict immigration is a significant risk.

The University's ability to attract international students has been further placed at risk by the recent UK referendum decision to withdraw from the European Union ("Brexit"). Brexit is the most significant change in the UK's political direction in over 40 years, and brings with it a number of uncertainties surrounding the University's operation, including the impact for recruitment, the UK HE sector's eligibility for access to European research funding, and its ability to recruit top quality talent from Europe. The situation is further complicated by the potential for Scotland to forge a very different relationship with the EU in future than the rest of the UK. It is difficult to quantify these risks at this early stage. However, the University is proactively responding to the developing situation with dedicated information events for staff and continuing dialogue and engagement with both the Scottish and UK Governments.

The UK Government recently published an independent report into the Research Excellence Framework (REF) – the Stern review. The report makes a number of recommendations to alter the existing REF operational model, a number of which will have impact across the UK HE sector. The University and its Russell Group peers are broadly supportive of the Stern reforms and staff are working with colleagues from across the sector to ensure that the benefits of the reforms, to the University's research reputation, come to fruition.

The UK Government's November 2015 green paper on higher education proposed the introduction of a new Teaching Excellence Framework (TEF) to complement its REF counterpart and develop a culture that affords excellent teaching provision an equal status with excellent research. The TEF will assess universities' teaching quality against a clear range of criteria including graduate employment destinations, and will award each institution a TEF level carrying associated reputational and financial benefits (see below). While higher education is a devolved concern in Scotland, the University has expressed interest in participating voluntarily within the UK TEF to ensure that students can have confidence in the University's quality with respect to its UK peers.

The UK Government has also recently published a new White Paper for higher education, *Success as a Knowledge Economy*. The Paper proposes a new HE Bill that will (among other measures) merge the Office for Fair Access with the learning and teaching functions of the Higher Education Funding Council for England; create a link between the forthcoming Teaching Excellence Framework and tuition fees; and ensure that universities' performance is assessed with reference to their student satisfaction, retention and graduate

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Continued

employment. The University will continue to monitor these developments and respond accordingly.

Staffing costs are likely to cause significant pressure in the near to mid-term as cost of living and incremental pay rises outstrip the anticipated increases in income from the Scottish Funding Council (SFC). National insurance (NI) payments have also increased due to the abolishment of the NI contracted out rate. In addition, the deficits in the pension schemes to which University staff belong remain volatile. A payment and deficit recovery plan was agreed in 2013-14 between the University and the Trustees of the University of Glasgow Pension Scheme and contributions to the Universities Superannuation Scheme (USS) were increased in April 2015. The USS provision at 31 July 2016 amounted to £52m (2014-15: £46.5m).

During 2015-16 the University officially took vacant possession of the former Western Infirmary site that borders the existing campus. This is an unprecedented development opportunity for an urban university – the potential to expand the footprint of our main estate by almost 50% and create a visionary and inspiring campus for future generations. The Western Site will be the core focus of a £450m campus redevelopment masterplan; an ambitious but achievable programme of capital development that will be managed through a carefully balanced spending profile comprising future cash generation, disposals, existing reserves, and a major donor fundraising campaign that will commence in 2017. The site will eventually provide space to enable the whole academic estate to be reconfigured for academic activity, thus improving the student experience, research performance and staff satisfaction.

Consultation has taken place with a wide range of stakeholders to ensure that the extended Gilmorehill campus will enable the University to continue to deliver against its strategic priorities. Decisions on investment in individual building projects on the site, made in the context of a Court-approved and City-adopted Campus Development Framework, are expected to be taken towards the end of the 2016 calendar year. It is also important that, whilst the redevelopment of the campus is being planned, investment is maintained in order to ensure that current business can continue.

Summary

The University has made good progress in recent years towards the achievement of its strategic ambitions. The external environment, including below inflation increases in funding from the SFC, the changes to the fee regime for UK students, increasing pension deficits and the UK Government's desire to further restrict immigration continue to pose significant challenges. However, the University is currently in a strong financial position. This, coupled with the capacity, and continuing ability, to recruit additional international and postgraduate students saw the University deliver a record surplus excluding exceptional items in 2015-16.

The University's Senior Management Group assesses the strategic risks that the University faces at each monthly management meeting and identifies and executes appropriate mitigation plans. Court continues to emphasise that strong financial management is essential and that this should be achieved whilst ensuring that progress is made towards the aspirations set out in the new *Inspiring People* strategy.

Professor Anton Muscatelli
Principal

Ken Brown
Convener of Finance Committee

Robert Fraser
Director of Finance

CORPORATE GOVERNANCE STATEMENT
Continued

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, of the Scottish Code of Good HE Governance, as issued by the Committee of Scottish Chairs in July 2013, and of the Annual Accounts direction as issued by the Scottish Funding Council. Its purpose is to help the reader of the reports and 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 2016.

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. The University also complies with the Post-16 Education (Scotland) Act 2013 and the Higher Education Governance (Scotland) Act 2016. 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 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. Working with the Senate, Court 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. The Court Statement of Primary Responsibilities is published at http://www.gla.ac.uk/media/media_293602_en.pdf.

Court has 25 members and, in financial year 2015-16, consisted of: the Rector (who is elected by the students of the University), the Principal, the Chancellor's Assessor, a representative of Glasgow City Council, four assessors elected by the General Council, six assessors elected by Senate, two employee representatives, the President of the Students' Representative Council, one assessor elected by the Students' Representative Council, and seven independent members appointed by Court. The Rector is the 'ordinary president of Court' in terms of the 1858 Act. Court's standing orders reflect its agreement that the Rector shall chair such parts of Court meetings as Court may decide, and that the Convener of Court shall chair the other parts of those meetings. When vacant, the position of Convener of Court is advertised publicly and an appointment is made by Court for a period of four years. Meetings of Court are held five times a year. The future composition of Court and the method of selecting the Convener will be affected by the terms of the Higher Education Governance (Scotland) Act 2016, whose commencement date is not yet known.

Court conducts its business through seven committees, each having formally constituted terms of reference. Committees report to Court through their chair, who - with one exception (The Health, Safety & Wellbeing Committee) - is an independent member of Court. The Committees have each been required by Court, in October 2016, to appoint a Vice-Chair, while Court itself will soon appoint a Vice-Convener.

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 and with regard to the importance of financial sustainability. It also considers the reports and 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 Ken Brown, an independent 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 normally meets four times a year, with the University's external and internal auditors in attendance. Paul Brady, an independent governor, chaired the Committee until 30 September 2016, when he was succeeded by Heather Cousins, an independent member of Court.

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 2016 are set out in note 7 to the financial statements. The Committee is currently chaired by Ken Brown, an independent member of Court, and meets at least once a year.

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, with effect from 1 October 2016, by an independent member of Court, June Milligan, and normally meets five times a year.

The **Nominations Committee** makes recommendations to Court on the appointment of independent members appointed by Court and on the membership and Convener of Court Committees having regard to the skills and experience required. The University provides induction training for all new members of Court and its Committees. The training covers Higher Education in Scotland, University Governance, University Strategy and Financial Management. The Committee is chaired by the Convener of Court, and normally meets two or three times a year.

CORPORATE GOVERNANCE STATEMENT
Continued

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 an independent member of Court: Margaret Morton, until 30 September 2016; Ronnie Mercer, from that date onwards. It normally meets five times a year.

The **Health, Safety and Wellbeing 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 and wellbeing matters. The Committee will also make representations and recommendations to Court as required. The Committee is chaired by the Secretary of Court David Newall and normally meets five times a year.

In respect of its strategic and development responsibilities, Court receives recommendations and advice from the **Senior Management Group**. The Heads of College, Vice Principals and other senior officers are members of the Senior Management Group which is convened by the Principal. The Principal briefs each meeting of Court on significant matters, and reports on issues considered by the Senior Management Group.

The Senate
Senate is the senior academic body of the University and, subject to the powers of the Court, is responsible for the academic activity of the University and the maintenance of academic standards. Senate has over 500 members drawn principally from the University's academic staff. Senate has delegated authority to a Council of Senate to expedite business on its behalf. The Council of Senate meets five times per year. The future composition of Senate will be affected by the terms of the Higher Education Governance (Scotland) Act 2016.

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 Heads of College. The Budget Briefing provides a forum for the Principal and the Heads of College to discuss the key strategic issues within each College. These meetings are also attended by the Vice Principal for Strategy and Resources and senior staff from the Finance 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.

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.

Court receives regular reports from the Audit Committee.

Court 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 2016 and up to the date of approval of the annual reports and financial statements.

Modern Slavery Act statement
The University is committed to ensuring and actively monitoring that modern slavery and human trafficking is not taking place in any parts of its operation within the University and its supply chain. For further information relating to the Modern Slavery Act statement, see website www.gla.ac.uk.

Going concern
The University's principal operations, together with the factors likely to affect its future development, its financial position are noted in the Operating and Financial Review. The University has considerable financial resources and access to funding. As a consequence, the Court believes that the University is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Court has a reasonable expectation that the University and the group have adequate resources to continue in operational existence for a period of 12 months from the approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Elizabeth Passey
Convener of Court
Date: 14 December 2016

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 all relevant Acts of Parliament, with the Statement of Recommended Practice on Accounting for Further and Higher Education issued in 2015, and with other relevant accounting standards (United Kingdom Generally Accepted Accounting Practice, Financial Reporting Standard 102). 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 2016 and for the period to the date of the approval of the reports 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
Date: 14 December 2016

MEMBERSHIP OF COURT

Members of Court who served during the year to 31 July 2016 are detailed below, as are members who served up to the date of approval of the reports and financial statements. Also shown is an indication of the Committees on which the members served, the expiry date of their current term of office and whether they are independent members of Court.

	Expiry date	Committee Membership	Independent Member
The Rector			
Mr Edward Snowden	(Mar 2017)		
The Principal and Vice-Chancellor			
Professor Anton Muscatelli	(Sep 2019)	(FC) (HRC) (EC) (NC) (RC)	
The Chancellor's Assessor			
Mr Murdoch MacLennan	(Dec 2017)	(NC)	*
Assessor of City of Glasgow Council			
Councillor Pauline McKeever	(May 2017)		*
General Council Assessors			
Mr David Ross	(Jul 2016)**	(FC) (RC) (NC)	*
Mr Brian McBride	(Jul 2016)	(RC)(NC)	*
Dr Morag Macdonald Simpson	(Jul 2018)	(HRC)	*
Ms Lesley Sutherland	(Jul 2018)	(AC) (NC)	*
Senate Assessors			
Professor George Baillie	(Dec 2015)	(HRC)	
Professor Lindsay Farmer (from Oct 2015)	(Jul 2019)	(HRC)	
Dr Carl Goodyear	(Jul 2018)	(FC)	
Professor Nick Hill (from Jan 2016)	(Jul 2019)	(HRC)	
Professor Karen Lury	(Jul 2017)	(EC)	
Dr Duncan Ross	(Jul 2017)	(FC) (NC)	
Professor Paul Younger	(Jul 2018)	(EC)	
Employee Representatives			
Mr David W Anderson	(Jan 2018)		
Ms Margaret Anne McParland	(Jul 2018)		
Co-opted Members of Court			
Mr Graeme Bissett	(Dec 2017)	(FC)	*
Mr Ken Brown	(Dec 2017)	(FC) (RC)	*
Ms Heather Cousins	(Mar 2018)	(AC) (NC)	*
Mr Ronnie Mercer	(Oct 2019)	(EC)	*
Ms June Milligan	(Oct 2019)	(HRC) (RC)	*
Mr David Milloy	(Dec 2017)	(EC)	*
Ms Margaret Morton	(Dec 2016)	(EC) (FC)	*
Ms Elspeth Orcharton (from Oct 2016)	(Oct 2020)	(FC)	*
Ms Elizabeth Passey (from Aug 2016)	(July 2020)***	(FC)(RC)(NC)	*
President of the Students' Representative Council			
Mr Liam King	(Jun 2016)	(FC) (EC) (NC)	
Mr Ameer Ibrahim (from Jul 2016)	(Jun 2017)	(FC) (EC) (NC)	
Assessor of the Students' Representative Council			
Mr Marvin Karrasch	(Oct 2015)		
Ms Morag Deans (from Oct 2015)	(Oct 2016)		
Ms Lauren McDougall (from Oct 2016)	(Oct 2017)		
Secretary of Court			
Mr David Newall		(EC) (HRC) (NC) (HSWC)	

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 Wellbeing Committee (HSWC).

**Mr David Ross was also Convener of Court until July 2016.
***Ms Elizabeth Passey is also Convener of Court, an appointment that will run until July 2020.

INDEPENDENT AUDITOR'S REPORT TO THE UNIVERSITY COURT OF THE UNIVERSITY OF GLASGOW

We have audited the financial statements of the University of Glasgow for the year ended 31 July 2016 which comprise the Statement of Principal Accounting Policies, Consolidated and University Income Statements, Consolidated and University Statement of Comprehensive Income, Consolidated and University Balance Sheets, Consolidated and University Statements of Changes in Equity, and Consolidated Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

This report is made solely to the University Court of the University of Glasgow ("University Court"), as a body, in accordance with our appointment under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Court of the University of Glasgow as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court and auditor

As explained more fully in the Statement of the Responsibilities of Court (set out on page 11), the University Court is responsible for preparing the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditors under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Court; and the overall presentation of the financial statements.

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 Funding Council.

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2016 and of the Group's and the University's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland and with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by applicable regulations

In our opinion:

- 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
- funds provided by Scottish Funding Council have been applied in accordance with the requirements of the SFC Financial Memorandum with Higher Education Institutions.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP
Statutory auditor
Glasgow

Date: 15 December 2016
Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Statement of compliance
The University of Glasgow is a not for profit University operating in Scotland. The Registered Office is University Avenue, Glasgow G12 8QQ, Scotland, UK. The consolidated financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102) as it applies to the financial statements of the group for the year ended 31 July 2016.

The University transitioned from previously extant UK GAAP to FRS 102 and the 2015 SORP (published March 2014) as at 1 August 2014. An explanation of how transition to FRS 102 has affected the reported balance sheet and financial performance is given in note 26.

Basis of preparation
The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value in accordance with the applicable accounting standard FRS 102 and the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP).

The University is a public benefit entity and has applied the relevant public benefit requirements of FRS 102. The financial statements also conform to guidance published by the Scottish Funding Council.

The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £000.

Basis of consolidation
The consolidated financial statements consolidate the financial statements of the University of Glasgow, its subsidiary companies and unincorporated undertakings for the financial year to 31 July 2016. 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 consolidated financial statements do not include the income and expenditure of the University of Glasgow Students' Unions as the University does not exert control or dominant influence over them.

Income recognition
Income from the sale of goods or rendering of services is credited to the Income Statement when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Tuition fee income is stated net of any discounts and is credited to the Income Statement 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.

Government grants including; funding body grants and research grants from government sources; are recognised within the Income Statement when the University is entitled to the income and performance related conditions have been met.

Other grants and donations from non-government sources (including research grants from non-government sources) are recognised within the Income Statement when the University is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions is deferred on the balance sheet and released to the Income Statement in line with such conditions being met.

Capital grants are recognised in income when the University is entitled to the income subject to any performance related conditions being met.

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised within the Income Statement when the University is entitled to the income. Income is retained within the restricted reserves until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income and appreciation of endowments are recorded in income in the year in which they arise and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment funds.

Investment income is credited to the Income Statement on a receivable basis.

Donations with no restrictions are recorded within the Income Statement when the University is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types of donations and endowments with restrictions:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.

2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

3. Restricted expendable endowments - the donor has specified a particular objective, no capital element is required to be maintained, and the University can convert the donated sum into income. Alternatively where the funds donated with a specific restriction are so large that the funds will need to be retained over a period of two years.

4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Property plant & equipment
Property Plant & Equipment (PPE) consists of plant and machinery, equipment (including software and vehicles), costing over £50k (2014-15: £25k) and capital building projects over £100k.

On adoption of FRS 102, the University followed the transitional provision to retain the book value of land and property, which were revalued as at 31 July 2014 as ‘deemed cost’ as at the date of transition. The University has adopted a policy of revaluation on these properties in the future.

Costs incurred in relation to land and property after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Property, plant & equipment is stated at cost or valuation and depreciated on a straight line basis as follows:

Buildings	10-165 years
Plant & machinery	15-30 years
Equipment	Up to 10 years

Land and assets under construction are not depreciated.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
Continued

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Income Statement. Assets are considered to be impaired if their recoverable value is less than book value. The recoverable amount of a PPE asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss on assets, the prior impairment loss is reversed only to the extent that it does not lead to a revised carrying amount higher than if no impairment had been recognised.

Repairs and maintenance
Maintenance expenditure is recognised in the Income Statement in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

Donated assets
The University receives benefits in kind such as gifts of equipment, works of art, and property. Items of a significant value donated to the University, which if purchased the University would treat as Property Plant and Equipment are capitalised at their current value and depreciated in accordance with the policy set out above. The value of the donation is included in the Income Statement in the year they are received.

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.

It has not been possible to obtain reliable information on the cost or valuation of the collections held within the Hunterian Museum and Art Gallery, Special Collections and Archive Services. It is not considered practicable to obtain valuations for the artefacts defined as heritage assets owing to the diverse nature of the assets held, the number of assets held, the lack of comparable market values and the prohibitive cost associated with obtaining valuations. The University does not therefore recognise these assets on the Balance Sheet. In accordance with FRS 102, recent and future acquisitions which meet the definition of a heritage asset, not held for the University's core purpose of teaching and research, are recognised at cost where the object is purchased or at an appropriate value where the object is donated. The threshold for capitalisation is £50k (2014-15: £25k). Where it is not practicable to obtain a valuation, details of such significant donations will be disclosed.

Expenditure which is required to preserve or clearly prevent further deterioration of individual collection items is recognised in the Income Statement when it is incurred. The heritage assets are deemed to have indeterminate lives and therefore it is not considered appropriate to charge depreciation.

Further information on the collections and details of the University's management policy in respect of heritage assets is summarised in note 13.

Investments
All investments will initially be recognised at cost and subsequently measured at fair value at each reporting date. Where fair value cannot be reliably measured or investments are not publicly traded, they will be measured at cost less impairment.

Investments in subsidiaries, associates and joint ventures are carried at cost less impairment in the University's accounts.

Revaluation
All gains and losses on investment assets, both realised and unrealised are recognised in the Income Statement as they accrue.

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 Statement 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 Statement of the institution. The balances and movement on these funds are disclosed in note 23 to the financial statements.

Taxation
The University is a charity within the meaning of Part 1, chapter 2, section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 or section 256 of the Taxation of Chargeable 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 (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet include cash at bank and on hand and short term investments. Short term investments are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents contains sums relating to endowment reserves which the University is restricted as to how they disburse. Note 19 summarises the assets restricted in their use.

Foreign currencies
Transactions in foreign currencies are recorded at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in the Income Statement. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates prevailing at the balance sheet date. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
Continued

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.

Employee benefits
Short-term employee benefits
Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year employees render service to the University. A liability is recognised at each balance sheet date to the extent that employee holiday allowances have been accrued but not taken, the expense being recognised as staff costs in the Income Statement.

Post-employment benefits (pensions)
The University participates in a number of defined benefit pension schemes. For the University of Glasgow Pension Scheme and the Strathclyde Pension Fund, the expected cost of providing pensions is recognised in the Income Statement on a systematic basis over the expected average lives of members of the funds. Under FRS 102 past service costs are recognised immediately. 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 net interest cost on the net defined benefit liability is charged to the Income Statement and included within finance costs. Actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in Other Comprehensive Income.

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.

The amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period, excluding any extra costs incurred related to reducing scheme deficits already provided for.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the multi-employer schemes as determined by the scheme management. The associated expense is recognised in the Income Statement.

Leases
Finance leases, which substantially transfer all the risks and rewards incidental to ownership of an asset to the University, are treated as if the asset had been purchased outright. The assets are included in fixed assets (in so far as the costs exceed the University's capitalisation threshold) and the capital element of the leasing commitments is shown as obligations under finance leases.

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the Income Statement in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Rental costs incurred under operating leases are charged to expenditure on a straight line basis over the period of the leases. Any lease premiums or incentives are spread over the minimum lease term.

Service concession arrangements
Property, plant and equipment held under service concession arrangements are recognised on the balance sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Interest-bearing loans and borrowings
All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

Accounting for jointly controlled operations, jointly controlled assets and jointly controlled entities
The University accounts for its share of transactions from jointly controlled operations in the Income Statement.

Reserves
Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund as the University must hold the fund in perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

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.

Transition to SORP
The University has prepared its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to FEHE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 26.

Application of first time adoption grants certain exemptions from the full requirements of FEHE SORP in the transition period.

The following exemption has been taken into these financial statements:

The deemed cost upon transition of Property, Plant & Equipment is the fair value as at 31 July 2014.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
Continued

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments
The University has entered into commercial property leases and as a lessee it obtains use of land and buildings. The classification of such leases as operating or finance lease requires the University to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

The following is the University's key source of estimation uncertainty:

Pension and other post-employment benefits
The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 25.

CONSOLIDATED AND UNIVERSITY INCOME STATEMENTS
for the year ended 31 July 2016

Consolidated Income Statement	Note	Before exceptional items £000	Exceptional items £000	2016 £000	Before exceptional items £000	Exceptional items £000	2015 £000
Income							
Tuition fees and education contracts	1	**161,586**	**-**	**161,586**	142,930	-	142,930
Funding body grants	2	**158,693**	**-**	**158,693**	160,669	3,368	164,037
Research grants and contracts	3/10	**175,172**	**2,618**	**177,790**	163,295	20,369	183,664
Other income	4	**74,832**	**-**	**74,832**	68,964	2,647	71,611
Investment income	5	**8,127**	**-**	**8,127**	8,207	-	8,207
Donations and endowments	6	**1,524**	**-**	**1,524**	1,312	-	1,312
Total income		**579,934**	**2,618**	**582,552**	545,377	26,384	571,761
Expenditure							
Staff costs	7	**295,064**	**-**	**295,064**	304,258	-	304,258
Other operating expenses	9/10	**220,131**	**21,903**	**242,034**	210,193	-	210,193
Depreciation	12	**30,882**	**-**	**30,882**	29,633	-	29,633
Interest and other finance costs	8	**3,027**	**-**	**3,027**	2,031	-	2,031
Total expenditure		**549,104**	**21,903**	**571,007**	546,115	-	546,115
Surplus/(deficit) before other gains		**30,830**	**(19,285)**	**11,545**	(738)	26,384	25,646
Gain/(loss) on disposal of property, plant and equipment		**1,067**	**-**	**1,067**	-	(5,134)	(5,134)
Gain on investments		**1,502**	**-**	**1,502**	5,635	-	5,635
Surplus before tax		**33,399**	**(19,285)**	**14,114**	4,897	21,250	26,147
Corporation taxation	11	**(34)**	**(547)**	**(581)**	(45)	(4,447)	(4,492)
Surplus after tax		**33,365**	**(19,832)**	**13,533**	4,852	16,803	21,655

All items of income and expenditure arise from continuing activities.

CONSOLIDATED AND UNIVERSITY INCOME STATEMENTS
for the year ended 31 July 2016

University Income Statement	Note	Before exceptional items £000	Exceptional items £000	2016 £000	Before exceptional items £000	Exceptional items £000	2015 £000
Income							
Tuition fees and education contracts	1	**158,432**	**-**	**158,432**	139,906	-	139,906
Funding body grants	2	**158,693**	**-**	**158,693**	160,669	3,368	164,037
Research grants and contracts	3/10	**175,172**	**2,618**	**177,790**	163,295	20,369	183,664
Other income	4	**76,142**	**-**	**76,142**	70,683	2,647	73,330
Investment income	5	**8,061**	**-**	**8,061**	7,960	-	7,960
Donations and endowments	6	**1,524**	**-**	**1,524**	1,312	-	1,312
Total income		**578,024**	**2,618**	**580,642**	543,825	26,384	570,209
Expenditure							
Staff costs	7	**293,062**	**-**	**293,062**	302,919	-	302,919
Other operating expenses	9/10	**221,246**	**21,903**	**243,149**	209,452	-	209,452
Depreciation	12	**30,721**	**-**	**30,721**	29,633	-	29,633
Interest and other finance costs	8	**3,027**	**-**	**3,027**	2,031	-	2,031
Total expenditure		**548,056**	**21,903**	**569,959**	544,035	-	544,035
Surplus/(deficit) before other gains		**29,968**	**(19,285)**	**10,683**	(210)	26,384	26,174
Gain/(loss) on disposal of property, plant and equipment		**855**	**-**	**855**	-	(5,134)	(5,134)
Gain on investments		**4,110**	**-**	**4,110**	4,428	-	4,428
Surplus before tax		**34,933**	**(19,285)**	**15,648**	4,218	21,250	25,468
Corporation taxation	11	**-**	**(547)**	**(547)**	-	(4,447)	(4,447)
Surplus after tax		**34,933**	**(19,832)**	**15,101**	4,218	16,803	21,021

All items of income and expenditure arise from continuing activities.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 July 2016

	Note	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Surplus for the year		**13,533**	**15,101**	21,655	21,021
Exchange differences on translation of subsidiary undertakings		**252**	**-**	(7)	-
Actuarial loss recognised on defined benefit pension schemes	25	**(2,398)**	**(2,398)**	(12,805)	(12,805)
Total other comprehensive loss		**(2,146)**	**(2,398)**	(12,812)	(12,805)
Total comprehensive income for the year		**11,387**	**12,703**	8,843	8,216
Represented by					
Endowment comprehensive income for the year		**6,631**	**6,631**	6,468	6,468
Restricted comprehensive income/(loss) for the year		**451**	**451**	(9,025)	(9,025)
Unrestricted comprehensive income for the year		**4,305**	**5,621**	11,400	10,773
		11,387	**12,703**	8,843	8,216

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 July 2016

Consolidated	**Income and expenditure account**			**Total**
	Endowment	**Restricted**	**Unrestricted**	
	£000	**£000**	**£000**	**£000**
Balance at 1 August 2014	157,848	13,652	570,383	741,883
Surplus from the statement of comprehensive income	6,468	(9,025)	24,212	21,655
Other comprehensive loss	-	-	(12,812)	(12,812)
Total comprehensive income for the year	6,468	(9,025)	11,400	8,843
Balance at 1 August 2015	164,316	4,627	581,783	750,726
Surplus from the statement of comprehensive income	**6,631**	**451**	**6,451**	**13,533**
Other comprehensive loss	**-**	**-**	**(2,146)**	**(2,146)**
Total comprehensive income for the year	**6,631**	**451**	**4,305**	**11,387**
Balance at 31 July 2016	**170,947**	**5,078**	**586,088**	**762,113**

University	**Income and expenditure account**			**Total**
	Endowment	**Restricted**	**Unrestricted**	
	£000	**£000**	**£000**	**£000**
Balance at 1 August 2014	157,848	13,652	565,836	737,336
Surplus from the statement of comprehensive income	6,468	(9,025)	23,578	21,021
Other comprehensive loss	-	-	(12,805)	(12,805)
Total comprehensive income for the year	6,468	(9,025)	10,773	8,216
Balance at 1 August 2015	164,316	4,627	576,609	745,552
Surplus from the statement of comprehensive income	**6,631**	**451**	**8,019**	**15,101**
Other comprehensive loss	**-**	**-**	**(2,398)**	**(2,398)**
Total comprehensive income for the year	**6,631**	**451**	**5,621**	**12,703**
Balance at 31 July 2016	**170,947**	**5,078**	**582,230**	**758,255**

The University's reserves comprise the following:

Income and expenditure reserve – endowment reserve which represents the value of donations by individuals in the form of a gift and is to be invested and only the income earned on that gift may be spent for a specific purpose.

Income and expenditure reserve – restricted reserve which represents the value of the retained surplus in the balance sheet with restrictions on its distribution.

Income and expenditure reserve – unrestricted reserve which represents the value of the University's accumulated funds through surpluses in the income statement.

BALANCE SHEETS
as at 31 July 2016

	Note	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Non-current assets					
Property, plant & equipment	12	**716,784**	**699,918**	674,430	666,392
Investments	14	**172,779**	**191,216**	173,485	174,974
		889,563	**891,134**	847,915	841,366
Current assets					
Stock		**826**	**635**	782	588
Trade and other receivables	15	**86,995**	**90,613**	94,801	100,552
Cash and cash equivalents		**193,982**	**184,870**	153,741	147,659
		281,803	**276,118**	249,324	248,799
Less: Creditors – amounts falling due within one year	16	**(229,498)**	**(229,242)**	(218,206)	(216,306)
Net current assets		**52,305**	**46,876**	31,118	32,493
Total assets less current liabilities		**941,868**	**938,010**	879,033	873,859
Creditors: amounts falling due after more than one year	17	**(70,000)**	**(70,000)**	(27,610)	(27,610)
Provisions					
Pension provisions	25	**(105,265)**	**(105,265)**	(96,369)	(96,369)
Other provisions	18	**(4,490)**	**(4,490)**	(4,328)	(4,328)
Total net assets		**762,113**	**758,255**	750,726	745,552
Restricted reserves					
Income and expenditure reserve – endowment reserve	19	**170,947**	**170,947**	164,316	164,316
Income and expenditure reserve – restricted reserve	20	**5,078**	**5,078**	4,627	4,627
Unrestricted reserves					
Income and expenditure reserve – unrestricted		**586,088**	**582,230**	581,783	576,609
Total reserves		**762,113**	**758,255**	750,726	745,552

The financial statements on pages 14 to 53 were approved by the University Court of the University of Glasgow on 14 December 2016 and were signed on its behalf by:

Professor Anton Muscatelli
Principal

Ken Brown
Convener of Finance Committee

Robert Fraser
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2016

Cash flow from operating activities	Note	2016 £000	Cash flow impact of GSV £000	2016 £000	2015 £000
Surplus before tax and exceptional items		**33,399**	**-**	**33,399**	4,897
Exceptional items in income		**2,618**	**-**	**2,618**	26,384
Exceptional items in expenditure		**-**	**(21,903)**	**(21,903)**	-
Exceptional items in other (gains)/losses		**-**	**-**	**-**	(5,134)
Corporation taxation		**(581)**	**-**	**(581)**	(4,492)
Surplus for the year		**35,436**	**(21,903)**	**13,533**	21,655
Adjustment for non-cash items					
Depreciation	**12**	**30,882**	**-**	**30,882**	29,633
Increase in stock		**(44)**	**-**	**(44)**	(50)
Decrease / (increase) in debtors		**6,923**	**883**	**7,806**	(33,883)
Increase in creditors falling due within one year		**11,291**	**-**	**11,291**	19,382
Increase/(decrease) in creditors falling due after more than one year – GSV transaction - release of DCG's		**(1,490)**	**(26,120)**	**(27,610)**	(1,489)
Pension costs less contributions payable		**3,471**	**-**	**3,471**	19,108
Increase / (decrease) in other provisions		**162**	**-**	**162**	(124)
Changes in values of endowment assets		**(2,034)**	**-**	**(2,034)**	(4,350)
Changes in values of other investments		**2,278**	**-**	**2,278**	(2,672)
Adjustment for investing or financing activities			**-**		
(Gain)/loss from the sale of property, plant and equipment		**(1,067)**	**-**	**(1,067)**	5,134
Interest payable	**8**	**3,027**	**-**	**3,027**	2,031
Interest receivable	**5**	**(1,179)**	**-**	**(1,179)**	(1,219)
Net cash inflow from operating activities		**87,656**	**(47,140)**	**40,516**	53,156
Cash flow from investing activities					
Endowment assets acquired		**(27,540)**	**-**	**(27,540)**	(35,840)
Receipts from the sale of endowment assets		**23,620**	**-**	**23,620**	35,019
Receipts from the sale of other investments		**4,382**	**-**	**4,382**	-
Payments to acquire property, plant and equipment	**12**	**(58,634)**	**(17,130)**	**(75,764)**	(64,644)
Proceeds from sale of property, plant and equipment		**3,596**	**-**	**3,596**	1,454
Net cash outflow from investing activities		**(54,576)**	**(17,130)**	**(71,706)**	(64,011)
Cash flows from financing activities					
Increase/(decrease) in creditors falling due after more than one year – GSV transaction - private placement bonds		**-**	**70,000**	**70,000**	-
Interest received		**1,179**	**-**	**1,179**	1,219
Net cash flows from financing activities		**1,179**	**70,000**	**71,179**	1,219
Currency translation		**252**	**-**	**252**	(7)
Increase / (decrease) in cash and cash equivalents in the year		**34,511**	**5,730**	**40,241**	(9,643)
Cash and cash equivalents at beginning of the year				**153,741**	163,384
Cash and cash equivalents at end of the year				**193,982**	153,741

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2016

1	Tuition fees and education contracts	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
	Home and EU students	**37,105**	**37,105**	38,293	38,293
	Rest of the UK Students	**17,752**	**17,752**	12,637	12,637
	Overseas students	**87,384**	**84,230**	73,332	70,308
	Short courses	**5,215**	**5,215**	5,144	5,144
	Other fees	**1,753**	**1,753**	1,756	1,756
	Research support grants	**12,377**	**12,377**	11,768	11,768
		161,586	**158,432**	142,930	139,906

2	Funding body grants	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
	Main teaching grant	**85,466**	**85,466**	86,680	86,680
	Main quality research grant	**45,276**	**45,276**	47,317	47,317
	Research postgraduate grant	**7,375**	**7,375**	6,405	6,405
	Knowledge transfer grant	**2,394**	**2,394**	2,288	2,288
	Infrastructure grants	**6,607**	**6,607**	8,880	8,880
	Other funding council grants	**11,575**	**11,575**	12,467	12,467
		158,693	**158,693**	164,037	164,037

3	Research grants and contracts	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
	Research Councils	**74,122**	**74,122**	65,933	65,933
	Charities	**46,170**	**46,170**	45,278	45,278
	UK Government excluding RDEC	**24,069**	**24,069**	24,147	24,147
	RDEC (1)	**2,618**	**2,618**	20,369	20,369
	European Commission	**15,142**	**15,142**	12,928	12,928
	UK industry	**5,734**	**5,734**	5,171	5,171
	Overseas	**9,400**	**9,400**	8,536	8,536
	Other sources	**535**	**535**	1,302	1,302
		177,790	**177,790**	183,664	183,664

(1) A proportion of the University's activities were identified as qualifying R&D in accordance with Chapter 6A, Corporation Taxes Act 2009. RDEC tax credits have been incorporated in the current year covering the period 1 April 2014 to 31 July 2015.

4	Other income	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
	Residences and hospitality services	**26,273**	**26,273**	27,280	27,280
	Other services rendered	**27,268**	**25,109**	22,714	21,545
	Health authorities	**4,552**	**4,552**	4,240	4,240
	Other income	**16,739**	**20,208**	17,377	20,265
		74,832	**76,142**	71,611	73,330

NOTES TO THE FINANCIAL STATEMENTS
Continued

5 Investment income	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Income from expendable endowments	**980**	**980**	984	984
Income from permanent endowments	**5,320**	**5,320**	5,262	5,262
Endowment management fees	**648**	**648**	742	742
Income from short-term investments	**1,179**	**1,113**	1,219	972
	8,127	**8,061**	8,207	7,960

6 Donations and endowments	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
New endowments	**1,524**	**1,524**	1,312	1,312
	1,524	**1,524**	1,312	1,312

7 Staff costs	2016 £000	2016 £000	2015 £000	2015 £000
By expense type:				
Salaries	**218,623**	**216,919**	217,513	216,461
Social security costs	**19,518**	**19,220**	17,155	16,868
Movement on USS provision	**3,991**	**3,991**	21,119	21,119
Other pension costs (note 25)	**52,932**	**52,932**	48,471	48,471
	295,064	**293,062**	304,258	302,919

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 salaries figures reflect the reduced gross pay earned by staff and the total pension costs reflect the increased employer contributions under this arrangement.

	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
By staff category:				
Academic departments	**148,196**	**147,353**	149,695	148,943
Academic services	**16,378**	**16,378**	17,102	17,102
Research grants and contracts	**76,397**	**76,397**	80,144	80,144
Residences and hospitality services	**3,718**	**3,718**	4,457	4,457
Premises	**15,054**	**15,054**	15,661	15,661
Administration and other central services	**26,050**	**25,067**	28,346	27,656
Other income generating	**9,271**	**9,095**	8,853	8,956
	295,064	**293,062**	304,258	302,919
Remuneration of the Principal:				
Professor Anton Muscatelli		**276**		271
Contribution in respect of pensions:				
Professor Anton Muscatelli		**46**		43

NOTES TO THE FINANCIAL STATEMENTS
Continued

7 Staff costs (continued)	2016 Number	2015 Number
Average full time equivalent staff members by major category		
Academic departments	**2,545**	2,416
Academic services	**363**	366
Research grants and contracts	**1,302**	1,263
Residences and hospitality services	**113**	140
Premises	**508**	499
Administration and other central services	**580**	552
Other income generating	**176**	201
	5,587	5,437

Key management personnel: All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the group are considered to be key management personnel. Total remuneration in respect of these individuals is £2,031,634 (2015: £1,932,300).

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

	2016 Number		2015 Number	
	Non clinical	Clinical	Non clinical	Clinical
£100,001 - £110,000	**33**	**14**	27	15
£110,001 - £120,000	**13**	**6**	16	5
£120,001 - £130,000	**12**	**10**	10	11
£130,001 - £140,000	**8**	**11**	9	7
£140,001 - £150,000	**3**	**7**	4	9
£150,001 - £160,000	**3**	**4**	5	6
£160,001 - £170,000	**3**	**9**	-	4
£170,001 - £180,000	**-**	**5**	1	8
£180,001 - £190,000	**1**	**7**	1	11
£190,001 - £200,000	**1**	**2**	-	3
£200,001 - £210,000	**-**	**3**	-	1
£210,001 - £220,000	**-**	**1**	-	-
£220,001 - £230,000	**-**	**-**	-	-
£230,001 - £240,000	**-**	**-**	-	1
£240,001 - £250,000	**-**	**-**	-	-
£250,001 - £260,000	**-**	**1**	-	-
£260,001 - £270,000	**-**	**-**	-	-
£270,001 - £280,000	**1**	**-**	1	-

8 Interest and other finance costs	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Net charge on pension schemes (note 25)	**2,963**	**2,963**	2,031	2,031
Interest on private placement bond	**64**	**64**	-	-
	3,027	**3,027**	2,031	2,031

NOTES TO THE FINANCIAL STATEMENTS
Continued

9 Other operating expenses	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Academic departments	**60,491**	**60,491**	57,405	57,405
Academic services	**9,787**	**9,787**	9,117	9,117
Research grants and contracts	**68,670**	**68,670**	62,394	62,394
Residences and hospitality services	**19,368**	**19,368**	20,058	20,058
Premises	**34,041**	**34,041**	32,034	32,034
Administration and other central services	**21,090**	**21,930**	20,767	20,348
Agency staff	**2,601**	**2,081**	1,633	1,633
Other income generating	**4,083**	**4,878**	6,785	6,463
	220,131	**221,246**	210,193	209,452
Contract cancellation expense	**21,903**	**21,903**	-	-
	242,034	**243,149**	210,193	209,452

Other operating expenses include the following fees (including VAT) in respect of services provided to the group for:	Consolidated 2016 £000	Consolidated 2015 £000
External auditors' remuneration in respect of audit services	**114**	86
External auditors' remuneration in respect of non-audit services	**26**	25
Internal auditors' remuneration in respect of audit services	**180**	308
Internal auditors' remuneration in respect of non-audit services	**116**	146
Operating lease rentals		
Land and buildings	**3,141**	3,421

10 Exceptional items (Consolidated and University)	2016 £000	2015 £000
Included within income:		
RDEC tax credits	**2,618**	20,369
Deferred capital grants released in the year – funding body grants	**-**	3,368
Deferred capital grants released in the year – other income	**-**	2,647
	2,618	26,384
Included within expenditure:		
Contract cancellation expense in relation to GSV	**21,903**	-
	21,903	-

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 provided that the company would operate and maintain the residences to agreed standards and that the University would continue to market and allocate rooms to students and provide them with pastoral care. The University had a future option to repurchase the properties. The financial statements in the prior year reflected the economic substance of these transactions. Accordingly the property, plant and equipment involved, £33.8m (2014: £34.8m) are included in land and buildings in the prior year.

NOTES TO THE FINANCIAL STATEMENTS
Continued

10 Exceptional items (continued)

On 13 July 2016 the University entered into a commercial agreement with Glasgow Student Villages Ltd (GSV) and its parent Sanctuary Housing Association to re-purchase the six student residences using £70m of private placement funding. The main purpose of the deal was to cancel the original contract, refinance the original loan and interest rate swaps taken out by GSV (and ultimately charged to the University over the contract duration), gain title to the assets and free up short term cash. A net payment of £64.2m was made to complete the transaction which resulted in the University recording an increase in fixed assets of £17.1m representing the value of title to the residences, a decrease of £0.9m in prepayments and release of £26.1m of deferred income associated with the original transaction. The overall result of the transaction was to recognise £21.9m of costs written off to the income and expenditure account in the current year.

The 2015 exceptional items comprise i) £20.4m in respect of RDEC tax credits included within research income and a corresponding corporation tax charge of £4.4m in respect of this income ii) deferred capital grants released in respect of assets on which a loss on disposal arose and is included within the net loss on disposal of fixed assets. The assets were written off as a result of a reconfiguration of NHS facilities following the move to the Queen Elizabeth University Hospital.

11 Taxation	**2016**	**2015**
	£000	**£000**
UK Corporation tax	**547**	4,447
Singapore corporation tax at 17% on the profits of UGlasgow Singapore Pte Ltd (2015: 11.8%)	**34**	45
	581	4,492

As an exempt charity the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The UK Corporation tax is solely in respect of Research and Development Expenditure Credit grants receivable by the University as described in note 3.

Reconciliation of current year UK corporation tax charge	**2016**	**2015**
	£000	**£000**
Surplus after depreciation of property, plant and equipment at valuation and after exceptional items	**14,114**	26,147
Surplus on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 20.00% (2015: 20.67%)	**2,823**	5,404
Surplus falling within charitable exemption	**(2,227)**	(921)
Adjustment in respect of prior year tax rates	**23**	238
Effect of tax rates in foreign jurisdiction	**(38)**	(229)
	581	4,492

NOTES TO THE FINANCIAL STATEMENTS
Continued

12 Property, plant & equipment Consolidated:	Freehold land and buildings £000	Equipment £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost or valuation:					
As at 1 August 2015	701,668	126,650	-	33,795	862,113
Additions	17,130	11,361	-	47,273	75,764
Disposals	(3,487)	-	-	-	(3,487)
Transfers	45,052	-	11,495	(56,547)	-
Assets retired	(6,244)	(25,388)	-	-	(31,632)
As at 31 July 2016	**754,119**	**112,623**	**11,495**	**24,521**	**902,758**
Depreciation:					
As at 1 August 2015	92,804	94,879	-	-	187,683
Charge for the year	21,036	9,721	125	-	30,882
Eliminated on disposal	(2,530)	-	-	-	(2,530)
Assets retired	(4,673)	(25,388)	-	-	(30,061)
As at 31 July 2016	**106,637**	**79,212**	**125**	**-**	**185,974**
Net Book Value:					
As at 31 July 2016	**647,482**	**33,411**	**11,370**	**24,521**	**716,784**
As at 31 July 2015	608,864	31,771	-	33,795	674,430

University:	Freehold land and buildings £000	Equipment £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost or valuation:					
As at 1 August 2015	701,668	126,353	-	25,757	853,778
Additions	17,130	11,361	-	38,284	66,775
Disposals	(3,487)	-	-	-	(3,487)
Transfers	39,520	-	-	(39,520)	-
Assets retired	(6,244)	(25,091)	-	-	(31,335)
As at 31 July 2016	**748,587**	**112,623**	**-**	**24,521**	**885,731**
Depreciation:					
As at 1 August 2015	92,804	94,582	-	-	187,386
Charge for the year	21,000	9,721	-	-	30,721
Eliminated on disposal	(2,530)	-	-	-	(2,530)
Assets retired	(4,673)	(25,091)	-	-	(29,764)
As at 31 July 2016	**106,601**	**79,212**	**-**	**-**	**185,813**
Net Book Value:					
As at 31 July 2016	**641,986**	**33,411**	**-**	**24,521**	**699,918**
As at 31 July 2015	608,864	31,771	-	25,757	666,392

Due to the change in the University's capitalisation policy a number of assets have been retired from both freehold land and buildings and equipment. The loss on the retirement of freehold land and buildings was £1.5m.

NOTES TO THE FINANCIAL STATEMENTS
Continued

12 Property, plant & equipment (continued)

Valuations were carried out at 31 July 2014 as part of the transition to FRS 102 using either the depreciated replacement cost or income generating method where appropriate. The result of the revaluation is an increase in net book value of £143.5m; this is split between a decrease in cost of £162.1m relating to the 2014 valuation; however, this is offset by a reversal of accumulated depreciation on revaluation of £305.7m. On transition to FRS 102 the valuation becomes the deemed cost and these assets are depreciated based on the remaining useful lives.

Property owned by the University includes academic buildings, student residences and other associated properties including a conference centre, a sports centre and museum and art gallery, none of which is considered to be inalienable. Freehold land and buildings contains £94.9m of land (2015: £74.6m) which is not depreciated and £24.5m (2015: £33.8m) of assets that are under construction and have not yet received a charge for depreciation.

13 Heritage assets

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

The Hunterian

The Hunterian at the University of Glasgow is Scotland's oldest public museum and the collections are 'recognised' by the Scottish Government as being of 'national significance'. The Hunterian has full accreditation through Museums Galleries 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 Peploe 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.

The main Hunterian Museum is open to visitors on Tuesday to Saturday 10am to 5pm and Sundays 11am to 4pm. The Zoology museum is open Monday to Friday 9am to 5pm. The Hunterian Art Gallery and the Mackintosh House are open to visitors Tuesday to Saturday 10am to 5pm and Sunday 11am to 4pm. Access to the Anatomy Museum is available by appointment only. Information about the Hunterian's policy for the acquisition, preservation and management and disposal of heritage assets can be found at: http://www.gla.ac.uk/media/media_287267_en.pdf. There have been no significant disposals or acquisitions during the financial year.

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.

Special Collections is open to the public Monday to Thursday 9am to 5pm (6pm during term time) and Friday 10am to 5pm. Special Collections is closed during public holidays. Information about Special Collection's policy for the acquisition, preservation and management and disposal of heritage assets can be found at:
www.gla.ac.uk/services/specialcollections/aboutus/developmentpolicy/. There have been no significant disposals or acquisitions during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
Continued

13 Heritage assets (continued)

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. Archive services are open to the public as follows: Monday to Friday 9.30am to 5pm. Archive Services is closed during public holidays. Information about the Archive Services' policy for the acquisition, preservation and management and disposal of heritage assets can be found at:
http://www.gla.ac.uk/media/media_61203_en.pdf.

Annual details can be found at: http://www.gla.ac.uk/services/archives/about/ourperformance/annualreviews/. There have been no significant disposals or acquisitions during the financial year.

Reliable information on cost or valuation cannot be obtained for the vast majority of collections held within the Hunterian Museum and Art Gallery, Special Collections and Archive Services. This is because of the diverse nature of the assets held, the number of assets held and the lack of comparable market values. The University does not therefore recognise these assets on the balance sheet, other than recent acquisitions which are reported at cost, where the object is purchased, or at the University's best estimate of current value where the object is donated and meets the definition of a heritage asset. Acquisitions in the year to 31 July 2016 do not meet the definition of a heritage asset and therefore are not recognised on the balance sheet.

14 Investments	**Consolidated 2016 £000**	**University 2016 £000**	**Consolidated 2015 £000**	**University 2015 £000**
Treasury stock at market value	**2,010**	**2,010**	2,122	2,122
Unlisted investments at cost	**787**	**20,234**	84	9,834
Listed investments at market value	**1,010**	**-**	8,261	-
Endowment assets (note 19)	**168,972**	**168,972**	163,018	163,018
	172,779	**191,216**	173,485	174,974

The University has a direct interest of 100% in both the ordinary share capital and preference share capital of GU Holdings Limited, Kelvin Nanotechnology Limited, UOG Utilities Supply Company Limited and UGlasgow Singapore Pte Ltd, registered in Singapore. GU Holdings Limited owns 100% of the ordinary share capital of GU Heritage Retail Limited.

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. During the year, the University increased its capital investment in its unlisted investments, investing £10,000,000 into UOG Utilities Supplies Company Limited and a further £400,000 into GU Holdings Limited.

Endowment assets
Endowment assets comprise of the following categories of assets:

	Consolidated 2016 £000	**University 2016 £000**	**Consolidated 2015 £000**	**University 2015 £000**
Equities	**162,591**	**162,591**	154,689	154,689
Cash on deposit held by the investment managers	**6,381**	**6,381**	8,329	8,329
	168,972	**168,972**	163,018	163,018

NOTES TO THE FINANCIAL STATEMENTS
Continued

15 Trade and other receivables	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Amounts falling due within one year:				
Research grants and contracts	**46,556**	**46,556**	43,543	43,543
Prepayments and other sundry debtors	**26,979**	**26,129**	22,522	21,105
Capital projects	**-**	**-**	4,595	4,595
Salaries recoverable externally	**1,808**	**1,808**	1,542	1,542
Courses, consultancies and contracts	**2,998**	**2,998**	2,845	2,845
Net RDEC recoverable	**8,654**	**8,654**	15,922	15,922
Amounts due from subsidiaries	**-**	**4,468**	-	7,168
	86,995	**90,613**	90,969	96,720
Amounts falling due after more than one year:				
Lease incentive	**-**	**-**	3,832	3,832
	86,995	**90,613**	94,801	100,552

16 Creditors: amounts falling due within one year	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Research grants and contracts	**97,832**	**97,832**	91,294	91,294
Sundry creditors	**26,849**	**26,629**	30,174	30,037
Accruals and sundry provisions	**73,904**	**74,065**	71,589	69,662
Courses, consultancies and contracts	**19,439**	**19,439**	15,030	15,030
Employment cost liabilities	**11,474**	**11,158**	10,119	10,113
Amounts due to subsidiaries	**-**	**119**	-	170
	229,498	**229,242**	218,206	216,306

Deferred income

Included within creditors: amounts falling due within one year are the following items of income which have been deferred until specific performance related conditions have been met.

	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Research grants - included within research grants and contracts	**85,832**	**85,832**	77,422	77,422
Grant income - included within accruals and sundry provisions	**4,651**	**4,651**	-	-
Other income - included within Courses, consultancies and contracts	**8,885**	**8,885**	6,552	6,552
	99,368	**99,368**	83,974	83,974

NOTES TO THE FINANCIAL STATEMENTS
Continued

17	Creditors: amounts falling due after more than one year	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
	Unsecured private placement bond*	**70,000**	**70,000**	-	-
	Deferred income	**-**	**-**	27,610	27,610
		70,000	**70,000**	27,610	27,610

* In July 2016 unsecured private placement bonds were issued for the sum of £30,000,000 over a 30 year term with a coupon rate of 2.97%. There are no capital payments to be made over the term, with the bonds maturing in 2046. In addition unsecured private placement bonds were issued for the sum of £40,000,000 over a 35 year term with a coupon rate of 3.01%. There are no capital payments to be made over the term, with the bonds maturing in 2051.

The agreement entered into by the University for the private placement bonds funding contains certain covenants on the University incurring further indebtedness. These restrictions are set out below:
(a) The University shall not permit net debt at any time to exceed 50% of consolidated total assets (before any adjustment is made for the purposes of retirement obligations).
(b) The University shall not permit the total borrowing costs in relation to any financial year to exceed 7% of the total consolidated income for that financial year.
(c) The covenants in the agreement shall be tested by reference to the annual financial statements delivered pursuant to the agreement.

18	Provisions for liabilities (Consolidated and University)	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
	As at 1 August 2015	**2,788**	**1,531**	**9**	**4,328**
	Income	**47**	**-**	**-**	**47**
	Transfer from income & expenditure account	**301**	**143**	**-**	**444**
	Utilised in year	**(161)**	**(168)**	**-**	**(329)**
	As at 31 July 2016	**2,975**	**1,506**	**9**	**4,490**

A valuation of the pension liabilities at 31 July 2016 was carried out by the University's appointed independent actuary, Hymans Robertson.

NOTES TO THE FINANCIAL STATEMENTS
Continued

19 Endowment funds (Consolidated and University)	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2016 Total £000	2015 Total £000
As at 1 August						
Capital value	3,425	116,227	119,652	22,788	**142,440**	137,363
Accumulated income	592	18,331	18,923	2,953	**21,876**	20,485
	4,017	**134,558**	**138,575**	**25,741**	**164,316**	157,848
Reclassification of categories	(2,244)	2,244	-	-	**-**	-
New endowments	-	780	780	744	**1,524**	1,312
Investment income	73	5,247	5,320	980	**6,300**	6,246
Expenditure	(36)	(4,000)	(4,036)	(1,164)	**(5,200)**	(5,465)
Increase in market value of investments	43	3,338	3,381	626	**4,007**	4,375
As at 31 July	**1,853**	**142,167**	**144,020**	**26,927**	**170,947**	164,316
Represented by:						
Capital value	1,531	122,302	123,833	23,861	**147,694**	142,440
Accumulated income	322	19,865	20,187	3,066	**23,253**	21,876
	1,853	**142,167**	**144,020**	**26,927**	**170,947**	164,316
Analysis by type of purpose:						
Lectureships	1,853	61,170	63,023	17,587	**80,610**	77,472
Scholarships and bursaries	-	70,100	70,100	9,247	**79,347**	76,125
Prize funds	-	6,052	6,052	93	**6,145**	5,952
General	-	4,845	4,845	-	**4,845**	4,767
	1,853	**142,167**	**144,020**	**26,927**	**170,947**	164,316

Analysis by asset:	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Current and non-current investments (note 14)	**168,972**	**168,972**	163,018	163,018
Cash and cash equivalents	**1,975**	**1,975**	1,298	1,298
	170,947	**170,947**	164,316	164,316

Major endowments

Restricted permanent endowments include the Postgraduate Scholarships for Advanced Study and Research which is awarded to enable graduates or holders of qualifications accepted by the Court to undertake advanced study or research.

The movements on this fund for the year were as follows:	**£000**
Balance at 1 August 2015	28,654
Investment income	1,080
Expenditure	(1,275)
Increase in market value of investments	812
Balance at 31 July 2016	**29,271**

NOTES TO THE FINANCIAL STATEMENTS
Continued

20	Restricted reserves (Consolidated and University)	Capital grants unspent 2016 £000	Donations 2016 £000	Total 2016 £000	Total 2015 £000
	Income and expenditure reserve				
	As at 1 August	**3,384**	**1,243**	**4,627**	13,652
	New grants	**-**	**-**	**-**	-
	New donations	**-**	**1,691**	**1,691**	(28)
	Investment income	**-**	**-**	**-**	-
	Capital grants utilised	**(1,240)**	**-**	**(1,240)**	(8,997)
	Expenditure	**-**	**-**	**-**	-
	As at 31 July	**2,144**	**2,934**	**5,078**	4,627

21 Commitments and contingencies

Capital commitments	Consolidated 2016 £000	University 2016 £000	Consolidated 2015 £000	University 2015 £000
Commitments contracted at 31 July	**20,894**	**20,664**	23,838	15,665
Authorised but not contracted at 31 July	**25,866**	**25,866**	38,249	38,249
	46,760	**46,530**	62,087	53,914

Lease commitments as a lessee

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings 2016 £000	2015 £000
- Within one year	**15,515**	2,825
- In two to five years	**28,412**	2,554
- After more than five years	**1,932**	4,496
	45,859	9,875

Lease payments receivable as a lessor

The total of future minimum lease payments receivable under non-cancellable operating leases for each of the following periods:

	Land and buildings 2016 £000	2015 £000
- Within one year	**7,700**	-
- In two to five years	**15,400**	-
- After more than five years	**-**	-
	23,100	-

NOTES TO THE FINANCIAL STATEMENTS
Continued

22 Events after the reporting period

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

23 Amounts disbursed as agent (Consolidated and University)

	HE Childcare Fund £000	HE Discretionary Fund £000	2016 Total £000	2015 Total £000
As at 1 August	**-**	**-**	**-**	-
Funds received in year	**516**	**1,043**	**1,559**	1,514
Expenditure	**(204)**	**(1,356)**	**(1,560)**	(1,517)
Virements	**(312)**	**312**	**-**	-
Interest	**-**	**1**	**1**	3
As at 31 July	**-**	**-**	**-**	-

24 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 Scottish Code of Good HE Governance, 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.

No material transactions have taken place.

NOTES TO THE FINANCIAL STATEMENTS
Continued

25 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' Pension Scheme (STPS);
e) The National Health Service Pension Scheme (NHSPS);
f) The Federated Superannuation Scheme for Universities (FSSU);
g) The Medical Research Council Pension Scheme (MRCPS);
h) The National Employment Savings Trust (NEST); i) NEST Autoenrol; and ii) NEST Contractual.

The total pension costs for the University were as follows:	**2016 £000**	2015 £000
USS - contributions paid	**38,515**	35,711
UGPS - charge to income and expenditure account	**12,318**	11,015
SPF - charge to income and expenditure account	**139**	135
Other schemes - contributions paid	**1,960**	1,610
	52,932	48,471

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 figures within note 7 to the financial statements reflect the reduced gross pay earned by staff under this arrangement. The total pension costs shown above and in note 7 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 102 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:

Pension provisions at 31 July	**2016 £000**	2015 £000
UGPS net deficit in the scheme	**(52,635)**	(48,309)
SPF net deficit in the scheme	**(643)**	(1,484)
	(53,278)	(49,793)
USS deficit reduction plan provision	**(51,987)**	(46,576)
Total pension provisions at 31 July	**(105,265)**	(96,369)
Amount recognised in the Statement of Comprehensive Income		
UGPS	**(3,085)**	(14,132)
SPF	**687**	1,327
Total losses for the year	**(2,398)**	(12,805)
Total net finance cost		
UGPS	**(1,494)**	(1,165)
SPF	**(49)**	(113)
USS	**(1,420)**	(753)
Total net finance cost	**(2,963)**	(2,031)

NOTES TO THE FINANCIAL STATEMENTS
Continued

25 Pension schemes (continued)

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 102, 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.

a) UGPS

This is a defined benefit scheme which is externally funded and from 31 March 2016 is no longer contracted out of the State Second Pension. 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. The scheme closed to new members with effect from 1 April 2014. A full actuarial valuation was carried out as at 1 April 2013.

The major assumptions used at 31 July are shown below:

	2016	2015	2014
Discount rate	**2.50%**	3.50%	4.10%
Retail price inflation	**2.70%**	3.25%	3.35%
Rate of increase in salaries	**2.70%**	3.25%	3.35%
Rate of increase to pensions in payment	**1.80%**	2.25%	2.35%
Consumer price inflation	**1.70%**	2.25%	2.35%

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

	2016	**2016**	2015	2015
	Male	**Female**	Male	Female
Member age 65 (current life expectancy)	**22.1**	**23.8**	22.8	24.3
Member age 45 (life expectancy at age 65)	**24.8**	**25.5**	25.5	26.0

The assets in the scheme were:	**Value at 31 July 2016 £000**	Value at 31 July 2015 £000	Value at 31 July 2014 £000
UK equities	**52,774**	53,982	121,039
Overseas equities	**128,287**	103,241	80,693
Corporate bonds	**41,884**	38,462	15,000
Government bonds	**76,877**	63,092	15,000
Diversified growth fund	**73,412**	69,839	67,336
Cash	**5,364**	8,772	548
Total	**378,598**	337,388	299,616

The following amounts at 31 July 2016 were measured in accordance with the requirements of FRS 102:

	Value at 31 July 2016 £000	Value at 31 July 2015 £000	Value at 31 July 2014 £000
Total market value of assets	**378,598**	337,388	299,616
Present value of liabilities	**(431,233)**	(385,697)	(334,489)
Deficit in the scheme	**(52,635)**	(48,309)	(34,873)

NOTES TO THE FINANCIAL STATEMENTS
Continued

25 Pension schemes (continued)

a) UGPS (continued)

The University has contributed 22.5% of pensionable salaries over the period to 31 July 2016. Additionally the University made a lump sum deficit reduction contribution of £2.56m in March 2016 (2015: £2.50m). The University expects to continue to make deficit reduction contributions of £2.5m per year increasing by 2.5% per annum from 1 April 2014 to 31 March 2034. The recovery plan will be revisited every three years.

	2016	2015
Amount charged to operating surplus:	**£000**	£000
Current service cost	**(10,974)**	(9,932)
Administration costs	**(1,344)**	(1,083)
Total operating charge	**(12,318)**	(11,015)
Other finance costs:		
Expected return on scheme assets	**11,805**	12,328
Interest on scheme liabilities	**(13,299)**	(13,493)
Total net return	**(1,494)**	(1,165)
Total pension cost recognised in the income and expenditure account	**(13,812)**	(12,180)
Other Comprehensive Income (OCI):		
Actual return on assets excluding amounts included in net interest	**29,613**	24,414
Actuarial losses on scheme obligations	**(32,698)**	(38,546)
Actuarial losses recognised in the OCI	**(3,085)**	(14,132)

The cumulative loss recognised in the Other Comprehensive Income to date is £18.9m (2015: £15.8m loss).

Movements in present value of scheme assets during the year:	**2016**	2015
	£000	£000
Assets at beginning of the year	**337,388**	299,616
Movement in year:		
Interest income	**11,805**	12,328
Actual return on assets excluding amounts included in net interest	**29,613**	24,414
Contributions by the employer	**12,571**	12,876
Benefits paid	**(12,779)**	(11,846)
Assets at the end of the year	**378,598**	337,388

Movements in present value of scheme liabilities during the year:	**2016**	2015
	£000	£000
Liabilities at beginning of the year	**385,697**	334,489
Movement in year:		
Current service cost	**10,974**	9,932
Administration costs	**1,344**	1,083
Interest cost	**13,299**	13,493
Actuarial (gains)/losses	**32,698**	38,546
Benefits paid	**(12,779)**	(11,846)
Liabilities at the end of the year	**431,233**	385,697

NOTES TO THE FINANCIAL STATEMENTS
Continued

25 Pension schemes (continued)

a) UGPS (continued)

Details of the experience gains and losses for the years to 31 July:	**2016 £000**	2015 £000	2014 £000	2013 £000	2012 £000
Fair value of scheme assets	**378,598**	337,388	299,616	260,815	208,245
Present value of scheme liabilities	**(431,233)**	(385,697)	(334,489)	(318,497)	(327,582)
Deficit in the scheme	**(52,635)**	(48,309)	(34,873)	(57,682)	(119,337)

b) SPF

This is an externally funded, multi-employer, defined benefit scheme and from 31 March 2016 is no longer contracted out of the State Second Pension. 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 2014 valuation results, rolled forward onto the FRS 102 assumptions at 31 July 2016.

The major assumptions used at 31 July are shown below:

	2016	2015	2014
Discount rate	**2.50%**	3.50%	4.10%
Retail price inflation	**2.70%**	3.25%	3.35%
Rate of increase in salaries	**2.70%**	3.25%	3.35%
Rate of increase to pensions in payment	**1.80%**	2.25%	2.35%
Consumer price inflation	**1.70%**	2.25%	2.35%

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

	2016 Male	**2016 Female**	2015 Male	2015 Female
Member age 65 (current life expectancy)	**22.1**	**23.8**	22.8	24.3
Member age 45 (life expectancy at age 65)	**24.8**	**25.5**	25.5	26.0

The assets in the scheme were:	**Value at 31 July 2016 £000**	Value at 31 July 2015 £000	Value at 31 July 2014 £000
Equities	**10,890**	10,183	10,116
Bonds	**2,269**	1,629	1,597
Property	**1,966**	1,629	932
Cash	**-**	137	666
Total	**15,125**	13,578	13,311

NOTES TO THE FINANCIAL STATEMENTS
Continued

25 Pension schemes (continued)

b) SPF (continued)

The following amounts at 31 July 2016 were measured in accordance with the requirements of FRS 102:

	Value at 31 July 2016 £000	Value at 31 July 2015 £000	Value at 31 July 2014 £000
Total market value of assets	**15,125**	13,578	13,311
Present value of liabilities	**(15,768)**	(15,062)	(16,159)
Deficit in the scheme	**(643)**	(1,484)	(2,848)

The University paid contributions to the fund at 24.5% of pensionable salaries over the year to 31 July 2016 and expects to make similar contributions over the next year.

Additionally the University has paid £232k of deficit contributions between 1 August 2015 and 31 July 2016 (2015: £155k).

Amount charged to operating surplus:	**2016 £000**	2015 £000
Current service cost	**(139)**	(135)
Total operating charge	**(139)**	(135)
Other finance costs:		
Expected return on scheme assets	**468**	538
Interest on scheme liabilities	**(517)**	(651)
Total net return	**(49)**	(113)
Total pension cost recognised in the income and expenditure account	**(188)**	(248)

	2016 £000	2015 £000
Other Comprehensive Income (OCI):		
Actual return on assets excluding amounts included in net interest	**1,486**	105
Actuarial (losses)/gains on scheme obligations	**(799)**	1,222
Actuarial gains recognised in the OCI	**687**	1,327

The cumulative loss recognised in the Other Comprehensive Income to date is £0.5m (2015: £1.1m loss).

Movements in present value of scheme assets during the year:	**2016 £000**	2015 £000
Assets at beginning of the year	**13,578**	13,311
Movement in year:		
Interest income	**468**	538
Actual return on assets excluding amounts included in net interest	**1,486**	105
Contributions by the employer	**342**	285
Contributions by the scheme participants	**29**	32
Benefits paid	**(778)**	(693)
Assets at the end of the year	**15,125**	13,578

NOTES TO THE FINANCIAL STATEMENTS
Continued

25 Pension schemes (continued)

b) SPF (continued)

Movements in present value of scheme liabilities during the year:	**2016 £000**	2015 £000
Liabilities at beginning of the year	**15,062**	16,159
Movement in year:		
Current service cost	**139**	135
Interest cost	**517**	651
Actuarial losses/(gains) on scheme obligations	**799**	(1,222)
Contributions by the scheme participants	**29**	32
Benefits paid	**(778)**	(693)
Liabilities at the end of the year	**15,768**	15,062

Details of the experience gains and losses for the years to 31 July:	**2016 £000**	2015 £000	2014 £000	2013 £000	2012 £000
Fair value of scheme assets	**15,125**	13,578	13,311	12,900	11,186
Present value of scheme liabilities	**(15,768)**	(15,062)	(16,159)	(14,818)	(14,339)
Deficit in the scheme	**(643)**	(1,484)	(2,848)	(1,918)	(3,153)

c) USS

	2016 £000	2015 £000
USS deficit reduction plan provision		
At beginning of the year	**(46,576)**	(24,704)
Utilised in the year	**2,110**	3,902
Revaluation/additions in the period	**(6,101)**	(25,021)
Unwinding of the discount rate	**(1,420)**	(753)
USS deficit reduction plan provision at 31 July	**(51,987)**	(46,576)

The Universities Superannuation Scheme (USS) is a UK-wide scheme which throughout the current and preceding periods was a defined benefit only pension scheme and until 31 March 2016 was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the schemes assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as is required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

On conversion to FRS 102, the University has recognised a provision for the present value of the deficit reduction plan for the USS scheme.

The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. From 1 April 2016 this percentage increased from 16% to 18% (2015: 16%). The total USS pension cost for the University was £38.5m (2015: £35.7m). This includes £3.5m (2015: £3m) of outstanding contributions at the balance sheet date. The latest available full actuarial valuation of the scheme was at 31st March 2014 ("the valuation date"), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

NOTES TO THE FINANCIAL STATEMENTS
Continued

25 Pension schemes (continued)

c) USS (continued)

The 2014 valuation was the third valuation for USS under the 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The assets were therefore sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	**2015**
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Price inflation (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	S1NA ["light"] YoB tables – no age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down one year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2016	**2015**
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.3
Males currently aged 45 (years)	26.4	26.2
Females currently aged 45 (years)	28.8	28.6

Existing benefits	**2016**	**2015**
Scheme assets	£49.8bn	£49.0bn
Total scheme liabilities	£58.3bn	£67.6bn
FRS 102 total scheme deficit	£8.5bn	£18.6bn
FRS 102 total funding level	85%	72%

d) STPS

Former members of the academic staff of St Andrew's College of Education are covered by the Scottish Teachers Pension Scheme (STPS). STPS is a Scottish-wide scheme which throughout the current and preceding periods was a defined benefit only pension scheme and until 31 March 2016 was contracted out of the State Second Pension (S2P). Under the definitions set out in FRS 102, the STPS is a multi-employer scheme. The University of Glasgow is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has applied the exemption in FRS 102 and has accounted as if it were a defined contribution scheme. An actuarial assessment was carried out at 31 March 2012. The Scheme had total liabilities, for service to the 31 March 2012 of £20.9 billion and notional assets of £19.6 billion giving a notional past service deficit of £1.3 billion.

NOTES TO THE FINANCIAL STATEMENTS
Continued

25 Pension schemes (continued)

d) STPS (continued)

With effect from 1st April 2014 employees' regular contributions moved to a tiered system with a minimum amount of 6.4% of pensionable salary and a maximum amount of 12.4% of pensionable salary. The total pension cost for the institution was £89k (2015: £88k). This includes £7k (2015: £7k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £59k (2015: £66k) and £6.8k (2015: £5.5k) in respect of additional voluntary contributions.

e) NHSPS

NHS Pension Scheme (Scotland) (NHSPS) is a Scottish-wide scheme which throughout the current and preceding periods was a defined benefit only pension scheme and until 31st March 2016 was contracted out of the State Second Pension (S2P). The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as the University of Glasgow is unable to identify its share of the underlying assets and liabilities of the scheme. An actuarial assessment was carried out at 31 March 2012. The Scheme had total liabilities, for service to the 31 March 2012 of £28.2 billion and notional assets of £26.8 billion giving a notional past service deficit of £1.4 billion. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuary at a level to meet the cost of pensions as they accrue.

Financial assumptions at 31 March 2012

Discount Rate	3% pa real; 5.06% pa nominal
Pension increase:	2% pa
Long term salary growth:	4.75% pa, 2.75% pa in excess of assumed CPI

The total pension cost for the University was £691k (2015: £698k). This includes £56k (2015: £58k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £487k (2015: £513k) and £7k (2015: £6k) in respect of additional voluntary contributions.

f) FSSU

FSSU is a defined benefit scheme that is not-contracted out of the State Second Pension (S2P) 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 are no contributing members due to the last contributing member retiring on 30 September 2014.

g) MRCPS

Former members of staff of the Medical Research Council (MRC) transferred to the University of Glasgow under TUPE regulations are covered by the MRCPS, which is a multi-employer defined benefits scheme. Under the definitions set out in FRS 102, the MRCPS is a multi-employer scheme. The University of Glasgow is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted as if it were a defined contribution scheme. The following information is available on the scheme:

The MRC operates a funded pension scheme (MRCPS) providing benefits based on service and final pensionable pay at the normal retirement age of 65. The scheme is a defined benefit scheme that prepares its own scheme statements. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of between 6.0% and 6.5% pensionable earnings to the Scheme. In addition to the principal section, the supplementary benefits section exists to provide additional benefits in the event of ill-health retirement or death-in-service. It is solely funded by members' contributions.

25 Pension schemes (continued)

g) MRCPS (continued)

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary. The latest actuarial assessment of the MRCPS was at 31 December 2013 at which showed a surplus of £160.1m (2010 valuation: £82.1m) and the market value of the assets of the MRCPS was £1,054m (2010: £884m), an ongoing funding level of 118% (2010 valuation: 110%). The actuarial value of the assets was sufficient to cover 118% of the benefits that had accrued to members after allowing for expected future increases in earnings. Triennial valuations are conducted under the Pensions Act 2004 on a scheme specific funding basis. The present MRCPS employers' contribution rate is 14.9%.

The valuation below has been based on the data for the most recent actuarial valuations as at 31 December 2013, and updated to take account of the requirements of International Accounting Standard 19 in order to assess the liabilities of the scheme at 31 March 2015. The mortality assumptions included within the figures are that male (female) members who retire at typical ages will live to approximately age 88 (90).

Financial assumptions used to calculate scheme liabilities as at 31 March 2015:

Rate of increase on pensionable salaries	2.85%
Rate of increase on pension payments	1.85%
Discount rate	3.10%
Inflation rate	1.85%
Expected return on equities	3.10%
Expected return on bonds	3.10%

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The table below indicates the approximate effects on the actuarial liability as at 31 March 2015 of changes to the main actuarial assumptions.

Change in assumption			**Approximate effect on total liability**
Discount rate	-1/2% a year	+10.5%	+127m
Rate of increase in earnings	-1/2% a year	-1.5%	-£18m
Rate of increase in pensions	-1/2% a year	-7.0%	-£84m
Removing age rate for pensioner mortality		+2.5%	+£30m

The total pension cost for the University was £396k (2015: £464k). This includes £31k (2015: £37K) of outstanding contributions at the balance sheet date. Employees' regular contributions were £172k (2015: £201k) and £27k (2015: £37k) in respect of additional voluntary contributions.

h) NEST

NEST is a defined contribution scheme that is not-contracted out of the State Second Pension (S2P) and covers qualifying workers under the NEST Autoenrol section of the scheme, and a number of support staff who had previously opted-out of UGPS under the NEST contractual section of the scheme. From 1st April 2014 it covers new members of staff who would previously have been eligible for UGPS. NEST has been set up by the government to assist employers in fulfilling their obligations under the Auto-Enrolment regulations. The University's staging date for Auto-Enrolment was 1st April 2013 and has since 're-staged' at 1 April 2016. The total pension cost for the University was £725k (2015: £360k). This includes £72k (2015: £42k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £301k (2015: £158k).

NOTES TO THE FINANCIAL STATEMENTS
Continued

26 Retranslation from previously published results to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the new FEHE SORP (2015 SORP). In preparing its FRS 102, SORP based Balance Sheet; the University has adjusted amounts previously reported in financial statements prepared in accordance with the previous basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's balance sheet, financial performance and cash flows is set out in the following tables.

		1 August 2014		31 July 2015	
Balance Sheet	**Note**	**Consolidated**	**University**	**Consolidated**	**University**
		£000	**£000**	**£000**	**£000**
Total reserves under 2007 SORP		632,292	627,745	683,808	678,634
Revaluation of property, plant and equipment	(1)	143,520	143,520	138,303	138,303
Provision for USS pension deficit reduction plan	(4)	(24,704)	(24,704)	(46,576)	(46,576)
Release of deferred capital grants	(3)	-	-	(7,600)	(7,600)
Release of capital grants	(3)	12,381	12,381	3,384	3,384
Release of equipment grants	(3)	6,174	6,174	6,689	6,689
Release of other grants	(3)	535	535	447	447
Holiday pay accrual	(3)	(5,144)	(5,144)	(7,401)	(7,401)
Recognition of income from fundraising	(3)	4,657	4,657	6,039	6,039
Recognition of income from donations	(3)	1,271	1,271	1,243	1,243
Reclassification of deferred capital grants from reserves to creditors falling due after more than one year	(5)	(29,099)	(29,099)	(27,610)	(27,610)
Total effect of transition to FRS 102		109,591	109,591	66,918	66,918
Total reserves under FRS 102		741,883	737,336	750,726	745,552

		Year to 31 July 2015	
Financial performance	**Note**	**Consolidated**	**University**
		£000	**£000**
Surplus for the year		45,484	46,057
Actuarial loss in respect of pension schemes		(20,811)	(20,811)
Exchange differences on translation of subsidiary undertakings		(7)	-
Income for the year under SORP 2007 after actuarial loss and currency translation		24,666	25,246
Revaluation of property, plant and equipment	(13)	(5,217)	(5,217)
Provision for USS pension deficit reduction plan and other pension changes	(10 & 12)	(21,872)	(21,872)
Release of deferred capital grants – funding body grants	(7)	7,576	7,576
– research grants and contracts	(8)	9,677	9,677
– other operating income	(9)	(3,461)	(3,461)
Release of capital grants – funding body grants	(7)	(8,997)	(8,997)
Release of equipment grants – research grants and contracts	(8)	1,033	1,033
– other operating income	(9)	(518)	(518)
Release of other grants – other operating income	(9)	(88)	(88)
Holiday pay accrual	(12)	(2,257)	(2,257)
Recognition of income from fundraising – other operating income	(9)	1,382	1,382
Recognition of income from donations – research grants and contracts	(8)	(28)	(28)
Reclassification from statement of recognised gains and losses to income statement	(11)	1,312	1,312
Reclassification from statement of recognised gains and losses to income statement	(11)	5,635	4,428
Total effect of transition to FRS 102		(15,823)	(17,030)
Total comprehensive income under FRS 102		8,843	8,216

NOTES TO THE FINANCIAL STATEMENTS
Continued

26 Retranslation from previously published results to FRS 102 and the 2015 SORP (continued)

		1 August 2014			31 July 2015		
Consolidated	**Note**	**Previously published results**	**Effect of transition to FRS 102**	**FRS 102**	**Previously published results**	**Effect of transition to FRS 102**	**FRS 102**
Non-current assets		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant & equipment	(1)	502,487	143,520	646,007	536,127	138,303	674,430
Investments	(2)	165,643	(1,286)	164,357	174,783	(1,298)	173,485
		668,130	142,234	810,364	710,910	137,005	847,915
Current assets							
Stock		732	-	732	782	-	782
Trade and other receivables		60,917	-	60,917	94,801	-	94,801
Investments		48,032	-	48,032	87,179	-	87,179
Cash and cash equivalents		115,352	-	115,352	66,562	-	66,562
		225,033	-	225,033	249,324	-	249,324
Less: Creditors – amounts falling due within one year	(3)	(218,698)	21,160	(197,538)	(222,305)	4,099	(218,206)
Net current assets		6,335	21,160	27,495	27,019	4,099	31,118
Total assets less current liabilities		674,465	163,394	837,859	737,929	141,104	879,033
Creditors: amounts falling due after more than one year	(5)	-	(29,099)	(29,099)	-	(27,610)	(27,610)
Provisions							
Pension provisions	(4)	(37,721)	(24,704)	(62,425)	(49,793)	(46,576)	(96,369)
Other provisions		(4,452)	-	(4,452)	(4,328)	-	(4,328)
Total net assets		632,292	109,591	741,883	683,808	66,918	750,726
Restricted reserves							
Income and expenditure reserve – endowment reserve		157,848	-	157,848	164,316	-	164,316
Income and expenditure reserve – restricted reserve		-	13,652	13,652	-	4,627	4,627
Unrestricted reserves							
Income and expenditure reserve – unrestricted	(6)	127,329	505,479	632,808	166,736	511,416	678,152
Deferred income	(3)	230,795	(230,795)	-	250,698	(250,698)	-
Pension reserve	(4)	(37,721)	(24,704)	(62,425)	(49,793)	(46,576)	(96,369)
Revaluation reserve	(1)	154,041	(154,041)	-	151,851	(151,851)	-
Total reserves		632,292	109,591	741,883	683,808	66,918	750,726

NOTES TO THE FINANCIAL STATEMENTS
Continued

26 Retranslation from previously published results to FRS 102 and the 2015 SORP (continued)

University	Note	1 August 2014 Previously published results	1 August 2014 Effect of transition to FRS 102	1 August 2014 FRS 102	31 July 2015 Previously published results	31 July 2015 Effect of transition to FRS 102	31 July 2015 FRS 102
Non-current assets		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant & equipment	(1)	502,487	143,520	646,007	528,089	138,303	666,392
Investments	(2)	160,251	(1,286)	158,965	176,272	(1,298)	174,974
		662,738	142,234	804,972	704,361	137,005	841,366
Current assets							
Stock		564	-	564	588	-	588
Trade and other receivables		64,510	-	64,510	100,552	-	100,552
Investments		48,032	-	48,032	87,179	-	87,179
Cash and cash equivalents		112,592	-	112,592	60,480	-	60,480
		225,698	-	225,698	248,799	-	248,799
Less: Creditors – amounts falling due within one year	(3)	(218,518)	21,160	(197,358)	(220,405)	4,099	(216,306)
Net current assets		7,180	21,160	28,340	28,394	4,099	32,493
Total assets less current liabilities		669,918	163,394	833,312	732,755	141,104	873,859
Creditors: amounts falling due after more than one year	(5)	-	(29,099)	(29,099)	-	(27,610)	(27,610)
Provisions							
Pension provisions	(4)	(37,721)	(24,704)	(62,425)	(49,793)	(46,576)	(96,369)
Other provisions		(4,452)	-	(4,452)	(4,328)	-	(4,328)
Total net assets		627,745	109,591	737,336	678,634	66,918	745,552
Restricted reserves							
Income and expenditure reserve – endowment reserve		157,848	-	157,848	164,316	-	164,316
Income and expenditure reserve – restricted reserve		-	13,652	13,652	-	4,627	4,627
Unrestricted reserves							
Income and expenditure reserve – unrestricted	(6)	125,172	503,089	628,261	165,159	507,819	672,978
Deferred income	(3)	230,795	(230,795)	-	250,698	(250,698)	-
Pension reserve	(4)	(37,721)	(24,704)	(62,425)	(49,793)	(46,576)	(96,369)
Revaluation reserve	(1)	151,651	(151,651)	-	148,254	(148,254)	-
Total reserves		627,745	109,591	737,336	678,634	66,918	745,552

NOTES TO THE FINANCIAL STATEMENTS
Continued

26 Retranslation from previously published results to FRS 102 and the 2015 SORP (continued)

Definitions of terms in FRS 102

Non-exchange transaction - A transaction whereby an entity receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Deemed cost - An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.

Performance related condition - A condition that requires the performance of a particular level of service or units of output to be delivered, with payment of, or entitlement to, the resources conditional on that performance.

(1) Property, plant and equipment and revaluation reserve

The group has elected to treat the valuation of property, plant and equipment as deemed cost on transition through the provisions of Section 35 Transition to FRS 102. The group revalued the majority of its assets resulting in an increase in property, plant and equipment by £143,520,000 and £138,303,000 for the group and University at 31 July 2014 and 31 July 2015 respectively. The previous revaluation reserve which had been recognised in both the consolidated and University balance sheet has been transferred to general reserves; this resulted in an adjustment of £154,041,000 and £151,851,000 for the group and £151,651,000 and £148,254,000 for the University at 31 July 2014 and 31 July 2015 respectively.

(2) Investments

Under the 2007 SORP endowment assets were shown separately on the balance sheet. Under the 2015 SORP they are instead shown under the asset category that the funds relate to (i.e. as investments, cash etc). There is a £1,286,000 adjustment between endowment assets and current liabilities for 31 July 2014 and £1,298,000 for 31 July 2015 for both the group and the University. This reflects cash received but not transferred to the investment managers.

(3) Creditors: amounts falling due within one year

As a result of the transition to FRS 102 there were a number of adjustments to creditors: amounts falling due within one year, these are outlined as follows:

	31 July 2014	31 July 2015
Non exchange transactions:	**£000**	**£000**
Release of capital grants	12,381	3,384
Release of equipment grants	6,174	6,689
Release of other grants	535	447
Recognition of income from fundraising	4,657	6,039
Recognition of income from donations	1,271	1,243
	25,018	17,802
Other adjustments:		
Recognition of holiday pay accrual	(5,144)	(7,401)
Reclassification of endowments (2)	1,286	1,298
Recognition of deferred capital grants	-	(7,600)
	21,160	4,099

Under FRS 102, Section 34, Specialised Activities, Incoming Resources from Non-Exchange Transactions notes that an entity shall recognise receipts of resources from non-exchange transactions when performance conditions are met. Under the provisions of this section the University has transferred a number of non-exchange transactions from current liabilities and accruals totalling £25,018,000 and £17,802,000 for the group and the University at 31 July 2014 and 31 July 2015 respectively.

NOTES TO THE FINANCIAL STATEMENTS
Continued

26 Retranslation from previously published results to FRS 102 and the 2015 SORP (continued)

(3) Creditors: amounts falling due within one year (continued)

As part of the transition to performance related conditions, the University has released its deferred capital grants specific reserve to general reserves which has resulted in a movement of £201,697,000 and £223,088,000 for the group and £201,697,000 and £223,088,000 for the University at 31 July 2014 and 31 July 2015 respectively. The remainder of the balance of deferred capital grants is discussed below in (5). The University has also reclassified two deferred capital grants under the transition to performance related conditions of the above section this resulted in a movement to creditors of £7,600,000 for the group and University for the year ended 31 July 2015.

Under FRS 102, the University is required to accrue for all holiday entitlement earned but not taken at the balance sheet date. The impact is to create a holiday pay accrual of £5,144,000 and £7,401,000 for the group and University at 31 July 2014 and 31 July 2015 respectively.

(4) Pension provisions and deficit reduction plan recognition

Under previous UK GAAP the Universities Superannuation Scheme (USS), a UK-wide defined benefit scheme, was accounted for by the University as a defined contribution scheme. Under FRS 102, the University has recognised its commitment to fund a deficit reduction plan for the scheme. At 31 July 2014 and 31 July 2015, the present value of the provision was £24,704,000 and £46,576,000 for both the group and the University.

(5) Reclassifications

In connection with the release of its deferred capital grants noted above in (3) the University reclassified its deferred income related to the Glasgow Student Villages from deferred income in reserves to creditors falling due after more than one year. This resulted in a reclassification of £29,099,000 and £27,610,000 for the group and £29,099,000 and £27,610,000 for the University at 31 July 2014 and 31 July 2015 respectively.

(6) Income and expenditure reserve – unrestricted

		1 August 2014		31 July 2015	
Balance Sheet	**Note**	**Consolidated**	**University**	**Consolidated**	**University**
		£000	**£000**	**£000**	**£000**
Income and expenditure reserve - unrestricted		127,329	125,172	166,736	165,159
Revaluation of property, plant and equipment	(1)	143,520	143,520	138,303	138,303
Release of revaluation reserve to general reserves	(1)	154,041	151,651	151,851	148,254
Release of deferred capital grants	(3)	201,696	201,696	215,488	215,488
Recognition of income from fundraising	(3)	4,657	4,657	6,039	6,039
Release of equipment grants	(3)	6,174	6,174	6,689	6,689
Release of other grants	(3)	535	535	447	447
Holiday pay accrual	(3)	(5,144)	(5,144)	(7,401)	(7,401)
Total effect of transition to FRS 102		505,479	503,089	511,416	507,819
Total reserves under FRS 102		632,808	628,261	678,152	672,978

NOTES TO THE FINANCIAL STATEMENTS
Continued

26 Retranslation from previously published results to FRS 102 and the 2015 SORP (continued)

Consolidated		Year to 31 July 2015 Previously published results £000	Effect of transition to FRS 102 £000	FRS 102 £000
Income				
Tuition fees and education contracts		142,930	-	142,930
Funding body grants	(7)	165,458	(1,421)	164,037
Research grants and contracts	(8)	172,982	10,682	183,664
Other income	(9)	74,296	(2,685)	71,611
Investment income	(10)	13,653	(5,446)	8,207
Donations and endowments	(11)	-	1,312	1,312
Total income		569,319	2,442	571,761
Expenditure				
Staff costs	(12)	279,600	24,658	304,258
Other operating expenses		210,193	-	210,193
Depreciation	(13)	24,416	5,217	29,633
Interest and other finance costs	(10)	-	2,031	2,031
Total expenditure		514,209	31,906	546,115
Surplus before other gains losses		55,110	(29,464)	25,646
Loss on disposal of property, plant and equipment		(5,134)	-	(5,134)
Gain on investments	(11)	-	5,635	5,635
Surplus before tax		49,976	(23,829)	26,147
Taxation		(4,492)	-	(4,492)
Surplus for the year		45,484	(23,829)	21,655
Actuarial loss in respect of pension schemes	(10)	(20,811)	8,006	(12,805)
Exchange differences on translation of subsidiary undertakings		(7)	-	(7)
Total comprehensive income for the year		24,666	(15,823)	8,843
Represented by				
Endowment comprehensive income for the year		6,468	-	6,468
Restricted comprehensive loss for the year		(9,025)	-	(9,025)
Unrestricted comprehensive income for the year		27,223	(15,823)	11,400
		24,666	(15,823)	8,843

NOTES TO THE FINANCIAL STATEMENTS
Continued

26 Retranslation from previously published results to FRS 102 and the 2015 SORP (continued)

		Year to 31 July 2015		
University		**Previously published results £000**	**Effect of transition to FRS 102 £000**	**FRS 102 £000**
Income				
Tuition fees and education contracts		139,906	-	139,906
Funding body grants	(7)	165,458	(1,421)	164,037
Research grants and contracts	(8)	172,982	10,682	183,664
Other income	(9)	76,015	(2,685)	73,330
Investment income	(10)	13,406	(5,446)	7,960
Donations and endowments	(11)	-	1,312	1,312
Total income		567,767	2,442	570,209
Expenditure				
Staff costs	(12)	278,261	24,658	302,919
Other operating expenses		209,452	-	209,452
Depreciation	(13)	24,416	5,217	29,633
Interest and other finance costs	(10)	-	2,031	2,031
Total expenditure		512,129	31,906	544,035
Surplus before other gains losses		55,638	(29,464)	26,174
Loss on disposal of property, plant and equipment		(5,134)	-	(5,134)
Gain on investments	(11)	-	4,428	4,428
Surplus before tax		50,504	(25,036)	25,468
Taxation		(4,447)	-	(4,447)
Surplus for the year		46,057	(25,036)	21,021
Actuarial loss in respect of pension schemes	(10)	(20,811)	8,006	(12,805)
Total comprehensive income for the year		25,246	(17,030)	8,216
Represented by				
Endowment comprehensive income for the year		6,468	-	6,468
Restricted comprehensive loss for the year		(9,025)	-	(9,025)
Unrestricted comprehensive income for the year		27,803	(17,030)	10,773
		25,246	(17,030)	8,216

(7) Funding body grants

Under the provisions of FRS 102 the University has released a number of non-exchange transactions to the income statement resulting in a decrease in income of £8,997,000 for the movement on capital grants and an increase in income of £7,576,000 for the release of deferred capital grants both affecting the funding body grants line for the group and University at 31 July 2015. The overall result is a decrease in income for funding body grants of £1,421,000.

NOTES TO THE FINANCIAL STATEMENTS
Continued

26 Retranslation from previously published results to FRS 102 and the 2015 SORP (continued)

(8) Research grants and contracts

Under the provisions of FRS 102 the University has released a number of non-exchange transactions to the income statement resulting in an increase in income of £10,682,000 to research grants and contracts for both the group and University at 31 July 2015.

	31 July 2015
	£000
Recognition of income from donations	(28)
Release of deferred capital grants	9,677
Release of equipment grants	1,033
	10,682

(9) Other operating income

Under the provisions of FRS 102 the University has released a number of non-exchange transactions to the income statement resulting in an overall decrease to income on the other operating income line of £2,685,000 for the group and University at 31 July 2015.

	31 July 2015
	£000
Recognition of income from fundraising	1,382
Movement on deferred capital grants	(3,461)
Movement on equipment grants	(518)
Movement on other grants	(88)
	(2,685)

(10) Investment income, interest and other finance costs and actuarial loss of pension schemes

There is a change under FRS 102 to the method of calculating the pension cost interest charge to the income statement for defined benefit schemes. Under previous UK GAAP the interest on the expected return on net assets was calculated using an expected asset return discount rate; however, under FRS 102 the interest is calculated using the discount rate for obligations. This resulted in the reversal of the previously booked finance credit of £5,446,000 to investment income for 31 July 2015 and the subsequent booking of an interest charge of £1,278,000 to interest and other finance costs. This further resulted in an adjustment to the actuarial loss in respect of pension schemes of £8,006,000 for the group and University. The University has also recognised its obligation to the deficit reduction plan of the Universities Superannuation Scheme (USS), a UK-wide defined benefit scheme which is accounted for by the University as a defined contribution scheme this resulted in a finance charge of £753,000 for the group and University at 31 July 2015. The results of the above transactions are effectively a reclassification between the income statement and the other comprehensive income.

(11) Donations and endowments and gain on investments

Under previous GAAP the new bequests for endowments and the gain on appreciation of endowment assets and investments were recognised in the Statement of Total Recognised Gains and Losses, these are now recorded in the income statement and represent £1,312,000 of an adjustment to donations and endowments for both the group and University. The adjustment to gain on investments represents £4,375,000 of appreciation on endowments and £1,260,000 of gain on investments for the group at 31 July 2015. The adjustment to gain on investments represents £4,375,000 of appreciation on endowments and £53,000 of gain on investments for the University at 31 July 2015.

(12) Staff costs

Under FRS 102, the University is required to accrue for all holiday entitlement earned but not taken at the date of the balance sheet. The impact is to increase the staff cost expense by £2,257,000 for the year which is the movement on the accrual between 31 July 2014 and 31 July 2015. The recognition of the deficit reduction plan for the Universities Superannuation Scheme (USS) resulted in an additional charge to staff costs of £21,119,000 for the year ended 31 July 2015 for both the group and the University. The finance charge of the USS pension noted in (10) accounts for the balance of the movement on the provision year on year. The change to FRS 102 also resulted in an additional charge to other pension costs for the administration costs of the UGPS and SPF pension schemes amounting to £1,082,000 and as well as a £200,000 uplift in the interest cost.

(13) Depreciation

As part of the transition the group also componentised its assets with different useful lives, which, along with the revaluation, resulted in an additional depreciation charge of £5,217,000.

University of Glasgow
University Avenue
Glasgow G12 8QQ
Scotland, UK

Tel: +44 (0)141 330 2000
www.glasgow.ac.uk